



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Senato della Repubblica for its Opinion on the reduction of non-performing loans in Europe.

The Commission sees this opinion as fully in line with the conclusions of the Council of Finance Ministers of the European Union of 11 July 2017, which set out the 'Action plan to tackle Non-Performing Loans in Europe' (henceforth referred to as the Action Plan).

The Commission welcomes the Senato della Repubblica's view that action at Union level is required to effectively address the issue of non-performing loans in Europe as envisaged by the Action Plan. The Commission values the early engagement of the Senato della Repubblica in the policy making process on this important issues and notes that the contribution expressed in the Senato's opinion was taken into account in the preparation of the package of non-performing loan-related measures presented on 14 March 2018.

This comprehensive package of measures to address non-performing loans implements those elements of the Action Plan for which the Commission has direct responsibility. This includes legislative proposals in the areas of further developing secondary markets for non-performing loans and enhancing the protection of secured creditors as well as introducing statutory (Pillar 1) prudential backstops for newly issued loans in order to prevent the build-up and potential under-provisioning of future non-performing loans stocks.

The Commission is also pleased to inform the Senato that it prepared a guidance scheme ('Blueprint') setting out best practice when Member States may decide to set up asset management companies at national level. Its objective is to provide practical recommendations to Member States for the design and set-up of centralised asset management companies where appropriate at the national level, building on past experiences.

*Maria Elisabetta ALBERTI CASELLATI
President of the Senato della Repubblica
Piazza Madama, 1
IT – 00186 ROME*

The Commission takes seriously the concerns expressed by the Senato della Repubblica, for instance concerning the balance to be struck between the need to accelerate the disposal of non-performing loans and to preserve and foster the banks' capacity to finance the economy. Informed by an impact assessment and a broad stakeholder consultation, the Commission aims to pursue a balanced approach in order to further incentivise banks to deal with non-performing loans proactively, whilst avoiding the disruptive effects. The Commission's analysis takes into account a range of factors. This includes, for instance, European and international practices on provisioning requirements, or the speed of non-performing loan resolution processes across the European Union, including improvements made in the recent past.

The Commission welcomes that the situation of non-performing loans in the Union has been improving. Over the past two years, non-performing loans have been dropping in the Union as a whole, and in the vast majority of Member States, including significant progress in Italy. However, the situation differs significantly across Member States, several of which still have high non-performing loan ratios.

Nonetheless there is evidence of encouraging progress particularly in the latter Member States thanks to a combination of policy actions and economic growth. Although this development is encouraging, non-performing loans continue to pose risks to economic growth and financial stability. In particular, the Commission fully supports Italy's integrated and proactive approach to tackle the issue of non-performing loans.

The Commission outlined the recent positive developments, also in the implementation of the Action Plan, in its first and second Progress Reports on the Reduction of Non-Performing Loans in Europe that were published on 18 January and on 14 March 2018. All institutions involved should be encouraged by the progress achieved so far and should to continue on that course.

The Commission hopes that this reply addresses the issues raised by the Senato della Repubblica and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Elżbieta Bieńkowska
Member of the Commission*