

## Agenda for LGD - EAD Subcommittee Meeting 3<sup>rd</sup> July 2018

**Meeting Start:** 1500 CET  
**Meeting duration:** 1,5 hour  
**Location:** by telephone and webex

Item No.	Start time	Item	Responsible	Info or Resolution	Material
<b>Standing Items:</b>					
1.	1500	Minutes of the last Meeting, Action List and Forward Looking Calendar	RD/ER	I/R	X
2.	1510	Documentation Improvements	ER/RD	I/R	X
3.	1530	Ongoing Topics (HVCRE – Borrower Risk Rating – Borrower Internal PD)	ER/RD	I	X
4.	1535	Regional and or size indicator for lending bank	NB	I	X
5.	1550	Update LGD Submission cycle H1 2018	RD/ER	I	X
6.	1600	Any other business	ER/RD	I	

**Anti-Trust Warning:** participants are warned not to provide sensitive information about their financial institution or customers and are warned not to engage in discussions which might encourage or lead to collusive behaviour. If in doubt then please seek guidance from your own institution's policies or legal counsel.

# Item 1

## Minutes LGD - EAD Subcommittee Meeting 29 May 2018

Ref Minutes LGDSub 20180529

**Members:**

Martin Lulic (Chair) (KfW)	Nicolas Ternisien (Desjardins)
Luis Bochner (JP Morgan)	John Kloberdanz (M&T)
Jorge Ruiz (National Bank of Canada)	Kamala Madavarapu (PNC)
Daniel Langer (Handelsbanken)	Thomas Markussen (DNB)
Matthias Neubauer (Pfandbriefbank)	Ravi Kumar (Credit Suisse)
Anna Sandström (SEB)	Jerome Caron (Desjardins)
Eugene Muluka (HSBC T&B)	Lan Jin (Scotiabank)
Owen Cox-Dixon (EDC)	Arthur Houessou (EDC)
Thibaut Varin (Rabobank)	Patrick Gunnarson (SEB)
Bhavesh Tailor (Wellsfargo)	

**Executives:** Erik Rustenburg, Riëtte Dijkstra (minutes)

**Venue:** by webex and telephone

**Meeting Start:** 1500 CET

Item numbers are from the agenda and are presented here in the order in which they were discussed.

**Anti-Trust Warning:** participants were warned not to provide sensitive information about their financial institution or customers and were warned not to engage in discussions which might encourage or lead to collusive behaviour.

The quorum is reached for decision making.

### Item 1: Minutes from the Meeting and Action List

The minutes of the meeting are approved.

There were no further remarks about the action list and forward-looking calendar.

Additionally, it was mentioned that there will be a break out session at the conference for the LGD subcommittee. If members have any topics they would like to discuss in that break out session the members could contact Erik or Riette.

### Item 2: Items resulting from the previous Submission Cycle H1/2018

- HIST078: For the Lender Limit the proposal is to change HIST078 to allow for the escape clause value of -1.  
**Vote:** all in favour
- COLL018: Was already approved in the last meeting. Members had the problem they filled in the Collateral Value Currency even though the Collateral Value is empty. It makes no sense to fill in a currency when value is not filled. The proposal is to adjust the validation rule to ensure the validation rule is not triggered when the currency is filled with -1.  
Will be adjusted for H2 2018.
- COLL052: Currently, the Date of Valuation always has to be before the Event\_Date. This prohibits the possibility to enter information that is close to the event date but not before the event date.  
The proposal is to relax this rule to a warning it will be possible to provide a date surrounding the event date.  
**Vote:** all in favour

### Item 3: Validation Rules

- Lender Borrower Risk Rating, should be the same for all loans of the same borrower for the same event type. We see in the database that a significant volume is having an unequal Lender Borrower Risk Rating where it should be equal for the same borrower and event. A new validation rule has been proposed to prevent this from happening.
- Borrower Internal PD, should be the same for all loans of the same borrower for the same event type. We see in the database that a significant volume is having an unequal Borrower Internal PD where it should be equal for the same borrower and event. A new validation rule has been proposed to prevent this from happening.

Members suggested that in the US regulators allow Investment Real Estate to be rated on a property to property basis as opposed to an obligor basis. An obligor for example has 3 properties, and each have different lending dynamics. So, they have different risk ratings. For example, they all default at the same time, at post default they get rated. But pre- default they might have had different ratings. One might default but at different point in time. If their property is going to default, the bank does not look to the obligor. The bank acts to the property itself. The dynamics of the property determines the risk of default. All 3 different cases are submitted in the data.

GCD will investigate further on this, also on the differences between North American and European members.

- TRAN036 there could be a Provision transaction at Post Default, for MtM and Contingent facilities the LOA is 0 at default. So, if there is a provision, it can only be higher than 0. The proposal is to exclude MtM and Contingent facilities from the validation rule.  
**Vote:** all in favour

### Item 4: 2018 Submission planning

GCD is wondering whether members are facing issues with the current planning of the submission cycles of different platforms (BP, LGD, ODF). Members could have issues with the workload in a short period. GCD is working on improving the planning and reducing the workload in eg. audits and is planning to work on equalizing the differences between the pre-submission packages and the audit package. More feedback from members is preferred and will be discussed at the Stockholm Conference.

Responsible	Item	Description	Methcom item yes/no	Priority	July	August
RD	HVCRE Indicator	Request from NA banks to add an HVCRE indicator for Real Estate Collateral	Yes	Medium	X	
ER	Borrower_Internal_PD	Borrower_Internal_PD must have same value for all loans from a certain borrower and certain event date: add VR	No	Medium	X	
ER	Borrower_Internal_PD	Question: do we want to include one or more of the fields available for guarantors: Guarantor_Rating_Fitch/Guarantor_Rating_Moodys/Guarantor_Rating_SaP/Guarantor_Rating_Internal		Medium		
ER	Documentation Improvements	Facility Type documentation (input structure) Collateral Types		Medium	X	X
NB/ER	Trade Finance Alignment	Alignment of definitions, adjustment of Lookup table, remapping	Yes	Medium		X
RD	LGD	Look for options to provide members with the option to identify which data points fail validation rules – related to return data set	H2 2018			X
RD	Restructured Facilities	Further analysis and proposal on how to input restructured	Maybe	High		
RD	Guarantor Financials	Guarantor Financials are optional and if given currently there is no check in place on the use of the escape clause		Low		
HT	Banks and Financial Institutions - Material created	Discuss current methodology on industry codes and facility types used	Yes	High		
NB	Leveraged Finance Indicator	Request from NA banks to use Lender specific information - Lender size indicator/Lender Region		Medium		
HT/NB	Treatment of Costs	Request from NA banks on how to deal with costs that are repaid or not repaid - new Transaction Types		Medium		
RD/NB	Contingent Facilities	Analyse how many contingent facilities are usable according to the new methodology. Analyse charge off and undrawn		Low		
NB	Recurring defaults	Recurrent defaults: e.g. Shipping analysis: recurring defaults is common in last years, but because these are submitted as new defaults it is difficult to recognize recurrent defaults and analyse these		Medium		
RD	Negative Pledge as a field in the GCD LGD database	Reasons: Investigate the risk sensitivity of Negative Pledge in LGD model estimate		Medium		
		From the EBA benchmarking for Low Default Portfolio it is shown that LGD with or without Negative Pledge is requested separately, indicating that the model segmentation is also used by other banks (column 300 and 310 Annex IV of Final Draft RTS and ITS on Benchmarking				
NB	SME: comparison of LGDs	Compare SME LGDs regard to seniority - subordinated vs supersenior		High		



## Action List LGD – EAD Subcommittee

July 2018

<b>AP No.</b>	<b>Content</b>	<b>Holder</b>	<b>Due Date</b>	<b>Closed</b>
LGDSC20170502-03	Create proposal for Restructuring After Default	ER/ML	2018	
LGDSC20170905-03	Analyse different Rank_Of_Security values per collateral on H2 2017 data	NB/RD	2018	
LGDSC20180424-01	Create specifications for HVCRE indicator	NB/ER	July 2018	

# Item 2



**Global Credit Data**

*by banks for banks*

# Documentation Improvements



# Documentation available

## Current Documentation (H1 2018 cycle)

Document	Description
<a href="#">Data input structure &amp; validation rules</a>	This Document provides the structure of the tables that should be used to create the input data files, including all field names, validation rules and a data model diagram.
<a href="#">Data output structure</a>	This Document provides the structure of the tables for the data deliverable that is send back to the member banks.
<a href="#">Data model user guide (DMUG)</a>	A comprehensive guidance document with general guidance and examples and specific guidance for the use of facility types, collateral reporting and valuation and transaction balancing between default and resolution.
<a href="#">Example files</a>	These excel files are the exact excel files needed for uploading data for the examples used in the DMUG. One general example is available in csv as well. The data model itself consists of 8 tables. For each reported defaulted loan, the tables can be repeated, when relevant, to reflect the evolution through time, allowing 5 different “snapshots” at “Origination”, “one year prior to Default”, “date of the Default”, “post Default” and, finally, at “Resolution”. The table Nr 8, “the Loan Transaction table”- is like a statement of account reflecting the entries in and out (recovery cash flow, write-off, etc) in-between the transfer of the loan in default and its resolution.
<a href="#">Release Notes Data Input</a>	Contains all the changes in the data input systems that are implemented for the current submission and which affect the member bank’s data input.
<a href="#">Release Notes Data Output</a>	Contains all the changes in the data input systems that are implemented for the current submission and which affect the member bank’s data output.
<a href="#">SAS Macro</a>	SAS Macro Validation Rules
<a href="#">Project Finance Guidance Notes</a>	This guidance note is designed as a user guide for member banks in submitting loan loss data for project finance. It introduces the key characteristics of Project Finance, how they are present in GCD’s data model and how Project Finance defaults should be filled

## Old Documentation (from backdated cycles)

Document	Description
<a href="#">Old DMUG</a>	Describes Data Model and the underlying financial background for certain fields and tables.
<a href="#">Old Data Dictionary</a>	Provides detailed directions on the input of data always with a view on what will be the output and for which use.

# Documentation Improvement Roadmap

## Integration Documents to one single document

Including:

- Old DMUG
- Current DMUG
- Appendix LGD Report
- Project Finance guidance notes
- New: FAQ section

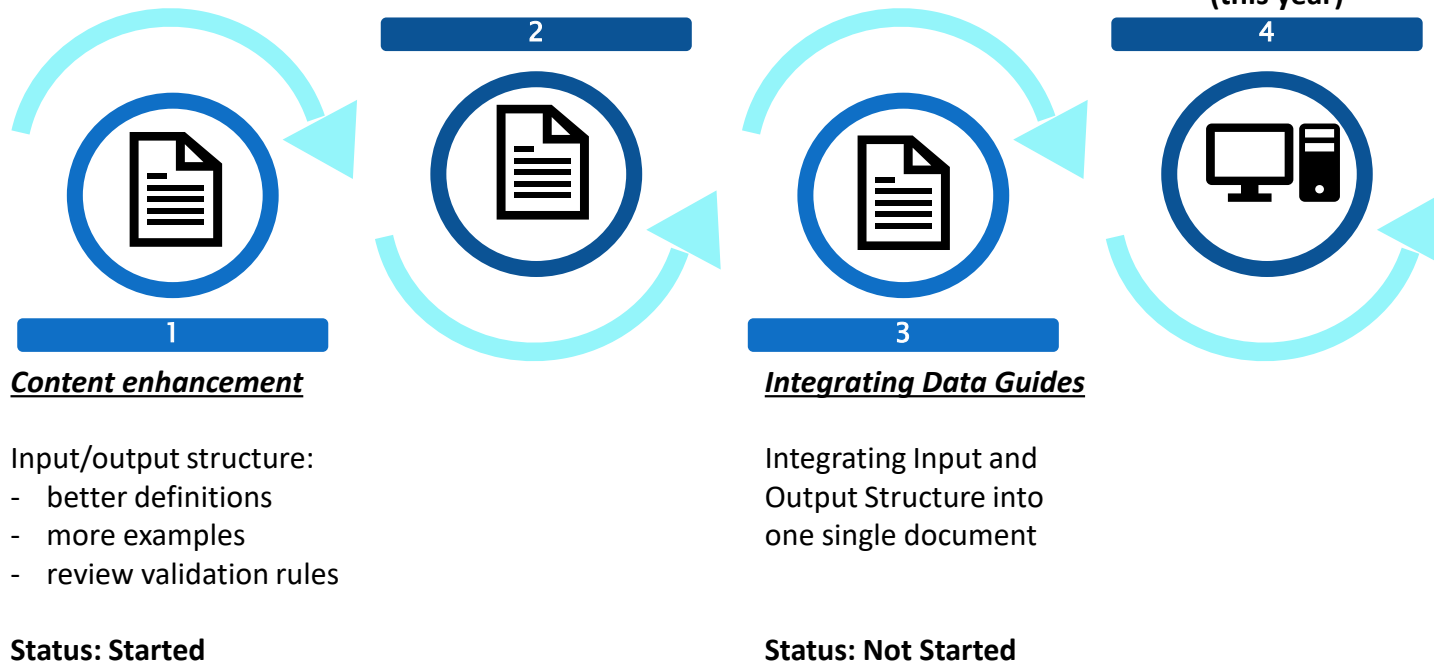
Status: Started

## Tooling

Integrate contents in an interactive tool.

eg. WikiDocs, Confluence

Status: Not Started  
(this year)



# LGD Subcommittee Decision Power according to Charter

- The EAD/LGD Subcommittee has the power to take a decision on a topic with the description ‘Decision’ in the table below and send the paper with the decision taken to the Methodology Committee for information.

Topic	EAD/LGD Subcommittee role
<b>Methodological Issues</b> <ul style="list-style-type: none"> <li>• Product Alignment</li> <li>• Former Member Data</li> <li>• Complexity</li> <li>• Impact on Banks</li> </ul>	Firm proposal
<b>Data Model – Methodology Overview</b> <ul style="list-style-type: none"> <li>• High Level Methodology (includes changes in fields or new fields)</li> <li>• Calculated Fields (incl. aggregation)</li> </ul>	Firm proposal
<b>Data Model – Implementation Details</b> <ul style="list-style-type: none"> <li>• Input Structure</li> <li>• Validation Rules</li> </ul>	Decision
<b>Member Documentation</b>	Decision
<b>Critical Mass Rules</b>	Firm proposal
<b>Give to Get Rules</b>	Firm proposal
<b>Scoring</b>	Decision
<b>Reports</b> <ul style="list-style-type: none"> <li>• Volumetrics and data overview</li> <li>• Peer Comparison Reports</li> </ul>	Decision
<b>Surveys</b>	Decision



(Source: Charter for GCD EAD/LGD Subcommittee)

- **Member Documentation** refers to the Data Input Structure, Data Output Structure, Release notes, User guide and FAQ documents, or any other document with information for the members

# Facility Type Documentation (Proposed)

- ❑ Changed the input guide for facility types on:
  - Definitions
  - Descriptions
  - Recommendations for asset classes
  - Accounting Treatments
  - Committed/Uncommitted
  - Terms

# Validation Rules (Decision) Aggregated Exposure

- ❑ For Facility Type 900 - Aggregate Exposure, it is expected that the Facility Asset Class is SME only.
- ❑ In current database all Aggregated Exposures are related to a SME.
- ❑ Proposal new Validation Rule

Table	Validation ID	Data Field	Trigger	Message	Type	Correctness / Completeness
Loan	LOAN0XX	Facility_Type	Facility_Type = 900 and Facility_Asset_Class <> 1	LOAN0XX: When the Facility_Type is 900 the Facility_Asset_Class must be 1	Error	Correctness

# Validation Rules (Decision) Vostro/Nostrro

- ❑ For Facility Type 865 – Vostro/Nostrro, it is expected that the Facility Asset Class is Banks & Financial Companies(3) only.
- ❑ In current database are 9 Vostro/Nostrro's, only 3 facilities are related to Banks & Financial Companies (3)
- ❑ Proposal new Validation Rule

<u>Table</u>	<u>Validation ID</u>	<u>Data Field</u>	<u>Trigger</u>	<u>Message</u>	<u>Type</u>	<u>Correctness / Completeness</u>
Loan	LOAN0XX	Facility_Type	Facility_Type = 865 and Facility_Asset_Class <> 3	LOAN0XX: When the Facility_Type is 865 the Facility_Asset_Class must be 3	Error	Correctness

# Firm Proposal to Methcom to Remove/Remap Facility Types

- ❑ Remap to 811 (Trade Related Payment Guarantee) in current database because based on a comparison with the ICC template and executives' judgement these facility types are the same.
  - 807 - Bid or Performance Bond (Trade Finance)
  - 808 - Other Payment Guarantee (Trade Finance)
  - Accounts for 6 different banks, 56 facilities
  
- ❑ In the next submission cycle, request to do the remapping accordingly (timely communication with members using 807 and 808)
  
- ❑ Impact on the validation LOAN024, those will be removed from the Facility\_Type\_Lookup

Table	Validation ID	Data Field	Trigger	Message	Type	Correctness / Completeness	Introduced	Amended	Change
Loan	LOAN024	Facility_Type	Facility_Type not in Facility_Type_Lookup	LOAN024: Facility_Type (%Facility_Type%) must exist in Facility_Type_Lookup.	Error	Correctness		H1 2016	

# Next steps

- ❑ Facility Types: Align Trade Finance with ICC when ready
- ❑ Next field: Collateral Type



Facility_Type	Description	Definition	Accounting Treatment	Limit Committed/Uncommitted	Term	Use for Facility Asset Class	Trade Finance Indicator (if applicable FAC)	Comment
100	<b>Bridge Loan</b>	A bridge loan is a short-term loan used until a person or company secures permanent financing or removes an existing obligation. This type of financing allows the user to meet current obligations by providing immediate cash flow.	Cash	Committed	Short	All	No	The loans are typically short term, up to one year, with relatively high interest rates and are usually backed by some form of collateral such as real estate or inventory.
200	<b>Revolver/Line &gt; 1 year</b>	A revolving line of credit is an arrangement between the bank, and a borrower, that established the maximum amount of a loan that the borrower can borrow. The borrower can access funds from the line of credit at any time, as long as he or she does not exceed the maximum amount set in the agreement. The	Cash	Committed	Medium	All	No	Please use this facility type for lines with maturity >1 year.
210	<b>Revolver/Line &lt; 1 year</b>	A revolving line of credit is an arrangement between the bank, and a borrower, that established the maximum amount of a loan that the borrower can borrow. The borrower can access funds from the line of credit at any time, as long as he or she does not exceed the maximum amount set in the agreement. The borrower can repay and redraw part or all of the line at any time.	Cash	Committed	Short	All	No	Please use this facility type for lines with maturity <1 year.
240	Revolver/Term Loan	Mix of Term and Revolver loans	Cash	Committed	Short			<b>Old Code, no longer allowed for input. There is still existing data with this code</b>
250	<b>Overdraft</b>	An overdraft automatically occurs when the normal daily current account of the borrower goes negative. An overdraft allows the borrower to continue withdrawing money even if the account has no funds in it or not enough to cover the withdrawal. Overdrafts normally have a limit set by the bank and the borrower is expected to have a fluctuated balance and not have it drawn all the time.	Cash	Both, committed and uncommitted	Short	All	No	Not to use if related to Trade Finance or Financial Markets: Banks may make drawings themselves to pay off the borrower's other debts including maturing letters of credit, performance bonds or even maturing term loans. These should be untangled from the overdraft and be submitted under the original facility type. Sweden: Kontokredit Germany: Kontokorrentkredit USA: Checking Account Credit
<b>260</b>	<b>Margin Loan</b>	Loans used for SME/Private Banking customers to finance securities (shares). Usually short term maturity and with liquid assets (e.g. Shares or Bonds) as pledge. Also known as Lombard Loans.	Cash	Committed	Short/Medium	SME/Private Banking	No	Any loan in the private banking area secured by Cash (Collateral Type 100) or Marketable Securities (Collateral Type 110,111,112) is likely to be a Margin Loan. The term margin refers to the margin of collateral which the borrower must have pledged to the bank above the amount of the loan (e.g. 200%).
270	<b>Money Market Lines</b>	Interbank short term (typically 1 day) uncommitted limit which is often mutual and drawn by traders talking to each other in the money market	Cash	Uncommitted	Short	Large Corporates, Banks & FinCo	No	only the very largest corporates with treasury departments and medium to large banks are normally active enough in the money market
300	<b>Term Loan</b>	A term loan is a loan with a fixed amount and a specified repayment schedule or a bullet/balloon	Cash	Committed	Medium	All	No	Bullet refers to the full amount to be paid at the expiration date. Balloon refers to a percentage of the amount to be paid at the expiration date. <i>Please provide the balloon percentage in the separate field Balloon_Percentage in the Loan table and provide 100% for a bullet loan.</i>

Facility_Type	Description	Definition	Accounting Treatment	Limit Committed/Uncommitted	Term	Use for Facility Asset Class	Trade Finance Indicator (if applicable FAC)	Comment
400	<b>Demand Loan</b>	General purpose back up lines	Cash	Committed	Medium	Large Corporates	No	Prior to default this limit is rarely to be drawn. This is not a normal working capital line which would be provided under revolving facilities or overdraft.
500	<b>Commercial Paper Backup</b>	Back up line of credit which a borrower will only draw if a commercial paper issuance or repayment requires cash, examples are NIF (Note issuance facility) and RUF (Revolving Underwriting Facility).	Cash	Committed	Medium	Typically Banks & Financial Companies, Large Corporates. Also possible for Specialised Lending	No	<p>Prior to default this limit is rarely to be drawn.</p> <p>A note issuance facility (NIF) is a syndicate of commercial banks that have agreed to purchase any short to medium-term notes that a borrower is unable to sell in the eurocurrency market. A note is defined as a debt security that obligates loan repayment with both a set interest rate and time period</p> <p>A Revolving Underwriting Facility (RUF) is a form of revolving credit in which a group of underwriters agrees to provide loans in the event that a borrower is unable to sell in the Eurocurrency market. These loans are generally provided through the purchase of short-term Euronotes.</p>
620	<b>Equity</b>	Equity is an ownership share of a company. It can take the form of share or preference shares.	Equity	Uncommitted	Medium	Large Corporates, Banks & FinCo and Specialised Lending	No	<p>It is unusual to be in the banking book.</p> <p><i>Please use Seniority Code 300 (Equity) in the loan table.</i></p>
630	<b>Debt/Equity Hybrid</b>	Hybrid is a product between debt and equity and may contain features of both. Examples are convertible bonds and contingent convertibles (CoCos)	Bonds/Equity Hybrid	Uncommitted	Medium	Large Corporates, Banks & FinCo and Specialised Lending	No	<p>This is not to be used for multi-purpose facilities. It is strictly for hybrid instruments.</p> <p><i>Please use the adequate Seniority Code for the debt component.</i></p>

Facility_Type	Description	Definition	Accounting Treatment	Limit Committed/Un committed	Term	Use for Facility Asset Class	Trade Finance Indicator (if applicable FAC)	Comment
700	<b>Capital Lease</b>	Leasing is a type of financing physical objects such as equipment, vehicles and shop fitout. A capital lease is in effect a term loan with a balloon payment secured by a piece of equipment. The lender buys and owns a piece of equipment until the end of the lease when the borrower is required to buy back the equipment for a preset price which is called the residual.	Cash	Committed	Medium	typically SME, LC or Specialised Lending	No	<p>Capital leases are where the lessee (borrower) takes the risk of the ownership of the equipment and the lessor (lender) is merely taking the risk that the borrower can make the payment. At the end of the capital lease (3, 4 or 5 years usually) the lessee is required to buy the equipment from the lessor for the residual value amount (normally around 40%, 30% or 20% of original purchase price)</p> <p><i>Please use the collateral table to provide information about the equipment. Typical Collaterals types include 350 Cars, 360 Commercial Vehicles, 410 Specific Fixed Assets, 420 Ships, 430 Aircraft, 440 Other Objects.</i></p>
710	<b>Operating Lease</b>	Leasing is a type of financing physical objects such as equipment, vehicles and shop fitout. An operating lease is in effect a term loan with a balloon payment secured by a piece of equipment but with the twist that for the balloon payment the lessor does not have recourse to the lessee. The lender buys and owns a piece of equipment and at the end of the lease it will try to sell the equipment. The borrower is not required to buy it.	Cash	Committed	Medium	typically SME, LC or Specialised Lending	No	<p>Operating leases are where the lessor (lender) takes the risk of the ownership of the equipment as well as the risk that the lessee (borrower) does not make the payments. At the end of the operating lease (3, 4 or 5 years usually) the equipment is required to be returned to the lessor who can then sell it and take any profit or loss from the value of the equipment being higher or lower than the residual value amount (normally around 40%, 30% or 20% of original purchase price). However in many cases the residual value is set very low so that the lessor has very little risk of ever making a loss on the equipment. Also, the lessor may have a pre-sale of the equipment arranged to a 3rd party at an agreed price to take this risk away.</p> <p><i>Please use the collateral table to provide information about the equipment. Typical Collaterals types include 350 Cars, 360 Commercial Vehicles, 410 Specific Fixed Assets, 420 Ships, 430 Aircraft, 440 Other Objects. Collateral Type 500 Real Estate is a specialised type of operating lease and can go under the</i></p>

Facility_Type	Description	Definition	Accounting Treatment	Limit Committed/Uncommitted	Term	Use for Facility Asset Class	Trade Finance Indicator (if applicable FAC)	Comment
800	<b>Receivables Financing</b>	Company normally sell and deliver and receive payments later. This can be between 30 and 180 days after delivery. Receivables refers to the amounts owing by buyers. This can be called debtors, trade debtors, trade receivables. Banks typically fund this timing gap and often have set conditions of how much of the gap they want to finance. This type of funding can be called factoring.	Cash	Committed	Short	SME LC SL	Yes	The lender is financing a certain percent (advance rate) of receivables held by the borrower on its own customers. This can be with recourse where the bank has the right to ask the borrower for refund in case of unpaid receivables. The bank is informed of the detail of the outstanding invoices (thus of the corresponding trade) and these should be payable exclusively to the borrower's account with the bank (assignment of proceeds).
801	<b>ECA Export Finance</b>	ECA refers to an export credit agency which supports the loan by a guarantee. These are normally government owned entities which promote and guarantee international trade especial the exports from their home country. Examples include Hermes in Germany and Ex-Im Bank in the US. Banks make longterm loans on exports with guarantees from the ECA guarantees obligor is not the lender's usual customer but the buyer of the latter, which is why the loan is often called "Buyer credit".	Cash	Committed	Medium	FAC 2 (LC), 3 (Banks and FinCo), 4 (Ship Fi), 5 (Aircraft Fi), 7 (Project Fi), 8 or Sovereign (FAC 9 or 10), maybe 1 (SME)	Yes	See <a href="http://www.oecd.org/tad/xcred/eca.htm">http://www.oecd.org/tad/xcred/eca.htm</a> for a list of ECA. <i>Please use the guarantor table to provide information on the ECA guarantee. The Guarantor Type should be provided in the Entity_Asset_Class in the Entity table.</i>
802	<b>Transactional Trade Finance</b>	Trading companies – commodities specialists or any business implying a lot of import or export - often obtain from their banks a transactional facility, which includes many or all the credit instruments serving their trade flow. Within the limit of the transactional facility, there may be sub-limits with specific conditions for LCs, open account, borrowing base (or financing of its usual constituents), bill with Trust Receipt, pre-sold, unsold but hedged, storage, margin calls, etc. In other words, in this facility type, there may be simultaneously, at authorisation level and at utilisation level, several different banking instruments or "products" corresponding to various transactions in progress. (By "transaction", we mean here a trade transaction reflected in the books of the lender). Conversely, whatever its name at the bank, GCD recommends that an exposure in default relating to a transaction funded within such line shall be reported under Facility Type 802.	Cash	Committed	Short	SME LC Commodities	Yes	
803	<b>Bill accepted by Bank</b>	This Facility Type is reserved to the 3 cases where the risk is, at the time of default, in cash out and on another bank, even though the underlying commercial deal is with the client trader: - negotiation without recourse of documents under export L/C, - discount of usance, i.e. differed payment as per terms of export L/C, - purchase, without recourse, of receivables or bills accepted by another bank.	Cash	Committed	Short	Banks & FIs	Yes	

Facility_Type	Description	Definition	Accounting Treatment	Limit Committed/Un committed	Term	Use for Facility Asset Class	Trade Finance Indicator (if applicable FAC)	Comment
804	<b>Prepayment Finance</b>	On request of its client – who remains the obligor, the lender grants an advance to the supplier of the goods before they are shipped or delivered.	Cash	Committed	Short	SME LC Commodities	Yes	
805	<b>Pre-export Finance</b>	The bank extends a loan to its customer (the obligor) specifically related to a commercial order received by the latter – backed by a letter of credit from the ordering party's bank or without L/C if the ordering party enjoys high credit. This facility means full exposure on the obligor; the reimbursement is fully contingent on the performance of the obligor to deliver and to get paid according to the terms of payment of the contract.  This facility is intrinsically unsecured – a collateral, if any, comes from a separate agreement on some particular asset of the obligor. Note that an assignment of proceeds of the order is not a collateral stricto sensu. The L/C received or a credit insurance related to the issuer of the order - is none either.  What makes this facility particular and separate (at the lender's) is that it is tailored on the size and date of the order received by the obligor. Various data-fields in the GCD data-base, notably in Collateral or Guarantor/Key Party, allow giving more background information.	Cash	Committed	Short	SME LC Commodities	Yes	
806	<b>Structured Inventory Finance</b>	It is NOT a direct loan to the obligor but an equivalent situation where the bank becomes the owner of the goods (i.e. buys them) and has arranged simultaneously the re-sale of the goods by way of a forward contract, put option, or similar contract. The goods are obviously of an easy to market type. There has been and there can be different terms and conditions, which, however tight, did not prevent a few defaults in the past.	Cash	Committed	Short	Commodities	Yes	
807	<b>TF Bid or Performance Bond</b>	same as 811 consider removing	Contingent	Committed	Short	SME LC Commodities	Yes	
808	<b>TF Other Payment Guarantee</b>	same as 811, consider removing	Contingent	Committed	Short	SME LC Commodities	Yes	
8091	<b>Borrowing Base Finance - Revolving Loan</b>	Typically, the calculation of borrowing base is used for revolving loans, and the borrowing base determines the maximum credit line available to the borrower. The detailed information on the assets included in the calculation of the borrowing base is collected in the collateral table.	Cash	Committed	Medium	SME LC Commodities	No	
8092	<b>Borrowing Base Finance - Term Loan</b>	Occasionally, borrowing base is also used to determine the maximum size of a term loan. Depending on the contractual terms of the loan, the assets included in the calculation of the borrowing base may be used as collateral for the loan.	Cash	Committed	Medium	SME LC Commodities	No	

Facility_Type	Description	Definition	Accounting Treatment	Limit Committed/Uncommitted	Term	Use for Facility Asset Class	Trade Finance Indicator (if applicable FAC)	Comment
810	<b>Trade Related Documentary Credit (L/C) at Sight</b>	Import Letters of Credit payable at sight (payable immediately after receipt of valid documents)	Contingent	Committed	Short	SME LC Commodities	Yes	The lender has issued an Import Letter of Credit on behalf of its customer, same as 812 but immediate payment
811	<b>Trade Related Payment Guarantee</b>	all types of performance and payment guarantees and bonds issued in support of trade activities, examples include bid bonds performance bonds, shipping guarantees and airway bill guarantees	Contingent	Committed	Short	SME LC Banks & Fi Commodities	Yes	A performance guarantee or standby letter of credit is an irrevocable undertaking by the organization to make payment in the event the customer fails to perform a nonfinancial contractual obligation. This is distinguished from a financial guarantee or standby letter of credit which is an irrevocable undertaking by a banking organization to guarantee repayment of a financial obligation. The determining characteristic of whether a guarantee or standby letter of credit is performance or financial is the contractual obligation that triggers payment. Where the event that triggers payment is financial, such as a failure to pay money, the guarantee standby letter of credit should be classified as financial (Facility Type 830). Where the event that triggers payment is performance-related, such as a failure to ship a product or provide a service, the guarantee or standby letter of credit should be classified as performance.
812	<b>Trade related Documentary Credit (L/C) at Usance</b>	Import Letters of Credit payable at usance (payable 30 to 180 days after receipt of valid documents)	Contingent	Committed	Short	SME LC Commodities	Yes	The lender has accepted an Import Letter of Credit on behalf of its customer, same as 810 but longer payment delay
813	<b>Confirmed Export L/C (S &amp; U)</b>	Letter of credit issued by another bank which the lender confirms to its exporting customer. The lender takes a risk on the exporters bank.	Contingent	Both, committed and uncommitted	Short	Banks & FIs	Yes	The lender has confirmed to its client beneficiary of a L/C issued by a bank, generally but not systematically from another country, that it will pay that L/C upon presentation of the required documents, without recourse. The actual risk is on the L/C opening bank, not on the client of the confirming bank - even if the transaction is booked under the client's name! Thus, the party in default under this facility is the opening bank; hence it comes in FAC 3 "Banks &FI".
820	<b>Contract Bonds</b>	Concerns only contracts for public works, delivery of large equipment etc, not TF.	Contingent	Committed	Medium	SME LC SL Sov Pub PB	Yes/No	
830	<b>Payment Guarantee and Stand By LC's</b>	Financial Guarantee which does not contain a performance element. If it contains performance element it should be classified as Facility Type 811 if short term and Facility Type 820 if it is longer term	Contingent	Committed	Short/Medium	all	No	Example: One bank guaranteeing another to make a loan to a customer
840	<b>Repurchase Agreement (REPO)</b>	A transaction where the bank, (buyer) purchases securities from the borrower, (seller) with an agreement, that the seller will repurchase the securities at a future point.	Cash	Both, committed and uncommitted	Short	LC Banks & FIs	No	must be associated with collateral Marketable Securities (Collateral Type 111 and 112). This includes reverse REPO's as well.

Facility_Type	Description	Definition	Accounting Treatment	Limit Committed/Uncommitted	Term	Use for Facility Asset Class	Trade Finance Indicator (if applicable FAC)	Comment
850	<b>Securities Lending</b>	A transaction where the bank lends securities to a borrower in return for collateral	Cash	Both, committed and uncommitted	Short	all but typically LC Banks & FIs	No	It is often done to support customer taking a short position in a security. The collateral is always Cash (Collateral Type 100) or Marketable Securities (Collateral Type 111 and 112).
860	<b>Settlement Limit Facility</b>	A very short term payment paid by the bank to settle securities transactions or FX transactions and is paid back within the settlement time of the security, usually 1 to 3 days	Cash	Both, committed and uncommitted	Short	SME LC Banks & FIs	No	
865	<b>Vostro / Nostro</b>	Strictly defined as overdraft accounts banks hold with each other	Cash	Uncommitted	Short	Banks & FIs	No	
870	<b>Intraday Facility</b>	The bank allows the companies account to go into overdraft within the day expecting payment by the end of the day.	Cash	Uncommitted	Short	All	No	Example: Paying out money on a cheque issued by a borrower before there is enough cash in the borrower's account.
883	<b>FOREX Derivative</b>	Derivative between the bank and the counterparty. Derivative dealing with two currencies with a future settlement date. This includes spot transactions (2 days) and longer term, FX swaps and also baskets of currencies.	Mark-to-Market	Both, committed and uncommitted	Short/Medium	All	Yes/No	This is the risk that the market moves between the time the deal is made and the settlement date, settlements are usually net payments. The risk that one side of the settlement gets paid and the other does not, this is a 860 Settlement Limit Facility.
884	<b>Interest Rate Derivative</b>	Derivative between the bank and the counterparty. Derivative dealing with two interest rate fixing obligations with future settlement dates. (eg. Five years fixed vs 3 years floating). This includes interest rates swaps or options.	Mark-to-Market	Both, committed and uncommitted	Short/Medium	All	Yes/No	Example: Company A borrows €1mln and pays Libor + 2% (floating), the interest rate is variable per month depending on the Libor. Company B borrows €1mln and pays 8% at fixed rate. Those companies can agree to their interest rate agreements. So Company A agrees to pay B 7% on notional €1mln. And Company B agrees to pay A Libor + €1mln notional 1 mln. They have swapped. They still have to pay their lenders. But now they also have to pay each other, with the conditions they agreed on.
885	<b>Credit Default Swap</b>	Derivative between the bank and a counterparty to compensate in the event of a third entity going into default.	Mark-to-Market	Both, committed and uncommitted	Short/Medium	All	Yes/No	The counterparty or the bank may have no relationship with the third entity at all, or a lending or bond position. This includes specific positions such as single bonds, single names and baskets of entities. This is the risk that the market moves between the time the deal is made and the settlement date, settlements are usually net payments.
886	<b>Equity Derivative</b>	Derivative between the bank and the counterparty. Derivative dealing with equity prices for future settlement dates. This includes equity futures, swaps or options. This does not include REPO's of equities (840).	Mark-to-Market	Both, committed and uncommitted	Short/Medium	All	Yes/No	This is the risk that the market moves between the time the deal is made and the settlement date, settlements are usually net payments. The risk that one side of the settlement gets paid and the other does not, this is a 860 Settlement Limit Facility.

Facility_Type	Description	Definition	Accounting Treatment	Limit Committed/Uncommitted	Term	Use for Facility Asset Class	Trade Finance Indicator (if applicable FAC)	Comment
887	<b>Commodities Derivative</b>	Derivative between the bank and the counterparty. Derivative dealing with commodity prices for future settlement dates. This includes commodity futures, swaps or options. For example gold, oil, weather or electricity derivatives.	Mark-to-Market	Both, committed and uncommitted	Short/Medium	All	Yes/No	This is the risk that the market moves between the time the deal is made and the settlement date, settlements are usually net payments. The risk that one side of the settlement gets paid and the other does not, this is a 860 Settlement Limit Facility.
888	<b>Derivative of Mixed or Unknown Type</b>	Some derivatives combine FX, interest rate, credit and/or equity elements, which we call mixed type. They may also be new, special or unknown derivatives.	Mark-to-Market	Both, committed and uncommitted	Short/Medium	All	Yes/No	This is the risk that the market moves between the time the deal is made and the settlement date, settlements are usually net payments. The risk that one side of the settlement gets paid and the other does not, this is a 860 Settlement Limit Facility.
890	<b>Bonds in Banking Book</b>	These are usual bonds, except that they are considered by the holder, or its regulators, as not intended for trade and for that reason cannot be kept in the trading book but in the banking book.	Bonds and Equity	Uncommitted	Short/Medium	All	No	What we are looking to capture here is the credit risk of a defaulted bond and what happens after the default. Not the trading price of a bond before or after the default.
891	<b>US Municipalities - General Limited Tax Obligation</b>	US only - A municipal bond with two distinguishing features. First, as a general obligation bond, it is secured by all revenues the issuing municipality generates that are not otherwise secured. That is, unless a municipality's revenue specifically secures another bond, the municipality must theoretically use all of its other revenue to pay the bond. Secondly, because it is a limited-tax bond, its provisions place a maximum possible tax increase that the municipality can levy if its other revenues come up short.	Cash	Uncommitted	Short/Medium	Sovereigns	No	
892	<b>US Municipalities - General Obligation subject to Appropriation</b>	US only - The critical common characteristic is that the obligation of the borrowing entity to pay debt service is not absolute but instead is conditional on the applicable governing body choosing each year to appropriate funds for debt service payment.	Cash	Uncommitted	Short/Medium	Sovereigns	No	
893	<b>US Municipalities - General Unlimited Tax Obligation</b>	US only - Unlimited tax obligation bonds pledge the unlimited full faith and credit of the municipality and are backed by the ability of the municipality to raise taxes if necessary to meet its obligations. They require voter approval before being issued.	Cash	Uncommitted	Short/Medium	Sovereigns	No	
894	<b>US Municipalities - State General Obligation</b>	US only - General Obligation debt, which is backed by the pledge of the full faith and credit of the State.	Cash	Uncommitted	Short/Medium	Sovereigns	No	
895	<b>US Municipalities - Statutory Pledge</b>	US only - Obligation Bonds backed by a statutory pledge of revenue.	Cash	Uncommitted	Short/Medium	Sovereigns	No	
896	<b>US Municipalities - Other Bond Obligation</b>	US only - any other municipal obligation or bond	Cash	Uncommitted	Short/Medium	Sovereigns	No	
900	<b>Aggregate Exposure</b>	Use for SME only if the facility types can not be distinguished and were collateralised in the same way and same seniority.	Cash	Committed	Short/Medium	SME	No	This is an exception to the normal requirement of splitting out every facility. It is only allowed for SME. And where the lender normally groups the cash flows and has common facility characteristics.



Facility_Type	Description	Definition	Accounting Treatment	Limit Committed/Un committed	Term	Use for Facility Asset Class	Trade Finance Indicator (if applicable FAC)	Comment
-1	<b>Unknown</b>	This should only be used in exceptional cases. Please contact GCD executives before using.						When mapping internal facility types to GCD facility types a bank may find some left over categories that do not seem to fit. Before classifying as unknown, please contact GCD to get support on the mapping.

# Item 3



**Global Credit Data**

*by banks for banks*

# Ongoing Topics

# Status updates – ongoing topics

- ❑ HVCRE Indicator
  - Working together with the US banks to find the best way of including in the data model
- ❑ Borrower Risk Rating / Borrower Internal PD
  - Investigation is continued.
  - When it occurs in your data, adjust where possible.

# Item 4



**Global Credit Data**

*by banks for banks*

# How can we make GCD fit for peer comparison?

Regional and/or Size indicator for lender

# Background



## What?

- ❑ Several banks have expressed their wish for a better peer comparison on GCD data.
  - Lender Size Indicator (G-SIB or based on total assets) or
  - Lender Country/Region



## Why?

### Factors that support

- ❑ Better Reference Data Set creation possible
- ❑ Enables banks to compare with direct peers only
- ❑ Usability of data improves

Pros

Cons

### Factors that don't support

- ❑ Potentially leads to an easier identification of a certain lender



## How?

- ❑ Either include fields in data return or include feature in peer comparison report.

# Peer comparison Report

Platform	LGD/EAD	PD/Rating	Benchmark	ICC Trade Register
Number of lenders	61	27	12	25
	↓	x	x	x

- ❑ Only LGD/EAD has enough lenders to think about subsampling the data.
- ❑ Marking the data is judged by the executives as too revealing, currently. We propose to include in peer comparison report first:
- ❑ Two dimensions will be included
  - Regional:
    - ❑ Include for every bank home country section
    - ❑ Include customized US peer bank as pilot for US banks.
  - G-SIB vs smaller banks
    - ❑ Include section on G-SIB vs. Non G-SIB banks.



# G-SIB vs smaller banks



## What is a G-SIB bank?

- ❑ The FSB publishes each year the list of global systemically important banks (G-SIBs).
- ❑ The banks on the list can change (e.g. Royal Bank of Canada replaced Groupe BPCE in 2017).



## How to deal with local subsidiaries? E.g. Unionbank, HSBC Trinkaus?

- ❑ Banks will be included even if only the subsidiary is a GCD member.
- ❑ Current list of G-SIB Banks:

Agricultural Bank of China	Bank of America	Bank of China	Bank of New York Mellon	Barclays	BNP Paribas	China Construction Bank	Citigroup	Credit Suisse	Deutsche Bank
Goldman Sachs	Groupe Crédit Agricole	HSBC	Industrial and Commercial Bank of China Limited	ING Bank	JP Morgan Chase	Mitsubishi UFJ FG	Mizuho FG	Morgan Stanley	Nordea
Royal Bank of Canada	Royal Bank of Scotland	Santander	Société Générale	Standard Chartered	State Street	Sumitomo Mitsui FG	UBS	Unicredit Group	Wells Fargo

# Defining a “US” bank – pilot programme US banks only



## What is a US bank?

- ❑ The list of top US banks is taken as a basis:  
[https://en.wikipedia.org/wiki/List\\_of\\_largest\\_banks\\_in\\_the\\_United\\_States](https://en.wikipedia.org/wiki/List_of_largest_banks_in_the_United_States)



## How to deal with local subsidiaries? E.g. Unionbank, HSBC Trinkaus?

- ❑ Banks will be included if they operate out of the US, e.g. Unionbank will be included, HSBC Trinkaus not.
- ❑ Current list of US Banks in LC dataset:

JPMorgan Chase	Bank of America	Wells Fargo	Citigroup	PNC Financial Services	Capital One	Barclays	MUFG Union Bank
Royal Bank of Canada	Crédit Suisse	UBS	BNP Paribas	Northern Trust	BMO Harris Bank	Santander Bank	M&T Bank

- ❑ Out of this list each bank may chose a subset (# min banks is currently discussed) of peer banks

# Item 5



**Global Credit Data**

*by banks for banks*

# Update on Submission Cycle H1 2018

# Agenda

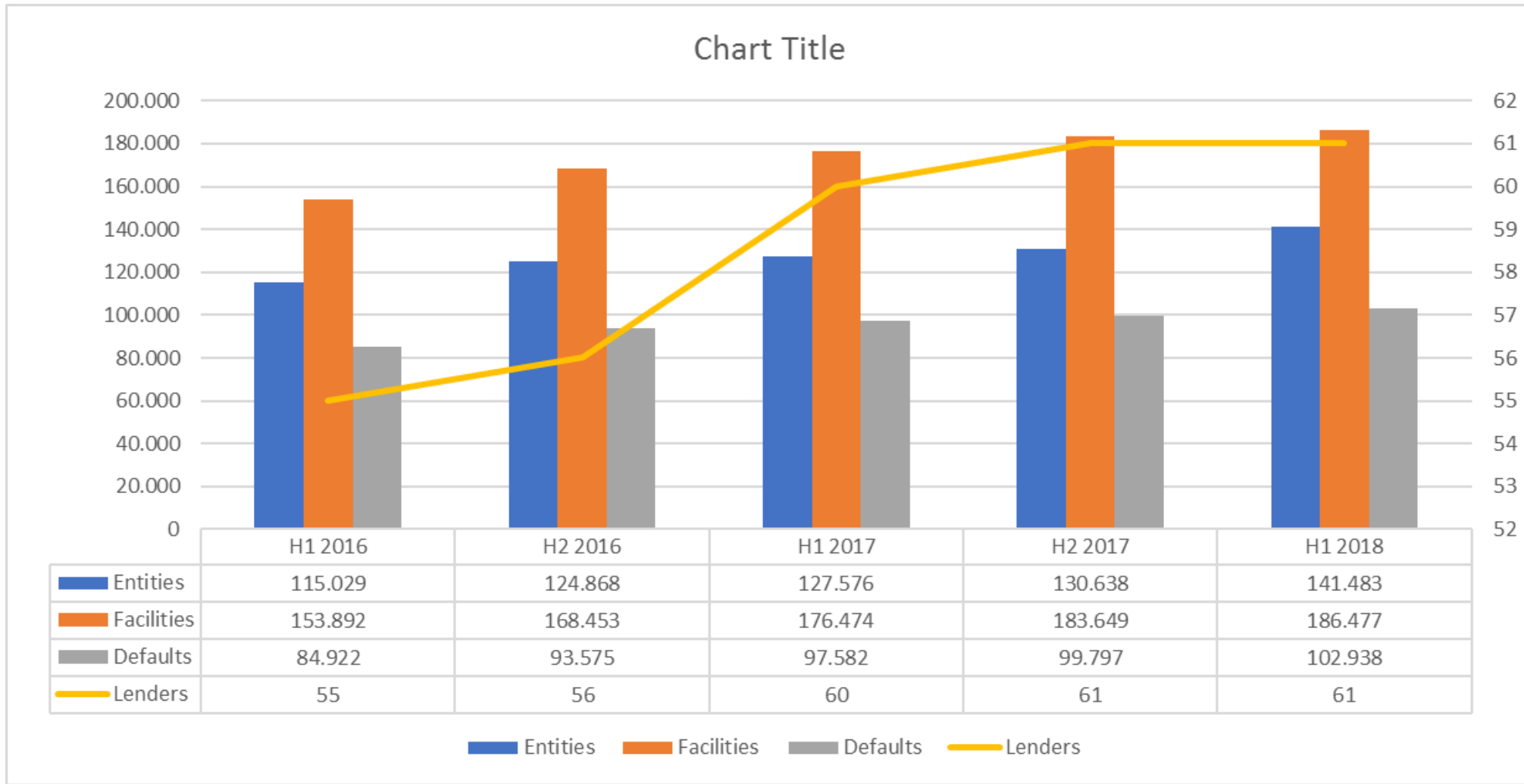
- ❑ Volumetrics H1 2018 submission cycle
- ❑ Release notes
- ❑ US Segment
- ❑ Sovereigns critical mass rule change

# Full Submission Status

	H2 2017		H1 2018	
Full submissions performed	35	74%	41	84%
Full submissions performed for part of the facility asset classes	7	15%	5	10%
No full submissions performed	5	11%	3	6%
Total Members active in LGD pool	47		49	

- H2 2017: 4 members onboarding – total number of active members: 51
- H1 2018: 3 members onboarding – total number of active members: 52

# Numbers in the LGD dataset



# Release Notes 1/2

Changes	Table	Reasoning	Approved in LGD/EAD Subcommittee	Approved in Methcom
<b>New fields</b>				
Add field "US_Segment" as calculated field in output structure	Loan	To ensure US Banks do recognize their own segments	-	YES (Methcom 06 March 2018)
Deletion of Entity Name	Entity	Field should not be used (GDPR), was only input structure and not part of output structure	-	YES (Methcom 06 March 2018)
<b>Field changes</b>				
Product Code addition of 300 Reserve Based Lending (Oil and Gas)	Loan	To ensure all US segments can be identified	-	YES (Methcom 06 March 2018)
Collateral Type addition of 111 Marketable Securities Treasury Bills 112 Other Marketable Securities	Collateral	Member request	-	YES (Methcom 06 June 2017)
Project Type addition of 145 Energy Renewable - Geothermal energy 146 Energy Renewable - Biogas	Collateral	Member request	Yes (LGD Subcommittee 05 December 2017)	-
Yes No Unknown Lookup change of Unknown "U" to "-1" Syndicated Indicator Guarantee Indicator Collateral Indicator	Loan	Escape Clause Consistency	Yes (LGD Subcommittee 04 October 2017)	-
Rating Lookups change of escape clause from NR to -1 Guarantor_Rating_Fitch Guarantor_Rating_Moodys Guarantor_Rating_SaP Guarantor_Rating_Internal Lender_Borrower_Risk_Rating	Guarantor/History	Escape Clause Consistency	Yes (LGD Subcommittee 04 October 2017)	-
Base Rates addition of several new base rates	Pricing	Member request	Yes (LGD Subcommittee 07 November 2017)	-
Sovereigns release Country of Residence always	Entity	Member request	-	YES (Methcom 10 April 2018)
Change of name AVG_TTREC to TTREC	Loan	Error Fix	-	Executive decision



# Release Notes 2/2

## Remapping Existing Data

see release notes

Yes No Unknown Lookup change of existing data Unknown "U" to "-1" Syndicated Indicator Guarantee Indicator Collateral Indicator	Loan	Related to field change above	Yes (LGD Subcommittee 04 October 2017)	-
Rating Lookups change of existing data from NR to -1 Guarantor_Rating_Fitch Guarantor_Rating_Moodys Guarantor_Rating_SaP Guarantor_Rating_Internal Lender_Borrower_Risk_Rating	History	Related to field change above	Yes (LGD Subcommittee 04 October 2017)	-
Currency: ROL changed to RON , /fields Collateral_Value_Currency Total_Collateral_Value_Currency Financial_Currency Loan_Currency Syndicated_Currency Transaction_Currency	Collateral Financial Loan Transaction	Related to field change above	Yes (LGD Subcommittee 30 May 2017)	not needed
Control Goods and Flows change -1 to empty	Loan	Escape Clause Consistency	Yes (LGD Subcommittee 04 October 2017)	-
Collateral Indicator change "y" to "Y" (25 loans)	Loan	Error Fix	-	Executive decision

## Validation rules

see release notes

# Segmentation

## Basel view

Facility Asset Class	Description
1	Small/Medium Enterprise (SME)
2	Large Corporate
3	Banks & Financial Company
4	Ship Finance
5	Aircraft Finance
6	Real Estate Finance
7	Project Finance
8	Commodities Finance
9	Sovereign, Central Banks
10	Public Services
11	Private Banking



## US view

US Segment	Description
1	C&I (Commercial & Industrial)
2	US Commercial Real Estate
3	Banks & Financial Institutions
4	Securitizations
5	Sovereigns & Central Banks
6	Local Governments & PSE
7	Project Finance
8	Asset Based Lending
9	Energy Reserves (Oil & Gas)
10	Leasing & Equipment
11	Private Banking

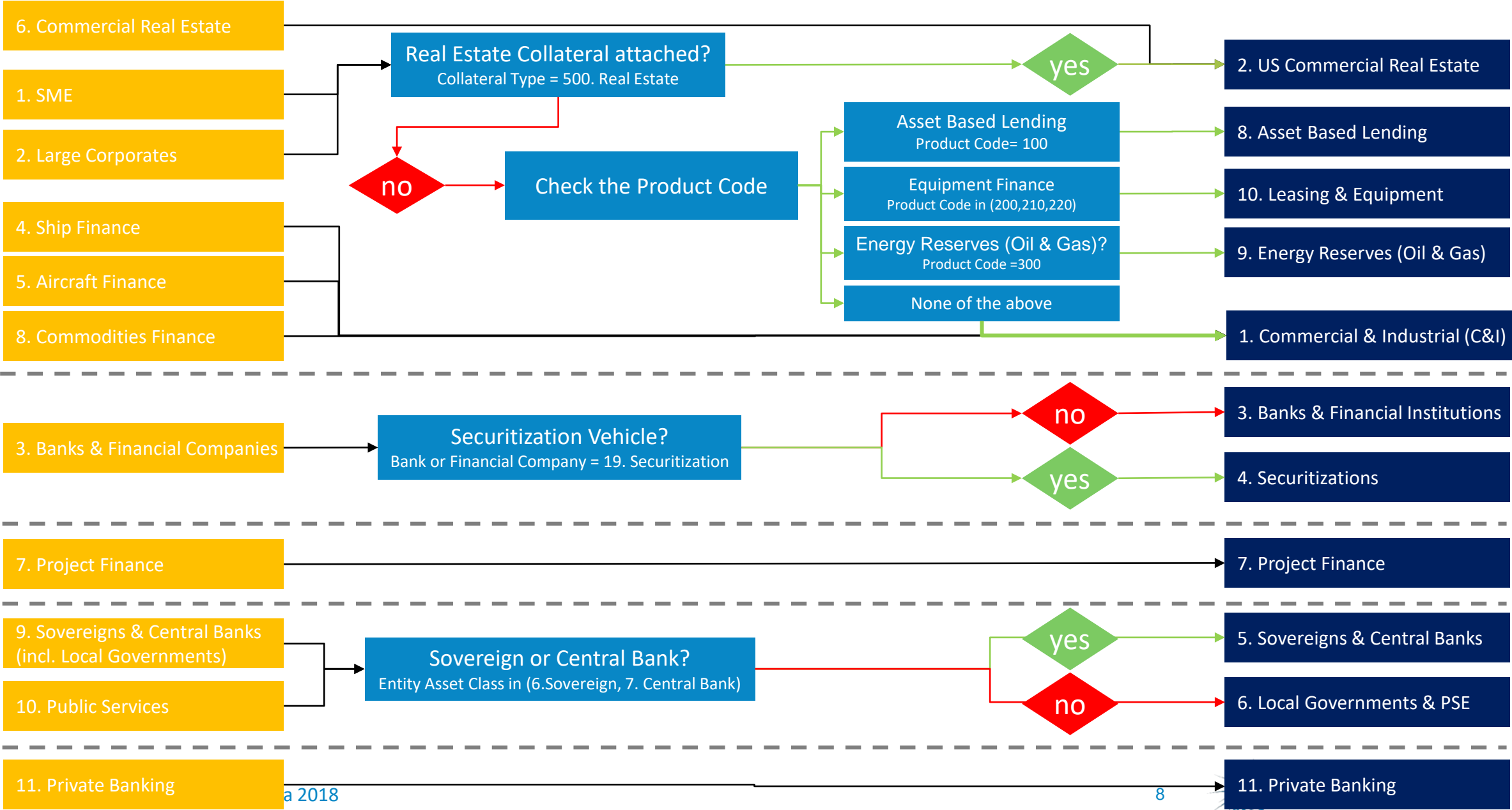
- ❑ Initial GCD Segmentation (Data Pools, “give-to-get”)
- ❑ Basel regulatory compliant, theoretically global
- ❑ Required Input field in all three platforms

- ❑ Introduced to accommodate US banks’ needs
- ❑ Calculated field in LGD/EAD platform from 2018
- ❑ Optional Input field in PD & Rating and Benchmarking Platform + Guidance on how to derive US Segment from Facility Asset Class is provided

# How to derive the US Segment from the Facility Asset Class?

Facility Asset Class

US Segment



# Critical mass rule change for Sovereign

- ❑ Current Critical Mass Rules for Country of Residence
  - GCD aggregates countries to regions to ensure a member cannot be identified.
  - The exact rule for Country of Residence is that the country is released only if at least 3 banks contribute entities for a given Country\_Of\_Residence per Asset Class. Otherwise Country is aggregated to a level where at least three banks are participating using agreed mapping.
  - The rule is applied to SME, LC, Banks & Fin Co, **Sovereigns**, Public Services and Private Banking. It is not applied to Specialised Lending Asset Classes as they are considered global.
- ❑ Member Request to release country for Facility Asset Class Sovereigns
  - In the current aggregation data cannot be used.
  - Sovereigns is cross-border lending.
  - We have reached a significant number of lenders in the asset class.
  - We have checked the data and cannot see that a particular bank could be identified.



Decision by Methcom to release of the country for sovereigns.

---

# Appendix

# US Segment Description

- ❑ For both PD & Rating and BP 'US segment' is an optional input field.
- ❑ In the LGD/EAD platform it is a calculated field. Banks do not have to provide it, but GCD calculates from the granular data input

US Segment	Description	Comment
1	C&I	Commercial & Industrial
2	CRE	Commercial Real Estate
3	Banks & Financial Institutions	
4	Securitizations	
5	Sovereigns & Central Banks	
6	Local Governments & PSE	Local Governments such as Municipalities, States and Public Sector Entities
7	Project Finance	
8	Asset Based Lending	Asset based finance refers to any credit facility made available to corporate borrowers against clearly identified and eligible assets such as account receivables, inventory, natural resource reserves, fixed and/or other assets, which in turn support borrowing availability based on a prescribed borrowing base.
9	Energy Reserves (Oil & Gas)	
10	Leasing & Equipment	Any credit facility used to finance the purchase of machinery or equipment, with the equipment or machinery financed used as security.
11	Private Banking	

# Item 6