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BCBS Consultative Document

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Prudential treatment of problem assets - definitions of non-performing exposures and forbearance

Dear Sir or Madam,

At present, the terms "*non-performing exposures*" (NPEs) and "*forbearance*" are defined differently in various jurisdictions. Thus, the intended harmonisation of definitions may be helpful.

In the area of supervisory reporting, there are already requirements in form of the EBA ITS on supervisory reporting on forbearance and non-performing exposures implemented at European level by Commission Implementing Regulation (EU) 680/2014, in conjunction with amending Commission Implementing Regulation (EU) 2015/227 of 9 January 2015. We believe it is important that the terminology used in the BCBS consultative document is consistent with the requirements set by EBA. As the European requirements have been proved successful, these appear to be suitable for Basel Committee level as well.

Different wording for the same issue could cause problems when it comes to ensuring a uniform understanding for supervisory purposes. This is illustrated by paragraph 28, for example: In the case of classifying a borrower as non-performing, both BCBS and EBA stipulate that it must be examined whether the entire group would have to be classified as non-performing. For this "group", which is the term used in the EBA ITS, the BCBS consultative document uses the term "*group of connected counterparties*" instead. As we cannot see any material difference in this respect,

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we prefer the term "*group*" to be used for Basel Committee requirements.

According to paragraph 19, all exposures to a debtor have to be considered as non-performing when any one of the exposures is past due. Due to reasons of materiality, we consider this definition to be inappropriate. We rather believe that an aggregated exposure should only be regarded as non-performing if the portion that is past due makes up more than 20% of the aggregated exposure (cf. paragraph 155 of Implementing Regulation (EU) 2015/227 of 9 January 2015 amending Implementing Regulation (EU) 680/2014).

Yours sincerely,
on behalf of the German Banking Industry Committee,
Association of German Banks



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