



Global Credit Data

by banks for banks

GCD DATA in ACTION



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AGENDA

Disclaimer: Any views expressed in this presentation are those of the presenter and do not necessarily represent the views of Global Credit Data or its members.

- ❑ (reminder) Meet your peers
- ❑ Review of Usage of GCD Data
- ❑ (reminder) Facts and Figures about GCD Data

Meet your peers amongst GCD Member Banks



Member Survey: The Art of Possible – Use cases

Standard methodologies in risk management are enriched using GCD datasets

Main Use Cases:

LGD/EAD model calibration ☺, Benchmarking, Independent Model Validation

Examples of Members:

Two North American Banks, with asset size of 100–500 B\$, enrich all five types of models using LGD/EAD data, to Identify risk drivers, calibrate models, perform benchmarking and independent validation

An African Bank, with asset size of 50–100 B\$, use LGD data in Regulatory capital models and for different asset classes which are approved by regulators

Three European and Nordic Banks, with asset size of 100–500 B\$, use PD data in: Regulatory capital

Business Impact:

Using LGD data pool, an individual bank with RWA of 315 B\$, can increase its lending up to 2.9 B\$

An individual banks can overestimate the PD up to 50%, For a bank with 20B\$ LDP gross loan the estimated difference is 0.8 B\$

		Use Cases			
		and Process Steps			
		Pricing Economic Capital Stress testing /CCAR IFRS 9 / CECL Regulatory capital			
Risk Driver Identification	LGD/EAD	6	4	4	2
	PD				
Model Calibration	Benchmarking	2			
	LGD/EAD	11	3	3	3
	PD	1			
Benchmarking	PD Model Calibration				
	LGD/EAD	16	6	5	5
	PD	1-year default rates	5	1	1
		multi-year default rates	1	2	1
		Asset Correlations			
		Accuracy Ratios	1		
		Masterscale PDs	3		1
		Migration Matrices		1	1
	Benchmarking	Masterscale	5	1	1
			2		2
Independent Validation	LGD/EAD	9	2	3	4
	PD	2			
	Benchmarking	2			1
Others	LGD/EAD	2	1	2	1
	PD				
	Benchmarking				

GCD Member Survey 2022, N of respondents = 25

Other findings about members from the survey?

Member relationship with GCD (25 respondent): (100%)

- GCD members are segmented into three profiles regarding the level of using data
 - High usage:** 4 members in 3 countries (1 in 5 members)
 - Moderate usage:** 7 members in 7 countries , (1 in 3 members)
 - Low usage:** 12 members in 10 countries (1 in 2 members)
 - 27 Banks did not respond to the survey (1 in 2 did not answer)

Member relationship with Regulatory bodies (impact of approval by regulators)

- GCD data do comply with strong regulatory requirements (BCBS 239)
- Approval gained primarily for LGD/EAD models
- For Large Corporate, SME, Banks & Financial, Project and Ship Finance

Member internal involvement with GCD data

- C-suit/Mgtm board as direct beneficiary stakeholders don't know much about GCD
- Mostly Head of Credit Risk modelling and Risk Assessment use and communicate the

	<u>Models</u> Approved by <u>Asset Class</u>		
	LDG EAD	PD	Benchmarking
SME	5	1	2
Large Corporate	10	2	4
Banks & Financial Companies	7	2	3
Ship Finance	4	1	1
Aircraft Finance	2	1	1
Real Estate Finance	3	2	1
Project Finance	4	1	1
Commodities Finance	1	1	0
Sovereigns, Central Banks	3	2	4
Public Services	3	1	1
Private Banking	2	1	1

Types of Usage and Users

Average (observed) LGD levels on GCD data in a certain relevant portfolio

Comparison of LGD levels of a certain relevant portfolio between your bank and the GCD pool

Other knowledge gained when attending GCD conferences / webinars / working groups

Mgmt Board / C-level	Head of Credit Risk modelling	Risk Assessment (2nd line of Defense)	Restructuring / Distressed Assets
	14	12	1
2	13	10	2
1	6	7	1

“GCD data supports our models, but should eventually be subject to DFAST or CCAR, these models would need to be approved by US Regulators.”

Managing Director, +1T\$ Bank

—

“We used GCD data for projection methodology on our international exposures for CCAR/CECL and IFRS9 purposes.”

Manager, Credit Risk, Securities and Spreads Modeling, 100–500 B\$ Bank

“GCD Data has been used to benchmark data and fill in data gaps in model development for the UK LGD model and Mexico LGD and EAD models.”

Credit Risk Data Analyst, +1T\$ Bank

—

“Not always certain on exactly what each field exactly means and if it actually has an impact on the LGD interpretation however nothing that cannot be resolved once touched base with GCD executive. So no major concerns that pop up”

Quantitative Analyst, 100B\$ Bank

Proved Data Quality, Compliance, Consistency

- ❑ Regulatory challenge for risk data and models

- ❑ BCBS 239 (2013), PRA CP/622, FED SR1107, EBA and ECB Guidelines on internal models and MRM 2018, etc.

- ❑ GCD provides readily available documentation to prove Data Quality and Compliance

- ❑ Details on GCD data management, quality and compliance processes

Fig 1 -GCD Data Quality Dashboard – Public document

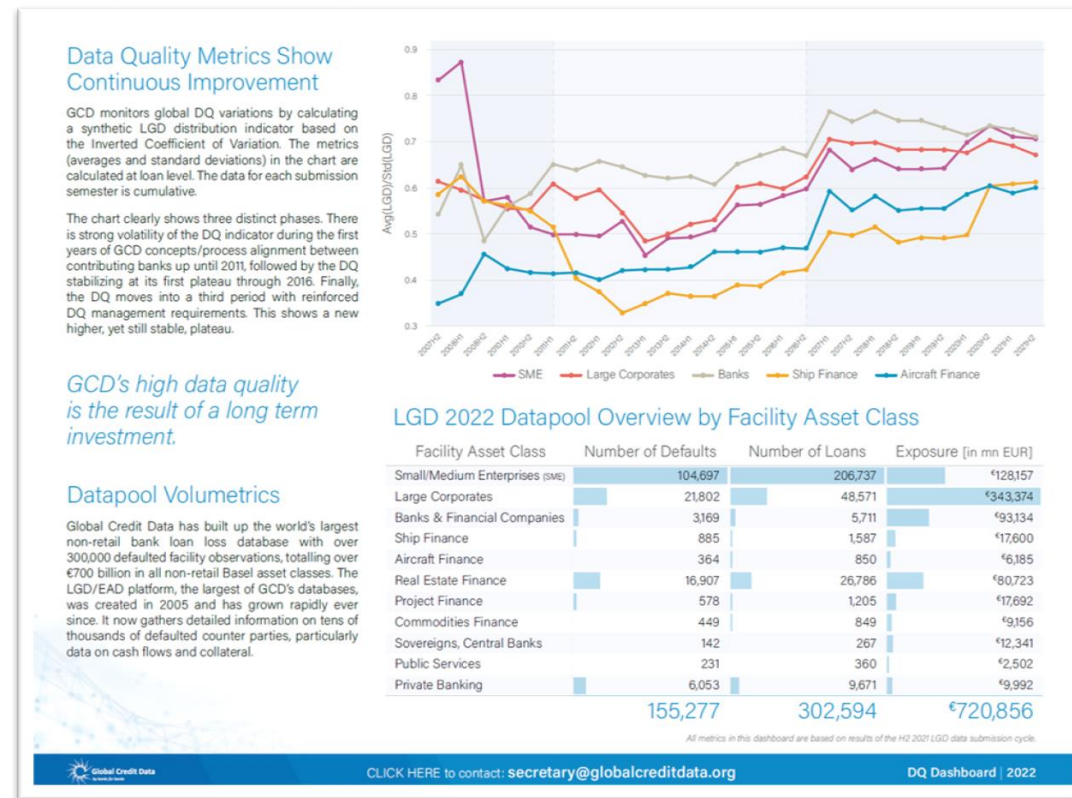


Fig 2: Compliance Package

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Compliance Package

Version 2022

"Good quality of data is a fundamental condition for developing a robust rating system"

This set of documents is delivered to assist practitioners documenting the compliance of GCD data pools with regulatory requirements applicable to the modelling and calibration of PD, LGD, CCF, EAD and related credit risk parameters.

For demonstrating accuracy, completeness, appropriateness, and representativeness of GCD data pools the material addresses: the applicable regulation, a review of compliance, the management of data quality, and connects to online data-visualization of LGD data pool.

[GCD Compliance Report](#): review of GCD processes against regulatory requirements

[Key Regulatory References List](#): repository of main regulatory requirements and guidelines

[Data Quality Management](#): view on data quality metrics, processes, and governance in GCD

[Interactive Dashboard](#): explore data <https://www.globalcreditdata.org/interactive-dashboard>

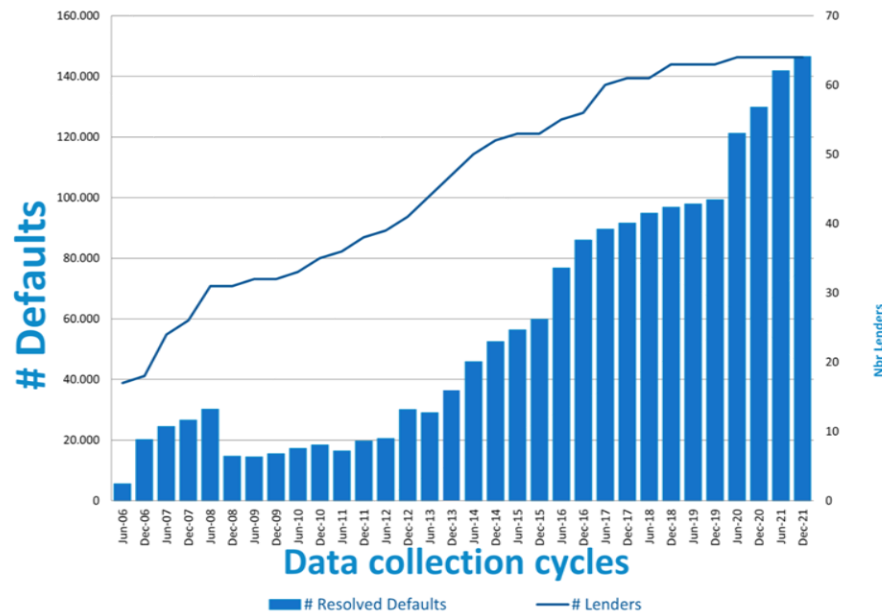
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¹ European Banking Authority „Guidelines on PD Estimation, LGD Estimation and Treatment of Defaulted Exposures“, p. 15

Stable Membership Growth and Large Data



LGD 2022 Datapool Overview by Facility Asset Class

Facility Asset Class	Number of Defaults	Number of Loans	Exposure [in mn EUR]
Small/Medium Enterprises (SME)	104,697	206,737	€128,157
Large Corporates	21,802	48,571	€343,374
Banks & Financial Companies	3,169	5,711	€93,134
Ship Finance	885	1,587	€17,600
Aircraft Finance	364	850	€6,185
Real Estate Finance	16,907	26,786	€80,723
Project Finance	578	1,205	€17,692
Commodities Finance	449	849	€9,156
Sovereigns, Central Banks	142	267	€12,341
Public Services	231	360	€2,502
Private Banking	6,053	9,671	€9,992
	155,277	302,594	€720,856

All metrics in this dashboard are based on results of the H2 2021 LGD data submission cycle.

- ❑ New members enrolment are balancing the few exits: **52 members as of June 24th, 2022**
- ❑ Welcome recent joiners (2022): **Fifth Third Bank (USA)**

Overview of GCD solutions



Data pooling of historical defaults' realised EAD/CCF and LGD (e.g.: with detailed collection of workout cash-flows) – with collection of Borrower, Facility, Collateral and Guarantor characteristics.



Data pooling of historical realised rating migrations and predicted PDs by: asset classes (Large Corp., SMEs, Banks & Fls.), Regions and Sectors.



Benchmarking of current predicted PD, EAD/CCF and LGD for named counterparties and specific banking book clusters.



Data pooling of historical defaults and recoveries for short term trade finance (import and export L/Cs, Performance guarantees and loans and medium term ECA backed deals



To be confirmed