

Banking secrecy in CEE - one region, different rules.

Despite ongoing harmonisation and the regulatory pressure on banks to reduce NPL quotas, banking secrecy rules in various jurisdictions still create hurdles to effectively implement loan sale transactions and hamper follow-on servicing. In the pages that follow, we provide a broad, simplified overview of how the rules per jurisdiction affect the legal environment in respect of these transactions and follow-on servicing.

Key

	Loan transactions		Servicing
Red: Very stringent legal environment; very careful structuring required.			
Yellow: Challenging legal environment, legal and regulatory restraints.			
Green: Friendly legal environment and / or privileges for NPL trades / servicing activities.			

Banking secrecy exemptions exist; however only apply to the extent receivables are acquired by eligible entities.

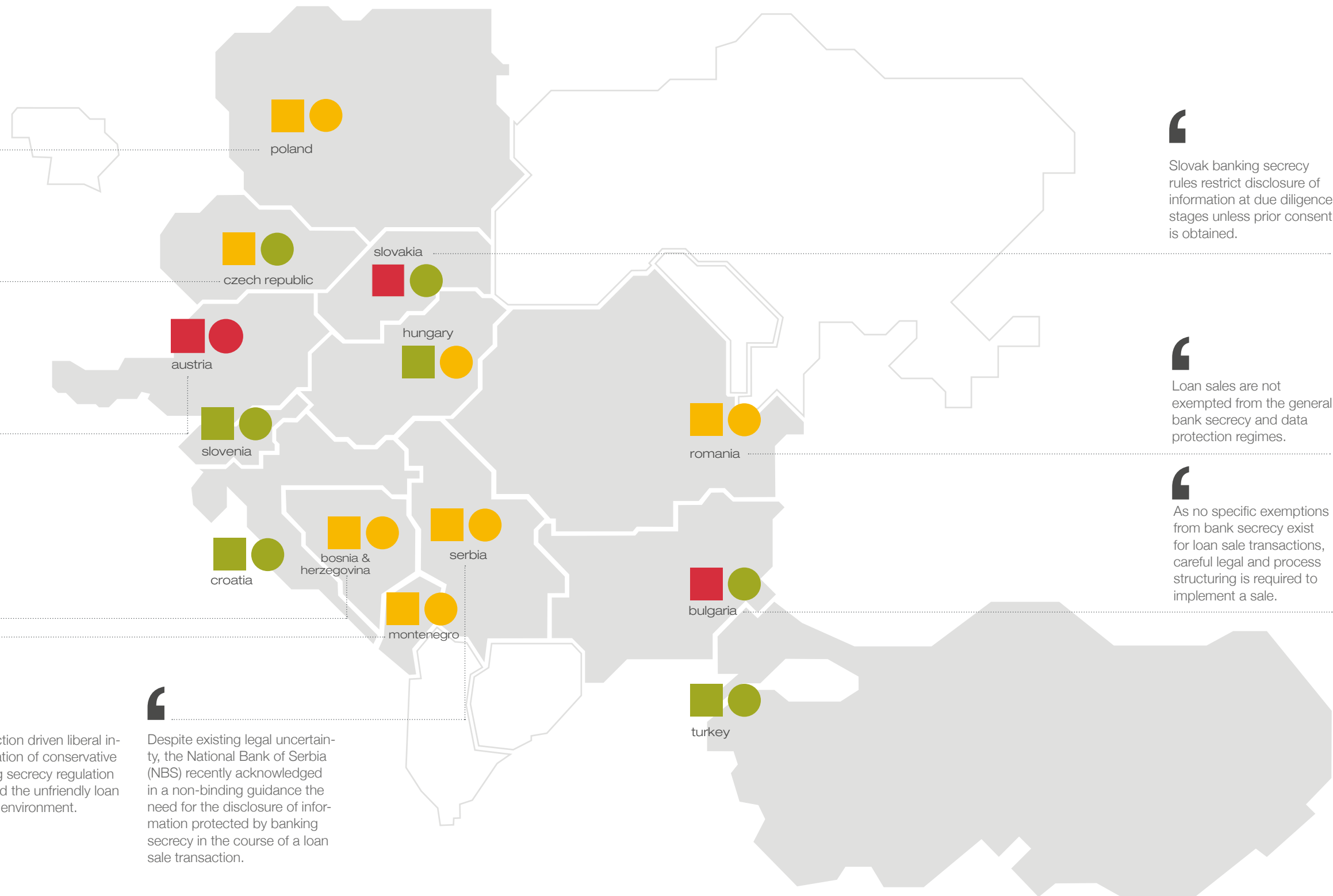
Case law exists that supports the disclosure of protected information with respect to defaulting debtors.

Careful deal structuring and simple implementation of follow-on servicing is required as no applicable exemption from banking secrecy exists.

Under recently adopted banking legislation, information protected by banking secrecy may be disclosed in the context of a portfolio transaction.

Transaction driven liberal interpretation of conservative banking secrecy regulation softened the unfriendly loan trading environment.

Despite existing legal uncertainty, the National Bank of Serbia (NBS) recently acknowledged the need for the disclosure of information protected by banking secrecy in the course of a loan sale transaction.



Slovak banking secrecy rules restrict disclosure of information at due diligence stages unless prior consent is obtained.

Loan sales are not exempted from the general bank secrecy and data protection regimes.

As no specific exemptions from bank secrecy exist for loan sale transactions, careful legal and process structuring is required to implement a sale.