

Template for comments

ECB Guideline on the supervisory approach by national competent authorities to coverage of non-performing exposures held by less significant supervised entities

Institution/Company

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General comments

The EACB welcomes the possibility to comment on the ECB Guideline on the supervisory approach by NCAs to coverage of non-performing exposures held by LSIs. We agree with the effort of the supervisors in monitoring and supporting the reduction of NPLs to strengthen the banking system, making it more resilient and boosting its ability to grant loans to new and profitable projects in the economy. We also appreciate the careful consideration of the specificities of the LSIs and certain structural disadvantages compared to the SIs in achieving expected NPL reduction. Finally, the implementation of a framework should be coherent across the EU, proportionate, and yet flexible enough to allow NCAs to judge on a case-by-case basis. On this latest element, we evidence a step back in the ECB approach and the necessity of fine-tuning.

Past ECB guidance under the SSM Regulation have consistently been limited to a qualitative supervisory approach. By contrast, the draft guideline links the LSIs' assessments quantitatively to Article 47c CRR and, through staggered factors until 2028, effectively introduces a de facto minimum coverage requirement. This approach unduly restricts NCAs' SREP discretion under the CRD and replaces the case-by-case and proportionality principles with a quasi-automatic "second backstop" for LSIs. Moreover, as the draft is intended to be applied directly throughout the SREP, it creates binding pressure with external effects that exceed the ECB's coordinating mandate under Article 6 SSM Regulation. Such a measure would entail considerable additional costs for institutions, which stands in conflict with the current EU strategy to strengthen the competitiveness of the European banking sector.

We would also suggest that the ECB clarifies whether the new LSI Guidelines require that shortfalls be recognised separately within each booking unit, rather than being recorded only at the consolidated entity level in accordance with IFRS. Further guidance on the intended level of recognition (entity-by-entity vs. group level) would ensure consistent application across LSIs.

Finally, the proposed effective date of December 31, 2025, for the assessment of NPE coverage poses considerable implementation challenges. As the final text and reporting templates have not yet been published, institutions face a very tight window for completing the required IT developments. We believe that providing a more adequate timeframe for implementation would allow supervised entities to ensure a successful and accurate transition to new expectations.

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Please enter all your feedback in this list.

When entering feedback, please make sure that:

- each comment deals with a single issue only;
- you indicate the relevant article/chapter/paragraph, where appropriate;
- you indicate whether your comment is a proposed amendment, clarification or deletion.

Deadline: 27 October 2025

ID	Article	Paragraph	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board
1	Article 3	2(b)	Clarification	We would appreciate a clearer definition or an indicative threshold for what would constitute an "insignificant share of the less significant supervised entity's total amount of non-performing exposures."	The term "insignificant" is subjective and could lead to inconsistent application across different NCAs. A more precise definition would ensure the consistent application of high supervisory standards and a level playing field for all institutions.
2	Article 3	2	Amendment	There is a clear overlap between the proposed ECB Guidelines and EBA Guidelines on management of non-performing and forborne exposures (EBA/GL/2018/06). According to the latter, Credit institutions with NPLs ratio (EBA) higher than 5% are required to fulfill a NPE reduction plan to be submitted to the NCA. This plan is highly detailed and it is monitored and oversighted by the NCA which, upon its request, can demand additional measures to be adopted by the credit institution. In this sense, NCAs that have formally adopted EBA Guidelines on management of non-performing and forborne exposures (EBA/GL/2018/06) should be exempted from applying the proposed ECB Guidelines.	The overlap between the proposed ECB Guidelines and EBA Guidelines on management of non-performing and forborne exposures (EBA/GL/2018/06) generates excessive compliance costs to less significant institutions, especially for small and non-complex institutions. The proposed regulation goes against the current trend of regulatory simplification initiated by the European authorities.

3	Article 3	2	Amendment	Add a para (g). In terms of group recovery plan within an IPS, institutions may be instructed to implement several measures in the credit risk management area. In such cases, to maintain a level playing field within such affiliation and the robustness of group recovery plan, NCAs should have the option not to apply the supervisory approach set out in this Guideline to relevant institutions. Moreover, institutions that are part of IPS may be granted aid funds to overcome any shortages of capital.	This treatment could be relevant for certain less significant institutions affiliated in an IPS and subject to Group Recovery Plan according to Article 4 BRRD
4	Article 4	4	Amendment	The proposed application requirement not to apply Article 5 is excessively bureaucratic. A more pragmatic solution should be provided (e.g. initially a supervisory dialogue and exchange so that it can be clarified within this framework whether special circumstances exist).	The specific circumstances indicated in paragraph 4 still require extensive calculation to LSIs and do not contemplate the use of qualitative judgement from the NCAs. Thus this contrasts with the objective of the ECB to develop a proportionate framework that ensures effective supervision.
5	Article 6	1 and 2	Clarification	The guideline envisages the assessment of NPE coverage as information to be considered by authorities in the SREP process, which could lead to an increase in P2R and/or P2G requirements. However, if there are future plans to integrate this information with Pillar 1 requirements, calculations, and reporting (e.g., COREP statements), it would be essential for authorities to issue the corresponding legal texts. This would include modifying the CRR and Implementing Regulation (EU) 2024/3117 (COREP), issuing specifications for data transmission (xbrl, etc.), adapting their information repositories, and giving institutions adequate time for system adaptations.	While the guideline is clear about the SREP implications, any future integration with Pillar 1 would represent a significant change in regulatory and operational burden. Providing a clear roadmap and sufficient lead time for such changes would be critical for institutions to maintain compliance and financial stability. This preemptive comment is intended to highlight a potential future issue.
6	Article 7	1 and 2	Amendment	To undertake the necessary IT developments, it is crucial for NCAs to provide the required reporting specifications and templates as soon as possible.	The success of this guideline hinges on the ability of NCAs to accurately report the required data. This can only be done once the reporting templates and technical specifications are available. Providing these details promptly will allow institutions to begin the necessary IT development and ensure compliance.
8	Article 7	2	Amendment	Regulation (EU) 2021/451 does not set reporting requirements for the NPLs defined in article 469a of Regulation (EU) No 575/2013. There have been substantial studies about the cost of compliance with regulatory reporting requirements for credit institutions. EBA and ECB are currently working in new models of data requirements to reduce the mentioned cost. It should be carefully assessed the cost that it would suppose for LSIs, especially for SNCI, to implement the required IT developments to report the required data set in the proposed Guidelines. Moreover, institutions would be demanded to report some specific data for loans that are not subject to the prudential backstops regulation.	Reporting requirements can imply excessive IT development costs for LSIs and especially for SNCIs.

9	Article 7	1	Amendment	The reporting obligation should be limited to a one-time annual report if the threshold value of 5% (NPL ratio) is exceeded. If the threshold value is not exceeded in the following year, no renewed reporting obligation should exist.	Reporting requirements can imply an excessive IT development cost for LSIs and especially for SNCIs. A more proportionate approach is necessary to reduce the impact of the guideline on these institutions.
10	Article 8	1 and 2	Amendment	The effective date of December 31, 2025, for the assessment of NPE coverage is overly ambitious given the consultation process is ongoing and the final guideline, along with the required reporting templates, has not been published. This means that LSIs would hardly have any time to implement the necessary IT developments.	A staggered implementation plan with a reasonable lead time is essential. The lack of a finalized guideline and reporting templates prevents institutions from planning and executing the required IT developments to meet the reporting obligations. While the transitional arrangements provide for a corrective factor, they do not address the fundamental operational challenges of building the necessary IT infrastructure in a compressed timeframe. A longer implementation period is needed to ensure a smooth transition and accurate reporting.