

Agenda for LGD - EAD Subcommittee Meeting 23rd October 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
Standing Items:					
1.	1500	Minutes of the last Meeting, Action List and Forward Looking Calendar	RD/ER/ML	I/R	X
2.	1510	Documentation Improvements - Combined Structure Guides	ER	I/R	X
3.	1520	Documentation Improvements - Collateral Valuation Types	ER	I/R	X
4.	1525	Documentation Improvements - Collateral Types	ER	I/R	X
5.	1545	Financials for Guarantors	ER	I/R	X
6.	1555	Updates on Methcom	RD	I	
7.	1610	Any other business	ML	I	X

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 August 28th 2018

Ref Minutes LGDSub 20180828

Members:

Martin Lulic - Chair	KfW
Julie Reboisson Cadet	CA CIB
Stuart Neilson	Citibank
Rohan Surana	Credit Suisse
Nicolas Ternisien	Desjardins
Thomas Markussen	DNB
Owen Cox-Dixon	EDC
Carona Ly	
Daniel Langer	Handelsbanken
Mark Kok	ING
Luis Bochner	JP Morgan
Robert Nebrich	M&T
Fabio Guacaneme	National Bank of Canada
Jorge Ruiz	
Kamala Madavarapu	PNC
Elizabeth Moleda	RBC
Navin Gupta	
Lan Jin	Scotiabank
Anna Brohlin	SEB

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.

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The quorum is reached for decision making.

Item 1: Minutes from the Meeting and Action List

The minutes of the meeting are approved.

On the forward looking calendar the Peer Comparison report was not present. The peer comparison report is presented this meeting. There were no further remarks about the action list and forward-looking calendar.

Item 2: Documentation Improvements

The timelines and roadmap of the documentation improvements are presented. The finished Combined Document (including FAQs) and the Integrated Input and Output structure will be presented in the next LGD subcommittee.

The input structure for the next H2 2018 will be published after approval of changes in the Methcom of the September 4th. The H2 2018 submission cycle starts on the 10th of September.

A first glance of the two documents are previewed and members are encouraged to provide their preferences on the two documents.

In the last LGD subcommittee meeting of July 3rd the remapping the Facility Type of Other Payment Guarantee (808) to Trade Related Payment Guarantee (811) was approved. But it was not approved to remap Bid or Performance Bond (807) to the 811. Therefore we keep the 807 facility type in the look up. And we also enhanced the Input structure on the Bid or Performance (807) Facility Type. The enhanced description of the Bid or Performance Bond (807) Facility Type in the input structure has been proposed.

Vote: all in favor

The proposed (and approved) changes in the look up on Facility Types 808 and 811 have impact on certain validation rules. The validation rules HIST085, HIST086, HIST088 and TRAN031 are proposed to change having the facility type 808 removed from their triggers.

Vote: all in favor

Item 3: Closed Topics

The Lender Borrower Risk Rating / Borrower Internal PD topics are closed. Whereas in previous subcommittee it was proposed to have the same Lender Borrower Risk ratings for the same borrower at the same event type, it was not approved and also members suggested that it due to the nature of the rating that it could differ in some cases (eg. when the rating is based on collateral level).

Item 4: Peer Comparison Report

The Peer Comparison (with fake bank data) report has been send last Friday and the LGD subcommittee needs to approve on the report. It is based on the LGD report which is public. There is a confidential part where the member bank is compared to the rest of the pool. Now there is also a zoom on the home country. The special US peers for US banks is not finished yet. The reference data set could be created using the guidance in the peer comparison report appendix.

The report is going to be 'published', by sending it to the key persons of the member banks. There need to be 3 banks in a home country in order to have the data published of the home country in the peer comparison report. Former bank data is included, except for the data points which are incomplete.

The peer comparison report has been proposed to be published to the members accordingly.

Vote: all in favor

Item 5: The RDS Marker in the Output Structure

Members want to recreate the reference data set used in the LGD report for Large Corporates. This is also based on a set of validation rules. A solution to easily recreate the LGD report has been presented. The LGD subcommittee needs to do a firm proposal to the Methcom.

The Standard_LGD_RDS field has been proposed to be included in the output structure of the Entity Table and the Loan Table. This contains a marker which is set based on whether a certain set of Validation Rules is violated or not. This is for all the Facility Asset Classes.

The second proposal is a whole new table with all the validations rules, with a marker if the VR is violated or not.

Vote: all in favor

The proposal can be forwarded to methcom.

Item 6: Basel III Large Corporate Threshold

The GCD data affected by the new Basel III guidelines. Banks are no longer allowed to include Corporates with revenues greater than 500mln in the A-IRB approach. In the GCD data set the data seems to be incomplete on certain fields. Eg. there are SME's having sales over 500mln. Those could probably be classified as a Large Corporate. Also, there are Large Corporates having no sales or having a total sale less than 1 euro.

An option is to use buckets to classify 500mln companies.

- Members suggest that categories will help for segmentation purposes.
- It would help to see some mapping to the dollar values.
- The poor population of the sales fields could be due to the source data within the system used by the member banks, that will improve over time.
- If there is a chance to populate the sales fields, the members are encouraged to do so.
- The bucketing could be useful and slightly improve the data quality if the sales field is not filled.

Overall conclusion is that bucketing could help. We should go ahead introducing a field with a bucket. This will be proposed in the methcom. The issue with dollar to euro conversion will be included in that proposal.

Item 7: Planning H2 2018

The timelines of the coming H2 2018 submission cycle are presented. Compared to previous cycles there is some extra time scheduled for auditing and the data return.

Item 8: Any other business

The draft of planning 2019 the submission cycles for the different platforms is presented. It will be discussed with the executives and the final version will be published soon.

New items will be included in *Italic* letters and closed items will be marked in light grey

Responsible	Item	Description	Comments	Methcom item yes/no	Priority	October	November	December	January
Items in progress									
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.		Yes - Implementation proposed H1 2019	Medium	X			
ER	Documentation Improvements	Documentation improvements Collateral Types Collateral Valuation Types Combined Structure Guides Integrated Documentation FAQ		Yes - Implementation proposed input structure H1 2019	Medium	X X X	X		
HT/ER	Industry groups Holdings and Private Banking	Review industry codes. - Potential Collection of Raw industry codes. - Connection with FAC - Connection with Facility Types - Industry groups Holdings and Private Banking		Yes - H1 2019	High				X
NB/ER/RD	<i>Legal Entity Identifier</i>	<i>Implementation of LEI in LGD database</i>		<i>Yes - Desired implementation H1 2019</i>	<i>High</i>				
Items to be planned									
HT/NB	Treatment of Costs	Request from NA banks on how to deal with costs that are repaid or not repaid - new Transaction Types		Maybe - Depending on outcome	Medium				
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	Is on action item list Methcom: EBA guideline analysis	Yes	Medium				
RD	Negative Pledge as a field in the GCD LGD database	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)		Maybe - Depending on outcome	High				
NB	SME: comparison of LGDs	Compare SME LGDs regard to seniority - subordinated vs supersenior		No	High				
RD	HVCRE Indicator	Request from NA banks to add an HVCRE indicator for Real Estate Collateral		Yes	Low				
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		Maybe - Depending on outcome	Low				
RD	Restructured Facilities	Further analysis and proposal on how to input restructured facilities		Maybe - Depending on outcome	High				
RD	Escape clauses	Review fields with escape clauses - eg Guarantor Financials.	Do we want more mandatory fields?	Maybe - Depending on outcome	Medium				

Item 2



Global Credit Data

by banks for banks

Documentation Improvements

Integrating Data Guides - Proposal

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	Entity_Type_Lookup	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)	Default_Status_Lookup	Cm	Entity_Type = 1 or 3	Entity_Type = 1 or 3	Resolved if all associated loans have event type 5 Unresolved otherwise	-	-		
Entity	DA_Country_Of_Residence	Same as Country_Of_Residence but aggregation can apply.		1	CHAR(20)	DA_Country_Critical_Mass_Lookup								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)	ISO_Country_Lookup	M	-	-	-	-	-1	Critical Mass Rules	
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)	Area_Of_Business_Lookup	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	ICCMCS04 Classification, see lookup fields for more information	1	1	INTEGER	Entity_Asset_Class_Lookup	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	Bank_Or_Financial_Company_Lookup	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 19 if Entity_Asset_Class = 8	Empty if Primary_Industry_Code = 600	-		

Do we agree with the presented guide, having this new data guide as the document to work with onwards?

Item 3

Collateral_Valuation_Type	Description	Definition	Deductions from market value / Haircuts	Comment
100	Market value by a third party	Value estimated by a third party	No	Registered valuer of Real Estate
200	Book value as per the Borrower's balance sheet	Book value on the borrower's balance sheet		Depreciated value of plant and equipment shown in balance sheet.
210	Book value as per the Borrower's balance sheet, no haircut.			Depreciated value of plant and equipment shown in balance sheet. <i>new</i>
220	Book value as per the Borrower's balance sheet, after haircut.			Depreciated value of plant and equipment shown in balance sheet. Minus 15% allowance for loss on quick sale. <i>new</i>
300	Value estimated by the lender	Market Value estimated by the lender, method unknown.		See 310 and 320 below.
310	Value estimated by the lender – Analytical	Market Value estimated by the lender, calculated based on a complete reappraisal of the property similar to the initial appraisal carried out at the time of the original loan		Eg. Plant and equipment listed by type and age with lookup value from recent auction prices on websites.
320	Value estimated by the lender – Statistical	Market Value estimated by the lender, using a price index, macro economic factor model or rental income index	No	Eg. Family Home revalued by taking a original market value and multiplying by the family home price index movement for that city between the date of last valuation and today.



Global Credit Data

by banks for banks

Collateral Valuation Types

LGD Subcommittee Meeting 23rd October 2018

Methcom Meeting 13 November 2018

Erik Rustenburg

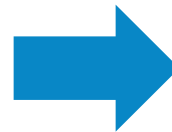
Collateral Valuation Type: Change existing field

Table	Field	Definition	Data Type	Priority	Provide only if (otherwise leave empty)	Mandatory under condition	Provide with certain value	Lookup	Warning for unsatisfactory value	Escape Clause
Collateral	Collateral_Valuation_Type	Collateral Valuation Type indicates how or by whom the collateral has been valued.	CHAR(20)	Cm	Collateral_Value or Total_Collateral_Value is filled	Collateral_Value or Total_Collateral_Value is filled	Must be the same per {Date_Of_Valuation,Collateral_ID} combination	Collateral_Valuation_Type_Lookup	300	-

Proposal to add two items

Old

200 Book value as per the Borrower's balance sheet



Details see next slide

Proposal

200 Book value as per the Borrower's balance sheet
 210 Book value as per the Borrower's balance sheet, no haircut.
 220 Book value as per the Borrower's balance sheet, after haircut.

Collateral Valuation Type : Change existing field

200	Book value as per the Borrower's balance sheet	Book value on the borrower's balance sheet	Depreciated value of plant and equipment shown in balance sheet.
210	Book value as per the Borrower's balance sheet, no haircut.		Depreciated value of plant and equipment shown in balance sheet.
220	Book value as per the Borrower's balance sheet, after haircut.		Depreciated value of plant and equipment shown in balance sheet. Minus 15% allowance for loss on quick sale.

What would change?

Separate Book value as per the Borrower's balance sheet

- No Haircut
- After Haircut

Reason is that the two differ too much to put into 1 category.

Affected Portfolio?

Banks would not have to resubmit old data, but banks are encouraged to update if possible.

Do we agree with the enhanced Collateral Valuation Types lookup in the input structure and the addition of the two types to that lookup?

Item 4

	A	B	C	D	E	F
	Collateral_Type	Description	Definition	Collateral Value Mandatory	Collateral Valuation Type	Comment
1	100	Cash/Reserves	Cash in bank accounts in any currency in any bank, pledged to the lender. Also called: Pledge of bank account, reserve loan, cash capture, charge over cash account, debt service reserve account.	Yes	300 or 310 or 320	This includes both fixed amounts required to be held on deposit during the life of the facility as well as pledges over bank accounts where cash flows come in and out as part normal trading. This includes all pledged cash and not just restricted cash. (Restricted cash is cash held for a specific purpose).
2	105	General Collateral	Not allowed after H2 2018. The database contains a small number of old and not resubmitted cases where: 1) multiple collateral types not able to be split 2) value of collateral unknown 3) type of collateral unknown 4) charge over all assets	No	n/a	1) multiple collateral types not able to be split multiple collateral types need to be submitted individually. Eg, Cash (100), equities (112) and trade debtors (200) 2) value of collateral unknown submit the appropriate collateral and value is unknown use the -1 in the field Collateral_Value. 3) type of collateral unknown (should only be for old cases) submit as Collateral_Type Other (999) 4) charge over all assets submit as Collateral_Type All Assets Charge or Debenture (400)
3	110	Marketable Securities	Shares, bonds and similar exchange listed securities.	Yes	300 or 310 or 320	From H1 2018 members are encouraged to use either 111 or 112 instead. 110 is only used when members are not able to distinguish between Treasury Bills and Other Marketable Securities. Marketable means freely transferrable and regularly traded. If the security is shares in a subsidiary of a borrower please use collateral type Shared capital of Subsidiary (600) instead.
4	111	Marketable Securities Treasury Bills	Includes all types of paper issued by a sovereign including notes, bills, warrants, bunds, gilts etc. Note that this also includes marketable paper issued by central banks, municipalities, states, cities where classified as sovereign.	Yes	300 or 310 or 320	Introduced H1 2018. Marketable means freely transferrable and regularly traded. If the security is shares in a subsidiary of a borrower please use collateral type Shared capital of Subsidiary (600) instead.
5	112	Other Marketable Securities	Shares, bonds and similar exchange listed securities issued by any other than a sovereign.	Yes	300 or 310 or 320	Introduced H1 2018. Marketable means freely transferrable and regularly traded. Does include derivatives and options. If the security is shares in a subsidiary of a borrower please use collateral type Shared capital of Subsidiary (600) instead.
6	120	Non-Marketable Securities	Shares, bonds and similar unlisted or untraded securities	No	100 or 200 or 210 or 220 or 300 or 310 or 320	Example: Company A is the majority share holder of a private company B. Company A borrows a term loan from the bank to invest in company B. Company A pledges 20% of the shares in company B to the bank as collateral for the loan.
7	200	Accounts Receivable	Trade debtors (does not include loans to directors or intercompany loans)	No	200 or 210 or 220 or 300 or 310 or 320	Most companies provide credit between 30 and 90 days to their trade customers. Accounts receivable is the money owed by all trade customers to a company for goods and services supplied. Trade debtors represent a major part of most companies' balance sheets.
8	300	Inventory	Stocks of raw materials, work in progress or finished goods	No	200 or 210 or 220 or 300 or 310 or 320	Most companies have some sort of process that involves turning raw materials into products to sell. Eg, iron ore into steel wire. These companies will keep stock of raw materials (eg, iron ore) plus stock of work in progress (eg, melted steel) plus stocks of finished goods (eg, steel wire). All of these stock add up to the inventory. A wholesaler or retailer may only have finished goods. Eg, a car retailer will only have stock of cars ready to sell. Inventory represents a major part of most companies' balance sheets. When the business of the company involves buying selling and holding of assets, such as cars or commercial vehicles then these should be shown as inventory when they are pledged as collateral to a bank.
9	350	Cars	Moter vehicles for personal transport (e.g. salesmen's cars)	Yes	200 or 210 or 220 or 300 or 310 or 320	These are the vehicles used by a company to perform their business. If the company business is buying and selling cars or manufacturing cars then these cars should be shown as Inventory (300).
10	360	Commercial Vehicles	Trucks, trailers and similar land vehicles for goods transport	Yes	200 or 210 or 220 or 300 or 310 or 320	These are the vehicles used by a company to perform their business. If the company business is buying and selling trucks then these should be shown as Inventory (300).
11						

	A	B	C	D	E	F
1	Collateral_Type	Description	Definition	Collateral Value Mandatory	Collateral Valuation Type	Comment
12	400	All Assets Charge or Debenture	Charge over the full balance sheet of the borrower, including inventory, accounts receivable and equipment. Also known as "fixed and floating charge", "företagsinteckning", "all assets lien" or "general security interest".	No	200 or 210 or 220	<p>This is a very common collateral in many countries especially for SME loans. Normally this collateral will cover all facilities and is often complemented by the bank also taking other specific collateral such as Specific Assets (410) or Real Estate (500)</p> <p>This collateral normally covers every asset owned now and in the future by the borrower including cash, shares in subsidiaries, intangible assets.</p> <p>The borrower is allowed to buy and sell these assets and therefore the values change over time (this is the nature of the floating charge). Making it difficult to assign a concrete collateral value. After the borrower defaults then the bank gets the right to appoint a receiver to take possession of the assets and sell them (this is when the charge becomes fixed or crystalizes). Until the bank takes this action the value or existence of the assets are unknown (like Schrödinger's cat)</p>
13	410	Specific Fixed Assets	Where the charge covers only certain named and identified assets of the borrower, e.g. a printing press or a production line. Not for Real Estate (500), not for Large Ships or Commercial Aircraft, use 420 or 430 instead.	Yes	200 or 210 or 220 or 300 or 310 or 320	<p>This collateral is normally taken by the bank when funding purchase of the asset, but when the asset is in the operating company not an SPV (440). The bank can also take this collateral as part of a collateral package which includes 300, 350 and or 400.</p>
14	420	Ships	Floating objects for commercial goods, people and materials transport and similar. Includes floating oil rigs, barges, cruise liners and ferries. This excludes private pleasure boats or house boats (which would be specific fixed assets 410).	Yes	100 or 300 or 310 or 320	<p>Normally a ship is taken by the bank as collateral through a pledge on the ship, which is registered where the vessel is flagged (eg Liberia or Greece). The vessel is often owned by a special company (special purpose vehicle or SPV), which may include several vessels. Financing is often syndicated.</p> <p>There is an alternative way of taking this asset as collateral, which involves taking a pledge over the shares in the SPV. This is called ring fencing. And provides banks a similar level of control and sale rights for the collateral.</p> <p>The loan facility connected to this collateral is normally Facility Asset Class 4 (Ship Finance).</p> <p>The Facility Type connected is normally a Term Loan (300), but you may also have 100, 200,210, or 250 in addition.</p>
15	430	Aircraft	Flying objects for commercial goods, people and materials transport and similar. Includes helicopters and dirigibles and company jets as well as spare parts and engines. This excludes small private planes (which would be specific fixed assets 410).	Yes	100 or 300 or 310 or 320	<p>Normally an aircraft is taken by the bank as collateral through a pledge on the aircraft, which is registered where the aircraft is registered (eg USA or UK). The aircraft is often owned by a special company (special purpose vehicle or SPV), which may include several aircraft. Financing is often syndicated.</p> <p>There is an alternative way of taking this asset as collateral, which involves taking a pledge over the shares in the SPV. This is called ring fencing. And provides banks a similar level of control and sale rights for the collateral.</p> <p>The loan facility connected to this collateral is normally Facility Asset Class, Aircraft Finance (5).</p> <p>The Facility Type connected is normally a Lease (700 or 710), but you may also have 100, 200,210, or 250 in addition.</p>
16	440	Other Object for Object Finance	Usually a large piece of equipment such as a train or oil refinery which are specially funded in a special company (special purpose vehicle or SPV) as "object finance". If set up as a project financing then use project as the collateral type (910).	Yes	100 or 300 or 310 or 320	<p>The Facility Asset Class is normally Large Corporate (2).</p> <p>The Facility Type connected is normally a Lease (700 or 710), but you may also have 100, 200,210, or 250 in addition.</p>

	A	B	C	D	E	F
1	Collateral_Type	Description	Definition	Collateral Value Mandatory	Collateral Valuation Type	Comment
500	Real Estate	Refers to land and/or buildings built on land or part of a building. The land maybe owned by the borrower or they may own a building built on a piece of land that they lease from another person on a long term basis eg 100 years. The part building maybe owned through a owners corporation (normal for offices and/or apartments). This type of ownership has a different name in every country for example Australia - Strata Title or Company Title Canada/USA - Condominium UK - Owners Corporation or Coop flat Netherlands - Vereniging van Eigenaren Sweden - Bostadsrattsforening	Refers to land and/or buildings built on land or part of a building. The land maybe owned by the borrower or they may own a building built on a piece of land that they lease from another person on a long term basis eg 100 years. The part building maybe owned through a owners corporation (normal for offices and/or apartments). This type of ownership has a different name in every country for example Australia - Strata Title or Company Title Canada/USA - Condominium UK - Owners Corporation or Coop flat Netherlands - Vereniging van Eigenaren Sweden - Bostadsrattsforening	Yes	100 or 300 or 310 or 320	Normally a piece of Real Estate is taken by the bank as collateral through a mortgage on the Real Estate, which is registered with the government land and building registry in the country where the Real Estate is located (collateral country of jurisdiction). There is an alternative way of taking this asset as collateral, which involves taking a pledge over the shares in the SPV. This is called ring fencing. And provides banks a similar level of control and sale rights for the collateral. The loan facility connected to this collateral could be any Facility Asset Class and if it is an SPV ownership then it is likely to be FAC Real Estate financing (6). The Facility Type connected is normally a Term Loan (300), but you may also have 100, 200,210, or 250 in addition. Real Estate collateral can be taken in support of any type of facility as it is the most common collateral.
17						
600	Share capital of Subsidiary	Shares owned in a subsidiary company	Shares owned in a subsidiary company	No	100 or 200 or 210 or 220 or 300 or 310 or 320	This is where the bank receives a pledge of shares from the borrower where the shares are a controlling stake in a subsidiary company. The word subsidiary means where the borrowers has either majority ownership or control ownership.
18						
700	Intangibles	A pledge of intangible assets of the balance sheet, such as goodwill, tax timing differences, trademarks, copyrights etc.	A pledge of intangible assets of the balance sheet, such as goodwill, tax timing differences, trademarks, copyrights etc.	No	100 or 200 or 210 or 220 or 300 or 310 or 320	Intangible assets always marked especially on the balance sheet as they do not represent physical items. They may have high value and be important to the business eg. Trade marks, such as Coca Cola, patents and copyrights. They may be items without a value showing against them, such as goodwill. A common intangible is a future tax benefit. Depending on the type of work out of the defaulted loan a pledge of a intangible may or may not have value. For example if the borrower is liquidated, then its future tax benefits are of no value. If the company has trade marks but it fails because the product fails, the trade mark might be worth nothing.
19						
800	Commodities Under Trade	Commodities refers to large quantities of homogenous materials. Eg. oil, frozen orange juice, pork bellies, electricity etc.	Commodities refers to large quantities of homogenous materials. Eg. oil, frozen orange juice, pork bellies, electricity etc.	Yes	100 or 300 or 310 or 320	The essential feature of a commodity is the same item regardless who produces it. Commodities is normally used as input of other goods or services and is usually not an end product used by a consumer. The collateral given is a pledge and some sort of control of the commodity and the bank lending against this is able to quickly sell the commodity after the default as there is normally a market.
20						
810	Oil and Gas Reserves and Mines	This is the right to extract minerals, oil or gas from a certain place where they are proven to exist. Proven reserves are usually determined through extensive geologic and engineering studies which can take several years to be completed.	This is the right to extract minerals, oil or gas from a certain place where they are proven to exist. Proven reserves are usually determined through extensive geologic and engineering studies which can take several years to be completed.	Yes	100 or 300 or 310 or 320	From H1 2019 members are encouraged to use either 811 or 812 instead. 810 is only used when members are not able to distinguish between Oil and Gas Reserves and Other....
21						
811	Oil and Gas Reserves	This is the right to extract oil or gas from a certain place where they are proven to exist. Proven reserves are usually determined through extensive geologic and engineering studies which can take several years to be completed.	This is the right to extract oil or gas from a certain place where they are proven to exist. Proven reserves are usually determined through extensive geologic and engineering studies which can take several years to be completed.	Yes	100 or 300 or 310 or 320	Introduced H1 2019.
22						
812	Other mining rights	This is the right to extract raw materials other than oil and gas such as gold, copper, coal where they are proven to exist. Proven reserves are usually determined through extensive geologic and engineering studies which can take several years to be completed.	This is the right to extract raw materials other than oil and gas such as gold, copper, coal where they are proven to exist. Proven reserves are usually determined through extensive geologic and engineering studies which can take several years to be completed.	Yes	100 or 300 or 310 or 320	Introduced H1 2019.
23						
900	Telecom Networks	This is the infrastructure for running fixed line or wireless telephone networks, including wifi, 4g and data networks. If the Facility Asset Class is Project Finance (7) then show this collateral as Project (910) instead.	This is the infrastructure for running fixed line or wireless telephone networks, including wifi, 4g and data networks. If the Facility Asset Class is Project Finance (7) then show this collateral as Project (910) instead.	No	100 or 200 or 210 or 220 or 300 or 310 or 320	This is where the lender receives specific collateral over an entire telecom network, this will be a pledge or mortgage. If the collateral is a pledge of a fibre optic cable or another specific telecoms equipment then use Specific Fixed Assets (410) instead.
24						

	A	B	C	D	E	F
1	Collateral_Type	Description	Definition	Collateral Value Mandatory	Collateral Valuation Type	Comment
25	910	Projects	The underlying financed object in a project finance transaction. May or may not be specially secured, see DMUG on Project Finance	No	100 or 200 or 210 or 220 or 300 or 310 or 320	<p>The detail of this collateral is given in field Project_Type where 22 types of project are able to indicated. The Project_Type is mandatory and explains the collateral.</p> <p>The project itself is shown as the collateral for the Project Finance loans, because the lenders always have some control over a project through the structure and the documentation. This control will include covenants (conditions) and may or may not involve a mortgage or pledge of assets rights, shares etc.</p> <p>The syndicate of lending banks might take a mortgage of a Real Estate of the project or a specific charge over the equipment of the project. This collateral should still be shown as Project (910) and not as Real Estate (500) for example.</p>
26	980	Life Policies	Insurance policies paying out on the death or at a certain age of an insured person.	No	300 or 310 or 320	<p>The collateral is charge over a life insurance policy where the beneficiary is the company (borrower) and the life insured is person very important to the business (CEO or founder).</p> <p>The life insurance policy is a contingent asset of the borrower and only becomes valuable if the policy event occurs (death of the key employee, or retirement of key employee).</p> <p>The bank will normally require this collateral for a small business where there is a key person who contributes greatly to the cash flow and succes of the business. The bank is looking to offset the risk that business will fail and the borrower going into default on the death of the key person.</p>
27	999	Other	All other types of collateral: try not to use this and instead place the collateral in another category which seems closest	No	100 or 200 or 210 or 220 or 300 or 310 or 320	If you can not reasonably identify a Collateral Type then please contact GCD executives as we may need to expand the collateral types over time.
28						
29	Information Classification: RESTRICTED					



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Collateral Types

LGD Subcommittee Meeting 23rd October 2018

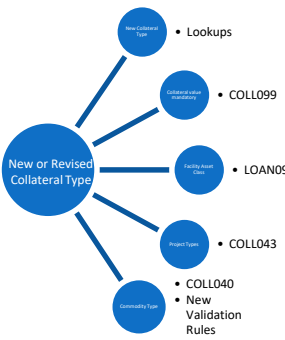
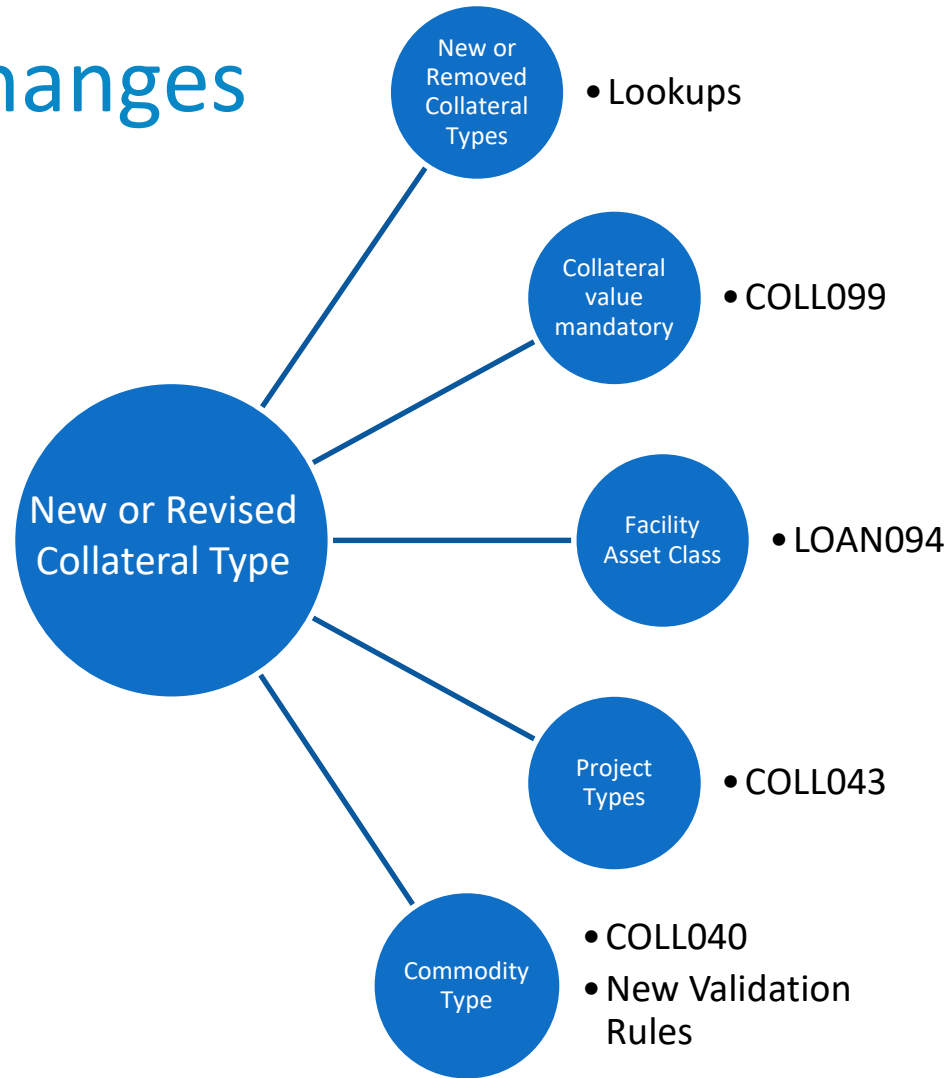
Methcom Meeting 13 November 2018

Erik Rustenburg

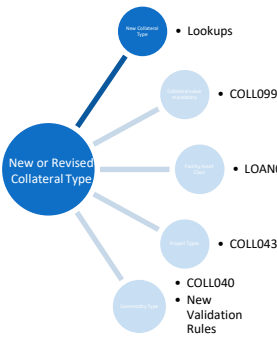
Collateral Type Documentation – Proposal

- ❑ Enhanced the input guide for Collateral Types on:
 - Collateral Types
 - Descriptions
 - Definition
 - Collateral Value Mandatory
 - Collateral Valuation Type
 - Comments

Impacted Changes



Collateral Type: Removal existing field in input



Removal of type General Collateral (105) from input structure

Not allowed after H2 2018. The database contains a small number of old and not resubmitted cases where:

- 1) multiple collateral types not able to be split
- 2) value of collateral unknown
- 3) type of collateral unknown
- 4) charge over all assets

Currently there are 3695 General Collaterals (105) asked major submitters for reasons

• Guidance for remapping

- 1) multiple collateral types not able to be split
multiple collateral types need to be submitted individually.
Eg. Cash (100), equities (112) and trade debtors (200)
- 2) value of collateral unknown
submit the appropriate collateral and value is unknown use the -1 in the field Collateral_Value.
- 3) type of collateral unknown (should only be for old cases)
submit as Collateral_Type Other (999)
- 4) charge over all assets
submit as Collateral_Type All Assets Charge or Debenture (400)

Collateral Type: Change existing field

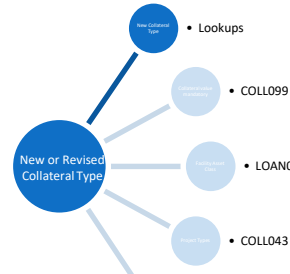
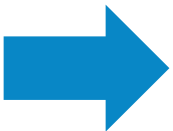


Table	Field	Definition	Data Type	Priority	Provide only if (otherwise leave empty)	Mandatory under condition	Provide with certain value	Lookup	Warning for unsatisfactory value	Escape Clause
Collateral	Collateral_Type	Collateral types securing the loan which the lender can legally get control of and re-possess.	CHAR(20)	M	-	-	Must be the same per Collateral_ID	Collateral_Type_Lookup	At least one collateral type 910 when FAC=7 At least one collateral type 420 when FAC=4 At least one collateral type 800 when FAC=8 At least one collateral type 430 when FAC=5 At least one collateral type 200, 300 when FT=809 At least one collateral type 800 when Control_goods_and_flows=100 or 200 At least one collateral type 200 when Control_goods_and_flows=300	-

Proposal to add two items

Old

810 Oil and Gas Reserves - Mines

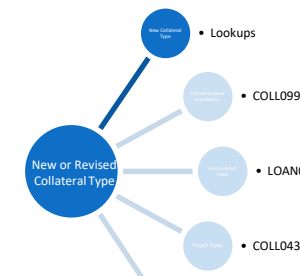


Details see next slide

Proposal

810 Oil and Gas Reserves and Mines
811 Oil and Gas Reserves
812 Other mining rights

Collateral Type: Change existing field



810	Oil and Gas Reserves and Mines	This is the right to extract minerals, oil or gas from a certain place where they are proven to exist. Proven reserves are usually determined through extensive geologic and engineering studies which can take several years to be completed.	Yes	100 or 300 or 310 or 320	From H1 2019 members are encouraged to use either 811 or 812 instead. 810 is only used when members are not able to distinguish between Oil and Gas Reserves and Other....
811	Oil and Gas Reserves	This is the right to extract oil or gas from a certain place where they are proven to exist. Proven reserves are usually determined through extensive geologic and engineering studies which can take several years to be completed.	Yes	100 or 300 or 310 or 320	Introduced H1 2019.
812	Other mining rights	This is the right to extract raw materials other than oil and gas such as gold, copper, coal where they are proven to exist. Proven reserves are usually determined through extensive geologic and engineering studies which can take several years to be completed.	Yes	100 or 300 or 310 or 320	Introduced H1 2019.

What would change?

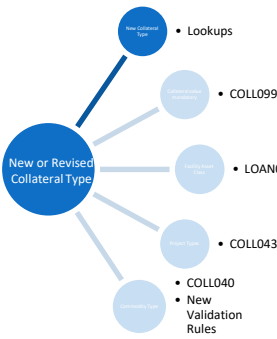
Separate
Oil and Gas Reserves
Other mining rights

Reason is that the two differ too much to put into 1 category.

Affected Portfolio?

Currently in the database there are 224 Collaterals 810 Oil and Gas Reserves and Mines. Banks would not have to resubmit old data, but banks are encouraged to update if possible.

Collateral Type: Firm Proposal to Methcom



□ 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>	<u>Introduced</u>	<u>Amended</u>	<u>Change</u>
Collateral	COLLXXX	Collateral_Type	Collateral_Type=810	COLLXXX: Collateral_Type (%Collateral_Type%) is outdated, please use 811 or 812 if available.	Warning	Completeness	H1 2019		New

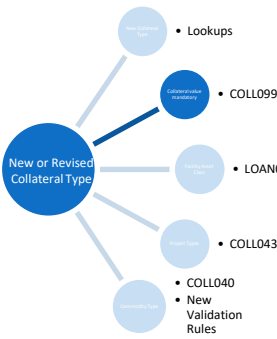
□ Where possible GCD remaps 810 to 811 or 812 based on the Commodity Type

- Currently 6 Collaterals with a Energy Commodity Type (100), will be remapped to Collateral Type 812
- Currently 1 Collaterals with a Metals and Minerals Commodity Type (400), will be remapped to Collateral Type 812
- Currently 71 Collaterals with a Oil and Gas Commodity Type (101), will be remapped to Collateral Type 811
- 84 Collaterals of Type 810 have a missing Commodity Type , involves 10 member banks.
- 145 Collaterals of Type 810 have an Unknown Commodity Type (-1), involves 1 member bank

□ Do we agree with the new and removed Collateral Types, remappings and the New VR as presented in last slides?

□ Methcom to decide on November 13th 2018

Collateral Value – Mandatory or Not



- ❑ Changed from Mandatory to Not Mandatory
 - Intangibles (700): Reason: An Intangible could be of no value
 - Life Policy (980): Reason: This a contingent asset which value depends on the health of the insured person.
 - Telecom Networks (900): Reason: It is quite impossible to value a Telecom Network

- ❑ **Recently introduced Collateral Types**, having Collateral Value Mandatory
 - Marketable Securities Treasury Bills (111)
 - Other Marketable Securities (112)

- ❑ **New Collateral Types**, having Collateral Value Mandatory
 - Oil and Gas Reserves (811)
 - Other mining rights (812)

Only when the new Collateral Types are approved

Collateral Value - Proposal

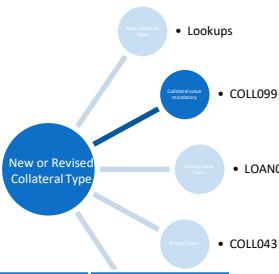


Table	Validation ID	Data Field	Trigger	Message	Type	Correctness / Completeness	Introduced	Amended	Change
Collateral	COLL099	Collateral_Value	Collateral_Value is empty AND Collateral_Type = 100, 110, 111, 112, 350, 360 410, 420, 430, 440, 500, 800, 810, 811, 812.	COLL099: Collateral_Value must be given when Collateral_Type = 100, 110, 111, 112, 350, 360, 410, 420, 430, 440, 500, 800, 810, 811, 812.	Error	Completeness		H1 2019	<p>Added Collateral Types 811 and 812.</p> <p>Removed 700, 900, 980</p> <p>Added as well as 111 and 112 (addition to a previous change in H1 2018)</p>

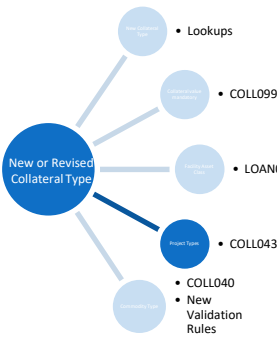
Collateral Type and Project Finance - Proposal



- ❑ Changed from warning to error in the Validation Rule.
 - LOAN094: When the Facility Asset Class is Project Finance (7) and there is a collateral, there must be a Project (910) as collateral. Changed from warning to error to ensure that every Project gets at least one Collateral Type Project(910).
 - ❑ There are 855 Collaterals in Project Finance, of which 327 are a Project.

<u>Table</u>	<u>Validation ID</u>	<u>Data Field</u>	<u>Trigger</u>	<u>Message</u>	<u>Type</u>	<u>Correctness / Completeness</u>	<u>Introduced</u>	<u>Amended</u>	<u>Change</u>
Loan	LOAN094	Facility_Asset_Class	Facility_Asset_Class = 7 and no Collateral with Collateral_Type=910 attached to the loan.	LOAN094: At least one collateral with Collateral_Type =910 must be given when Facility_Asset_Class equals Project Finance.	Error	Completeness	H1 2017	H1 2019	Change from Warning to Error

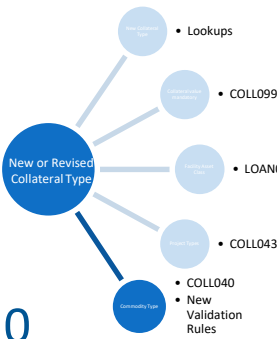
Collateral Type – Projects - Proposal



- ❑ Changed from warning to error in the Validation Rule.
 - COLL043: When there is a Project (910) as collateral, the Project Type should be provided. Changed from warning to error to ensure every Project (910) is having a Project Type.
 - ❑ There are 344 Projects as Collateral, of which 36 are having a missing Project Type

<u>Table</u>	<u>Validation ID</u>	<u>Data Field</u>	<u>Trigger</u>	<u>Message</u>	<u>Type</u>	<u>Correctness / Completeness</u>	<u>Introduced</u>	<u>Amended</u>	<u>Change</u>
Collateral	COLL043	Project_Type	Project_Type is empty and Collateral_Type=910	COLL043: Project_Type must be given when Collateral_Type equals 910.	Error	Completeness		H1 2019	Change from Warning to Error

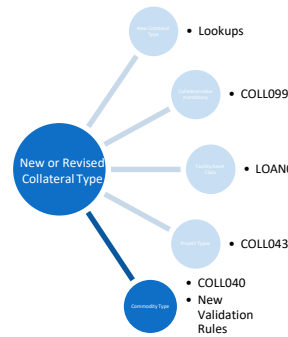
Commodity Types



- ❑ Changed from Not Mandatory to Mandatory to provide Commodity Type for Collateral Type 810
 - It is encouraged to remap to Collateral Types 811 or 812 instead

 - Mandatory to provide Commodity Type for new introduced Collateral Types 811 and 812
 - ❑ For Collateral Type Oil and Gas Reserves (811) only Commodity Type Oil and Gas (101) is allowed
 - ❑ For Collateral Type Other mining rights (812) any Commodity Type except Oil and Gas (101) is allowed

Commodity Types – Proposal



❑ COLL040 change from Warning to Error and includes 811 and 812

Table	Validation ID	Data Field	Trigger	Message	Type	Correctness / Completeness	Introduced	Amended	Change
Collateral	COLL040	Commodity_Type	Commodity_Type is empty and Collateral_Type in (810, 811, 812)	COLL040: Commodity_Type must be given when Collateral_Type equals 810, 811 or 812.	Error	Completeness	H1 2016	H1 2019	From Warning to Error

❑ New Validation Rules for correcting the Commodity Type

Table	Validation ID	Data Field	Trigger	Message	Type	Correctness / Completeness	Introduced	Amended	Change
Collateral	COLLOXX	Commodity_Type	Commodity_Type <> 101 AND Collateral_Type = 811	COLLOXX: Commodity_Type (%Commodity_Type%) can not be used for used Oil and Gas Reserves (Collateral Type 811), use Commodity_Type Oil and Gas (101).	Error	Correctness	H1 2019		New
Collateral	COLLOXX	Commodity_Type	Commodity_Type = 101 AND Collateral_Type = 812	COLLOXX: Commodity_Type (%Commodity_Type%) can not be used for Other Mining Rights (Collateral Type 812).	Error	Correctness	H1 2019		New

Item 5



Global Credit Data

by banks for banks

Financials for Guarantors

LGD Subcommittee Meeting 23rd October 2018

Methcom Meeting 13 November 2018

Erik Rustenburg

FX Rate Date for Financials

- ❑ Issue: In the Financial table there is incomplete financial data for Guarantors when it needs to be converted from original currency to Euro
 - Sales, Debt, Assets, Market Capitalisation
- ❑ Cause: The conversion rate is based on the FX rate of the date of default of the borrower
- ❑ When the entity is Guarantor only, there is no default and thus no FX rate and the Euro values remain uncalculated

What date to use for the FX rate date?

Situation

Financial table (output)

Entity ID	Financial Date	ORI Sales (original currency)	Conversion Rate (to Euro) Calculated	Entity Sales (Euro) Calculated
2536	31-12-2009	206,894,000,000 (JPN)	0,009	186,204,614 (EUR)
6357	31-12-2016	367,922,000,000(JPN)	????	????
6899	01-01-2017	100,000 (EUR)	1	100,000 (EUR)
7070	01-01-2017	189,000 (EUR)	1	189,000 (EUR)

Entity Type 2
(Guarantor)

Loan table

Borrower ID	Loan ID	Default Date
2536	3269879	12-12-2010
6899	96877	30-08-2018
7070	111125	12-06-2017

Guarantor table

Guarantor ID	Loan ID
6357	96877
6357	111125

Impact

- ❑ In the H1 2018 database there are 33138 guarantors entity type 2.
 - 24856 guarantors have missing financial information
- ❑ We offer a solution to get a more complete table, to convert 8282 financial unconverted records to Euro
- ❑ There are 933 guarantors with multiple loans with different default dates attached
 - 53 are having financial information in a currency other than Euro.

Proposal Solution

Use earliest default date of all loans attached to the guarantor

□ Pro's

- 8229 guarantors have only 1 default date attached, so it is very close to current methodology with borrowers
- Only accounts for 53 guarantors having multiple default dates in current database
- No need to change the FX rate for other entities (Borrower, Borrower & Guarantor)

□ Cons

- Change in values when an earlier default date comes in

Loan table

Borrower ID	Loan ID	Default Date
2536	3269879	12-12-2010
6899	96877	30-08-2018
7070	111125	12-06-2017

Guarantor table

Guarantor ID	Loan ID
6357	96877
6357	111125

Item 6

Item 7