Roadmap for the Development of an NPL Trading Platform – Background

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RCI-POD # 19 – Strengthening Asia’s NPL Markets Through Transaction Platforms
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Background: Roadmap for the Development of an NPL Trading Platform

- Previous crisis experiences have illustrated negative and persistent macrofinancial effects NPLs can have on the real economy, underlining the importance of swift resolution measures.

- A sharp increase in NPLs could destabilize regional financial systems and compromise post-pandemic economic recovery.

- A developed market for NPL trading can be an effective measure to relieve banks of their NPLs.

- While the development and deepening of NPL markets was on the policy agenda prior to COVID-19, the current pandemic underscores its relevance to facilitate the swift resolution of banks’ NPLs.

- Against this backdrop, this knowledge project seeks to examine the feasibility of establishing an NPL transaction platform for the Asia and the Pacific region.
Background: Roadmap for the Development of an NPL Trading Platform

- **Objective:** to help design NPL resolution strategies to strengthen NPL resolution mechanisms through the development of secondary NPL markets

- **Knowledge project:** a feasibility study assessing country-specific circumstances, opportunities, and challenges in the development of NPL markets (domestically and regionally) and a roadmap of the building blocks of an NPL trading platform including:
  1. A review of the NPL market ecosystems in benchmark and target countries
  2. An assessment of the feasibility of establishing an online NPL trading platform

- **External partners:** Deloitte and selected public asset management companies in the region
RCI-POD: Strengthening Asia’s NPL Markets Through Transaction Platforms – Overview & Objectives

1. Background of the study *(5 minutes)*

2. Overview and first findings of the study *(15 minutes)*

3. NPL Transaction Platforms: Experience from the PRC *(10 minutes)*

4. NPL Transaction Platforms: Experience from Europe *(10 minutes)*

5. Lead discussants from RDs *(20 minutes)*

6. Q & A and Discussion *(25 min)*

(i) Provide background, overview and first findings of the study, discuss experiences from existing NPL transaction platforms

(ii) Offer a venue for fruitful discussions on this topic, incl. with RD colleagues to share their views on opportunities and challenges to strengthen NPL markets through transaction platforms
Thank you very much!

ADB Economics Working Paper
Nonperforming Loans in Asia: Determinants and Macrofinancial Linkages

ADB Brief
The Impact of Nonperforming Loans on Cross-Border Bank Lending: Implications for Emerging Market Economies

ADB-ECB Workshop on NPL Resolution in Asia and Europe
10-11 February 2020

Questions / Comments / Feedback?
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Asian Development Blog
Pandemic Highlights the Need to Manage Asia’s Debt Problem