

## Agenda for LGD - EAD Subcommittee Meeting 19<sup>th</sup> November 2019

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

Item No.	Start time	Item	Responsible	Info or Resolution	Material
<b>Standing Items:</b>					
1.	1500	Minutes of the last Meeting, Action List and Forward Looking Calendar	CM/ER	I	X
2.	1510	How to submit restructured Loans to GCD: Proposal	NR	I/R	X
3.	1545	New Validation Rules to improve data quality	ER	I/R	X
4.	1555	Any other business	CM/ER	I	

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

Item 1

## Minutes LGD - EAD Subcommittee Meeting 29<sup>th</sup> October 2019

Ref Minutes LGDSub 20191029

### Attendees:

Clemens Mesterom - Chair	NIBC
Robert Nebrich	M&T
Barry Griffith	HSBC
Daniel Langer	Svenska Handelsbanken
Mark Kok	ING
Thomas Richardson	HSBC
Lan Jin	Scotiabank
Balakrishnan, Ramanujam	PNC
Carmen Schwartz	KfW
Fabio Guacaneme	National Bank of Canada
Carona Ly	EDC
Lucas Dupre	Desjardins
Philippe Choquette	Desjardins
Rita Kesrouani	JPMorgan
Patrik Gunnarsson	SEB
Martynas Ruokis	SEB

Some participants joined via phone, please reach out to Erik ([erik.rustenburg@globalcreditdata.org](mailto:erik.rustenburg@globalcreditdata.org)) when you do not see your name in the list.

**Executives:** Erik Rustenburg (minutes), Nunzia Rainone

**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: Welcome Chair**

Clemens Mesterom (NIBC) is welcomed and introduced as the new chair for the GCD LGD subcommittee.

### **Item 1: Minutes from the last meeting, action list and forward-looking calendar**

The minutes of the meeting are approved. No questions or remarks on the forward looking calendar. Regarding the action list, on AP No. LGDSC20181023-01, member raised that for old data it is not possible to collect the data from history. It would be impossible to remap to new collateral types. Before collateral type 810 will be removed, it will go through the subcommittee and methcom first to make sure the members agree. For now collateral type 810 remain in the database, as also members still submit 810.

### **Item 2: Data Screening Private Banking**

Daniela presented the results of a data screening exercise on the Private Banking facility asset class. The request is made to see if there is an interested in a Working Group to discuss the LGDs in Private Banking. Several members indicated that there is no immediate need and that they are not submitting Private Banking currently.

**Proposal:** Request to the members to liaise internally within their banks to the interest in a WG.

### **Item 3: Collateral Table Validation Rules**

A proposal on an addition of a validation rule on the collateral table has been made. Regarding the collateral\_Value: collateral value should be the same per {Collateral\_ID, Borrower\_ID, Event\_date} combination. This means that if there multiple loans collateralized by the same collateral the value should be the same for all loans. This is the value that one would compare to the related loan (or loans) to calculate a cover percentage. (Introduce new VR). Collateral value currency should be the same per {Collateral\_ID, Borrower\_ID, Event\_date} combination.

The proposal has changed from an Error to a Warning flag on when the VR is triggered. An action item will be created, to check the impact of the new VR and how many warnings are triggered. Also, historical data is harder to retrieve.

**Vote:** Firm proposal, unanimously approved on a new VR triggering a warning.

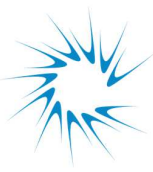
### **Item 4: Any other business**

Next LGD subcommittee will take place on the 19<sup>th</sup> November to discuss the Restructuring proposal.

The chair closed the meeting at 16:12h CET

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
<b>Items in progress</b>									
ER	Documentation Improvements	Documentation improvements:	Executives in progress						
Executives	Industry Codes	Investigate results of H1 2019, H2 2019 Raw Industry Code submissions	Executives in progress		Medium				
Executives	Legal Entity Identifier	Investigate results of H1 2019, H2 2019 submissions for LEI in LGD database	Executives in progress		Medium				
NR	Reconsideration of Collateral table	Based on the feedback from a bank, we should reconsider collateral table rules (we do have general rules without having a formal VR to ensure that those rules are applied.) we can leverage this to check the table itself. What is required to be discussed with methcom is the business rule. Do we need one collateral per one borrower or instead we can have a collateral linked to different borrower?	Methcom item November 2019, then Subcommittee item November 2019 on VR.	Yes	Medium				
NR/ER	VR review/ Data Quality Improvement	New Validation Rule are required for 1. Collateral table. 2.cross/table VR (transaction and Loan table e.g.)		No, only for Subcommittee	Medium	X	X		
NR	How to submit restructured loans to GCD – distinguish between real and artificial cashflow	Restructured Facilities - Further analysis and proposal on how to input restructured facilities	Subcommittee item November 2019	Yes	High		X	X	
<b>Items to be planned</b>									
ER/NR/DT	Definition of Default	Working Group Compliance are working on this. GCD will send out a survey. The WG will probably results in changes in the data model.	WG and Executives in progress	Yes	Medium				
ER/NR	Asset Class assignment guidance	Asset Class assignment guidance for members, improve the documentation on this.		No	Low				
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				
DT/MD	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	Executives in progress. Methcom item November 2019	Yes	Medium			X	
NB	SME: comparison of LGDs	Compare SME LGDs regard to seniority - subordinated vs supersenior		No	High				
ER/NR	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				
ER/NR	Escape clauses	Review fields with escape clauses - eg Guarantor Financials.	Do we want more mandatory fields?	Maybe - Depending on outcome	Medium				
NB	CCF as calculated fields								
NB	LGD calculation unresolved cases								
ER	Data Quality Improvement/ Reduction of Errors in VR	Some VR that are triggered because data was not updated after VR changend form Warning to Error, but can be solved easily by following current escape clause rules. Examples are: - HIST095 - LOAN081 - FIN024 - COLL018 - COLL063 - COLL099 - COLL121 - COLL122 - COLL142		No	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				

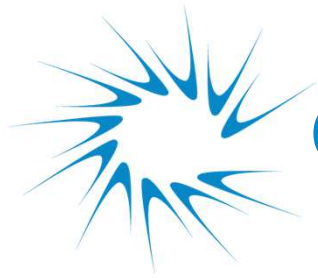


## Action List LGD – EAD Subcommittee

November 2019

<b>AP No.</b>	<b>Content</b>	<b>Holder</b>	<b>Due Date</b>	<b>Closed</b>
LGDSC20170502-03	Create proposal for Restructuring After Default	ER/NR	2019	
LGDSC20170905-03	Analyse different Rank_Of_Security values per collateral on H2 2017 data	NB/NR	2019	
LGDSC20190430-01	Discuss the Lender Limit setting to 0 at resolution. Verify if we can set HIST077 to warning instead of error.	ER	2020	
LGDSC20181023-01	Report status of availability of Collateral Type 810 – can this type be removed?	ER	After H1 2019 submission	October 2019
LGDSC20191029-01	Refine New VR on Collateral Value, if it could be changed to Error. (eg. Unresolved cases Error).	ER	After H1 2020 submission	

# Item 2



**Global Credit Data**

*by banks for banks*

# How to submit restructured loans to GCD

distinguish between real and artificial cashflow

LGD Subcommittee 23 July 2019

Methcom 6 of August 2019

Methcom 17 of September 2019

LGD Subcommittee 12 November 2019



# Request to LGD Subcommittee

## Action Requested

- LGD Subcommittee to **approve** a data model change for
  - submitting restructured facilities and
  - tracing a connection between original and new facilities

## Background / Key facts

- Some member banks have asked to GCD to modify the data model for submitting and recognising in the pooled data restructured facilities
- In July 2019 TRIM Guidelines require that banks should be able to make or trace a connection between the restructured facility and the facility (or facilities) previously advanced and which it is restructuring
- On the 23<sup>rd</sup> of July 2019 the proposal has been discussed in the LGD Subcommittee. This is the subcommittee firm proposal
- On the 6<sup>th</sup> of August 2019 the proposal has been discussed in the Methcom. This is the second draft of the proposal
- On the 17<sup>th</sup> of September 2019 the proposal has been discussed for the second time in the Methcom. Methcome agreed to re-discuss the proposal in the Subcommittee.
- GCD Executives recommend to support this data model change for the following reasons
  - Improving compliance of the data model
  - Allow member banks to recognize restructured facilities
- See following slides for the rationale and more information

# Trim Guidelines

103.(c) In the particular case of an institution opening **new facilities to replace previously defaulted facilities as part of restructuring** or for technical reasons, **it should be able to make or trace a connection between the restructured facility and the facility (or facilities) previously advanced and which it is restructuring.** (p. 42)

[https://www.bankingsupervision.europa.eu/legalframework/publiccons/pdf/internal\\_models\\_risk\\_type\\_chapters/ssm.guiderisktypespecific201907.en.pdf](https://www.bankingsupervision.europa.eu/legalframework/publiccons/pdf/internal_models_risk_type_chapters/ssm.guiderisktypespecific201907.en.pdf)



ECB guide to internal models

Risk-type-specific chapters



# Definition of restructured Loans

The word restructured can indicate different things in the banking environment. We can therefore highlight three type of restructuring:

1. **Legal.** This happens in case of a Legally restructured loan and borrower contract. The negotiation with the client can be mediate by the court, and it can lead to repayment amendment, interest changes etc., (see 'chapter 11'. US court procedure).
2. **Accounting.** This is the most common case, where Banks reorganize facilities internally, after the default to simplify accounting.
3. **Automatic.** Paying off a drawn contingent by drawing up a new or existing facility (e.g. overdraft)

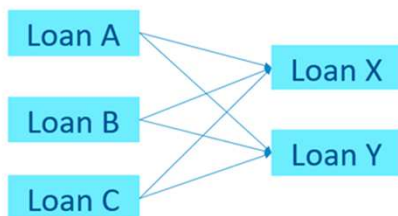
# How is it at the moment

GCD collects the defaulted cases (following the Basel II definition) of a participating bank, independently whether the loans to that defaulted borrower have been restructured or not pre-default.

In case the loan(s) are restructured post-defaults, banks are required to submit their cashflows based on the original loan structure. This means the bank would allocate cashflows to the original loan at date default, regardless of any post-default loan reconstruction.

## Restructuring Post Default: Example - N to M loans

- Original Situation
  - Loan A, LL EUR 1 MLN, LOA 1 MLN at Default
  - Loan B, LL EUR 5 MLN, LOA 3 MLN at Default
  - Loan C, LL EUR 2 MLN, LOA 2 MLN at Default
- Restructured in:
  - LOAN X, LL EUR 5 MLN, LOA 3 MLN at Default
  - LOAN Y, LL EUR 3 MLN, LOA 3 MLN at Default
- Resolution
  - Loan X fully repaid
  - LOAN Y 2 MLN write off, 1 MLN repaid



Loan_ID	Event_Type	Lender_Limit	Lender_Outstanding_Amount
Loan A	3	1,000,000	1,000,000
Loan A	5	0	0
Loan B	3	5,000,000	3,000,000
Loan B	5	0	0
Loan C	3	2,000,000	2,000,000
Loan C	5	0	0

Transaction Table

Loan_ID	Transaction_Type	Transaction_Amount
Loan A	100	333,333
Loan A	300	666,667
Loan B	100	3,000,000
Loan C	100	666,667
Loan C	300	1,333,333

*How do we enter this default?*

# Main issues related to the current approach

- ❑ Lots of effort for Member bank to re-allocate transaction information from the “new” loans to the original one
- ❑ The current approach does not allow member to program an automatic data feed
- ❑ GCD is not able to track this behaviour, check whether the re-allocation is made correctly
- ❑ Member banks cannot slice and dice these specific loans according to their internal business approach for restructured loans

# Possible cases of restructured loans

## □ Type 1.

- Facility reorganization under a restructuring agreement for a new repayment plan, including deferred payments, changes to the loan parameters etc. Original Loan closed. New Loan generated in default.

## □ Type 2.

- New Loan generated under a new repayment plan, not flagged as default, with additional drawings to repay the original.

## □ Type 3.

- Original Borrower in bankruptcy. New Borrower ID generated under a new repayment plan, not flagged as default, with additional drawings to repay the original loan. (not yet in scope)

# Tables in scope

- ❑ Transactions
- ❑ History
- ❑ Loan
- ❑ Collateral
- ❑ Guarantor

Financial and Entity table are at borrower level. We assume that Restructured information will be submitted at loan level

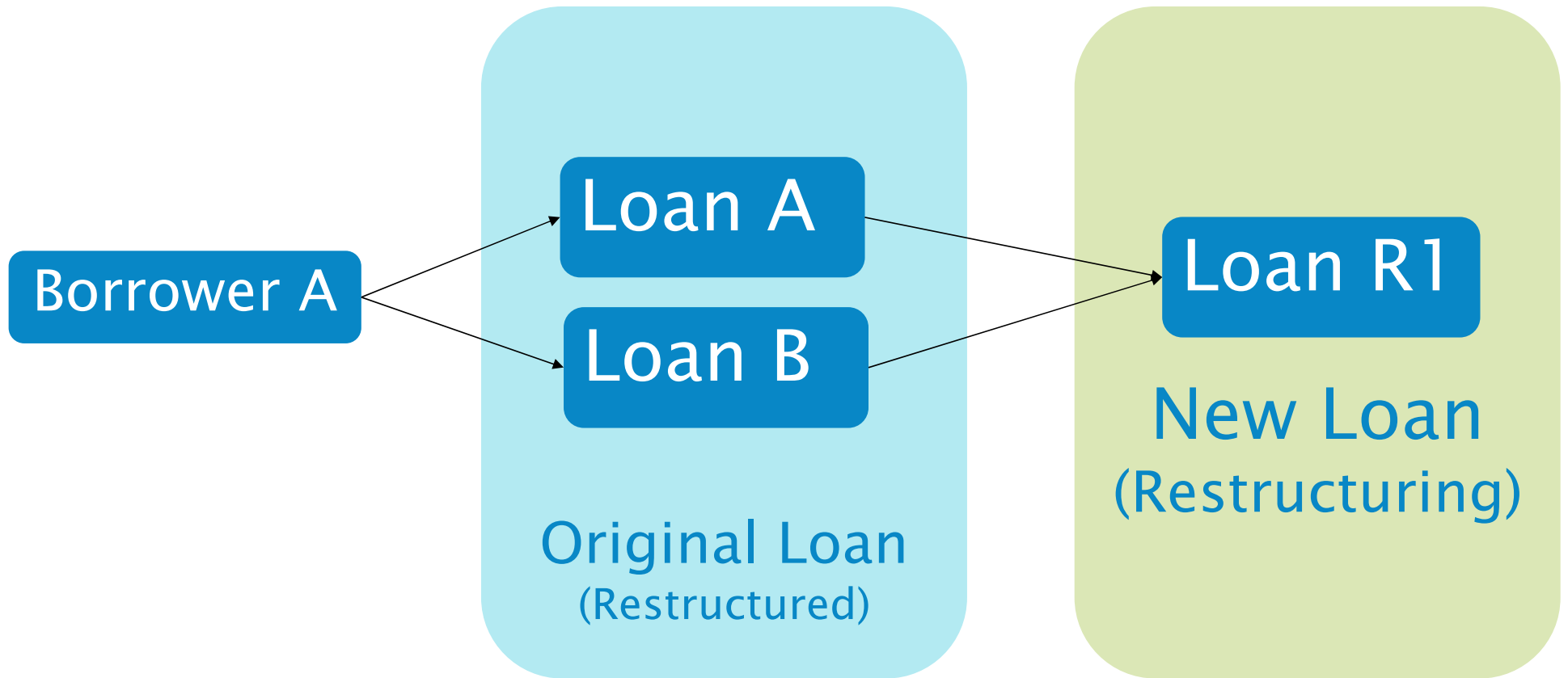
Focus: Post default restructuring process. Trace the workout process across New and Original loans.  
**Workout will be re-allocated by GCD in the original loans where LGD will be calculated.**

# Summary of the business case

- ❑ Assuming you have two loans for the same Entity:
  - Loan A which defaults in October 2017 with a LOA of € 1,000,000. The debt is transferred to a new loan (Loan R1) in December 2017.
  - In Loan A there is a repayment of € 300,000 before the transferred, so € 700,000 have been transferred to Loan R1.
  - Loan A is collateralized by Colla\_ID\_1, and the collateral has been transferred to Loan R1 on the date of the restructuring.
  
  - Loan B, defaulted in in October 2017 with a LOA of € 1,000,000. The debt is transferred to a new loan (Loan R1) in December 2017.
  - In Loan B there is a repayment of € 700,000 before the transferred, so € 300,000 have been transferred to Loan R1.
  - Loan B is collateralized by Colla\_ID\_2, and the collateral has been transferred to Loan R1 on the date of the restructuring.
  
- ❑ Loan R1 has a Loan Outstanding Amount of € 1,000,000 (€ 700,000 coming from Loan A, € 300,000 coming from Loan B). Under Loan R1 € 300,000 are repaid, and € 700,000 are written off.
  
- ❑ Transactions are reallocated in the original loan based on the amount transferred.



## Type of connection analysed for this exercise



# Open question: How to deal with pre-default restructuring and CCF calculation?

- For restructuring pre default

Example :

- original **loan A** is transferred to a new **loan Z** before default
- **Loan Z** goes in default after 6 months, Exposure at default is not available one year prior for CCF calculation

In GCD current data model  
Only Loan B should be submitted and EAD one year prior will be EAD at origination

For loans originated less than one year prior to default, Event Type 1 should be informed with at least the actual origination date and expectedly Limit and LOA (=Loan outstanding amount), and Event Type 2 should be dated one day later and again filled in with (same) Limit and LOA.

**Question:** is this a business behaviour common in your bank? Should GCD data model allow for submitting restructuring pre-default?

## Example of restr pre-default

- ❑ If the original loan is not in default then GCD is not collecting that loan. If the debt is transferred before the default the impact will be on the History table.
- ❑ In the example below the loan has been originated in March 2017 to restructure a previous Loan Originated in Jan 2013. New loan defaults in October 2017, 7 months after the origination. One year prior default is not available since the default in the new loan happens in a shorter period. We should follow same approach of Restructured loans, paying attention that event\_type 3 occurs in the new line of the loan. (Loan Y)

Loan_ID	Loan_Status	Event_Type	Event_date	LL	LOA
Loan Z	1	1	31/01/2013	€ 2.000.000	€ 2.000.000
Loan Z	1	2	30/10/2016	€ 2.000.000	€ 1.500.000
Loan Z	10	6	30/03/2017	€ 2.000.000	€ 1.500.000
Loan Y	2	3	30/10/2017	€ 1.000.000	€ 1.000.000
Loan Y	4	5	30//12/2018	€ -	€ -

# Restructuring proposal - Example 2 loans in 1 restructured loan

Loan								Comments
Borrower_ID	Loan_ID	Facility_Asset	Facility_Type	Restr_Flag	Default_Date	Resolution_Date	LGD	
B1	Loan A	1	100	O	30/09/2017	30/09/2018	89%	€ 1,000,000
B1	Loan B	1	200	O	30/10/2017	30/09/2018	21%	€ 1,000,000
B1	Loan R1	1	200	R	No Calculation For Restructured as no default amount			

HIST									Comments
Borrower_ID	Loan_ID	Restr_Loan	Loan_Status	Event_Type	Event_date	LT	LDA	Restr_Flag	
B1	Loan A		2	3	30/09/2017	€ 1,000,000	€ 1,000,000	O	
B1	Loan A	Loan R1	10	6	30/12/2017	€ 1,000,000	€ 1,000,000	O	
B1	Loan B		-2	3	30/10/2017	€ 2,000,000	€ 1,000,000	O	
B1	Loan B	Loan R1	10	6	30/12/2017	€ 2,000,000	€ -	O	
B1	Loan R1		tbl	7	30/12/2017	€ 1,000,000	€ 1,000,000	R	
B1	Loan R1		3	5	30/09/2018	€ -	€ -	R	
B1	Loan A		3	5	30/09/2018	€ -	€ -	O/C	
B1	Loan B		3	5	30/09/2018	€ -	€ -	O/C	

Collateral ( same for Guarantor or pricing)						Restr_Flag
Borrower_ID	Loan_ID	COLL_ID	Event_Type	Event_date		
B1	Loan A	C1	3	30/09/2017		O
B1	Loan A	C1	6	30/12/2017		O
B1	Loan B	C2	3	30/10/2017		O
B1	Loan B	C2	6	30/12/2017		O
B1	Loan R1	C1	7	30/12/2017		R
B1	Loan R1	C1	5	30/09/2018		R
B1	Loan R1	C2	7	30/12/2017		R
B1	Loan R1	C2	5	30/09/2018		R
B1	Loan A	C1	5	30/09/2018		O/C
B1	Loan A	C2	5	30/09/2018		O/C
B1	Loan B	C1	5	30/09/2018		O/C
B1	Loan B	C2	5	30/09/2018		O/C

Entity						Comments
Borrower_ID	Entity_Type	Industry	Default_Date	Resolution_Date	LGD	
B1		1	100	30/09/2018	30/12/2017	35% € 2,000,000

TRAN								
Borrower_ID	Restr_Loan_ID	Loan_ID	Transaction_date	Transaction_Type	Transaction_Amt	Currency	Source_of_Payme	Restr_Flag
B1		Loan A	30/12/2017		100	€ 300,000	EUR	100 O
B1	Loan B1	Loan A	31/12/2017		101	€ 700,000	EUR	600 O
B1		Loan B	30/12/2017		100	€ 700,000	EUR	100 O
B1	Loan B1	Loan B	31/12/2018		101	€ 300,000	EUR	600 O
B1		Loan R1	31/12/2017		401	€ 700,000	EUR	R
B1		Loan R1	31/12/2017		401	€ 300,000	EUR	R
B1		Loan R1	28/02/2018		100	€ 300,000	EUR	200 R
B1		Loan R1	28/02/2018		300	€ 700,000	EUR	200 R
B1	Loan B1	Loan A	28/02/2018		100	€ 210,000	EUR	200 O/C
B1	Loan R1	Loan A	28/02/2018		300	€ 490,000	EUR	200 O/C
B1	Loan R1	Loan B	28/02/2018		300	€ 390,000	EUR	200 O/C
B1	Loan B1	Loan B	28/02/2018		300	€ 210,000	EUR	200 O/C

Loan\_Status  
 10 totally transferred  
 11 partially transferred

# Restructuring proposal - Example 2 loans in 2 restructured loans

Loan							Comments		
Borrower ID	Loan ID	Facility Asset Class	Facility	Restr Flag	Default Date	Resolution Date	LGD	Default Amount	
B1	Loan A		1	100	O	30/10/2017	30/04/2018	31%	€ 1,000,000
B1	Loan B		1	100	O	30/10/2017	30/04/2018	31%	€ 1,000,000
B1	Loan R1		1	100	R	No Calculation For Restructured as no default amount			
B1	Loan R2		1	100	R	No Calculation For Restructured as no default amount			

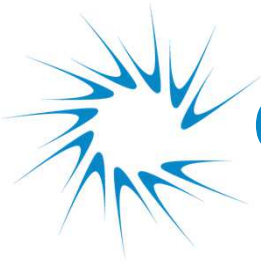
HIST									Comments
Borrower ID	Loan ID	Restr Loan ID	Loan Stat	Event Type	Event Date	LL	LDA	Restr Flag	
B1	Loan A		1	1	30/10/2017	€ 1,000,000	€ 1,000,000	O	
B1	Loan A	Loan R1	11	4	30/12/2017	€ 1,000,000	€ 200,000	O	
B1	Loan A	Loan R2	10	4	30/02/2018	€ -	€ -	O	
B1	Loan B		2	1	30/10/2017	€ 2,000,000	€ 1,000,000	O	
B1	Loan B	Loan R1	10	6	30/12/2017	€ -	€ -	O	
B1	Loan R1		1	7	31/12/2017	€ 800,000	€ 800,000	R	
B1	Loan R1		3	5	30/03/2018	€ -	€ -	R	
B1	Loan R2		1	7	30/02/2018	€ 300,000	€ 200,000	R	
B1	Loan R2		3	5	30/04/2018	€ -	€ -	R	
B1	Loan A		3	5	30/04/2018	€ -	€ -	O/C	
B1	Loan B		3	5	30/03/2018	€ -	€ -	O/C	

Collateral (Same for Guarantor or pricing)					
Borrower ID	Loan ID	COLL ID	Event St	Event Date	Restr Flag
B1	Loan A	C1	1	30/10/2017	O
B1	Loan A	C1	1	30/02/2018	O
B1	Loan B	C2	1	30/10/2017	O
B1	Loan B	C2	1	30/12/2017	O
B1	Loan R2	C1	7	30/02/2018	R
B1	Loan R2	C1	5	30/04/2018	R
B1	Loan R1	C2	7	30/12/2017	R
B1	Loan R1	C2	5	30/03/2018	R
B1	Loan A	C1	5	30/04/2018	O/C
B1	Loan B	C2	5	30/03/2018	O/C

Entity						Comments
Borrower ID	Entity Type	Industry	Default Date	Resolution Date	LGD	Default Amount
B1	1	100	30/10/2017	30/04/2018	31%	€ 2,000,000

TRANS									
Borrower ID	Restr Loan ID	Loan ID	Transaction Date	Transaction Type	Transaction Amount	Currency	Source of Payme	Restr Flag	
B1		Loan A	30/12/2017		100	300,000	EUR	100	O
B1	Loan R1	Loan A	31/12/2017		101	500,000	EUR	600	O
B1	Loan R2	Loan A	28/02/2018		103	200,000	EUR	600	O
B1		Loan B	30/12/2017		100	700,000	EUR	100	O
B1	Loan R1	Loan B	31/12/2017		101	300,000	EUR	600	O
B1		Loan R1	31/12/2017		401	800,000	EUR		R
B1		Loan R1	28/02/2018		100	300,000	EUR	200	R
B1		Loan R1	28/02/2018		300	500,000	EUR	200	R
B1		Loan R2	28/02/2018		403	200,000	EUR		R
B1		Loan R2	30/03/2018		100	200,000	EUR		R
B1	Loan R1	Loan A	28/02/2018		100	137,500	EUR	200	O/C
B1	Loan R1	Loan A	28/02/2018		300	437,500	EUR	200	O/C
B1	Loan R1	Loan B	28/02/2018		100	113,500	EUR	200	O/C
B1	Loan R1	Loan B	28/02/2018		300	263,500	EUR	200	O/C
B1	Loan R2	Loan A	30/03/2018		100	200,000	EUR		O/C

# Item 3



**Global Credit Data**

*by banks for banks*

# Data Quality

## Validation Rules

LGD Subcommittee 19 November 2019

# Proposal Validation Rules H1 2020 – Collateral Types

In H1 2019 the Collateral Types 811 -Oil and Gas reserves and 812 -Other mining rights, were introduced and implemented (approved in Methcom November 2018) as more granular collateral types for 810. Following that implementation the following validation rules need adaption:

Table	Validation ID	Data Field	Trigger	Message	Type	Correctness / Completeness	Introduced	Amended	Change
Collateral	COLL121	Collateral_Country_Of_Jurisdiction	Collateral_Country_Of_Jurisdiction is empty AND Default_Date > 31-12-2004 AND Collateral_Type = 100, 110, 350, 360, 410, 420, 430, 440, 700, 800, 810, 811, 812, 900, 980.	COLL121: Collateral_Country_Of_Jurisdiction (%Collateral_Country_Of_Jurisdiction%) must be given for Defaults >31/12/2004 where Collateral_Type = 100, 110, 350, 360, 410, 420, 430, 440, 700, 800, 810, 811, 812, 900, 980.	Error	Completeness	H2 2015	H1 2020	Add 811, 812
Collateral	COLL166	Commodity_Hedged_Indicator	Commodity_Hedged_Indicator is filled and Collateral_Type <> 800, 810, 811 or 812	COLL166: Commodity_Hedged_Indicator (%Commodity_Hedged_Indicator%) must only be given when Collateral_Type = 800, 810, 811 or 812	Error	Correctness	H1 2016	H1 2020	Add 811, 812
Collateral	COLL167	Commodity_Hedged_Indicator	Commodity_Hedged_Indicator is empty and Collateral_Type = 800, 810, 811 or 812	COLL167: Commodity_Hedged_Indicator must be given when Collateral_Type = 800, 810, 811 or 812	Warning	Completeness	H1 2016	H1 2020	Add 811, 812
Loan	LOAN107	Product_Code	Product_Code = 300 and no Collateral with Collateral_Type = 810, 811 or 812 present for Loan_ID.	LOAN107: At least one collateral with Collateral_Type = 810, 811 or 812 must be given when Product_Code = 300	Warning	Correctness		H1 2020	Add 811, 812

**Do we agree with the proposed changes on existing validation rules?**

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# Proposal Validation Rules H1 2020 – Complete Write Off

Existing Validation Rule HIST041 – will be triggered when the Loan Status is not equal to 6 (Complete Write Off) but the SUM of Write Offs (TT300) is equal or greater than the LOA + increasing Transactions.

Table	Validation ID	Data Field	Trigger	Message	Type	Correctness / Completeness	Introduced	Amended
History	HIST041	Loan_Status	Loan_Status <> 6 at Event_Type= 5 and SUM Transaction_Type 300 => Sum (LOA at Event_Type 3 + TT 400 + TT410 + TT420 + TT450 + TT480 + TT500 + TT600 + TT700 + TT800)	HIST041: Loan_Status (%Loan_Status%) must be equal to 6 at Resolution when SUM Transaction_Type 300 => Sum (LOA at Event_Type 3 + TT 400 +TT410 + TT420 + TT450 + TT480 + TT500 + TT600 + TT700 + TT800).	Error	Correctness		H2 2016

It is not triggered when the Loan Status is 6 (Complete Write Off) and it does not check if the SUM of Write Offs (TT300) is equal or greater than the LOA + increasing Transactions.

# Proposal Validation Rules H1 2020 – Complete Write Off

- ❑ LOA at Default = 100
- ❑ Legal expenses during workout process 20 (marked as TT500)
- ❑ LOA at Resolution 0

- Case 1: TT300 = 130
- Case 2: TT300 = 90

Case	Loan Status	HIST041 triggered	OK
Case 1	6-Complete write off	No	OK
Case 1	<> 6	Yes	OK
Case 2	6-Complete write off	No	NOK – Change required
Case 2	<> 6	No	OK

## Proposal: do we agree with an additional VR

Table	Validation ID	Data Field	Trigger	Message	Type	Correctness / Completeness	Introduced	Amended
Transaction	TRAN0XX	Transaction_Type	Loan_Status = 6 at Event_Type= 5 and SUM Transaction_Type 300 < Sum (LOA at Event_Type 3 + TT 400 + TT410 + TT420 + TT450 + TT480 + TT500 + TT600 + TT700 + TT800)	TRAN0XX: The SUM Transaction_Type 300 must be => Sum (LOA at Event_Type 3 + TT 400 +TT410 + TT420 + TT450 + TT480 + TT500 + TT600 + TT700 + TT800) when Loan Status is 6.	Error	Correctness	H1 2020	

# Proposal Validation Rules H1 2020 – Partial Write Off

From the Cash Flow Analysis we learned that there are cases with no Write Offs (TT300) when Loan Status 3 – Partial Write Off. We expect at least 1 Write Off (TT300) transaction when Loan Status is 3.

## Proposal, do we agree with an additional VR

<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>
Transaction	TRAN0XX	Transaction_Type	Loan_Status = 3 at Event_Type= 5 and count(TT300) = 0	TRAN0XX: There must be at least 1 Transaction_Type 300 when Loan Status is 3.	Error	Correctness	H1 2020	

# Item 4