

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

Topic: see agenda below
Location: Zoom Call
Date: April 23rd, 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
RBC	Elizabeth Moleda
NIBC	Clemens Mesterom
PNC	Kamala Madavarapu
GCD	Oliver Plaetevoet Daniela Thakkar

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 March 31 th , 2020	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 4th file: quick default	Olivier Plaetevoet / Daniela Thakkar	I/R	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..

Decision of the PD Subcommittee: Minutes of March 31th approved.

2 – PD & Rating subcommittee : thanks and opening of the Chair

Guido provided his decision to leave the chair of the subcommittee. GCD thanks Guido for his contribution for the subcommittees. Guido is happy about the progression of the subcommittee; in particular, the development of the unaggregated data return. The position is therefore open.

3 – Alignment of 4th file: quick default.

Result of the first question of the survey:

3 participants use the quick default and 4 are not using it.

New proposal is to have an additional column that contains the quick defaults information.

The 4 members not using it can go on with their current way of using the 4th file: selecting only the information from the column Count_Default_1Y.

The 3 members using quick default can do the sum with the two columns: Count_Default_1Y and Count_QuickDefault_1Y.

Clemens (NIBC): when implemented? Olivier (GCD): We can try to do in this 2020 submission but to be checked with other priorities.

Vote:

Yes: Amir (SEB), Vinod (CS), Elizabeth (RBC), Harris (Scotia), Torsten (KfW), Guido (JPM), Clemens (NIBC)

No: Noone.

Result of the second cases of quick defaults: 5 for; 1 against.

Re-explanation of the quick default created from the first submission year.

If and only if a member do not start with a Q4, all their default from their first year (even for borrower they had previously in their portfolio but not sent to GCD because it is the member's first submission year) are listed as quick defaults.

The current logic insert an "artificial" cohort in the ODF table with the preceding Q4 (again, not sent by the member) and count all defaults as quick defaults.

However, these quick defaults are not included in the fourth file because there is no underlying Q4 sent from the member's data. (visually represented on slide 6)

Summing these "artificially/technically created" quick defaults from the ODF tables does not match the sum of quick defaults in the fourth file. Also, from a member's perspective, it is not possible to recognize whether the quick defaults are genuine or created technically (because first year submitted).

Vinod (CS): would GCD delete data provided Q1,Q2,Q3 if there was not Q4 in previous year?
 Olivier (GCD): ideally, members should provide their data from a Q4 so that GCD does not change the data. Also it clarifies the link between members' input and data return. It will be reported in the audit.

Daniela (GCD) : alternatively, the best approach if possible is to add the Q4 of the preceding year; instead of deleting the first quarters; so that you don't lose the defaults.

Vote:

Yes: Elizabeth (RBC), Clemens (NIBC), Vinod (CS), Guido (JPM), Torsten (KfW), Harris (Scotia)

No: Noone.

N/A: Amir (SEB)

The submission will start from April 27th .

For members that still use the desktop tool, its version is updated on the website with the Exit-Default vs Exit-Performing change.

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	Rediscussed 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	→ Action point closed