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ABS market divided on further NPL data disclosures High Yields Bonds

By Tom Brown

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The ABS market is divided into camps over the necessity for a third level of NPL compliance, with participants coming out for and against more disclosure at a panel in True Sale International's 2019 Conference in Berlin.

The debate arose over whether more disclosure is necessary to further reduce NPL volumes across Europe, a directive promoted by the European Banking Authority after further attempts to standardise NPL data templates.
"I think it might be beneficial to improve the quality of the data we have already," said a market participant, replying to the panel in a Q&A session, responding to assertions that further data disclosure would benefit the market.

The debate followed the release of a number of EBA NPL templates for use when buying and securitizing NPL portfolios.
"If we look at the data quality change over the past 10 years we see a massive positive change," said Basak Aktay, head of sales and customer relations at European Datawarehouse.
The market participants argued that data enrichment allowed investors to make more informed decisions about their NPL portfolios and reduce overall volumes in a safe manner.

In response to market feedback, the EBA has said that inserting a "not available" option in place of required data is an option under some circumstances.
According to the panellist, very few market participants use the data templates provided by the EBA.
The market participant said that "deals are getting done," and said that further details around loan history may not help facilitate further NPL securitizations and reduce overall NPE levels of bank balance sheets by extension.
The participant said that NPL investors primarily care about three criteria: Whether the loan is secured, the quality of the servicer, and the speed of repayment.
"There are many sensible things to be done, but having a third level of disclosure I don't think is one of them," said the participant.

Panellists were in agreement that individual foreclosure procedures between countries perpetuated the NPL ratios in Europe. NPL investment in Italy is difficult for the majority of funds, said a panellist, which have a typical lifespan of six years and have no guarantee of getting their money back on a foreclosure procedure which can take over eight years to complete.

“If you do not have capable servicers in a market it is difficult to invest,” said a panellist. Panellists were excited about the prospect of Greece cementing its own NPL state-funded scheme similar to the Italian GACS programme which reduced NPL ratios in Italy by almost half.
“Greece will be the future if they really adopt this scheme,” said Arne Klüwer, partner at Dentons.