



October 2018 EU affairs newsletter

Finance	2
Council adopts its position on capital requirements for NPLs	2
Public Sector Information	3
Amendments to ITRE report.....	3
PSI : Council to adopt mandate on PSI early November	4
Late Payments	4
Amendments to Comi report published , FEBIS working on a comments paper	4
Insolvency	5
ECB publishes a report on Insolvency frameworks and private debt: an empirical investigation	5
Credit reporting	5
EC publishes the results of the mapping of national approaches in relation to creditworthiness assessment under the CCD	5
ICCR – International Committee on Credit Reporting - WB	6
ICCR - Argentina, 4-5 TH October 2018 - FEBIS participation	6
About FEBIS– Federation of Business Information Services	



Finance

Council adopts its position on capital requirements for NPLs

On 31 October, EU ambassadors approved the Council's position on capital requirements applying to banks with non-performing loans (NPLs) on their balance sheets. On the basis of this text, the Austrian Presidency will be able to start negotiations with the European Parliament as soon as the Parliament is ready to negotiate.

The proposal, initially put forward by the Commission in March 2018, aims at creating a prudential framework for banks to deal with new NPLs and thus to reduce the risk of their accumulation in the future. In particular, it sets requirements to set aside sufficient own resources when new loans become non-performing and creates appropriate incentives to address NPLs at an early stage.

A bank loan is considered non-performing when more than 90 days pass without the borrower (a company or a physical person) paying the agreed instalments or interest. When customers do not meet their agreed repayment arrangements for 90 days or more, the bank must set aside more capital on the assumption that the loan will not be paid back. This increases bank's resilience to adverse shocks by facilitating private risk-sharing, while at the same time reducing the need for public risk-sharing. Further, addressing possible future NPLs is essential to strengthen the Banking Union, as well as preserves financial stability and encourages lending to create growth and jobs within the Union.

On the basis of a common definition of non-performing exposures, the proposed new rules introduce a "prudential backstop", i.e. common minimum loss coverage for the amount of money banks need to set aside to cover losses caused by future loans that turn non-performing. In case a bank does not meet the applicable minimum level, deductions from banks' own funds would apply.

According to the Council's position, different coverage requirements would apply depending on the classifications of the NPLs as "unsecured" or "secured" and whether the collateral is movable or immovable:

- **Regarding NPLs** secured by immovable collateral (commercial or residential real estate) it can be reasonably assumed that immovable property will have a remaining value for a longer period of time after the loan turned non-performing. Thus, the proposal provides a gradual increase of the minimum loss coverage level over a period of 9 years. The full coverage of 100% for NPLs secured by movable and other CRR eligible collateral will have to be built up after 7 years.
- **Unsecured NPLs** require higher and timelier minimum loss coverage because they are not backed by collateral. Therefore, the maximum coverage requirement would apply fully after 3 years.



The new rules will apply only to loans allocated after the date of entry into force of the regulation.

Minimum coverage level (in %)

After year	1	2	3	4	5
Secured by immovable collateral	0%	0%	25.5%	41.5%	69%
Secured by movable collateral	0%	0%	25.5%	41.5%	69%
Unsecured	0%	35%	100%		

Negotiations with the European Parliament can proceed as soon as the Parliament has agreed its stance.

A qualified majority is needed for adoption by the Council, in agreement with the European Parliament.

- [Commission page on non-performing loans](#)

Public Sector Information

Amendments to ITRE report

More than 300 amendments have been published to the ITRE report of the European Parliament on the review of public sector information. Many of the [ITRE amendments \(1\)](#) and [ITRE amendments \(2\)](#) want to include public undertakings include them in the review, with no disadvantage against private companies. The rapporteur also considers it could be extended to all enterprises which deliver services of general interest, even with contract with public body. Some amendments replace "public undertakings" by "operators of public services" meaning it include private companies which have a delegation/contract to operate a public service. But other amendments want to exclude from the scope the public undertakings with direct competition with private entities.

On High Value Datasets: Amendments from ITRE members would include transport data in the list of High Value Datasets. Some amendments also reduce or extend exclusivity agreements



PSI : Council to adopt mandate on PSI early November

The Coreper, which groups together all the Permanent Representatives of the Member States, would meet to discuss the review of the Public Sector Information directive on November 7, with a view of adopting a negotiating mandate for the Council at that date. The Austrian Presidency has unveiled on October 25 [its latest compromise paper](#) on the subject, which seems to have the back-up of a majority of delegations. Amongst the new measures are a new recital 54 allowing EU financing for public bodies which contribute to making data interoperable and reusable easily via APIs. Another addition is recital 32 which enlarges the notion of marginal cost.

Late Payments

Amendments to Comi report published , FEBIS working on a comments paper

The amendments to the EP report from MEP Lara Comi [on combating late payments in business transactions](#) have been published mid October 2018. Amongst the 130+ amendments laid down, some insist on the need to reduce payment term to 30 days, whereas others want to remove the name and shame mechanisms or insist on training and on early-warning mechanisms.

FEBIS regulatory committee has already done a position paper on the report and is now working on an annex paper on the amendments. The discussion and vote in IMCO should take place on November 21 or 22 with a vote scheduled for December 7.

Link to amendments:

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-629.463+01+DOC+PDF+V0//EN&language=EN>



Insolvency

ECB publishes a report on Insolvency frameworks and private debt: an empirical investigation

At the end of October 2018, the European Central bank published a report on insolvency framework and private debts which focuses on empirical aspects. The paper inter alia concludes that “ By means of panel estimates, the paper shows that countries with better insolvency frameworks deleverage faster and are able to adjust their NPL more rapidly than countries with weaker regimes.”.

Link to the paper : <https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2189.en.pdf>

Credit reporting

EC publishes the results of the mapping of national approaches in relation to creditworthiness assessment under the CCD

The European Commission has published the results of its [mapping of national approaches in relation to creditworthiness assessment under the Consumer Credit Directive \(CCD\)](#). The mapping is a concrete deliverable under Action 9 of the Retail Financial Services Action Plan of the European Commission and will be an input in the formal evaluation of the CCD.

The document covers, among other things, the type of information to be taken into account for the creditworthiness assessment. The Commission has identified three types of approaches among Member States:

- Countries that leave discretion to creditors as to which information is to be used for the creditworthiness assessment.
- Countries where creditors have to take into account certain information such as the consumer's (and in certain cases, the household's) income and expenditures, their debts and, in certain cases, their assets. On top of such information, in some Member States, it can also be compulsory for the creditors to check credit databases to verify the information provided by the consumers and /or check the existence of any payment defaults and credit history.



- Countries that set out formulas with clear thresholds of indebtedness (for example, debt-to-income or debt service to income) defining whether or not the credit can be granted to the consumer according to his/her financial situation.

The document also looks at the usage of credit registers/databases by the creditors during the creditworthiness assessment, by flagging out countries where the consultation of the database is compulsory and those where it is not. Depending on the country, databases can be publicly run and /or co-exist alongside privately-run ones. The Commission notes that the content of databases varies between countries and can include only negative data or, most frequently, both positive and negative data.

ICCR – International Committee on Credit Reporting - WB

ICCR - Argentina, 4-5TH October 2018 - FEBIS participation

FEBIS participated in the last ICCR meeting on the 4-5th of October, held in Buenos Aires and hosted by the G-20 Argentinian presidency at the Ministry of Economy.

The meeting went according to planned, most of the expectations, set in Washington were met. It made a stride forward, with a plan to gain more relevance, and recognition, in the world-wide credit reporting arena.

- The works on the use of alternative data in credit reporting, were published within the *G20 Policy Guide on: "Digitization and Informality: harnessing digital financial inclusion of individuals and MSMEs in the Informal Economy"* (final G20 publication available). Febis' contributions are comprised, mainly, in section C, with recommendations which gathered revindications of getting essential data for the credit reporting agencies' functioning, how to improve information availability and accuracy to achieve effectiveness, expanding credit information sharing trying to open data repositories that are not available yet in certain jurisdictions.

Regarding the two subcommittees formed in Washington:

- FEBIS has actively participated in the works of the subcommittee of credit scoring. In addition, FEBIS' reg Com. contributed with a matrix on scoring-rating and a template with the European regulatory framework that impacts scoring. These efforts were highly appreciated for the whole group and will be discussed in further occasions.
The draft shows 8 *recommendations* on scoring that will need further discussion.



- The cybersecurity subcommittee, the committee analyzed the paper made by the consultant. “Cybersecurity Draft”, which intends to set standard in latter stage.
- Governance:
 - As preliminarily discussed in Washington, a new strategy was set for the committee to become more relevant.
 - The chair wants to reinforce the position of, ICCR, as a widely known consultative body of experts, a unique committee on credit reporting gathering experts from the G20 central banks and other international regulators as well as international organizations from the private sector.
 - BIS (Bank for International Settlements) will become the deputy chair of ICCR
 - New central banks joined as NEW members:
 - ✓ Central bank of Argentina,
 - ✓ Central bank of Russia
 - ✓ Central bank of China (People’s bank of china), the financial system regulator. The Credit reference Center from the PBOC was already a member (the rating and scoring Official Institution).
 - The ICCR logo *usage guidelines* were defined, among the committee members.

The ICCR aim should be to keep credit reporting systems being effective, innovative, adapted to the new trends of last technologies and attending new market demands and needs.

Effective credit reporting systems should be able, not only to include financially informal, or new, subjects, but to facilitate multiple ways to access to finance, even for those subjects already included in the financial systems, who will be in the need of looking for finance.



About FEBIS– Federation of Business Information Services

Benefiting from the opening of markets within Europe and overseas, world-wide business has experienced substantial growth. As business grows so does the demand for business information, in particular, intelligence for cross-border business activities.

In 1973, leading European credit information agencies joined forces to form the Federation of Business Information Services FEBIS (initially known as FECRO), with its registered office in Frankfurt. Today, FEBIS has developed into a sizable organization comprising more than 100 members from all over the world involved in providing Business Information and credit information services of national and International importance.

As the industry association, FEBIS strives to look after common interests of its members. While monitoring new legislation like data protection laws and insolvency laws, FEBIS also oversees and the application of public sources and information.