



2018/0060(COD)

8.11.2018

*****I**

DRAFT REPORT

on the proposal for a regulation of the European Parliament and of the Council
on amending Regulation (EU) No 575/2013 as regards minimum loss coverage
for non-performing exposures
(COM(2018)0134 – C8-0117/2018 – 2018/0060(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Esther de Lange, Roberto Gualtieri

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a regulation of the European Parliament and of the Council on amending Regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures
(COM(2018)0134 – C8-0117/2018 – 2018/0060(COD))**

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2018)0134),
 - having regard to Article 294(2) and Article 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0117/2018),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the opinion of the European Central Bank of 12 July 2018¹
 - having regard to the opinion of the European Economic and Social Committee of 27 June 2018²
 - having regard to Rule 59 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A8-0000/2018),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a regulation

Recital 2

Text proposed by the Commission

(2) An integrated financial system will enhance the resilience of the European

Amendment

(2) An integrated financial system will enhance the resilience of the European

¹ Not yet published in the *Official Journal*.

² OJ C 367, 10.10.2018, p. 43.

Monetary Union to adverse shocks by facilitating private cross-border risk-sharing, while at the same time reducing the need for public risk-sharing. In order to achieve these objectives, the Union should complete the Banking Union and further develop a Capital Markets Union.

Addressing *high stocks of NPEs and their* possible future accumulation is essential to **completing** the Banking Union as it is essential for ensuring competition in the banking sector, preserving financial stability and encouraging lending so as to create jobs and growth within the Union.

Monetary Union to adverse shocks by facilitating private cross-border risk-sharing, while at the same time reducing the need for public risk-sharing. In order to achieve these objectives, the Union should complete the Banking Union and further develop a Capital Markets Union.

Addressing possible future *NPE* accumulation is essential to **strengthening** the Banking Union as it is essential for ensuring competition in the banking sector, preserving financial stability and encouraging lending so as to create jobs and growth within the Union.

Or. en

Amendment 2

Proposal for a regulation

Recital 3

Text proposed by the Commission

(3) In July 2017 the Council in its 'Action Plan to Tackle Non-Performing Loans in Europe' called upon various institutions to take appropriate measures to further address the high number of NPEs in the Union. The Action Plan sets out a comprehensive approach that focuses on a mix of complementary policy actions in four areas: (i) bank supervision and regulation; (ii) reform of restructuring, insolvency and debt recovery frameworks; (iii) developing secondary markets for distressed assets; (iv) fostering restructuring of the banking system. Actions in these areas are to be taken at national level and at Union level, where appropriate. The Commission announced a similar intention in its 'Communication on completing the Banking Union' of 11 October 2017¹⁶, which called for a comprehensive package on tackling *NPLs* within the Union.

Amendment

(3) In July 2017 the Council in its 'Action Plan to Tackle Non-Performing Loans in Europe' called upon various institutions to take appropriate measures to further address the high number of NPEs in the Union **and prevent their build-up in the future**. The Action Plan sets out a comprehensive approach that focuses on a mix of complementary policy actions in four areas: (i) bank supervision and regulation; (ii) reform of restructuring, insolvency and debt recovery frameworks; (iii) developing secondary markets for distressed assets; (iv) fostering restructuring of the banking system. Actions in these areas are to be taken at national level and at Union level, where appropriate. The Commission announced a similar intention in its 'Communication on completing the Banking Union' of 11 October 2017¹⁶, which called for a comprehensive package on tackling **non-performing loans (NPLs)** within the

¹⁶ COM(2017) 592 final, 11.10.2017.

¹⁶ COM(2017) 592 final, 11.10.2017.

Amendment 3

Proposal for a regulation

Recital 4

Text proposed by the Commission

(4) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013¹⁷ forms, together with Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013¹⁸, the legal framework governing the prudential rules for institutions. Regulation (EU) No 575/2013 contains, inter alia, provisions directly applicable to institutions for determining their own funds. It is therefore necessary to complement the existing prudential rules in Regulation (EU) No 575/2013 relating to own-funds with provisions requiring a deduction from own funds where NPEs are not sufficiently covered *via* provisions or other adjustments. This would amount to effectively creating a prudential backstop for NPEs that will apply uniformly to all Union institutions.

¹⁷ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, OJ L 176, 27.6.2013, p.1.

¹⁸ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, OJ L 191, 28.6.2014, p. 1.

Amendment

(4) Regulation (EU) No 575/2013 of the European Parliament and of the Council¹⁷ forms, together with Directive 2013/36/EU of the European Parliament and of the Council¹⁸, the legal framework governing the prudential rules for institutions. Regulation (EU) No 575/2013 contains, inter alia, provisions directly applicable to institutions for determining their own funds. It is therefore necessary to complement the existing prudential rules in Regulation (EU) No 575/2013 relating to own-funds with provisions requiring a deduction from own funds where NPEs are not sufficiently covered *by* provisions or other adjustments. This would amount to effectively creating a prudential backstop for NPEs that will apply uniformly to all Union institutions, *and would also include institutions being active on the secondary market.*

¹⁷ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p.1).

¹⁸ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (OJ L 191, 28.6.2014, p. 1).

Amendment 4**Proposal for a regulation****Recital 5***Text proposed by the Commission*

(5) The prudential backstop should not prevent competent authorities from exercising their supervisory powers in accordance with Directive 2013/36/EU. Where competent authorities ascertain on a case-by-case basis that, despite the application of the prudential backstop for NPEs established in this Regulation, the NPEs of a specific institution are not sufficiently covered, they may make use of the supervisory powers envisaged in Directive 2013/36/EU, including the power referred to in Article 104(1)(d) of that Directive.

Amendment

(5) The prudential backstop should not prevent competent authorities from exercising their supervisory powers in accordance with Directive 2013/36/EU. Where competent authorities ascertain on a case-by-case basis that, despite the application of the prudential backstop for NPEs established in this Regulation, the NPEs of a specific institution are not sufficiently covered, they may make use of the supervisory powers envisaged in Directive 2013/36/EU, including the power referred to in Article 104(1)(d) of that Directive. ***It is consequently possible for the competent authorities to go, on a case-by-case basis, beyond the requirements under this Regulation for the purpose of ensuring sufficient coverage for NPEs.***

Amendment 5**Proposal for a regulation****Recital 6***Text proposed by the Commission*

(6) For the purposes of applying the backstop, it is appropriate to introduce in Regulation (EU) No 575/2013 a clear set of conditions for the classification of NPEs. As Commission Implementing Regulation (EU) No 680/2014 already lays down criteria concerning NPEs for the purposes of supervisory reporting, it is appropriate that the classification of NPEs builds on

Amendment

(6) For the purposes of applying the ***prudential*** backstop, it is appropriate to introduce in Regulation (EU) No 575/2013 a clear set of conditions for the classification of NPEs. As Commission Implementing Regulation (EU) No 680/2014 already lays down criteria concerning NPEs for the purposes of supervisory reporting, it is appropriate that

that existing framework. Commission Implementing Regulation (EU) No 680/2014 refers to defaulted exposures as defined for the purposes of calculating own funds requirements for credit risk and exposures impaired pursuant to the applicable accounting framework. As forbearance measures may influence whether an exposure is classified as non-performing, the classification criteria are complemented by clear criteria on the impact of forbearance measures. Forbearance measures may have different justifications and consequences, it is therefore appropriate to provide that a forbearance measure granted to a non-performing exposure should not discontinue the classification of that exposure as non-performing unless certain strict discontinuation criteria are fulfilled.

the classification of NPEs builds on that existing framework. Commission Implementing Regulation (EU) No 680/2014 refers to defaulted exposures as defined for the purposes of calculating own funds requirements for credit risk and exposures impaired pursuant to the applicable accounting framework. As forbearance measures may influence whether an exposure is classified as non-performing, the classification criteria are complemented by clear criteria on the impact of forbearance measures. Forbearance measures may have different justifications and consequences, it is therefore appropriate to provide that a forbearance measure granted to a non-performing exposure should not discontinue the classification of that exposure as non-performing unless certain strict discontinuation criteria are fulfilled.

Or. en

Amendment 6

Proposal for a regulation Recital 7

Text proposed by the Commission

(7) The longer an exposure has been non-performing, the lower the probability for the recovery of its value. Therefore, the portion of the exposure that should be covered by provisions, other adjustments or deductions should increase with time, following a pre-defined calendar.

Amendment

(7) The longer an exposure has been non-performing, the lower the probability for the recovery of its value. Therefore, the portion of the exposure that should be covered by provisions, other adjustments or deductions should increase with time, following a pre-defined calendar. ***NPEs purchased by an institution should thus be subject to a calendar that starts to run from the date on which the NPE has originally been classified as non-performing, and not from the date of its purchase. For this purpose, the seller should provide the buyer with information as regards the date of the classification of the exposure as non-performing.***

Amendment 7**Proposal for a regulation****Recital 7 a (new)***Text proposed by the Commission**Amendment*

(7a) Partial write-offs should be taken into account when calculating the specific credit risk adjustments. The original exposure value prior to the partial write-off has to be used, in order to avoid any double counting of the write-off. The inclusion of partial write-offs in the list of items that can be used to meet the requirements of the backstop should encourage institutions to timely recognise write-offs.

Or. en

Amendment 8**Proposal for a regulation****Recital 8***Text proposed by the Commission**Amendment*

(8) Secured NPEs generally ***entail less risk*** than unsecured NPEs, as the credit protection securing the ***loan*** gives the institution a specific claim on an asset or against a third party in addition to the institution's general claim against the defaulted borrower. In the case of an unsecured ***loan***, only the general claim against the defaulted borrower would be available. Given the higher ***risk of unsecured loans***, a stricter calendar should be applied. ***An exposure which is only partly covered by collateral should be considered as secured for the covered part, and as unsecured for the part which***

(8) Secured NPEs ***are*** generally ***expected to result in less of a loss*** than unsecured NPEs, as the credit protection securing the ***NPE*** gives the institution a specific claim on an asset or against a third party in addition to the institution's general claim against the defaulted borrower. In the case of an unsecured ***NPE***, only the general claim against the defaulted borrower would be available. Given the higher ***loss expected on unsecured NPEs***, a stricter calendar should be applied.

is not covered by collateral.

Or. en

Amendment 9

Proposal for a regulation Recital 8 a (new)

Text proposed by the Commission

Amendment

(8a) An exposure which is only partly covered by eligible credit protection should be considered as secured for the covered part, and as unsecured for the part which is not covered by eligible credit protection. To determine which parts of NPEs are to be treated as secured or unsecured, the eligibility criteria for credit protection and fully and completely securing mortgages used for the purposes of the calculation of capital requirements should be applied in accordance with the respective approach including applicable value adjustment.

Or. en

Amendment 10

Proposal for a regulation Recital 9

Text proposed by the Commission

Amendment

(9) A ***different*** calendar should be applied ***depending on*** whether the exposure is non-performing because the obligor is past due more than 90 days or if it is non-performing for other ***reasons***. ***In the first case, the minimum coverage requirement should be higher as the institution has not received any payment from the obligor over a long period. In the second case, there should be no full***

(9) A ***uniform*** calendar should be applied ***irrespective of*** whether the exposure is non-performing because the obligor is past due more than 90 days or if it is non-performing for other ***triggers***. ***The prudential backstop should be applied on an exposure-by-exposure level. Further for unsecured NPEs a calendar of three years should apply. In order to allow institutions and Member States to improve***

coverage requirement as there is still some repayment or a higher probability of repayment.

the efficiency of restructuring or enforcement proceedings, as well as recognise that NPEs secured with immovable collateral and residential loans guaranteed by an eligible protection provider as defined in Regulation (EU) No 575/2013 will have a remaining value for a longer period of time after the loan turned non-performing it is appropriate to provide for a calendar of nine years. For other secured NPEs a calendar of seven years should apply until full coverage has to be built up.

Or. en

Amendment 11

Proposal for a regulation

Recital 10

Text proposed by the Commission

Amendment

(10) When an exposure is classified as non-performing for reasons other than being past due more than 90 days and subsequently becomes past due more than 90 days, it should be subject to the stricter calendar applicable for NPEs being past due more than 90 days. The new calendar should not be retroactive and should apply from the day the exposure becomes past due more than 90 days. However, the factor to be applied should be the one which would have been applicable if the exposure had, from the beginning, been classified as NPE because it was past due more than 90 days.

deleted

Or. en

Amendment 12

Proposal for a regulation

Recital 10 a (new)

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(10a) It should be possible to take forbearance measures into account for the purpose of applying the relevant coverage factor. More precisely, the exposure should continue to be classified as non-performing but the coverage requirement should remain stable during one additional year. Therefore, the factor that would be applicable during the year in which the forbearance measure has been granted should be applicable for two years, instead of one. Where, upon expiry of such additional year, the exposure is still non-performing, the applicable factor should be determined as if no forbearance measure had been granted, taking into account the date when the exposure has originally been classified as non-performing. Given that granting forbearance measures should not lead to any arbitrage, this possibility should only be permitted in respect of the first forbearance measure that has been granted since the classification of the exposure as non-performing. Furthermore, the one-year period during which the coverage factor remains unchanged should not lead to the extension of the provisioning calendar. Consequently, any forbearance measure granted in the third year after the classification as NPE for unsecured exposures, or, in the seventh year after the classification as NPE for secured exposures, should not delay the full coverage of the NPE.

Or. en

Amendment 13**Proposal for a regulation
Recital 11**

Text proposed by the Commission

(11) In order to ensure that the credit protection valuation of institutions' NPEs follows a prudent approach, EBA should consider the need for and, if necessary, develop a common methodology, in particular regarding assumptions pertaining to recoverability and enforceability, and possibly including minimum requirements for re-valuation in terms of timing.

Amendment

(11) In order to ensure that the credit protection valuation of institutions' NPEs follows a prudent approach, EBA should consider the need for and, if necessary, develop a common methodology, in particular regarding assumptions pertaining to recoverability and enforceability, and possibly including minimum requirements for re-valuation *of the credit protection* in terms of timing.

Or. en

Amendment 14

Proposal for a regulation

Recital 12

Text proposed by the Commission

(12) In order to facilitate a smooth transition towards this new prudential backstop, the new rules should not be applied in relation to exposures originated prior to **14 March 2018**. *The Commission has repeatedly made public its intention to introduce a prudential backstop for NPEs. As of the date of the legislative proposal there should be sufficient clarity for institutions and other stakeholders on how the prudential backstop envisaged by the Commission would apply.*

Amendment

(12) In order to facilitate a smooth transition towards this new prudential backstop, the new rules should not be applied in relation to exposures originated prior to *the entry into force of this Regulation*.

Or. en

Amendment 15

Proposal for a regulation

Article 1 – point 1 – introductory part

Text proposed by the Commission

(1) in Article 36, the following point (m) is added:

Amendment

(1) in Article 36(1), the following point (m) is added:

Or. en

Amendment 16

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47a – paragraph 1 – point a

Text proposed by the Commission

(a) a debt instrument, including a debt security, a loan, an advance, **a cash balance at a central bank and any other** demand deposit;

Amendment

(a) a debt instrument, including a debt security, a loan, an advance **and a** demand deposit;

Or. en

Amendment 17

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47a – paragraph 1 – point b

Text proposed by the Commission

(b) a loan commitment given, a financial guarantee given or any other commitment given, irrespective whether revocable or irrevocable.

Amendment

(b) a loan commitment given, a financial guarantee given or any other commitment given, irrespective whether revocable or irrevocable, **except undrawn credit facilities which may be cancelled unconditionally at any time and without notice, or that effectively provide for automatic cancellation owing to deterioration in the borrower's creditworthiness.**

Or. en

Amendment 18

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47a – paragraph 2 – subparagraph 1

Text proposed by the Commission

For the purposes of Article 36(1)(m), the exposure value of a debt instrument shall be its accounting value measured without taking into account any specific credit risk adjustments, additional value adjustments in accordance with Articles 34 and 105, amounts deducted in accordance with Article 36(1)(m) *or* other own funds reductions related to the exposure.

Amendment

For the purposes of Article 36(1)(m), the exposure value of a debt instrument shall be its accounting value measured without taking into account any specific credit risk adjustments, additional value adjustments in accordance with Articles 34 and 105, amounts deducted in accordance with Article 36(1)(m), other own funds reductions related to the exposure *or partial write-offs made by the institution since the last time the exposure was classified as non-performing.*

Or. en

Amendment 19

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47a – paragraph 2 – subparagraph 2

Text proposed by the Commission

For the purposes of Article 36(1)(m), the exposure value of a loan commitment given, a financial guarantee given or other *commitments* given shall be its nominal value, which shall represent the institution's maximum exposure to credit risk without taking account of any funded or unfunded credit protection. In particular,

Amendment

For the purposes of Article 36(1)(m), the exposure value of a loan commitment given, a financial guarantee given or *any other commitment given pursuant to point (b) of paragraph 1* shall be its nominal value, which shall represent the institution's maximum exposure to credit risk without taking account of any funded or unfunded credit protection. In particular,

Or. en

Amendment 20

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47a – paragraph 3 – subparagraph 1 – point c

Text proposed by the Commission

(c) an exposure under probation pursuant to paragraph 7, where additional forbearance measures are granted or where *it* becomes more than 30 days past due;

Amendment

(c) an exposure under probation pursuant to paragraph 7, where additional forbearance measures are granted or where ***the exposure*** becomes more than 30 days past due;

Or. en

Amendment 21

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47a – paragraph 3 – subparagraph 1 – point d

Text proposed by the Commission

(d) an exposure in form of a commitment that, were it drawn down or otherwise used, would ***present a risk of not being*** paid back in full without realisation of collateral;

Amendment

(d) an exposure in form of a commitment that, were it drawn down or otherwise used, would ***likely not be*** paid back in full without realisation of collateral;

Or. en

Amendment 22

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47a – paragraph 3 – subparagraph 1 – point e

Text proposed by the Commission

(e) an exposure in form of a financial

Amendment

(e) an exposure in form of a financial

guarantee that is *at risk of being* called by the guaranteed party, including where the underlying guaranteed exposure meets the criteria to be considered as non-performing.

guarantee that is *likely to be* called by the guaranteed party, including where the underlying guaranteed exposure meets the criteria to be considered as non-performing.

Or. en

Amendment 23

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47a – paragraph 3 – subparagraph 2

Text proposed by the Commission

For the purpose of point (a), where an institution has on-balance sheet exposures to an obligor that are past due by more than 90 days and that represent more than 20% of all on-balance sheet exposures to that obligor, all on- and off-balance sheet exposures to that obligor shall be considered as *past due by more than 90 days*.

Amendment

For the purpose of point (a), where an institution has on-balance sheet exposures to an obligor that are past due by more than 90 days and that represent more than 20% of all on-balance sheet exposures to that obligor, all on- and off-balance sheet exposures to that obligor shall be considered as *non-performing*.

Or. en

Amendment 24

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47a – paragraph 6 – subparagraph 1 – point c

Text proposed by the Commission

(c) there is no past-due amount following the forbearance measures *or* the institution, on the basis of the analysis of the obligor's financial situation, is satisfied about the likelihood of the full and timely repayment of the exposure.

Amendment

(c) there is no past-due amount following the forbearance measures *and* the institution, on the basis of the analysis of the obligor's financial situation, is satisfied about the likelihood of the full and timely repayment of the exposure.

Amendment 25

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47b – paragraph 1 – introductory part

Text proposed by the Commission

1. For the *purposes* of Article 47a, 'forbearance measure' shall include a concession by an institution towards an obligor that is experiencing or is likely to experience *a deterioration in* its financial *situation*. A concession may entail a loss for the lender and shall refer to either of the following actions:

Amendment

1. For the *purpose* of Article 47a, 'forbearance measure' shall include a concession by an institution towards an obligor that is experiencing or is likely to experience *difficulties in meeting* its financial *commitments*. A concession may entail a loss for the lender and shall refer to either of the following actions:

Or. en

Amendment 26

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47b – paragraph 1 – point a

Text proposed by the Commission

(a) a modification of the terms and conditions of a debt obligation, where such modification would not have been granted had the *financial situation of the* obligor not *deteriorated*;

Amendment

(a) a modification of the terms and conditions of a debt obligation, where such modification would not have been granted had the obligor not *experienced difficulties in meeting its financial commitments*;

Or. en

Amendment 27

Proposal for a regulation

Article 1 – point 2

Text proposed by the Commission

(b) a total or partial refinancing of a debt obligation, where such refinancing would not have been granted had the ***financial situation of the*** obligor not ***deteriorated***.

Amendment

(b) a total or partial refinancing of a debt obligation, where such refinancing would not have been granted had the obligor not ***experienced difficulties in meeting its financial commitments***.

Or. en

Amendment 28

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47b – paragraph 2 – point a

Text proposed by the Commission

(a) new contract terms that are more favourable to the obligor than the previous contract terms;

Amendment

(a) new contract terms that are more favourable to the obligor than the previous contract terms, ***where the obligor is experiencing or is likely to experience difficulties in meeting its financial commitments***;

Or. en

Amendment 29

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47b – paragraph 2 – point b

Text proposed by the Commission

(b) new contract terms that are more favourable to the obligor than contract terms offered by the same institution to obligors with a similar risk profile at that time;

Amendment

(b) new contract terms that are more favourable to the obligor than contract terms offered by the same institution to obligors with a similar risk profile at that time, ***where the obligor is experiencing or***

is likely to experience difficulties in meeting its financial commitments;

Or. en

Amendment 30

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47b – paragraph 4

Text proposed by the Commission

4. For the purposes of this Article, the **deterioration of the financial situation** of an obligor shall be assessed at obligor level, taking into account all the legal entities in the obligor's group which are within the perimeter of the accounting consolidation of the group and natural persons who control that group.

Amendment

4. For the **purpose** of this Article, the **difficulties** of an obligor **to meet its financial commitments** shall be assessed at obligor level, taking into account all the legal entities in the obligor's group which are within the perimeter of the accounting consolidation of the group and natural persons who control that group.

Or. en

Amendment 31

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 1 – subparagraph 1 – introductory part

Text proposed by the Commission

For the purposes of Article 36(1)(m), institutions shall determine the applicable amount of insufficient coverage **for** non-performing exposures to be deducted from Common Equity Tier 1 items by subtracting the amount determined in point (b) from the amount determined in point (a):

Amendment

For the purposes of Article 36(1)(m), institutions shall determine the applicable amount of insufficient coverage **separately for each** non-performing exposures to be deducted from Common Equity Tier 1 items by subtracting the amount determined in point (b) from the amount determined in point (a), **where the amount referred to in point (a) exceeds the amount referred to in point (b)**:

Amendment 32

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 1 – subparagraph 1 – point b – introductory part

Text proposed by the Commission

(b) the sum of the following items provided they relate to **a specific** non-performing exposure:

Amendment

(b) the sum of the following items provided they relate to **the same** non-performing exposure:

Or. en

Amendment 33

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 1 – subparagraph 1 – point b – point iv a (new)

Text proposed by the Commission

Amendment

(iva) amounts written-off by the institution since the exposure was classified as non-performing;

Or. en

Amendment 34

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 1 – subparagraph 2

Text proposed by the Commission

The secured part of a non-performing exposure is the part of such exposure which **is** covered by a funded credit

Amendment

The secured part of a non-performing exposure is the part of such exposure which, **for the purpose of the calculation**

protection or unfunded credit protection *in accordance with Chapters 3 and 4 of Title II.*

of own funds requirements pursuant to Title II of Part Three, is considered to be covered by a funded credit protection or unfunded credit protection or fully and completely secured by mortgages.

Or. en

Amendment 35

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 2 – point a

Text proposed by the Commission

Amendment

(a) 0.35 for the unsecured part of a non-performing exposure to be applied during the period between one year and two years following its classification as non-performing, where the obligor is past due more than 90 days;

deleted

Or. en

Amendment 36

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 2 – point b

Text proposed by the Commission

Amendment

(b) 0.28 for the unsecured part of a non-performing exposure to be applied during the period between one year and two years following its classification as non-performing, where the obligor is not past due more than 90 days;

deleted

Or. en

Amendment 37

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 2 – point c

Text proposed by the Commission

(c) 1 for the unsecured part of a non-performing exposure to be applied as of the first day of the *second* year following its classification as non-performing, *where the obligor is past due more than 90 days*;

Amendment

(c) 1 for the unsecured part of a non-performing exposure to be applied as of the first day of the *fourth* year following its classification as non-performing;

Or. en

Amendment 38

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 2 – point d

Text proposed by the Commission

(d) *0.8 for the unsecured part of a non-performing exposure to be applied as of the first day of the second year following its classification as non-performing, where the obligor is not past due more than 90 days*;

Amendment

deleted

Or. en

Amendment 39

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point a

Text proposed by the Commission

(a) *0.05 for the secured part of a non-performing exposure to be applied during*

Amendment

deleted

the period between one year and two years following its classification as non-performing, where the obligor is past due more than 90 days;

Or. en

Amendment 40

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point b

Text proposed by the Commission

Amendment

(b) 0.04 for the secured part of a non-performing exposure to be applied during the period between one year and two years following its classification as non-performing, where the obligor is not past due more than 90 days;

deleted

Or. en

Amendment 41

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point c

Text proposed by the Commission

Amendment

(c) 0.1 for the secured part of a non-performing exposure to be applied during the period between two and three years following its classification as non-performing, where the obligor is past due more than 90 days;

deleted

Or. en

Amendment 42

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point d

Text proposed by the Commission

(d) 0.08 for the secured part of a non-performing exposure to be applied during the period between two and three years following its classification as non-performing, where the obligor is not past due more than 90 days;

Amendment

deleted

Or. en

Amendment 43

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point e

Text proposed by the Commission

(e) 0.175 for the secured part of a non-performing exposure to be applied during the period between three and four years following its classification as non-performing, where the obligor is past due more than 90 days;

Amendment

(e) 0,20 for the part of a non-performing exposure secured by immovable property pursuant to Title II of Part Three or that is a residential loan guaranteed by an eligible protection provider as referred to in Article 201, to be applied during the period between the first and the last day of the fourth year following its classification as non-performing;

Or. en

Amendment 44

Proposal for a regulation

Article 1 – point 2

Text proposed by the Commission

(f) **0.14** for the *secured* part of a non-performing exposure to be applied during the period *between three and four years* following its classification as non-performing, *where the obligor is not past due more than 90 days*;

Amendment

(f) **0,23** for the part of a non-performing exposure *secured by movable property or other eligible collateral within the meaning of this Regulation* to be applied during the period *as of the first day of the fourth year* following its classification as non-performing;

Or. en

Amendment 45

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point g

Text proposed by the Commission

(g) **0.275** for the *secured* part of a non-performing exposure to be applied during the period *between four and five years* following its classification as non-performing, *where the obligor is past due more than 90 days*;

Amendment

(g) **0,30** for the part of a non-performing exposure *secured by immovable property pursuant to Title II of Part Three or that is a residential loan guaranteed by an eligible protection provider as referred to in Article 201*, to be applied during the period *between the first and the last day of the fifth year* following its classification as non-performing;

Or. en

Amendment 46

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point h

Text proposed by the Commission

(h) **0.22** for the *secured* part of a non-performing exposure to be applied during the period *between four and five years* following its classification as non-performing, *where the obligor is not past due more than 90 days*;

Amendment

(h) **0,35** for the part of a non-performing exposure *secured by movable property or other eligible collateral within the meaning of this Regulation* to be applied during the period *as of the first day of the fifth year* following its classification as non-performing;

Or. en

Amendment 47

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point i

Text proposed by the Commission

(i) **0.4** for the *secured* part of a non-performing exposure to be applied during the period *between five and six years* following its classification as non-performing, *where the obligor is past due more than 90 days*;

Amendment

(i) **0,40** for the part of a non-performing exposure *secured by immovable property pursuant to Title II of Part Three or that is a residential loan guaranteed by an eligible protection provider as referred to in Article 201*, to be applied during the period *between the first and the last day of the sixth year* following its classification as non-performing;

Or. en

Amendment 48

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point j

Text proposed by the Commission

(j) **0.32** for the *secured* part of a non-

Amendment

(j) **0.50** for the part of a non-

performing exposure to be applied during the period *between five and six years* following its classification as non-performing, *where the obligor is not past due more than 90 days*;

performing exposure *secured by movable property or other eligible collateral within the meaning of this Regulation* to be applied during the period *as of the first day of the sixth year* following its classification as non-performing;

Or. en

Amendment 49

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point k

Text proposed by the Commission

(k) 0.55 for the *secured* part of a non-performing exposure to be applied during the period *between six and seven years* following its classification as non-performing, *where the obligor is past due more than 90 days*;

Amendment

(k) 0.55 for the part of a non-performing exposure *secured by immovable property pursuant to Title II of Part Three or that is a residential loan guaranteed by an eligible protection provider referred to in Article 201*, to be applied during the period *between the first and the last day of the seventh year* following its classification as non-performing;

Or. en

Amendment 50

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point l

Text proposed by the Commission

(l) **0.44** for the *secured* part of a non-performing exposure to be applied during the period *between six and seven years* following its classification as non-performing, *where the obligor is not past*

Amendment

(l) **0.80** for the part of a non-performing exposure *secured by movable property or other eligible collateral within the meaning of this Regulation* to be applied during the period *as of the first day*

due more than 90 days;

of the seventh year following its classification as non-performing;

Or. en

Amendment 51

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point m

Text proposed by the Commission

(m) 0.75 for the *secured* part of a non-performing exposure to be applied during the period between *seven and eight years* following its classification as non-performing, *where the obligor is past due more than 90 days;*

Amendment

(m) 0,75 for the part of a non-performing exposure *secured by immovable property pursuant to Title II of Part Three or that is a residential loan guaranteed by an eligible protection provider as referred to in Article 201*, to be applied during the period between *the first and the last day of the eighth year* following its classification as non-performing;

Or. en

Amendment 52

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point n

Text proposed by the Commission

(n) *0.6* for the *secured* part of a non-performing exposure to be applied during the period *between seven and eight years* following its classification as non-performing, *where the obligor is not past due more than 90 days;*

Amendment

(n) *1* for the part of a non-performing exposure *secured by movable property or other eligible collateral within the meaning of this Regulation* to be applied during the period *as of the first day of the eighth year* following its classification as non-performing;

Or. en

Amendment 53

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point o

Text proposed by the Commission

(o) *1* for the **secured** part of a non-performing exposure to be applied **as of** the first day of the **eighth** year following its classification as non-performing, **where the obligor is past due more than 90 days**;

Amendment

(o) **0,80** for the part of a non-performing exposure **secured by immovable property pursuant to Title II of Part Three or that is a residential loan guaranteed by an eligible protection provider as referred to in Article 201**, to be applied **during the period between** the first **and the last** day of the **ninth** year following its classification as non-performing;

Or. en

Amendment 54

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 – point p

Text proposed by the Commission

(p) **0.8** for the **secured** part of a non-performing exposure to be applied as of the first day of the **eighth** year following its classification as non-performing, **where the obligor is not past due more than 90 days**.

Amendment

(p) *1* for the part of a non-performing exposure **secured by immovable property pursuant to Title II of Part Three or that is a residential loan guaranteed by an eligible protection provider referred to in Article 201**, to be applied **during the period** as of the first day of the **tenth** year following its classification as non-performing;

Or. en

Amendment 55

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 3 a (new)

Text proposed by the Commission

Amendment

3 a. By way of derogation from paragraph 3, the following factors shall apply to the part of the non-performing exposure guaranteed or insured by an official export credit agency:

(a) 0 for the secured part of the non-performing exposure to be applied during the period between one year and seven years following its classification as non-performing and

(b) 1 for the secured part of the non-performing exposure to be applied as of the first day of the eighth year following its classification as non-performing.

Or. en

Amendment 56

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 4

Text proposed by the Commission

Amendment

4. For the purposes of determining the factor referred to in paragraphs 2 and 3 applicable to the secured or unsecured part of an exposure the following rules shall apply:

(a) where an exposure that has been classified as non-performing for reasons other than being past due more than 90 days and subsequently becomes past due more than 90 days, it shall be treated, from the day it becomes past due more

deleted

than 90 days, as if it had been past due more than 90 days on the date of its classification as non-performing;

(b) an exposure that has been classified as non-performing because it is past due more than 90 days shall be treated as such until it ceases to be classified as non-performing in accordance with paragraphs 4 and 6 of Article 47a, regardless of the repayment of past due amounts by the obligor;

(c) an exposure that has been classified as non-performing because it is past due more than 90 days and which subsequently benefits from forbearance measures shall still be treated as being past due more than 90 days;

(d) whether an exposure is past due more than 90 days shall be determined in accordance with Article 178.

Or. en

Amendment 57

Proposal for a regulation

Article 1 – point 2

Regulation (EU) No 575/2013

Article 47c – paragraph 5 – subparagraph 1

Text proposed by the Commission

EBA shall assess the range of practices applied for the valuation of secured non-performing exposures and may develop guidelines to specify a common methodology, including possible minimum requirements for re-valuation in terms of timing and ad hoc methods, for the prudential valuation of eligible forms of funded and unfunded credit protection, in particular regarding assumptions pertaining to their recoverability and enforceability.

Amendment

EBA shall assess the range of practices applied for the valuation of secured non-performing exposures and may develop guidelines to specify a common methodology, including possible minimum requirements for re-valuation in terms of timing and ad hoc methods, for the prudential valuation of eligible forms of funded and unfunded credit protection, in particular regarding assumptions pertaining to their recoverability and enforceability.
Those guidelines may also include a common methodology for the determination of the secured part of a

non-performing exposure, as referred to in paragraph 1.

Or. en

Amendment 58

Proposal for a regulation

Article 1 – paragraph 2

Regulation (EU) No 575/2013

Article 47c – paragraph 5 a (new)

Text proposed by the Commission

Amendment

5 a. By way of derogation from paragraphs 2 and 3, where an exposure has been granted a forbearance measure within the meaning of Article 47b

(a) between one year and two years following its classification as non-performing, the factor applicable in accordance with paragraph 2 at the moment the forbearance measure is granted shall be applicable for an additional period of one year;

(b) between two and six years following its classification as non-performing, the factor applicable in accordance with paragraph 3 at the moment the forbearance measure is granted shall be applicable for an additional period of one year.

This provision may only apply in relation to the first forbearance measure granted in respect to a non-performing exposure.

Or. en

Amendment 59

Proposal for a regulation

Article 1 – point 7

Regulation (EU) No 575/2013

Article 469a – paragraph 1

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Text proposed by the Commission

By way of derogation from Article 36(1)(m), institutions shall not deduct from Common Equity Tier 1 items the applicable amount of insufficient coverage for non performing exposures where the exposure was incurred prior to **14 March 2018**.

Amendment

By way of derogation from Article 36(1)(m), institutions shall not deduct from Common Equity Tier 1 items the applicable amount of insufficient coverage for non performing exposures where the exposure was incurred prior to ... **[date of entry into force of this Regulation]**.

Or. en

Amendment 60

Proposal for a regulation

Article 1 – point 7

Regulation (EU) No 575/2013

Article 469a – paragraph 2

Text proposed by the Commission

Where the terms and conditions of an exposure which was incurred prior to **14 March 2018** are modified by the institution in a way that increases the institution's exposure to the obligor, the exposure shall be considered as having been incurred on the date when the modification applies and shall cease to be subject to the derogation provided in the subparagraph 1.

Amendment

Where the terms and conditions of an exposure which was incurred prior to ... **[date of entry into force of this Regulation]** are modified by the institution in a way that increases the institution's exposure to the obligor, the exposure shall be considered as having been incurred on the date when the modification applies and shall cease to be subject to the derogation provided in the subparagraph 1.

Or. en