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## NPL Markets supports new reporting schemes for securitization transactions required by the Bank of Italy for servicing companies: Anagrafica Operazione e Monitoraggio Recuperi

The reporting activities of NPL Markets have been further enhanced to support the preparation of the new reporting schemes required by the Bank of Italy for securitization transactions pursuant to Law 130/1999, supported or not supported by the Non-performing Securitization Guarantee Scheme (GACS).

On 11 November 2021, the Bank of Italy published the Communication "Servicers in securitization transactions. Risk profiles and supervisory lines", providing a series of recommendations to financial institutions engaged in servicing activities of securitization transactions to increase transparency in the non-performing loan market.

The Communication requires banks and intermediaries to prepare new information templates relating to managed securitization operations. The new reporting scheme applies to entities which according to law no. 130/1999, are responsible for collection of the assigned credits, for cash and payment services, or for the verification of compliance of the operations with the law and the information prospectuses. The Bank of Italy increases the set of periodic information on securitization transactions managed by servicers in order to obtain updated and comparable data on transaction performance. Retained securitizations, synthetic securitisations and securitisations in the warehousing phase are excluded from this new reporting obligation.

The two new required templates apply to GACS and non-GACS transactions and have to be prepared and submitted by the servicers every six months. The new templates (called Anagrafica Operazione and Monitoraggio Recuperi) contain both general information on individual securitisations and detailed data on collections and recovery processes. The templates complement the information flow that servicers already provide to the Bank of Italy in their ordinary reporting activity.

The first reporting schema collects general information on the securitization transaction, portfolio tranching and information related to triggers, including activation mechanisms. The second reporting

schema allows for the monitoring of the securitization transaction over time, by collecting qualitative and quantitative information on the recovery process with comparison between initial and subsequent business plans.

Among the quantitative information of Monitoraggio Recuperi, two main indicators are requested: the Cumulative Profitability Ratio, calculated as the ratio between the actual collections on closed positions and the corresponding value indicated in the business plan, and the Net Present Value on Profitability Ratio, calculated as the ratio between the discounted value of the actual net collections and the book value of the closed positions in the business plan. Evidence of the recovery actions undertaken has also to be provided, including information related to both judicial and extra-judicial process and secured and unsecured positions.

The templates have to be provided with a reporting period ending 30 June and 31 December; servicing companies have to submit the information respectively by 20 July and 20 January.

In order to ensure data consistency of the information provided, the Bank of Italy requires particular care in the implementation and use of appropriate internal control tools, which are also to be shared with company executives.

## NPL Markets: software for data preparation and reporting

NPL Markets supports the creation of the new schemas “Anagrafica operazione” and “Monitoraggio recuperi” through its Data Preparation and Validation Module implementing the following three steps process:

- Preliminary data quality check
- “Anagrafica operazione” e “Monitoraggio recuperi” templates creation
- Validation and data quality log for control checks

In addition, the NPL Markets Reporting Module allows data and trend visualization of historical performance and recovery comparisons based upon initial and subsequent business plans. The Reporting Module also allows trigger monitoring, analysis of future scenarios and forecasting of the full liability cash flow waterfall in each future reporting period. Both historical and prospective analysis, with user or platform provided inputs, can be graphically represented and shared with internal and external personnel with the highest level of security.