
Press release

AFME welcomes a number of Commission legislative initiatives on NPLs

13 March 2018

Following the publication of the European Commission's legislative initiatives on NPLs today, Simon Lewis, Chief Executive at the Association for Financial Markets in Europe (AFME) said:

"The Commission's proposals for the development of a secondary market for NPLs is an important initiative which should enable banks to accelerate the reduction of such loans on their balance sheets. High levels of NPLs have long tied up valuable bank financing which might otherwise have been deployed in supporting economic growth.

"Plans to enable creditors to more rapidly recover their collateral may also contribute to a freeing up of defaulted loans, but it will be important to ensure full consistency with existing insolvency regimes and other legal requirements. The appropriate level of provisioning of NPLs should be determined on a bank-by-bank basis in agreement with supervisors rather through the enforced application of uniformly applied Pillar 1 prudential backstops."

On the specific legislative actions:

Accelerated Extrajudicial Collateral Enforcement

AFME believes that this framework would be helpful to better protect creditors from borrower defaults as it will provide more certainty on loan recovery proceedings and improve times associated with such recoveries. During the discussion of the legislative proposal, lawmakers should ensure consistency with other legal frameworks, including, most importantly, the Commission's proposed Directive on EU insolvency, as well as existing insolvency regimes and any legal guarantees or other credit support that might already be in place.

NPL Secondary Markets

Access to third-party loan servicers is crucial to the development and growth of secondary markets for NPLs. Measures aimed at facilitating the provision of cross-border credit servicing activities are a step in the right direction towards a true EU market for NPLs.

AFME also welcomes the introduction of common standards for supervision of credit servicing activities. Consumers should be protected by guaranteeing the financial expertise of loan servicing providers, as well as the suitability of asset recovery practices.

There are other major barriers, not addressed in the Commission's legislative proposal, that lawmakers and Member States should also take into consideration to further develop the market for NPLs. For example, ways to facilitate the wider participation of investors, or efforts to reduce transfer and registration costs of loan transactions.

Pillar 1 prudential backstop

AFME considers that blunt, one-size-fits-all Pillar 1 prudential backstops are unnecessary. Any potential shortcomings in provisioning which have not been clearly justified should be addressed in an institution-specific manner under a Pillar 2 approach allowing security- and country-specific differences that affect expected recovery periods to be taken into account.

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Note:

AFME invites market participants, policymakers, press and other stakeholders to attend its upcoming [European NPLs conference](#) that will be held on 22 May 2018 in Brussels. The Conference will provide a timely and informative overview of the European NPL regulatory and market environment, as well as an overview and analysis of the Council's NPL action plan.

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About AFME:

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu.

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