The IPAF International Conference 2023

Second ADB Feasibility Study on NPL trading platforms:
Data and operational requirements

Introduction

- NPL Markets operates in 27 jurisdictions mainly in Europe, US, Canada, Brazil, Mexico and South Africa
- 1500 institutional investors, 2.5m non-performing loans uploaded and valued across 1150 portfolios
- More than 15m performing loans mapped and valued on the platform
- Access to derived data from over 25m loans, both performing and non-performing
- Our main clients include banks, specialised lenders, asset managers, hedge funds, private equity and servicers

Supranational partners

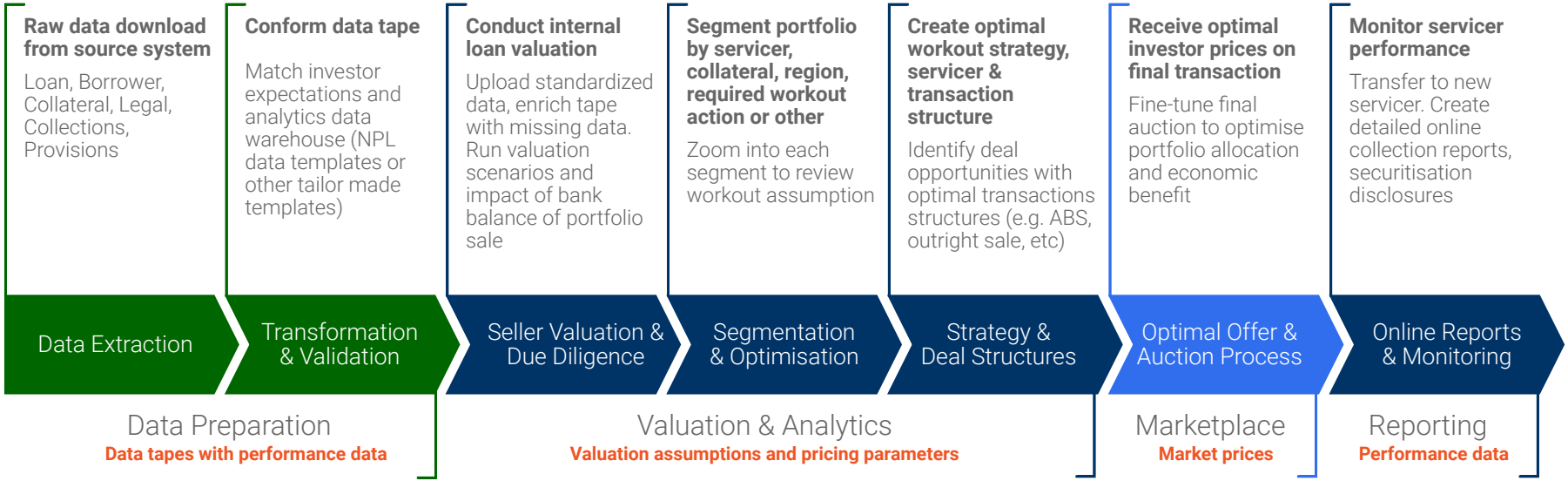
- NPL Markets has a cooperation agreement with the International Finance Corporation (IFC) in Brazil and Mexico
- NPL Markets sits on the European Commission NPL Advisory Panel

Research & Awards

- Global NPL monitor and projections based on IMF WEO scenarios https://NPL Markets.com/en/research
- Digital Banker Global BankTech Award 2023: Best Data as a Service Provider
- Structured Credit Investor 2022 Award: Contribution to Market Development

Transaction platforms can deliver the full data value chain

Technology to streamline data preparation, valuation, reporting and disposal processes



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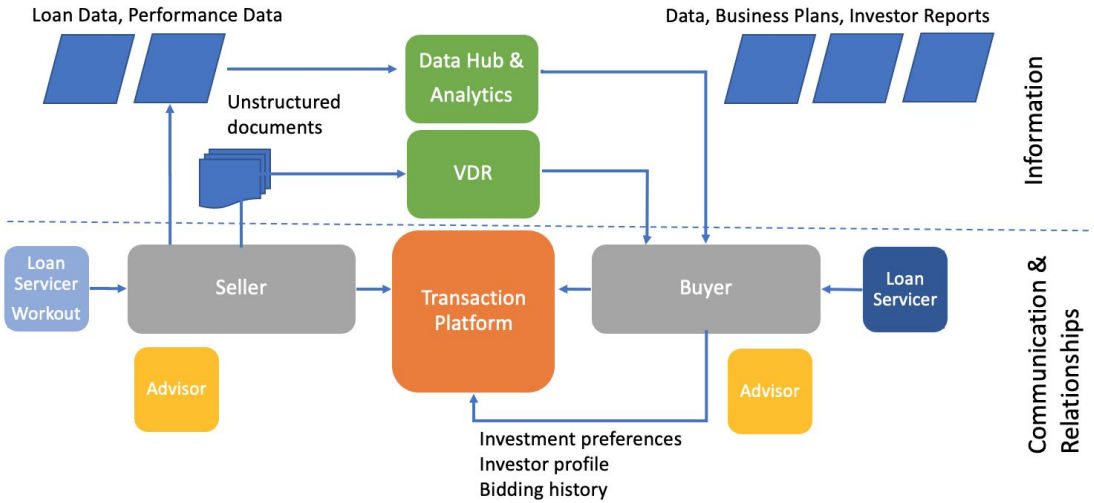
What is an NPL trading platform? Technology, data & ecosystem

- **Marketplace & auction tech** to find the best buyer at the best price
- **Standardised transaction processes**, data templates and documentation
- **Ecosystem** with registered investor and service providers
- Support **due diligence** with local partners
- **Data hub** captures transaction data & historical performance for valuation
- **Valuation and analytics**: valuation tools help manage buyer and seller expectations and identify information shortages
- **Additional functions**: Transaction advice, creditor coordination, data enrichment



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Overview of some existing NPL platforms in Asia and elsewhere

Asian Platforms	Debt Exchange	OnBid	360pai	Taobao
Regional activity	Asia Domestic	Asia Domestic	Asia Domestic	Asia Domestic
Country of establishment	Vietnam	Korea	China	China
Main countries	Vietnam	Korea	China	China
Public AMC sponsored	VAMC	KAMCO	N	N
Main asset classes	Corporate NPL & REO	REO	REO & NPL	REO & NPL
Main investor type	AMC & Institutional	Private	Institutional	Private
Auction platform	Y	Y	Y	Y
Judicial auctions	N	N	N	Y
Sale of own assets	Y (VAMC)	Y (KAMCO)	N	N
Transaction advisory	Y	Y	Y	N
Virtual data room service	N	Y	Y	Y
Valuation advisory	N	N	Y	Y
Data hub & reporting	N	N	N	N
Data enrichment & validation	N	Y	Y	N

Other Platforms	ProZorro.Sale	NPL Markets	Debitos	DebtX
Regional activity	Europe Domestic	Europe & International	Europe & International	US & International
Country of establishment	Ukraine	UK	Germany	US
Main countries	Ukraine	Italy, UK, Spain, Greece, Mexico	Germany, Italy, Greece	US
Public AMC sponsored	Deposit Guarantee Fund	N	N	N
Main asset classes	Corporate NPL & REO	Retail NPL, Corporate NPL, REO	Retail NPL, Corporate NPL, REO	Real Estate PL & NPL
Main investor type	Institutional	Institutional	Institutional	Institutional
Auction platform	Y	Y	Y	Y
Judicial auctions	N	N	N	N
Sale of own assets	Y (DGF)	N	N	N
Transaction advisory	N	Y	Y	Y
Virtual data room service	N	Y	Y	Y
Valuation advisory	N	Y	N	Y
Data hub & reporting	N	Y	N	N
Data enrichment & validation	N	Y	N	Y

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2nd ADB feasibility study: Key decisions and success factors for platform owner/operators

- **Overcome barriers** to efficiently trade NPLs:
  - Supportive legal and regulatory framework is essential.
  - Provide structured and unstructured data to overcome bid-offer spreads.
  - Tools for data validation, document sharing (VDR), and automated valuation and analytics.
  - Standardised data tapes, processes, and transaction documents for ease of execution.
  - Use of platform helps buyers and sellers comply with legal and regulatory requirements.
- **Buy versus built**: NPL trading platform services can be subscribed for at a low entry price.
  - Inhouse solutions may be cheaper in the long run for large transaction flows - hybrid models are possible.
- **Target market** and distribution strategy: Complex NPLs or portfolios rarely find the most suitable buyers by listing on a website.
  - Retail investors may not be aware of a new platform - platform must ensure broad market reach.
  - Institutional investors need to be notified and invited in deals that fit their profile.
- Built an ecosystem of institutional seller, investors, independent loan servicers, and service providers.

A standard data template for Asia?!

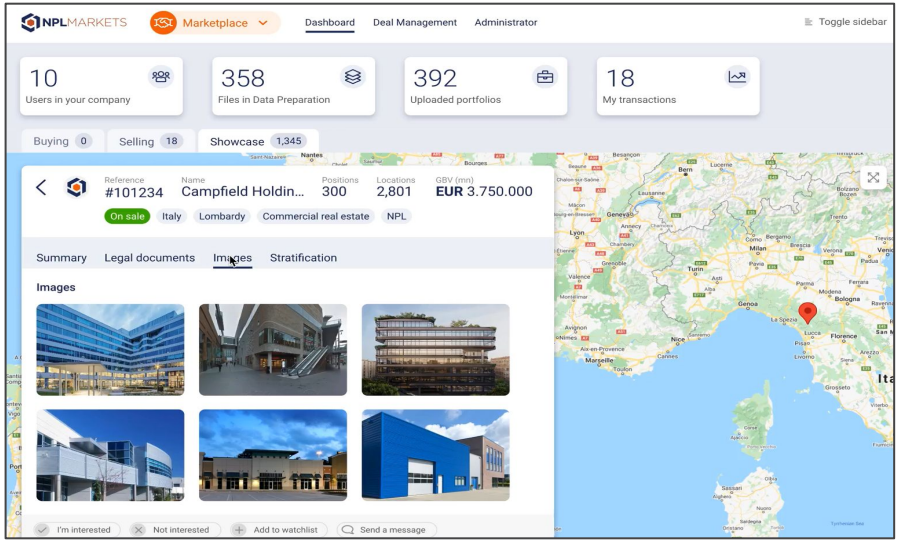
- EBA in the European Union and Kazakhstan have introduced standard data templates in 2023 to facilitate NPL transactions.
- Around 150 data fields depending on asset class and collateral. The use of the templates and some of the fields are **mandatory**.
- The Kazakhstani template is based on the EBA templates and identifies a sub-template dedicated to foreclosed assets.
- These data templates are designed to work in many jurisdictions and are welcomed by investors.
    - PROS:
        - Both sellers and buyers know what data is expected.
        - Easy to automate data preparation and validation. Possible to run automated valuations.
        - Consistent data for delivery to a central data hub.
    - CONS:
        - New templates may ask for data that is not readily available requiring data providers to adjust their IT systems.
        - Banks may find templates burdensome, investors may want additional information.
        - Even if a standard template is agreed it requires independent parties like a data hub or platform to ensure comparability and high data quality.

2nd ADB feasibility study: Technical and Operational Findings for NPL trading platforms

- Interviews with market participants (AMCs, investors, banks) have highlighted the following need for improvements:
- There is a general lack of valuation guidelines for NPL and a lack of recovery data.
- Complex NPL transactions require active marketing. Public listing is not enough.
- Technology is important but must be complemented by a team of experts providing transaction advice.
- **Data hub** function could much improve transparency in NPL market:
    - Deliver anonymised standardised data tapes and transaction prices
    - Deliver anonymised performance data from bank regulatory reports
    - Deliver historical recovery data on a voluntary basis
- The **NPLs that are secured by property** suffers from uncertainty on legal status. Due diligence will still be required.
- In Vietnam the market for **unsecured consumer NPLs** suffers from the ban on debt collection and bad players in the market.
    - A licencing requirement on debt collections would be welcome to re-establish confidence in the sector and define acceptable business practices
    - Non-bank debt holders do not currently have access to CIC credit bureau information

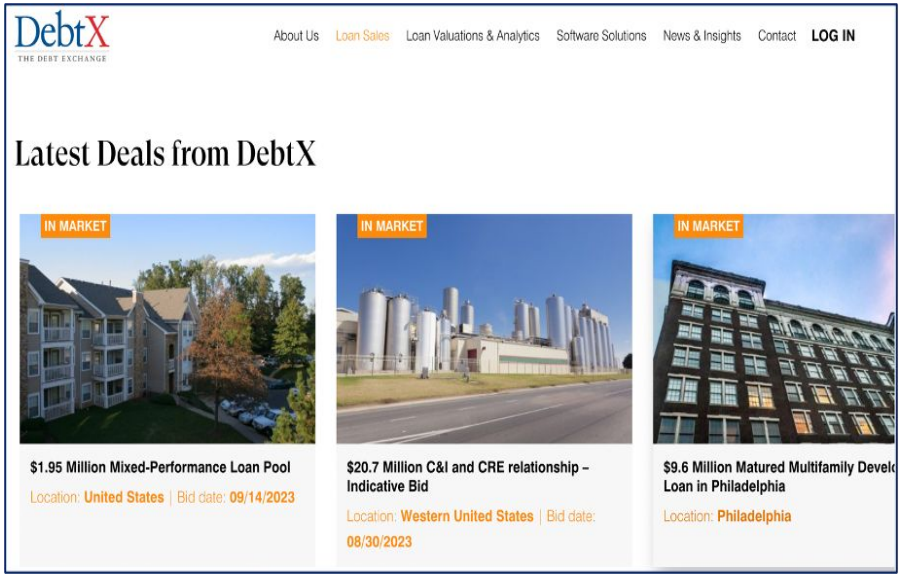
Showcasing NPL and REO transactions:

Source: 360pai.com

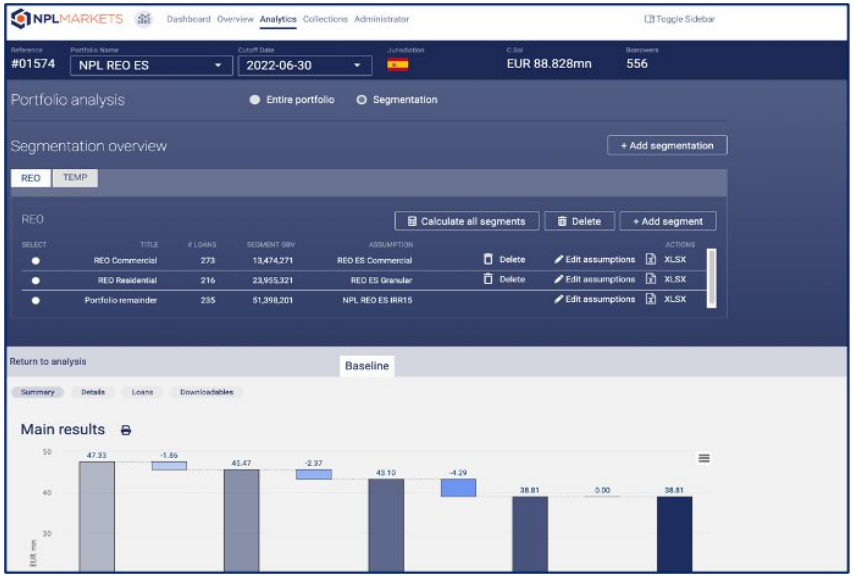


Source: nplmarkets.com

Showcasing NPL and REO transactions & NPL valuations

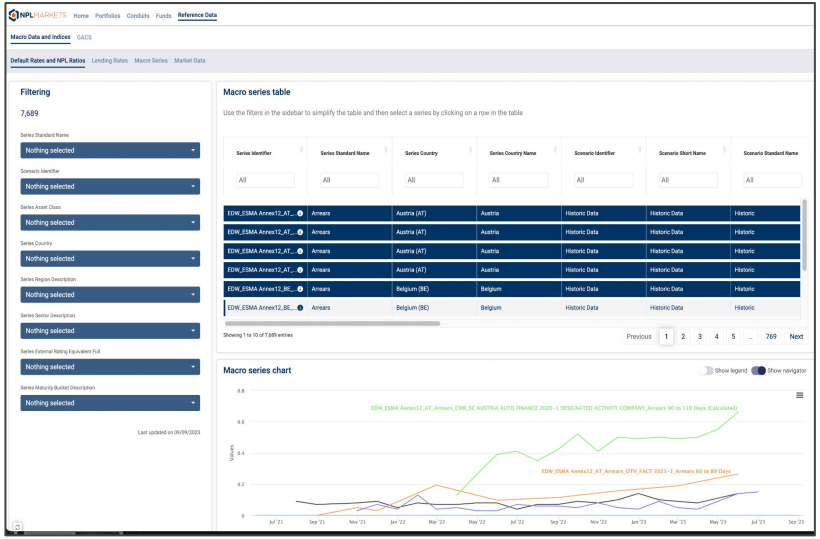


Source: debtx.com



Source: nplmarkets.com

Data hub examples: Performing loans and NPL



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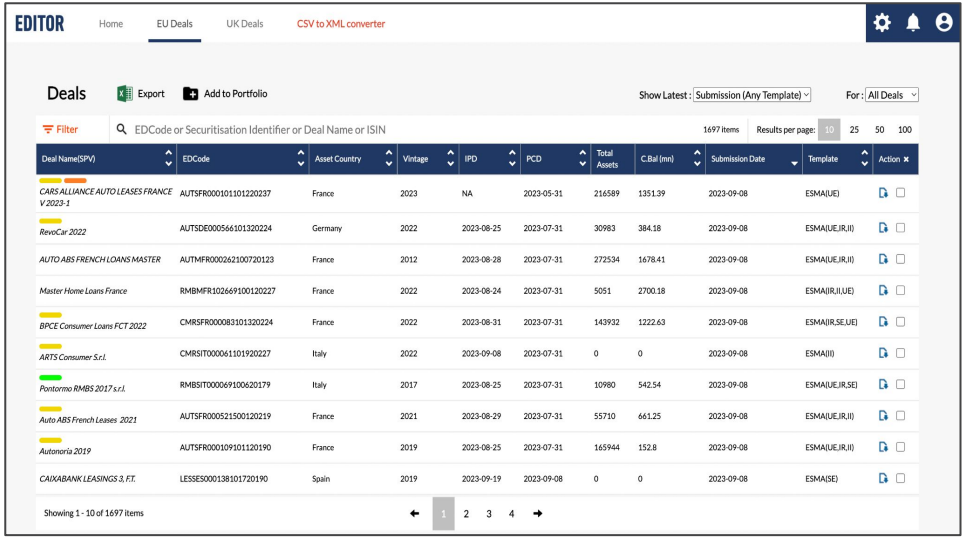

Source: eurodw.eu

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