

Agenda for Methcom PD subcommittee Meeting April 23st , 2020

Meeting Start: 1400 to 1500 CEST / 0800 to 0900 EST

Location: by telephone and zoom

Item No.	Start time	Item	Responsible	Info or Resolution	Material
1.	1400	Approval Draft Minutes PD subcommittee from March 31 st	Olivier Plaetevoet	I/R	X
2.	1410	PD & Rating subcommittee : thanks and opening of the Chair	Olivier Plaetevoet / Guido Caprioglio	I	X
3.	1420	Alignment of 4 th file: quick default	Olivier Plaetevoet / Daniela Thakkar	I/R	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.

Zoom details

Meeting URL: <https://globalcreditdata.zoom.us/j/755074318>

Join by Telephone

For higher quality, dial a number based on your current location.

Dial: US: +1 929 436 2866 or +1 669 900 6833

Meeting ID: 755 074 318

International numbers:

<https://zoom.us/j/755074318>

Item 1

Methcom subcommittee for the PD datapool (formerly WG ODF)
- Minutes -

Topic: see agenda below
Location: Zoom Call
Date: March 31st, 2020
Time: 1400 to 1500 CET / 0800 to 0900 EST
Version: draft

Participants:

JPM	Guido Caprioglio
Credit Suisse	Vinod Pol
KfW	Torsten Beier
Scotiabank	Harris Shen
NBC	Abdoubakhe Amar
NIBC	Sharmila Rao
Nordea	Ampreetha Govindarajalu
ABN AMRO	Helianne Kalff
GCD	Oliver Plaetevoet Michael Dhaenens

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.

Agenda:

Item No.	Start time	Item	Responsible	Info or Resolution	Material
1.	1400	Approval Draft Minutes PD subcommittee from Dec 6 th , 2020	Olivier Plaetevoet	I/R	X
2.	1410	Unaggregated data return: Status Update	Olivier Plaetevoet	I	X
3.	1430	Priorities Submission Cycle H1/2020	Olivier Plaetevoet	I	X

Minutes:

1 – Opening / Approval of the minutes of last meeting

Guido Caprioglio (JP Morgan) opens the call. The necessary quorum (5 member banks) to make a decision in this subcommittee is reached. Minutes of last meeting not available on-time, decision reported to next.

Decision of the PD Subcommittee: Minutes of December & February approved.

2 – Unaggregated data return: Status Updates

Olivier (GCD) provide the status of approval for the unaggregated data return: 9 approvals, so the data can be returned.

Guido (JPM): why is the rating returned but not the rating S&P, Fitch, Moody's. Olivier (GCD): few banks return these fields (not mandatory) which represent the rating provided directly by the agency, so for anonymity, we don't return those now.

Elizabeth: Is the give-to-get also on FAC? Olivier: Yes, though all current members send data for the FAC of the pilot (FAC2 and FAC3).

3 – Alignment of 4th file to ODF.

Quick defaults in the first year.

Quick defaults defined as a default where the borrower didn't exist in the Q4.

Because there are no borrowers in the data file for the Q4, the quick defaults are not shown in the 4th file (ODF_incl_old_data). However, a "virtual" Q4 is created in the ODF file to report those cases of quick defaults. Thereby the misalignment.

Proposition to force members to start their submission with a Q4, so that there are not quick default of the first year.

Elizabeth: don't want any quick default in the fourth file. Request that either:

- A separate column is created in the fourth file to include the quick defaults
- If no bank need quick default, those are dropped from the fourth file.

A survey will be sent to participants of the PD platform to inquire whether they make use of the quick defaults.

For cases of first-year quick defaults: proposition to exclude agreement that if we start with a Q4, the high number of cases of "quick defaults" which are created because there is no underlying Q4.

Vote :

Approval (2) : Guido (JPM), Elizabeth (RBC)

Neutral (4) : Ampreetha, Helianne, Abdou, Torsten

List of action points:

Closed action points will be removed in the next minutes after they have been closed

#	WG meeting	Action point	Who	By when	Status / Comments
1	Oct 19 th , 2015	Investigate data requirements for duration methods, so that – in a later stage – the method of calculating the migration matrixes can be changed without that the data input need to be adjusted by the member banks.	Daniela Thakkar	???	Data input can be used also for a duration method. Higher frequency (e.g. monthly, daily) would be even better for that. Action point remains open.
3	May 9 th , 2016	Get more North American member banks to participate in the Working Group.	Daniela Thakkar / Hale Tatar	H1/2020	Actions up till now: <ul style="list-style-type: none"> • Mapping guide FRY-14Q available. • Marketing during US trip Executives 2017 and 2018 • US conferences
11	May 24 th , 2016	Include split between “general SME financing” and other “Real Estate financing which is not Specialized Lending”.	Daniela Thakkar (to set the agenda of the working group)	H1/2020	Discussion to be started after first experiences with new field “US_Segment”
12	May 24 th , 2016 / May 24 th , 2017	Integrate asset / turnover (and other financial ratio's) in the data input file, as optional fields first	Daniela Thakkar	H1/2020	Integration of Financial after integration of LEI (financials can be mapped based on LEI delivery)
13	May 24 th , 2016	Currently, we only collect multi-year ODFs and not multi-year PDs. To be further discussed in the WG on how / when to add that.	Daniela Thakkar (to set the agenda of the working group)	H1/2020	Collection will be by a XLS template to be developed in H1/2020? (dependent on support of member banks)
21	March 16 th , 2017	Investigate mapping, e.g. on rating class CC/C as part of the pre-submission package/audit	Riette Dijkstra	H1/2020	Rediscovered in meeting May 24 th , 2017: actionpoint remains open. Mapping should be further challenged in the audit process.

					>> Will be taken up with Peer Comparison report, individual feedbacks
26	May 24 th , 2017	Update documentation: how to fill default_date if value is not available within a bank	Michael Dhaenens	H1/2020	
28	May 24 th , 2017	Proposal on how to include financial groups and connected clients in the PD datapool	Daniela Thakkar / Michael Dhaenens	H1/2020	Integration of Groups and connected clients after integration of LEI (groups can be mapped based on LEI delivery)
30	May 24 th , 2017	Proposal on map Anacredit to the PD datapool	Daniela Thakkar / Michael Dhaenens	H1/2020	
31	May 24 th , 2017	Proposal on how and if to add a model indicator to the PD datapool	Daniela Thakkar / Michael Dhaenens	H1/2020	
36	February 22 th , 2018	Find out whether it is still required for Pillar 3 reporting purposes to map the internal rating to the external rating	Daniela Thakkar	H1/2020	
39	November 19 th , 2018	Analyze difference between 4 th file and data.csv/odf.csv file	Daniela Thakkar / Michael Dhaenens	H2/2019	
41	May 9 th , 2019	Short survey among participating banks for the reason of continuing with aggregated data delivery	Daniela Thakkar	July 2019	Action point can be closed: Aggregated data submission still relevant for some banks (e.g. no need for unaggregated data, compliance reasons, ...)
42	May 9 th , 2019	Short survey among participating banks how the delivery is set up	Daniela Thakkar	H2/2019	Will be planned together with individual meetings on further usage
43	May 9 th , 2019	Adjustment of data portal FVR099 as warning instead of error	Michael Dhaenens	May 2019	Data portal accordingly adjusted → Action point closed
44	Dec 6 th , 2019	Short demo of a Visual Analyzer tooling for members to analyse the data online.	Olivier Plaetevoet	H2 2020	
45	Feb 20 th , 2020	Reassess the decisions taken on methodology for quick defaults during the first year.	Olivier Plaetevoet	H2 2020	

Item 2



Global Credit Data

by banks for banks

Alignment 4th file - ODF PD & Rating Platform H1/2020

- Meeting PD Subcommittee April 23rd, 2020 -

Survey result : use of quick defaults

Question	Yes	No	N/A
1) Do you include case of quick defaults in your internal ODF calculations ?	3	4	1
2) Do you agree to request every members to start their submission on a Q4 and that all historical members will have their data selected as from their first Q4?	5	1	2

Total participation in the survey: 8 members

Proposal : first-year quick defaults in 4th file.

Question 1: Add a column in fourth file with quick defaults.

- For members that don't use the quick defaults: continue select column Pool_Count_Default_1Y.
- For members that also use quick defaults: sum
column Pool_Count_Default_1Y + column Pool_Count_QuickDefault_1Y.

Note same logic applies for Delta_Count_Default_1Y and Own_Count_Default_1Y.

Question 2:

- From this submission: request members to deliver their data from a Q4
- Exclude the data submitted before a Q4 for members that submitted data previously.

Annex

Fix : first-year quick defaults in 4th file.

Goal: better align the ODF file to the 4th file.

Quick defaults are defined as defaults that occurs in the year while the borrowers did not exist in the previous Q4.

Issue: Because the Q4 has no existing borrowers (quick defaults), a new line is created in the ODF file. Because there is no borrowers on that line, it is excluded from the 4th file, leading to the misalignment. GCD recommended to include these cases as well to ensure that the maximum information is released.

Impact:

- 2450 default cases of quick defaults: 2.9% of default cases to be added in 4th file.

Discussion : removal of “old data”

Goal: fully align the ODF file to the 4th file (incl “old data”).

Process: first, GCD will ask to members that have data to review the DQ of their “old” data in comparison to their newer submissions. This is to ensure we have a good grasp of the scope of “old” data that is still valid.

Definition of “old” data : legacy submissions before 2013 were in excel in a high aggregated structure:
Only fields: bank_ID, Asset_Class, Area, Industry, Rating, Min TTC PD, Max TTC PD, Year, Nr Obligors, Nr Defaults, ODR, TTC PD, PIT PD(optional).

This structure impedes the flexibility of the 4th file for possible changes.

Question: Do we want the 4th file as:

- A table that keeps the legacy data: more complete.
- A table that act as the link between the three aggregated returns : easier analytics

Discussion : removal of “old data”

Impact:

- 9261 default cases in old data covers around 10% of all default cases.
- Significant drop in count of borrowers in years 2003-2006.

	Q4/1997	Q4/1998	Q4/1999	Q4/2000	Q4/2001	Q4/2002	Q4/2003	Q4/2004	Q4/2005	Q4/2006	Q4/2007
New data	100.00%	100.00%	100.00%	100.00%	99.31%	35.48%	31.81%	35.41%	35.91%	60.49%	85.32%
Old data	0.00%	0.00%	0.00%	0.00%	0.69%	64.52%	68.19%	64.59%	64.09%	39.51%	14.68%
Grand Tot	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

	Q4/2008	Q4/2009	Q4/2010	Q4/2011	Q4/2012	Q4/2013	Q4/2014	Q4/2015	Q4/2016	Q4/2017	Q4/2018	Grand Total
New data	91.94%	93.21%	94.90%	95.69%	97.03%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	90%
Old data	8.06%	6.79%	5.10%	4.31%	2.97%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10%
Grand Tot	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100%

- Low changes in overall default rate and PD.

Pool ODF	01. Small/Med	02. Large Corp	03. Banks & Fi	04. Ship Finan	05. Aircraft Fi	06. Real Estat	07. Project Fir	08. Commodit	09. Sovereign	10. Public Ser	11. Private Bankin
Incl old	1.51%	1.29%	0.20%	3.53%	2.05%	1.73%	1.30%	1.04%	0.10%	0.22%	0.99%
Excl old	1.55%	1.36%	0.20%	4.04%	1.99%	1.74%	1.31%	0.92%	0.10%	0.23%	0.99%
	3%	5%	0%	14%	-3%	1%	1%	-12%	0%	5%	0%
Pool PD											
Incl old	2.52%	1.97%	0.78%	1.90%	2.76%	1.94%	1.36%	1.31%	0.47%	0.56%	2.45%
Excl old	2.49%	2.04%	0.79%	2.00%	2.30%	1.95%	1.36%	1.25%	0.46%	0.57%	2.47%
	-1%	4%	1%	5%	-17%	1%	0%	-5%	-2%	2%	1%