



WORLD BANK GROUP

Finance, Competitiveness & Innovation

Financial Sector Advisory Center (FinSAC)

Roadmap for Developing an Online NPL Trading Platform

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Internal versus external NPL sales platforms

IP – internal platforms

EP – external platforms

Pros

Cons

General

IP could be considered if: (i) operations of an AMC are envisaged in the long-term (no or long sunset clause), (ii) a large number of assets to be sold, (iii) revolving asset pool, (iv) a very specific legal and tax framework that is difficult to adopt by external platforms.

IP. It will take time and substantial cost to create a state-of-art sales platform. This cost might be justified if the operation of an AMC is expected to continue in the long run.

Time

EP are available in the market, no need to spend time to create them.

IP. It will take some time (years) to establish, test and launch a new platform.

Cost

IP. It will be costly to establish a platform initially, but it may payoff in a long run if the mandate of an AMC will not expire soon. Breakeven cost analysis needs to be performed.

EP. In the long run, the fees to be paid for selling assets on EP might be higher than creating and operating IP.

Experience

EP. No need to invent “a new bicycle”. Expertise is usually concentrated in large global financial centers. EPs will compete among themselves and will introduce cutting edge technologies for trading and information analysis and dissemination.

IP. Often, expertise to build a new platform is missing in a specific country.

Investor access

EPs have an established investor base that sellers can benefit from. Investors are familiar EP interfaces, data rooms and legal templates and often prefer to stick to established frameworks.

IP. It will take time to attract investors to newly created sales platforms. It will take time for investors to familiarize with new interfaces, legal systems, and trading rules of new platforms.

NPL trading platforms

Survey findings

- Vietnam Asset Management Company (VAMC) requested World Bank's assistance in learning more about international experience in using NPL trading platforms. The World Bank conducted a **survey of established AMCs** (Europe and Asia) in 2022
- Main findings of the survey are:
 - Only 2 out of 8 surveyed AMCs use NPL trading platforms (KAMCO and Ukraine DGF);
 - KAMCO mostly sold real estate, land, and other non-movable and movable assets; Ukraine DGF sold both loans and tangible assets;
 - KAMCO built internally an asset sales platform *Onbid* in 2002; Ukraine DGF uses a state-owned sales platform *ProZorro.Sale*;
 - Development of NPL trading platforms is costly and time consuming; requires involvement of many experts; needs maintenance and separate budget;
 - Platforms can be used to provide additional services (e.g., brokerage, legal templates, data rooms, marketing)

Conclusions

- Internal and external online NPL sale platforms can bring **additional investors and increase price tension** during the sale process
- **Strong enabling environment** should be in place for online NPL sale platforms to achieve optimal performance
- Institutions should carefully **weight pros and cons** of establishing internal or external online NPLs sales platforms. Factors to consider:
 - time span of the institution,
 - the stock and flow of assets for sale,
 - cost and time to build and maintain internal systems
- **KAMCO and Ukraine DGF** are good examples of how these platforms can help **maximize the success of asset sale**



Thank you for your attention!

FinSAC's web site: <http://www.worldbank.org/en/programs/financial-sector-advisory-center#1>

FinSAC NPL conference materials: <http://www.worldbank.org/en/events/2018/05/15/world-bankfinsac-international-conference-on-npl-resolution>