

## Agenda for LGD - EAD Subcommittee Meeting 28th August 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/ML	I/R	X
2.	1510	Documentation Improvements	ER/RD	I/R	X
3.	1525	Closed Topics (Borrower Risk Rating – Borrower Internal PD)	ER/RD	I	X
4.	1530	Peer Comparison Reports	NB/ER/RD	I/R	X
5.	1540	RDS in output structure	NB/ER/RD	I/R	X
6.	1550	Basel III Large Corporate threshold	NB/ER/RD	I	X
7.	1600	Planning Submission cycle H2 2018	RD	I	X
8.	1610	Any other business	ML	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 July 3<sup>rd</sup> 2018

Ref Minutes LGDSub 20180703

### Members:

CA CIB	Julie Reboisson Cadet
Credit Suisse	Jain Sourabh
	Philippe Delley
	Omkar Vishwas Chitale
	Kishor Kumar
	Ravi Kumar
	Rohan Surana
Desjardins	Nicolas Ternisien
DNB	Thomas Markussen
EDC	Owen Cox-Dixon
Handelsbanken	Daniel Langer
HSBC T&B	Eugene Muluka
ING	Mark Kok
JP Morgan	Luis Bochner
	David Reed
M&T	Eric Swoboda
National Bank of Canada	Fabio Guacaneme
	Jorge Ruiz
Natixis	Meriem Aissaoui
Pfandbriefbank	Matthias Neubauer
PNC	Kamala Madavarapu
	Balakrishnan Ramanujam
	Pawan Kumar
RBC	Elizabeth Moleda
	Navin Gupta
Scotiabank	Lan Jin
Wellsfargo	Yiru Jian

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

**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.

## Item 2: Documentation Improvements

It is announced that, in the coming months, GCD will focus intensively on enhancing the current documentations available for the LGD platform. The topics discussed were the enhancements on the input and output structures, the coming FAQ document, integrated data guides and tooling. The LGD Subcommittee has the power to decide on Member Documentations.

The enhanced input structure sheet for Facility Types has been shown and after voting the proposed documentation has been approved on Facility Types.

**Vote:** all in favour

But there is an exception for facility types 807, 808 and 811. Those enhancements will be proposed in the next subcommittee meeting.

- LOAN0XX, a new Validation Rule has been proposed for Aggregated Exposure. That facility type 900, should be related to Facility Asset Class SME only.  
**Vote:** all in favour
- LOAN0XX, a new Validation Rule has been proposed for Vostro/Nostro. That facility type 865, should be related to Facility Asset Class Banks & Financial Companies only.  
**Vote:** all in favour
- Firm proposal to Methcom. It has been proposed that the 807 and 808 facility types should fall under 811 Trade Related Payment Guarantees. Members feel that 807 Bid or Performance Bonds should be kept as a separated Facility Type. So this has not been proposed.  
However, there has been a vote on the proposal (established in the meeting) to have 808 fall under 811, having the 808 removed.  
**Vote:** all in favor

## Item 3: Ongoing Topics

The HVCRE and Borrower Risk Rating / Borrower are still work in progress.

## Item 4: How can we make GCD fit for peer comparison?

Two options are discussed to enable a peer comparison between banks on the LGD, this is for information only and not for voting in this LGD subcommittee meeting. It is discussed to include the comparison in the data return set or in the peer comparison report. It will enable to compare the LGD to other banks. It can be on a regional basis and/or the G-SIB categorisation. A pilot will be carried out on US banks.

Members mentioned their concerns on the privacy of the data. Ensure there should be no way that banks that one bank can determine which bank is moving the LGD to which direction. Those comments will be taken into consideration in the further development.

## Item 5: 2018 Submission status

The general numbers of the H1 2018 submission are shared.

Pfandbriefbank, Goldman Sachs and HSBC are onboarding. Currently there are 53 active members in the database.

The release notes are also shared. The addition of the US Segment has been shared. And the deletion of the Entity Name, because of the GDPR.

#### Segmentation

The implemented US segment has been presented. Have in mind that it for the Energy Reserve, the numbers could change in the future. As with this release also the product code Oil & Gas is just introduced, so the numbers in the Energy Reserves could change in next submissions.

#### Sovereigns

The critical mass rule for sovereigns has been changed. The country is now released for sovereigns.

#### **Item 6: Any other business**

Members suggest to work on the Industry codes (SIC) and Review the Private Banking classification.

Also members suggest to have the LGD Subcommittee Material received earlier before the meeting, members will then have more time to discuss the voting topics internally.

Responsible	Item	Description	Methcom item yes/no	Priority	August	September	October
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 Integrated Documentation Integrated Structure guides		Medium	X	X	X
NB/ER	Trade Finance Alignment	Alignment of definitions, adjustment of Lookup table, remapping to ICC.	Yes	Medium			
NB	RDS Marker	RDS Marker in Output Structure	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		
ER	Financial Table	Entity Sales, Entity Assets and Entity Total Debt: fields not filled in output dataset for guarantors because FX rate is linked to Default Date and for guarantors there is no default date in the database.	H2 2018/H1 2019	Medium			X
RD	Restructured Facilities	Further analysis and proposal on how to input restructured facilities	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 - H1 2019	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 facilities.		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 Exercise)					
NB	SME: comparison of LGDs	Compare SME LGDs regard to seniority - subordinated vs supersenior		High			



## Action List LGD – EAD Subcommittee

August 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	2018	



# Item 2



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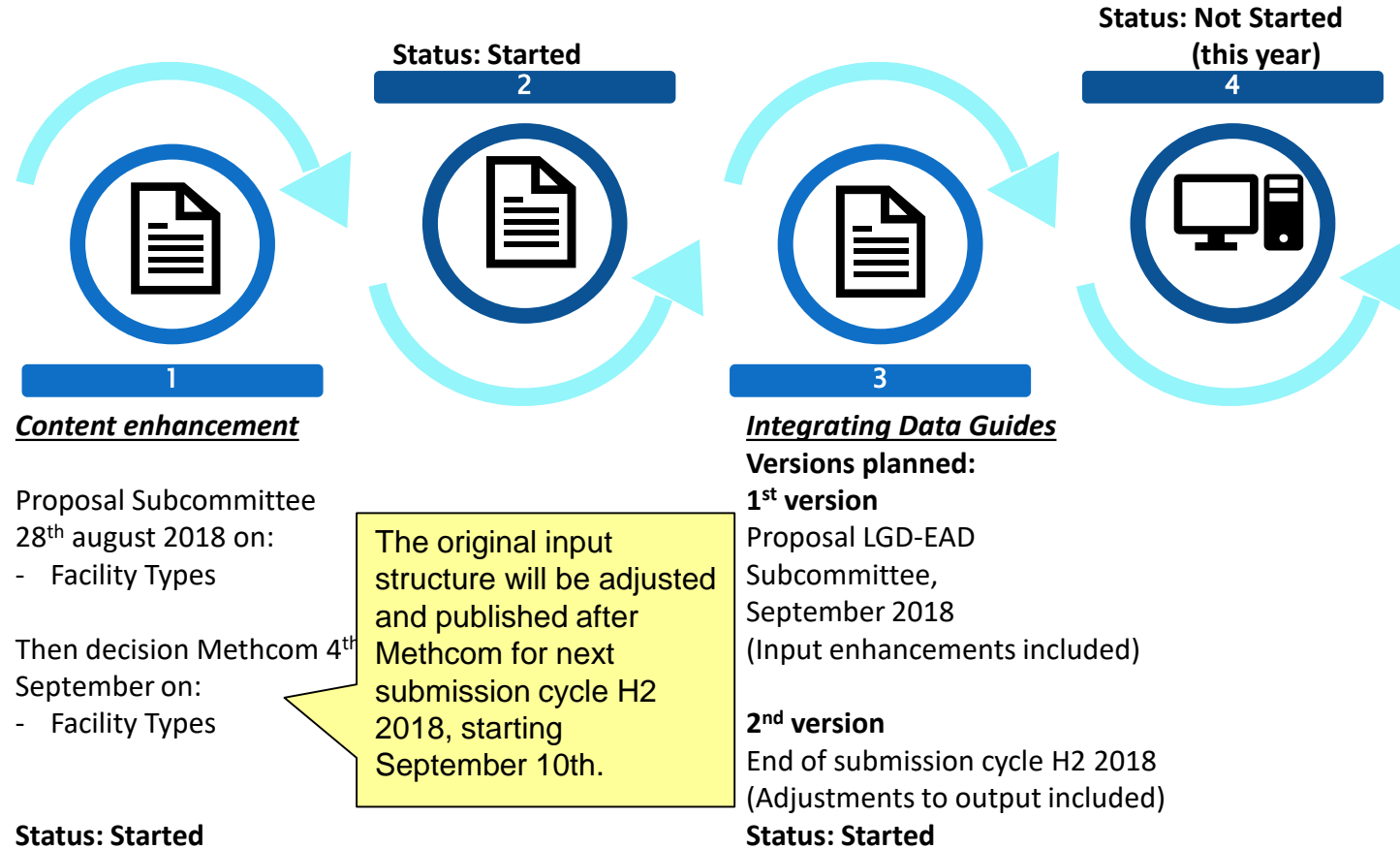
# Documentation Improvements

# Documentation Improvement Roadmap

## Integration Documents to one single document

## Tooling

Proposal LGD-EAD Subcommittee,  
September 2018



# Integrating Data Guides

Global Credit Data LGD & EAD Database Field Listing														
Field Information							Input information					Output information		
Table	Field	Definition	Input field	Output field	Data Type	Lookup	Priority (see note)	Provide only if (otherwise leave empty)	Mandatory under condition	Provide with certain value	Warning for unsatisfactory value	Escape Clause (see note)	Calculated	Calculation Details
Entity	DA_Lender_ID	DA_Lender_ID is unique to each GCD Member Bank, assigned by the Data Agent to the GCD Member for confidentiality.		2	INTEGER									Only for the banks own cases, empty for cases of other banks
Entity	Lender_ID	Lender_ID is unique to each GCD Member Bank, assigned by Data Agent to the GCD Member for confidentiality. It is to be used for all data submissions	1		INTEGER	GCD Internal Lender List	M	-	-	Always the same for all tables	-	-		
Entity	DA_Entity_ID	Anonymisation ID assigned by Global Credit Data		1	INTEGER									ID assigned by GCD
Entity	Entity_ID	Internal (Bank Assigned) Id for the Entity. Does not have to be the bank's actual internal number, but must be the same from period to period to enable Data Agent tracking the Entity.	1	2	CHAR(20)		M	-	-	Unique value Must exist in Loan Table as Borrower_ID or in Guarantor_Table as Guarantor_ID	-	-		Only for the banks own cases, empty for cases of other banks
Entity	Entity_Type	Entity_Type must be given by Member Banks. A Guarantor must relate to an entity type 1. An Entity Type 3 must be Borrower, plus Guarantor to another borrower.	1	1	INTEGER	<a href="#">Entity_Type_Lookup</a>	M	-	-	2 or 3 if Guarantor_Type is filled 2 if Entity_Asset_Class = 5 3 if Entity_ID in Loan Table as Borrower_ID and in Guarantor Table as Guarantor_ID	-	-		
Entity	Default_Status	Must be 'RESOLVED' or 'UNRESOLVED'. Information at entity level; not to confuse with resolution of the facility Required if Entity Type is Borrower (1) or Both Borrower & Guarantor (3) To be left empty if Entity Type is Guarantor (2)	1	1	CHAR(20)	<a href="#">Default_Status_Lookup</a>	Cm	Entity_Type = 1 or 3	Entity_Type = 1 or 3	Resolved if all associated facilities are resolved Unresolved if any associated facilities are unresolved				
Entity	DA_Country_Of_Residence	Same as Country_Of_Residence but aggregation can apply.		1	CHAR(20)	<a href="#">DA_Country_Critical_Mass_Lookup</a>								Same as input of Country_Of_Residence, but in case critical mass is not met, the aggregated to the first level where critical mass is reached. Geographic_Country_aggregation of countries (see input guide) applies
Entity	Country_Of_Residence	The legal country of residence for the Entity. Expected to be the Country of Registration	1	2	CHAR(20)	<a href="#">ISO_Country_Lookup</a>	M	-	-	-	-	-1	<a href="#">Critical Mass Rules</a>	
Entity	Country_Of_Business	Area where the Entity generates most of its revenues. Can be a country or an area, including World. When same as residence, select "Local"	1	1	CHAR(20)	<a href="#">Area_Of_Business_Lookup</a>	O	-	-	-	Empty if Default_Date > 31/12/2004	World		Only for the banks own cases, empty for cases of other banks
Entity	Entity_Asset_Class	ICCMSCD4 Classification, see lookup fields for more information	1	1	INTEGER	<a href="#">Entity_Asset_Class_Lookup</a>	M	-	-	1 if Facility_Asset_Class = 1, 2 or 10 1 or 9 if Facility_Asset_Class = 11 10 and Facility_Type <= 891, 892, 893, 894, 895, 896 2 if Facility_Asset_Class = 4, 5, 6, 7 or 8 4 or 8 if Facility_Asset_Class = 3 and Primary_Industry_Code = 600 and Entity_Type <= 2 5 (Guarantor) if Entity_Type = 2 6, 7, 10, 11, 12 or 13 if Facility_Asset_Class = 9	-	-		
Entity	Bank_Or_Financial_Company	Provides further information on the type of Bank or Financial Company being reported	1	1	INTEGER	<a href="#">Bank_Or_Financial_Company_Lookup</a>	Cm	Entity_Asset_Class = 4 or 8	Entity_Asset_Class = 4 or 8	1, 2, 3, 4 or 5 if Entity_Asset_Class = 4 6 to 15 if Entity_Asset_Class = 8	Empty if Primary_Industry_Code = 600	-		

Preview

# Integrating Data Guides

- ❑ First version will be presented in the September LGD subcommittee
- ❑ Contains the detailed level information. Eg what is a specific Collateral Type.
- ❑ Future changes to this document will be proposed first in the LGD Subcommittee

# Combined Documentation

- ❑ First version will be presented in the September LGD subcommittee
- ❑ Contains the higher level information. More detailed information is in the input and output structure
- ❑ Future changes to this document will be proposed first in the LGD Subcommittee

# Combined Documentation

- ❑ Table of Contents

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# Proposal Facility Type – 807 – Bid or Performance Bond

Facility_Type	Description	Definition	Accounting Treatment	Limit Committed/Uncommitted	Term	Use for Facility Asset Class	Trade Finance Indicator (if applicable FAC)	Comment
807	<b>Bid or Performance Bond</b>	The lender issues a promise to pay a third party on behalf of a borrower, where the borrower is performing some work or delivering something to the third party. In the case of a bid bond the lender guarantees that if the borrower wins the bid under a tender process then the borrower will sign the contract with the third party. If the contract is not signed then the bank pays a fixed amount to the third party. In the case of performance bond, the lender guarantees that the borrower will perform the obligations under the contract with a third party. If the borrower does not perform eg. does not complete a building or does not perform warranty work, then the third party will make claim to the bank for the financial loss.	Contingent	Committed	Short/Medium	SME LC Commodities	No	If this is a trade finance related guarantee then please use 811 instead. A performance guarantee 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 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).

**Proposal:** The input structure on facility type 807 will be enhanced with the text as displayed.

# Firm Proposal to Methcom to Remove/Remap Facility Types

In previous LGD-EAD Subcommittee it was approved that:

- ❑ 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.
  - 808 - Other Payment Guarantee (Trade Finance)
  - Accounts for 4 different banks, 38 facilities
  
- ❑ In the next submission cycle, request to do the remapping accordingly (timely communication with members using 808)

# Impacted validation rules

Removed where the Facility\_Type = 808

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	
History	HIST085	Lender_Issued_Amount	Lender_Issued_Amount is filled and Facility_Type <> 807, 810,811,812,813,820,830	HIST085: Lender_Issued_Amount (%Lender_Issued_Amount%) must only be given when Facility_Type = 807, 810,811,812,813,820,830.	Error	Correctness	H1 2017	H2 2018	Removed Facility Type 808
History	HIST086	Lender_Issued_Amount	Lender_Issued_Amount is empty and Facility_Type <> 807, 810,811,812,813,820,830	HIST086: Lender_Issued_Amount (%Lender_Issued_Amount%) must be given when Facility_Type = 807, 810,811,812,813,820,830.	Error	Correctness	H1 2017	H2 2018	Removed Facility Type 808
History	HIST088	Lender_Issued_Amount	Lender_Outstanding_Amount <> 0 and Facility_Type = 807, 810,811,812,813,820,830, 860, 883, 884, 885, 886, 887, 888 and Event_Type = 3	HIST088: Lender_Outstanding_Amount (%Lender_Outstanding_Amount%) must be 0 at Event_Type = 3 if Facility_Type = 807, 810,811,812,813,820,830, 860, 883, 884, 885, 886, 887, 888.	Error	Correctness	H1 2017	H2 2018	Removed Facility Type 808
Transaction	TRAN031	Transaction_Type	Transaction_Type 410 AND Facility_Type <> 807, 810,811,812,813,820,830	TRAN031: Transaction_Type (410) can only be used for Contingent Liabilities (Facility Types 807, 810,811,812,813,820,830).	Error	Correctness	H1 2016	H2 2018	Removed Facility Type 808

**Proposal:** Remapping of 808 was approved in the last meeting. The validation rules above will be adjusted for H2 2018.

# Next steps

- ❑ Collateral Types
- ❑ Collateral Valuation Type

# Item 3



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# Closed Topics

# Closed Topics

- ❑ Borrower Risk Rating / Borrower Internal PD
  - When it occurs in your data, adjust where possible.



# Item 4



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# Peer Comparison Report

LGD Subcommittee Meeting 28 August 2018

Methcom Meeting 04 September 2018

Nina Brumma

# Background

- ❑ As promised in our last meeting GCD wants to launch the peer comparison reports for LGD. These will be based on the LGD Report for Large Corporates but including a comparison between each individual bank and the rest of the pool.
- ❑ Table of content 
  - Analytics as in LC Report
  - Zoom on home country
  - G-SIB vs Non G-SIB Banks
  - Special US peers for US banks only (not finished yet)
  - Reference Data Set
- ❑ The reports will contain both borrower and facility level analytics in the same way as in the public report. A NA version with only Facility level will be created for US and Canadian Banks on their request (not finished yet).
- ❑ Because the reports contain each bank's individual data a "Fake Bank" report is shown to your for approval.
- ❑ Subcommittee approval is required. Methcom will be informed.

# Item 5



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# RDS Marker in Output Structure

LGD Subcommittee Meeting 28 August 2018

Methcom Meeting 04 September 2018

Nina Brumma

# Background

- ❑ GCD has defined a Standard RDS for the LGD Report for Large Corporates
  - ❑ Member banks would like to be able to recreate the RDS for their own analysis (see item on forward looking calendar)
  - ❑ Most items of the RDS can be derived easily by each bank
  - ❑ The Validation Rule Elements can be calculated by the banks as well but it is more burdensome to do so. GCD wants to offer an easier solution for our members.
- 
- ❑ Methcom approval is required. Subcommittee to make firm proposal.

# Proposal: We propose two options

- ❑ For members who want to quickly replicate the numbers of the LGD Report
  - Include one field in Entity Table (Borrower Level) and one field in Loan Table (Facility Level) called
    - ❑ Standard\_LGD\_RDS
      - 1 if included in the RDS
      - 0 if not included in the RDS
    - ❑ The field will be universal for all data in the database so to replicate the LGD Report users will have to bring in the Facility Asset Class as a second part to the filter
    - ❑ The advantage is that the filter can be used as a starting point for other asset classes as well
  
- ❑ For power users
  - Include a new table with all the validation rules so users can create filters based on the validation rules they think appropriate.
  
- ❑ Implementation: H2 2018. No changes on the input side for the banks, only output tables concerned.

# Appendix



# Elements of the Reference Data Set (RDS)

## ❑ UNRESOLVED CASES: CAN THE LGD OUTCOME BE CALCULATED?

- Loss Given Default is most accurately calculated on closed (resolved) cases, where the outcome is anything from full repayment to complete loss, or something in between. Although GCD collects unresolved cases, the ultimate LGD cannot be calculated until the default is resolved. To avoid uncertainty by calculating proxies for unresolved cases, the RDS is restricted to resolved cases.

## ❑ YEAR OF DEFAULT: HOW TO AVOID THE RESOLUTION BIAS

- An important distinction should be identified and accordingly addressed with respect to cases with a short workout period when calculating LGD. Generally, a short workout period is related to lower LGD. In the most recent years short workout period cases are naturally overrepresented. Hence, including all the default years might lead to an unrealistically long-term average LGD. This is also important if cures are treated separately as per the GCD definition, cures are resolved within the first year from time of default whereas non-cure cases can exhibit a much longer time to resolution. This is known as resolution bias. Therefore, when creating an RDS it is advisable to address the resolution bias by restricting the defaults to those with a reasonable window time for workout processes to conclude. The decision on this filter, like all RDS filters, should be left to the discretion of users and be aligned to what is representative of their own portfolio. For the GCD dataset the average observed workout period is two years and the latest default year available in the LGD/EAD database is 2018. To address the resolution bias caused by cured cases, it is reasonable to restrict data points to defaults up to and including 2015.
- A filter is applied on the lower end of the time series in addition to the filter on the upper end. Although the earliest entry in the GCD database dates back to 1983, for some banks it is difficult to deliver all the data elements required to identify cured cases for older defaults consistently with newer defaults. Such data may still be useful for driver analysis but the lower reported cure rate can tend to bias the resulting pre-2000 data such that the reported LGD is higher than it would have been in a full data set. In this report where the absolute level of the resultant LGD is important because long term averages are calculated, defaults that occurred prior to 2000 are excluded.

## ❑ SMALL DEFAULT AMOUNT: ARE SMALL DEFAULT AMOUNTS RELEVANT?

- Default amounts in the GCD database range from zero (e.g. for uncalled contingent facilities) to several hundreds of millions of Euro. For an appropriate setup, banks are advised to compare the default amount structure to their internal portfolio. For this exercise default amounts below 100,000 EUR are excluded as they are deemed to be not representative of large corporate defaults.

## ❑ INCOMPLETE PORTFOLIO: HOW TO DEAL WITH FORMER MEMBER BANK DATA

- When a member bank resigns from the association and/or from a Data Pool, the most recent defaulted years that they have submitted must be incomplete as they would no longer participate to submit/update their defaults. The incomplete data contains only cases with short time to resolution which might be affected by the resolution bias. Therefore, the last three years of data of former member banks are filtered out of the RDS.

## ❑ VALIDATION RULES: HOW TO DEAL WITH OLDER DATA

- As described above, GCD applies a series of validation rules during the submission process which prevents inconsistent or incomplete data from being accepted automatically. This is the major data quality insurance that protects the database. The validation rules are updated and amended as required by our members for every submission. That said, some entries were integrated into the database before certain validation rules had been implemented. Those entries can still be part of the database if not updated by the member bank. GCD policy is to not remove any data as it may still contain useful information. However, for this exercise, data points with errors that affect the integrity of the database (e.g. the event date at default must be the same for all facilities of a given borrower) or the correct calculation of LGD (e.g. balancing the cash flow between the transaction and the history table) were excluded. Due to the GCD rule that every bank must update their full data submission at least every three years, there are only a small number of entries removed in this filter step.
- The remaining validation rules that are triggered deal with completeness. They check e.g. if for a certain collateral type, year of construction is given. Where data was submitted before the rule was applied, the information is sometimes not provided. Since that data is not wrong it is included in the RDS. Correctness items check for example, if several connected fields are consistently filled: such as if for a syndicated loan a total syndicated amount and a currency are given. If they do not deal with crucial information used in this report the data is included in the RDS.

# Item 6



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# Basel III Large Corporate Threshold

LGD Subcommittee Meeting 28 August 2018

Methcom Meeting 04 September 2018

Nina Brumma

# Background

- ❑ In Basel III banks are not allowed the A-IRB approach for Corporates with consolidated revenues >500mio EUR.

Portfolio/exposure	Basel II: available approaches	Basel III: available approaches
Large and mid-sized corporates (consolidated revenues > €500m)	A-IRB, F-IRB, SA	F-IRB, SA
Banks and other financial institutions	A-IRB, F-IRB, SA	F-IRB, SA
Equities	Various IRB approaches	SA
Specialised lending <sup>3</sup>	A-IRB, F-IRB, slotting, SA	A-IRB, F-IRB, slotting, SA

- ❑ What does this mean for the LGD EAD database?
- ❑ If changes to the data model are required: Methcom approval is required. Subcommittee to make firm proposal.

# Validation Rules

- ❑ Entity Sales must be given for Asset Classes LC and SME since H2 2017
- ❑ Escape Clause of -1 is possible.

Table	Validation ID	Data Field	Trigger	Message	Type	Correctness / Completeness	Introduced
Financial	FIN023	Entity_Sales	Entity_Sales is empty and Facility_Asset_Class = 1, 2, 4, 5, 6, 7, 8 or 10 OR Entity_Sales is empty and Facility_Asset_Class = 11 and Entity_Asset_Class = 1	FIN023: Entity_Sales must be given when Facility_Asset_Class = 1,2,4,5,6,7,8 or 10 or when Facility_Asset_Class = 11 and Entity_Asset_Class = 1.	Error	Correctness	H2 2017
Financial	FIN024	Entity_Sales	Entity_Sales is given and Facility_Asset_Class = 3 or 9 OR Entity_Sales is given and Facility_Asset_Class = 11 and Entity_Asset_Class <> 1	FIN024: Entity_Sales must only be given when Facility_Asset_Class = 1,2,4,5,6,7,8 or 10 or when Facility_Asset_Class = 11 and Entity_Asset_Class = 1.	Error	Correctness	H2 2017
Financial	FIN025	Entity_Sales	Entity_Sales < 0 and Entity_Sales <> -1	FIN025: Entity_Sales (%Entity_Sales%) must be greater or equal to 0 or -1.	Error	Correctness	H2 2017

- ❑ In the Audits we check the correct combination of Sales and Facility Asset Class and ask banks to confirm.

# Data as of today

	Large Corporate	%	Small/Medium Enterprise (SME)	%
No_Sales	1924	13%	1722	3%
Sales < 1	4934	33%	24870	38%
Sales_SME	2843	19%	37472	58%
Sales_LC	3693	25%	698	1%
Sales_over_500mio	1493	10%	167	0%
<b>Grand Total</b>	<b>14887</b>	<b>100%</b>	<b>64929</b>	<b>100%</b>



- ❑ 58% of SME and 35% of LC are in the expected range.
- ❑ 19% of LC have Sales <50Mio, but this can be due to problems leading to the default of the company and banks may still keep them in the Large Corporate Segment.
- ❑ Small number of SME should probably be LC.

- ❑ Banks seem to use very small Sales values rather than using the escape clause of -1.
- ❑ If your bank has done so in the past please change the values in your next submission.

## ❑ Questions to the group:

- How do we deal with the missing sales value when it comes to the new Basel III Thresholds?
- Why do you sometimes not provide the sales value?
- Would an indicator/Buckets help you to provide the information?

# Item 7



**Global Credit Data**

*by banks for banks*

# H2 2018 Submission planning



# Planning H2 2018

## H2 2018

Reporting date: 30/06/2018

Weeks	Dates	BP Names	BP Clusters	LGD	ICC	CECL	NA Conference
35	27/8 - 2/9	S	S				
36	3/9 - 9/9	S	S				
37	10/9 - 16/9	D	S	S			
38	17/9 - 23/9	A	S	S	Data submission	Data submission	
39	24/9 - 30/9	A	S	S	Data submission	Data submission	24/25
40	1/10 - 7/10	RS	S	S	Data submission	Data submission	
41	8/10 - 14/10	DA	D	S	Data submission	Data submission	
42	15/10 - 21/10	DA	A	S	Data submission	Data submission	
43	22/10 - 28/10	DR	A	D	Data submission	Data submission	
44	29/10 - 4/11		A	A	Data submission	Data submission	
45	5/11 - 11/11		RS	A	Data submission	Data submission	
46	12/11 - 18/11		DA	A	Data submission	Data submission	
47	19/11 - 25/11		DA	RS	Data submission	Data submission	
48	26/11 - 2/12		DR	DA	Data submission	Data submission	
49	3/12 - 9/12			DA	Data submission		
50	10/12 - 16/12			DA	Data submission		
51	17/12-23/12			DR - Data	Data submission		
52	24/12-30/12						
1	31/12-6/1						
2	7/1-13/1			DR - Reports	Data submission		
3	14/1-20/1			DR - Reports	Data submission		

S	Submissions (Test or Firm)
D	Firm Submission Deadline
A	Audit
RS	Revised Submission
DA	Data Aggregation and final DQ checks
DR	Data and Reports Deliverable

Please keep in mind that the portal is always open for use. On the start dates of the submission cycles the latest updates are implemented on the portal (as communicated in the Release Notes).

# Planning LGD submission



**Executives:**

- Latest changes implemented on portal
- Documentation, including Release Notes, available on member website
- Presubmission packages

**Members:**

Submission of data

**Executives/Capgemini:**

Submission support

**Executives:**

Audits

**Members:**

- Provide answers to audit questions
- Resubmission (in case needed)

**Executives:**

Aggregation including final DQ checks

**Executives:**

- Data Return
- Scoring
- Participation Report
- Peer Comparison Report

**Members:**

Download data and reports from portal

# Item 8