# Global Credit Data
*by banks for banks*

## Agenda for LGD - EAD Subcommittee Meeting 11 December 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 | ER/ML | I/R | X |
| 2. | 1510 | Documentation Improvements<br>- Collateral Valuation Types<br>- Seniority Codes | ER | I/R | X |
| 3. | 1530 | Industry Code proposal | NB | I/R | X |
| 4. | 1600 | Implementation of LEI | RD | I/R | X |
| 5. | 1615 | Updates on Methcom | RD | I | |
| 6. | 1620 | 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

**Global Credit Data**
*by banks for banks*

# Minutes LGD - EAD Subcommittee Meeting October 23th 2018

Ref Minutes LGDSub 20181023

**Members:**

| | |
|---|---|
| Martin Lulic - Chair | KfW |
| Stuart Neilson | Citibank |
| Ravi Kumar | Credit Suisse |
| Sourabh Jain | |
| Philippe Choquette | Desjardins |
| Carona Ly | EDC |
| Owen Cox-Dixon | |
| Robert Aiello | Goldman Sachs |
| Daniel Langer | Handelsbanken |
| Thomas Richardson | HSBC |
| Richard Larock | |
| Mark Kok | ING |
| Luis Bochner | JP Morgan |
| Robert Nebrich | M&T |
| Eric Swoboda | |
| Fabio Guacaneme | National Bank of Canada |
| Jorge Ruiz | |
| Elizabeth Moleda | RBC |
| Navin Gupta | |
| Philip Cox | Santander |
| 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.

**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.

No further remarks on the forward-looking calendar.

## Item 2: Documentation Improvements - Combined Structure Guides

The combined Input and Output structure document was presented.
Following addition and change were requested:
- Include legend to explain the colours in the document.
- Change sheet name (currently GCD Data Input Guide) to reflect both input and output structure.

Approval is asked for the implementation of the combined input and output structure, considering above requested addition and change.
**Vote: all in favor**

## Item 3: Documentation Improvements - Collateral Valuation Types

A proposal is made to add 2 new Collateral Valuation types: 210 and 220, to reflect whether a haircut has been applied.
The following remarks were made and need further investigation and discussion:
- The haircut is not in the data so that makes it difficult to compare data when a haircut is applied.
- Whether the accounting standards for the borrower balance sheet are known as the book values can have different meanings (e.g. German GAP vs IFRS). This also needs further discussion.
- In the documentation and current methodology all valuations are depicted with no haircut.

**No vote for this proposal during the meeting.**

## Item 4: Documentation Improvements - Collateral Types

**1. The following proposals are made for Collateral Type 810 – Oil and Gas Reserves and Mines:**
- Removal of Type 105 – General Collateral
- Addition of Types 811 – Oil and Gas Reserves and 812 – Other Mining rights
- Remapping of 810 to either 811 or 812 or other collateral types where possible
- Addition of Validation Rule

The question is raised whether the Validation Rule checking for Collateral Type 810 can be an error instead of a warning. Argument against this is that this will force members to choose 999 in case they don't know whether it is oil and gas or mining, whereas 810 is a better option when members don't know.

Final proposal:
- Removal of Type 105 – General Collateral
- Addition of Types 811 – Oil and Gas Reserves and 812 – Other Mining rights
- Remapping of 810 to either 811 or 812 or other collateral types where possible
- Addition of Validation Rule
- Add question – mandatory to answer -  in H1 2019 pre-submission and audit package whether members are able to remap 810 to either 811 or 812
**Vote: all in favor**

**Action item:** report to the Subcommittee after the first submission cycle in 2019 what the status is of the use of 810.

**2. The following proposals were made regarding a change from mandatory/optional status for Collateral Types:**

Proposal:

- Change status for Collateral Value following Collateral Types from mandatory to not mandatory by removing these from Validation Rule COLL099:
    o Intangibles (700)
    o Life Policy (980)
    o Telecom Networks (900)
- Make status for Collateral Value for following Collateral Types mandatory by adding these to Validation Rule COLL099:
    o Marketable Securities Treasury Bills (111)
    o Other Marketable Securities (112)
    o Oil and Gas Reserves (811)
    o Other mining rights (812)

**Vote: all in favor**

**3. Collateral Type and Project Finance**

Proposal: Change VR LOAN094 from warning to error because there must be at least one project as collateral when Facility Asset Class is 7 – Project.

The remark is made that there can be situations where there is no Project as collateral, so when that is the case, members will not be able to submit the data.
This needs further investigation and discussion with members before any decision can be taken.

**No vote for this proposal during the meeting.**

**4. Collateral Type Projects**

Proposal: Change VR COLL043 from warning to error because the assumption is that when the Collateral Type is 910 – Project, also the Project Type should be provided.
There is no escape clause for Project Type, so it should be ensured that all members can provide the right Project Type.
Currently there are 36 cases where the Project Type is missing.
This needs further investigation and discussion with members before any decision can be taken.

Proposal:
Add question – mandatory to answer - in audit package to check whether members are able to provide a project type for the 36 cases that are missing.

**No vote for this proposal during the meeting.**

**5. Commodity Types**

Proposal: ensure the correct Commodity Type is provided for new Collateral Types 811 and 812:
- Collateral Type 811 – Commodity Type 101 - Oil and Gas
- Collateral Type 812 – any Commodity Type except 101

This will be handled via Validation Rules COLL040 and 2 new VRs.

**Vote: all in favor**

**Global Credit Data**
*by banks for banks*

**Item 5: Financials for Guarantors**
In the return data set there is incomplete financial data for Guarantors because there is no default date and thus no FX rate to make the conversion to Euros.
To solve the issue and convert 8282 financial unconverted records to Euro a decision must be taken which date should be used for the FX rate. For 53 of these 8282 cases there are multiple loans attached to the guarantor, so for these cases a decision must be taken which default date should be used.
Proposal:
* Use the default date like is done for all other conversions done in the dataset.
* For borrowers with multiple loans attached: use the earliest default date.

The question is asked why the Financial date is not used as date for the FX rate. This is related to the fact that for all conversions made in the dataset the Default date is used, amongst others also to prevent FX risk in the LGD calculations.

The Subcommittee decided not to take a decision/vote on this proposal and refer it to Methcom.

**Item 6: Updates on Methcom**
* Removing the CMR for Facility Class Banks and Financial Institutions has been discussed, this is not approved by Methcom yet and the request was made to provide more insight in the method that was used to prove that this would be possible.
* Example of the VRs in the output structure has been presented.
* Addition of the optional field LEI in the PD & Rating dataset, next step is to include the LEI also in the LGD dataset.

The chair closed the meeting at 16:40h CET

# Action List LGD – EAD Subcommittee

December 2018

| AP No. | Content | Holder | Due Date | Closed |
|---|---|---|---|---|
| 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/NR | 2018 | |
| LGDSC20180424-01 | Create specifications for HVCRE indicator | NB/ER | 2018 | |
| LGDSC20181023-01 | Report status of availability of Collateral Type 810 – can this type be removed? | ER | H1 2019 | |

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 | 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 | | |
| ER | Documentation Improvements | Documentation improvements Collateral Valuation Types Seniority Codes Combined Structure Guides Integrated Documentation FAQ | | Yes - Implementation proposed input structure H1 2019 | Medium | 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* | *Legal Entity Identifier* | *Implementation of LEI in LGD database* | | *Yes - Desired implementation H1 2019* | *High* | X | |
| **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

| Collateral_Valuation_Type | Description | Definition | Comment | Collateral Types guidance |
|---|---|---|---|---|
| 100 | **Market value by a third party** | Value estimated by a third party | A value is estimated by a party outside the bank. For example a registered valuer values a piece of real estate for a type 500 collateral. A quoted market value on a stock exchange or a Bloomberg terminal would be a third party value for Marketable Securities (110 to 112). | 110 or 111 or 112 or 120 or 350 or 360 or 410 or 420 or 430 or 440 or 500 or 700 or 800 or 810 or 811 or 812 or 900 or 910 or 980 |
| 200 | **Book value as per the Borrower's balance sheet** | The value of the asset provided as collateral from the latest balance sheet of the borrower before the event date without any adjustments by the lender. | For example accounts receivables (200) would be entered as the net value on the balance sheet after provision for bad debts. For specific fixed assets (410) such as a printing press equipment please use the depreciated value shown in the balance sheet. For a floating charge collateral (400) the lender normally aggregates the book values of accounts receivable, inventory and plant and equipment. The book value should be entered without haircut. If you adjust the balance sheet value, please use 300, 310 or 320. | 120 or 200 or 300 or 350 or 360 or 400 or 410 or 600 or 700 or 980 |
| 300 | **Value estimated by the lender** | Market Value estimated by the lender, method unknown. | *Please use either 310 or 320 below. Only use this when you know that you (the lender) have estimated the value of the collateral, but you are not clear on whether this has been done using an analytical or a statistical method.* | 100 or 110 or 111 or 112 or 120 or 200 or 300 or 350 or 360 or 400 or 410 or 420 or 430 or 440 or 500 or 800 or 810 or 811 or 812 or 900 or 910 or 980 |
| 310 | **Value estimated by the lender – Analytical** | Market Value estimated by the lender, calculated based on a complete reappraisal of the collateral 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. | 100 or 110 or 111 or 112 or 120 or 200 or 300 or 350 or 360 or 400 or 410 or 420 or 430 or 440 or 500 or 800 or 810 or 811 or 812 or 900 or 910 or 980 |
| 320 | **Value estimated by the lender – Statistical** | Market Value estimated by the lender, using a simple haircut, price index, macro economic factor model or rental income index | 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. | 100 or 110 or 111 or 112 or 120 or 200 or 300 or 350 or 360 or 400 or 410 or 420 or 430 or 440 or 500 or 800 or 810 or 811 or 812 or 900 or 910 or 980 |

# Collateral Valuation Types

LGD Subcommittee Meeting 11th December 2018

Erik Rustenburg

# Collateral Valuation Types

Executives revised the Collateral Valuation Types lookup list after last Subcommittee meeting of 23rd October 2018 and made adjustments accordingly.

- Excluded from last LGD Subcommittee proposal
  - *Book value as per the Borrower's balance sheet, no haircut (210) (new)*
  - *Book value as per the Borrower's balance sheet, after haircut (220) (new)*
  - *Deductions from market value Haircuts field*

- Included since last LGD Subcommittee proposal
  - *Enhanced definitions and comments*
  - *Guidance on Collateral Valuations including a haircut are advised to put under: Value estimated by the lender – Statistical (320)*

  **No addition of Collateral Valuation Types and no impact on validation rules**

*Do we agree with the enhanced Collateral Valuation Types lookup in the input structure?*

Global Credit Data

| Seniority_Code | Description | Definition |
|---|---|---|
| 100 | **Super Senior** | Lender has made agreement with other lenders to "promote" this loan |
| 110 | **Pari-Passu** | By definition a loan is always Pari-Passu unless the lender has made agreements with other lenders to "promote" or "demote" itself |
| 200 | **Subordinated or Junior** | Lender has made agreement with other lenders to "demote" this loan |
| 300 | **Equity** | Only to be used for facilities which are Equity: Facility type 620 (Equity) or 630 (Debt/Equity Hybrids) |
| -1 | **Unknown** | |

# Seniority Codes

## LGD Subcommittee Meeting 11th December 2018

Erik Rustenburg

# Proposal Seniority Code – 300 – Equity

| Current | | | | Proposed | | |
|---|---|---|---|---|---|---|
| **Seniority_Code** | **Description** | **Definition** | | **Seniority_Code** | **Description** | **Definition** |
| 300 | Equity | Only to be used for facilities which are "Equity/Bonds" | | 300 | Equity | Only to be used for facilities which are Equity: Facility type 620 (Equity) or 630 (Debt/Equity Hybrids) |

Bonds are another type of debt and debts could have Seniority Code: Super Senior (100), Pari-Passu (110) or Subordinated (200). And Equity is always subordinated to any type of debt, therefore:

❑ The proposed definition has changed and is now only allowing facility types related to Equity (620) or Hybrids (630).

❑ Bonds should fall under the other categories: Super Senior (100), Pari-Passu (110) or Subordinated (200).

❑ The numbers impacted:

  ▪ In current database (H1 2018) there are 25 loans having a Seniority Code: Equity (300).

  ▪ Accounts for 8 different member banks.

Global Credit Data

# Impacted validation rules

On LOAN102 the Facility Type Bond in the Banking Book (890) will be excluded.

| Table | Validation ID | Data Field | Trigger | Message | Type | Correctness / Completeness | Introduced | Amended | Change |
|-------|---------------|------------|---------|---------|------|---------------------------|------------|---------|--------|
| Loan | LOAN102 | Seniority_Code | Facility_Type = 620, 630 or 890 and Seniority_Code <> 300 | Seniority_Code (%Seniority_Code%) must equal 300 when Facility_Type equals 620, 630 or 890. | Error | Correctness | H2 2017 | H1 2019 | Removal of Bonds |

**Proposal**: The input structure on Seniority Code 300 will be with a renewed definition, by removing the Bonds and keep allowing Equity or Hybrids related to this type of Seniority Code. As well as the change of the Validation Rule LOAN102 as shown above.

Global Credit Data

# Item 3
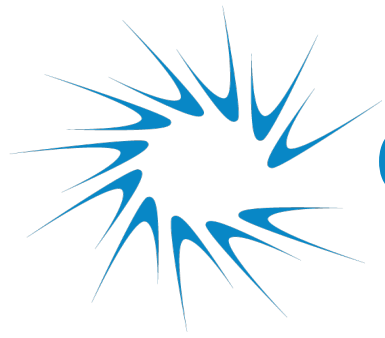
# Industry Data Enhancement

## GCD Platforms

## Subcommittees & Methcom

# Request

❑ Members requested to have more granular GCD industry codes to help them with creating their segments.

❑ Members also requested to have raw industry codes (NAICS, SIC, NACE...) to identify more specific industry segments

**Current State:**

GCD has 22 Industry codes that banks can map using their industry codes to one of the standard look up tables provided in the Input Structure, NAICS, NACE, UK SIC.

**Proposal:**

Add granularity to some of the existing industry codes. (after receiving inputs from several banks and volumetric of the usage)

Allow banks to submit their raw NAICS, NACE, UK SIC codes in the Entity table.

Global Credit Data

# Current codes & usage

| | A | B |
|---|---|---|
| | Industry_Code | Description |
| | 100 | Agriculture, Hunting and Forestry |
| | 150 | Fishing and Fishing Products |
| | 200 | Mining |
| | 250 | Manufacturing |
| | 300 | Utilities |
| | 310 | Utilities - Not Regulated |
| | 320 | Utilities - Regulated |
| | 350 | Construction |
| | 400 | Wholesale and Retail Trade |
| | 450 | Hotels and Restaurants |
| | 500 | Transportation and Storage |
| | 550 | Communications |
| | 600 | Finance and Insurance |
| | 650 | Real Estate and Rental and Leasing |
| | 700 | Professional, Scientific and Technical Services |
| | 750 | Public Administration and Defence |
| | 800 | Education |
| | 850 | Health and Social Services |
| | 900 | Other Community, Social and Personal Services |
| | 950 | Private Sector Services (Household) |
| | 990 | Extra-Territorial Services and Organizations |
| | 995 | Individual |
| | -1 | Unknown |

| Entity Count | Facility Asset Class | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Industry_Code | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | Grand Total |
| Manufacturing | 11,529 | 3,843 | | 7 | 32 | 188 | 45 | 24 | 2 | 4 | 30 | 15,704 |
| Real Estate and Rental and Leasing | 6,076 | 851 | 2 | 35 | 42 | 8,453 | 9 | 3 | 1 | 4 | 67 | 15,543 |
| Wholesale and Retail Trade | 11,481 | 2,196 | | 1 | 6 | 189 | 14 | 194 | 1 | | 25 | 14,107 |
| Construction | 7,053 | 796 | | | | 1,748 | 21 | 1 | | 2 | 19 | 9,640 |
| Professional, Scientific and Technical Services | 7,003 | 957 | 1 | 3 | 13 | 192 | 7 | 4 | 2 | 1 | 103 | 8,286 |
| Unknown | 3,145 | 1,052 | 8 | 6 | 1 | 1,063 | 14 | 3 | 17 | | 91 | 5,400 |
| Transportation and Storage | 2,823 | 786 | 1 | 569 | 216 | 45 | 51 | 3 | 2 | 3 | 4 | 4,503 |
| Individual | | | | | | | | | | 3,591 | | 3,591 |
| Agriculture, Hunting and Forestry | 2,777 | 337 | 1 | | | 203 | 7 | 13 | | | 93 | 3,431 |
| Private Sector Services (Household) | 2,546 | 117 | | | | 250 | 4 | | 3 | 5 | 86 | 3,011 |
| Health and Social Services | 2,252 | 226 | | | | 87 | | | 3 | 21 | 62 | 2,651 |
| Finance and Insurance | 248 | 88 | 2,181 | | 1 | 7 | 1 | 1 | | | 4 | 2,531 |
| Other Community, Social and Personal Services | 1,869 | 355 | 1 | 1 | | 60 | 19 | 1 | 2 | 33 | 44 | 2,385 |
| Hotels and Restaurants | 1,937 | 236 | | | | 149 | 3 | | | | 4 | 2,329 |
| Communications | 782 | 842 | | | | 30 | 23 | 1 | 1 | 1 | 3 | 1,683 |
| Utilities | 334 | 387 | 3 | 2 | | 8 | 162 | 12 | 1 | 6 | | 915 |
| Mining | 371 | 429 | | 10 | | 7 | 43 | 14 | 5 | 2 | 2 | 883 |
| Public Administration and Defence | 229 | 43 | | | | 7 | 2 | | 44 | 33 | 3 | 361 |
| Education | 304 | 27 | | | | 6 | | 5 | 6 | 2 | | 350 |
| Fishing and Fishing Products | 109 | 21 | | | | 1 | | 7 | | | | 138 |
| Extra-Territorial Services and Organizations | 111 | 19 | | | | | | | 1 | | | 131 |
| Utilities - Not Regulated | | 9 | | | | | | | | | | 9 |
| Utilities - Regulated | | | | | | | 1 | | | | | 1 |
| Grand Total | 62,979 | 13,617 | 2,198 | 634 | 311 | 12,693 | 426 | 281 | 89 | 122 | 4,233 | 97,583 |

**Global Credit Data**

# Revised Industry Codes

| Industry_Code | Description |
|---|---|
| 100 | Agriculture, Hunting and Forestry |
| 1001 | Agriculture |
| 1002 | Hunting |
| 1003 | Forestry |
| 150 | Fishing and Fishing Products |
| 200 | Mining |
| 2001 | Mining - Oil & Gas Extraction (Upstream) |
| 2002 | Mining - Metals and Nonmetals except Oil & Gas |
| 250 | Manufacturing |
| 2501 | Manufacturing - Automotive |
| 2502 | Manufacturing - Chemicals |
| 2503 | Manufacturing - Food and Beverage |
| 2504 | Manufacturing - Oil & Gas (Downstream) |
| 2509 | Manufacturing - Other |
| 300 | Utilities |
| 3001 | Utilities - Oil & Gas |
| 3009 | Utilities - Other (excluding Oil & Gas) |
| 350 | Construction |
| 400 | Wholesale and Retail Trade |
| 4001 | Wholesale and Retail Trade - Automotive |
| 4002 | Wholesale and Retail Trade - Durable Goods |
| 4003 | Wholesale and Retail Trade - Nondurable Goods |
| 4004 | Wholesale and Retail Trade - Other |
| 450 | Hotels and Restaurants |
| 4501 | Hotels |
| 4502 | Restaurants and Food services |

NEW CODE
EXISTING CODE

| | |
|---|---|
| 500 | Transportation and Storage |
| 5001 | Transportation - Air Transport |
| 5002 | Transportation - Rail Transport |
| 5003 | Transportation - Water Transport |
| 5004 | Transportation - Road Transport |
| 5005 | Transportation - Oil & Gas (Midstream) |
| 5009 | Transportation - Other |
| 5010 | Warehousing and Storage |
| 550 | Communications |
| 600 | Finance and Insurance |
| 650 | Real Estate and Rental and Leasing |
| 700 | Professional, Scientific and Technical Services |
| 750 | Public Administration and Defense |
| 800 | Education |
| 850 | Health and Social Services |
| 900 | Other Community, Social and Personal Services |
| 950 | Private Sector Services (Household) |
| 990 | Extra-Territorial Services and Organizations |
| 995 | Individual |
| -1 | Unknown |

- ❑ 7 Industry codes are expanded to have 26 subcategories.
- ❑ Remapping of NAICS, NACE and UKSIC to the new proposed GCD codes will provided in the Input structure

Global Credit Data

# Proposed changes for H1 2019

1) Entity Table – Input template changes
    a. New column: Raw_Industry_code (optional field)
    b. New column: Raw_Industry_code_type (optional field)
    c. Remove column: Secondary_industry_code
2) Entity Table – Output template changes
    a. Remove column: Secondary_industry_code
3) Look up changes
    a. Revise Primary_Industry_Code lookup field, changes to include the new 26 subcategories.

These proposed changes are planned for LGD Platform only.

For the other PD and Benchmarking platforms, only change will be the revised lookup table for the Primary_Industry_code field.

Note: Raw codes for PD and Benchmarking platforms will be planned for after LGD platform changes are in effect and input from banks are analyzed.

Global Credit Data

# Industry Survey (2018)

## Industry Code Survey

This page shows analysis of submitted data, such as the number of submissions per component

Please select your internal industry code system(s) from below list. If not on the list, please select "Other" and provide details.

| | |
|---|---|
| NAICS (North American Industry Classification System) | 5 |
| NACE (Nomenclature of Economic Activities) | 3 |
| GICS (Global Industry Classification Standard) | 2 |
| ANZSIC (Australian and New Zealand Standard Industrial Classification) | 1 |
| UK SIC | 1 |
| CANADA SIC | 2 |
| Other | 3 |

❑ Survey conducted on member website and 15 banks provided input.

❑ Under category "Other" banks included more regional industry codes.

Global Credit Data

# Entity Table – Changes in H1 2019

Raw_Industry_code

❏ Introduce new input columns for banks to enter their Raw Industry codes from one of the standards available: NAICS, NACE and UK SIC.

  ■ If banks use internal mappings, they still need to input one of the above standard codes, or fill with GCD Primary_industry_Code value.

❏ The new columns will be optional during first year of implementation and move to be a mandatory field.

Raw_Industry_code_type

| Raw_Industry _code_type | Code | Description |
|---|---|---|
| 1 | NAICS(2012) | North American Industry Classification System (v2012) |
| 2 | NACE(2007) | Nomenclature of Economic Activities (v2007) |
| 3 | GICS | Global Industry Classification Standard |
| 4 | ANZSIC | Australian and New Zealand Standard Industrial Classification |
| 5 | UK SIC(2007) | UK Standard Industry Classification (v2007) |
| 99 | GCD Industry Code | GCD Industry Code |

# Entity Table – Changes in H1 2019

| Input file | | | | | | | Existing | New | Delete | New |
|---|---|---|---|---|---|---|---|---|---|---|
| Lender_ID | Entity_ID | Entity_Name | Entity_Type | Default_Status | Country_Of_Residence | Entity_Asset_Class | Primary_Industry_Code | Raw_Industry_Code | ~~Secondary_Industry_Code~~ | Raw_Industry_Code_Type |
| 999 | 1 | Borrower | 1 | Resolved | US | 1 | 250 | 331491 | - | 1 |

Input:     New column: Raw_Industry_code (optional field)

              New column: Raw_Industry_code_type (optional field)

              Remove column: Secondary_industry_code

| Output file | | | | | | | Existing |
|---|---|---|---|---|---|---|---|
| Lender_ID | Entity_ID | Entity_Name | Entity_Type | Default_Status | Country_Of_Residence | Entity_Asset_Class | Primary_Industry_Code |
| 999 | 1 | Borrower | 1 | Resolved | US | 1 | 250 |

Output file does not change except remove column Secondary_industry_code

Global Credit Data

# Timeline

H1 2019

H2 2019

H1 2020 (or later)

- ✓ GCD Industry Code field remains mandatory
- ✓ Collection of raw codes
- ✓ More granular GCD Industry Codes
- ✓ Revised Mapping of raw codes (NAICS 2012, NACE 2007, UK SIC 2007)

- ✓ Raw codes that have been entered in H1 2019 will be analysed in Audit.
- ✓ Provide new mappings for GIC and ANZSIC standards to the GCD Industry code.
- ✓ Analyze the need for other versions of the existing standards NAICS, NACE, UKSIC
- ✓ Revise Mapping of industry codes in relation with Facility asset class

- ✓ Banks will enter raw code field as mandatory.
- ✓ If banks don't have the one of the raw standard industry codes, they have the option to keep providing the GCD Industry code in the Raw industry code field (type 99)
- ✓ Validation Rules will be adjusted and expanded.
- ✓ GCD to build a logic to map the raw code to GCD industry code for the data return.
- ✓ Raw codes will be included in data return if enough data provided. Critical Mass rules will be implemented.

# Item 4

# LEI in LGD Template

## LGD Subcommittee Meeting 11 December 2018

### Methcom 18 December 2018

Erik Rustenburg/Riëtte Dijkstra

# Proposal: add LEI in LGD Template

❑ Legal Entity Identifier (or LEI) is a 20-character identifier that identifies distinct legal entities that engage in financial transactions. It is known globally and pushed by more and more authorities to be used to identify bank clients.

❑ LEI is already implemented in Benchmarking Platform, PD&Rating Platform (and ICC Platform)

**Proposal**: add the LEI as an optional field in the Entity Table

| Table | Field | Definition | Data Type | Priority | Lookup |
|-------|-------|------------|-----------|----------|--------|
| Entity | LEI | Legal Entity Identifier is a 20-character identifier that identifies distinct legal entities that engage in financial transactions. | Lookup | Optional | LEI Code |

| LEI Code Lookup |
|-----------------|
| https://www.gleif.org |

**Global Credit Data**

# Data return – will be further discussed when data are entered in coming submission cycles

### Example included that was discussed in Methcom meeting 13 November 2018

Global Credit Data

# LEI ID Anonymisation

❖ **An Over the time Consistent anonymized ID is given to each LEI like any other id within GCD called DA_Obligor_LEI**

| Deal_ID | DA_Deal_ID | Obligor_ID | DA_Obligor_ID | Obligor_LEI | DA_Obligor_LEI |
|---------|-----------|-----------|--------------|------------|----------------|
| DEAL01 | 1 | OBLIG1 | 1 | LEI01 | 1 |
| DEAL02 | 2 | OBLIG2 | 2 | LEI02 | 2 |
| DEAL03 | 3 | OBLIG1 | 1 | LEI01 | 1 |
| DEAL01 | 4 | OBLIG1 | 3 | LEI01 | 1 |
| DEAL02 | 5 | OBLIG2 | 4 | | |
| DEAL03 | 6 | OBLIG1 | 3 | LEI01 | 1 |
| DEAL01 | 7 | OBLIG1 | 5 | LEI03 | 3 |
| DEAL02 | 8 | OBLIG2 | 6 | | |
| DEAL03 | 9 | OBLIG2 | 6 | | |

**Global Credit Data**

# Give to Get Principle & Lender entitlement

Major principle of GCD which means that you need to contribute in a segment of data to get back the same data segment coming from the data pool of all banks. These rules are defined per data pool.

❑ **ICC Give to Get at Field level** (Within GCD we apply this for postal code, if lender provide us with postal code data for 80% of cases they receive back the postal code from the data pool. If less than 80 % they only receive back the postal codes they submit, not the postal codes of the entire data pool) :

- ■ If Obligor LEI is given for 90 % by the banks on certain segment , an Anonymized LEI is given.
- ■ You receive back your *own data*
- ■ You receive back your *own original ID*

❑ So :

- ■ If you submit 90% of LEI for a certain segment of Data
  - ❑ And You deliver the same LEI ➔ You get back the Obligor_LEI and the DA_Obligor_LEI ( similar to Benchmarking named Principle)
  - ❑ And You deliver the same LEI ➔ You only get back the DA_Obligor_LEI and not the original Lei so you can't know the exact name of the customer.
- ■ If you don't submit 90% of LEI for a certain segment of Data
  - ❑ You only get back the Obligor_LEI and the DA_Obligor_LEI for your Own Data.

**GCD Executives will analyze further once we receive data with LEI to ensure anonymity is kept.**
**If not, GCD Executives could decide to change the rules, only provide Analytics or not release LEI at all.**

# ST LGD EAD Example

**FULL DB**

| Lender_ID | Deal_ID | DA_Deal_ID | Obligor_ID | DA_Obligor_ID | Obligor_LEI | DA_Obligor_LEI | Product_Code | Risk_Country_Code | DA_Risk_Country_Code | Currency | FX_RATE_USD | Exposure_date | Exposure_amt | Exposure_amt_USD | Defaulted_Balance | Defaulted_Balance_USD | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BANK01 | DEAL01 | 1 | OBLIG1 | 1 | LEI01 | 1 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK01 | DEAL02 | 2 | OBLIG2 | 2 | LEI02 | 2 | 100 | NL | BENELUX | EUR | 1.15 | 1/02/2014 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK01 | DEAL03 | 3 | OBLIG1 | 1 | LEI01 | 1 | 200 | BE | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK02 | DEAL01 | 4 | OBLIG1 | 3 | LEI01 | 1 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK02 | DEAL02 | 5 | OBLIG2 | 4 | | | 100 | NL | BENELUX | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK02 | DEAL03 | 6 | OBLIG1 | 3 | LEI01 | 1 | 200 | US | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK03 | DEAL01 | 7 | OBLIG1 | 5 | LEI03 | 3 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK03 | DEAL02 | 8 | OBLIG2 | 6 | | | 100 | US | WORLD | EUR | 1.15 | 1/02/2016 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK03 | DEAL03 | 9 | OBLIG2 | 6 | | | 300 | US | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |

**Theoritical Entitlement**

| Bank / Product | 100 | 200 | 300 |
|---|---|---|---|
| Bank 1 | 2014-2015 | 2015 | - |
| Bank 2 | 2015 | 2015 | - |
| Bank 3 | 2015-2016 | - | 2015 |

**CMR 1**

| Product | 100 | 200 | 300 |
|---|---|---|---|
| Lender | 3 Lender | 2 Lender | 1 Lender |

**LEI Theoritical Threshold 50 % for exemple**

| | |
|---|---|
| Bank 1 | 100% |
| Bank 2 | 66% |
| Bank 3 | 0% |

**Data return Bank 1**

| Lender_ID | Deal_ID | DA_Deal_ID | Obligor_ID | DA_Obligor_ID | Obligor_LEI | DA_Obligor_LEI | Product_Code | Risk_Country_Code | DA_Risk_Country_Code | Currency | FX_RATE_USD | Exposure_date | Exposure_amt | Exposure_amt_USD | Defaulted_Balance | Defaulted_Balance_USD | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BANK01 | DEAL01 | 1 | OBLIG1 | 1 | LEI01 | 1 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK01 | DEAL02 | 2 | OBLIG2 | 2 | LEI02 | 2 | 100 | NL | BENELUX | EUR | 1.15 | 1/02/2014 | 10000000 | 11500000 | 5000000 | 5750000 | |
| ~~BANK01~~ | ~~DEAL03~~ | ~~3~~ | ~~OBLIG1~~ | ~~1~~ | ~~LEI01~~ | ~~1~~ | ~~200~~ | ~~BE~~ | - | ~~EUR~~ | ~~1.15~~ | ~~1/02/2015~~ | ~~10000000~~ | ~~11500000~~ | ~~5000000~~ | ~~5750000~~ | CMR 1 not reached |
| | | 4 | | 3 | | 1 | 100 | | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| | | 5 | | 4 | | | 100 | | BENELUX | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| | | 6 | | 3 | | 1 | 200 | | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | CMR 1 not reached |
| | | 7 | | 5 | | 3 | 100 | | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| | | 8 | | 6 | | | ~~100~~ | | ~~WORLD~~ | ~~EUR~~ | ~~1.15~~ | ~~1/02/2016~~ | ~~10000000~~ | ~~11500000~~ | ~~5000000~~ | ~~5750000~~ | Only get 2014-2015 |
| | | 9 | | 6 | | | ~~300~~ | | - | ~~EUR~~ | ~~1.15~~ | ~~1/02/2015~~ | ~~10000000~~ | ~~11500000~~ | ~~5000000~~ | ~~5750000~~ | CMR 1 not reached |

**Global Credit Data**

# ST LGD EAD Example

## FULL DB

| Lender_ID | Deal_ID | DA_Deal_ID | Obligor_ID | DA_Obligor_ID | Obligor_LEI | DA_Obligor_LEI | Product_Code | Risk_Country_Code | DA_Risk_Country_Code | Currency | FX_RATE_USD | Exposure_date | Exposure_amt | Exposure_amt_USD | Defaulted_Balance | Defaulted_Balance_USD | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BANK01 | DEAL01 | 1 | OBLIG1 | 1 | LEI01 | 1 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK01 | DEAL02 | 2 | OBLIG2 | 2 | LEI02 | 2 | 100 | NL | BENELUX | EUR | 1.15 | 1/02/2014 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK01 | DEAL03 | 3 | OBLIG1 | 1 | LEI01 | 1 | 200 | BE | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK02 | DEAL01 | 4 | OBLIG1 | 3 | LEI01 | 1 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK02 | DEAL02 | 5 | OBLIG2 | 4 | | | 100 | NL | BENELUX | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK02 | DEAL03 | 6 | OBLIG1 | 3 | LEI01 | 1 | 200 | US | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK03 | DEAL01 | 7 | OBLIG1 | 5 | LEI03 | 3 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK03 | DEAL02 | 8 | OBLIG2 | 6 | | | 100 | US | WORLD | EUR | 1.15 | 1/02/2016 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK03 | DEAL03 | 9 | OBLIG2 | 6 | | | 300 | US | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |

## Theoritical Entitlement

| Bank / Product | 100 | 200 | 300 |
|---|---|---|---|
| Bank 1 | 2014-2015 | 2015 | - |
| Bank 2 | 2015 | 2015 | - |
| Bank 3 | 2015-2016 | - | 2015 |

## CMR 1

| Product | 100 | 200 | 300 |
|---|---|---|---|
| Lender | 3 Lender | 2 Lender | 1 Lender |

## LEI Theoritical Threshold 50 % for exemple

| Bank 1 | 100% |
|---|---|
| Bank 2 | 66% |
| Bank 3 | 0% |

## Data return Bank 2

| Lender_ID | Deal_ID | DA_Deal_ID | Obligor_ID | DA_Obligor_ID | Obligor_LEI | DA_Obligor_LEI | Product_Code | Risk_Country_Code | DA_Risk_Country_Code | Currency | FX_RATE_USD | Exposure_date | Exposure_amt | Exposure_amt_USD | Defaulted_Balance | Defaulted_Balance_USD | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | | 1 | | 1 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | |
| | | 2 | | 2 | | 2 | 100 | NL | BENELUX | EUR | 1.15 | 1/02/2014 | 10000000 | 11500000 | 5000000 | 5750000 | | Only get the 2015 |
| | | 3 | | 1 | | 1 | 200 | BE | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | CMR 1 not reached |
| BANK02 | DEAL01 | 4 | OBLIG1 | 3 | LEI01 | 1 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | |
| BANK02 | DEAL02 | 5 | OBLIG2 | 4 | | | 100 | NL | BENELUX | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | |
| BANK02 | DEAL03 | 6 | OBLIG1 | 3 | LEI01 | 1 | 200 | US | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | CMR 1 not reached |
| | | 7 | | 5 | | 3 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | |
| | | 8 | | 6 | | | 100 | US | WORLD | EUR | 1.15 | 1/02/2016 | 10000000 | 11500000 | 5000000 | 5750000 | | Only get the 2015 |
| | | 9 | | 6 | | | 300 | US | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | CMR 1 not reached |

Global Credit Data

# ST LGD EAD – Example

**FULL DB**

| Lender_ID | Deal_ID | DA_Deal_ID | Obligor_ID | DA_Obligor_ID | Obligor_LEI | DA_Obligor_LEI | Product_Code | Risk_Country_Code | DA_Risk_Country_Code | Currency | FX_RATE_USD | Exposure_date | Exposure_amt | Exposure_amt_USD | Defaulted_Balance | Defaulted_Balance_USD | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BANK01 | DEAL01 | 1 | OBLIG1 | 1 | LEI01 | 1 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK01 | DEAL02 | 2 | OBLIG2 | 2 | LEI02 | 2 | 100 | NL | BENELUX | EUR | 1.15 | 1/02/2014 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK01 | DEAL03 | 3 | OBLIG1 | 1 | LEI01 | 1 | 200 | BE | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK02 | DEAL01 | 4 | OBLIG1 | 3 | LEI01 | 1 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK02 | DEAL02 | 5 | OBLIG2 | 4 | | | 100 | NL | BENELUX | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK02 | DEAL03 | 6 | OBLIG1 | 3 | LEI01 | 1 | 200 | US | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK03 | DEAL01 | 7 | OBLIG1 | 5 | LEI03 | 3 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK03 | DEAL02 | 8 | OBLIG2 | 6 | | | 100 | US | WORLD | EUR | 1.15 | 1/02/2016 | 10000000 | 11500000 | 5000000 | 5750000 | |
| BANK03 | DEAL03 | 9 | OBLIG2 | 6 | | | 300 | US | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | |

| Theoritical Entitlement | | | |
|---|---|---|---|
| Bank / Product | 100 | 200 | 300 |
| Bank 1 | 2014-2015 | 2015 | - |
| Bank 2 | 2015 | 2015 | - |
| Bank 3 | 2015-2016 | - | 2015 |

| CMR 1 | | | |
|---|---|---|---|
| Product | 100 | 200 | 300 |
| Lender | 3 Lender | 2 Lender | 1 Lender |

| LEI Theoritical Threshold 50 % for exemple | |
|---|---|
| Bank 1 | 100% |
| Bank 2 | 66% |
| Bank 3 | 0% |

**Data return Bank 3**

| Lender_ID | Deal_ID | DA_Deal_ID | Obligor_ID | DA_Obligor_ID | Obligor_LEI | DA_Obligor_LEI | Product_Code | Risk_Country_Code | DA_Risk_Country_Code | Currency | FX_RATE_USD | Exposure_date | Exposure_amt | Exposure_amt_USD | Defaulted_Balance | Defaulted_Balance_USD | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | | 1 | | | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | |
| | | 2 | | 2 | | | 100 | NL | BENELUX | EUR | 1.15 | 1/02/2014 | 10000000 | 11500000 | 5000000 | 5750000 | | Only get the 2015 - 2016 |
| | | 3 | | 1 | | | 200 | BE | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | CMR 1 not reached |
| | | 4 | | 3 | | | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | |
| | | 5 | | 4 | | | 100 | NL | BENELUX | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | |
| | | 6 | | 3 | | | 200 | US | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | CMR 1 not reached |
| BANK03 | DEAL01 | 7 | OBLIG1 | 5 | LEI03 | 3 | 100 | BE | BE | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | |
| BANK03 | DEAL02 | 8 | OBLIG2 | 6 | | | 100 | US | WORLD | EUR | 1.15 | 1/02/2016 | 10000000 | 11500000 | 5000000 | 5750000 | | |
| BANK03 | DEAL03 | 9 | OBLIG2 | 6 | | | 300 | US | - | EUR | 1.15 | 1/02/2015 | 10000000 | 11500000 | 5000000 | 5750000 | | CMR 1 not reached |

Global Credit Data

# Item 5