

INCENTIVES FOR ADDITIONAL CREDIT CLAIMS

17 DECEMBER 2020



ON TODAY'S CALL

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AGENDA

- **WELCOME AND INTRODUCTION**
- **UPDATE ON EDW APPLICATION TO BECOME AN ESMA AUTHORISED SECURITISATION REPOSITORY**
- **OVERVIEW OF THE PORTUGUESE ACC FRAMEWORK AND RECENT DEVELOPMENTS**
- **EDITOR UPLOAD AND DATA QUALITY PROCEDURES FOR ACC**
- **QUESTIONS AND ANSWERS**

UPDATE ON EDW APPLICATION TO BECOME AN ESMA AUTHORISED SECURITISATION REPOSITORY

MARCO ANGHEBEN, EUROPEAN DATAWAREHOUSE

EUROPEAN DATAWAREHOUSE SUBMITS APPLICATION TO ESMA TO BE REGISTERED AS A SECURITISATION REPOSITORY

EUROPEAN DATAWAREHOUSE

PRESS RELEASE

European DataWarehouse Submits Application to ESMA to be Registered as a Securitisation Repository

FRANKFURT, GERMANY – 23 September 2020 – European DataWarehouse (EDW) today announced it has submitted its application to become a Securitisation Repository registered and supervised by the European Securities and Markets Authority (ESMA).

The extensive application describes in detail the sound operational and technical aspects of the company and its market-leading reporting solutions.

In January 2018, European DataWarehouse announced its application to become a Securitisation Repository under the Securitisation Regulation. The platform was initially launched to reflect the latest template characteristics.

Prof. José Manuel González-Páramo stated: "EDW was founded in 2011 to support the securitisation market and restore its track record as the securitisation market leader. It is confident that EDW will submit a successful application to be registered as a securitisation repository by ESMA."

Steve Gandy, Managing Director of EDW, added: "As a founding shareholder, EDW is committed to promoting best practice in the securitisation market. Hence our continued support towards the goal of greater transparency in the securitisation market, and we are confident that our repository services which are a by-product of our successful application".

ESMA RECEIVES SECURITISATION REPOSITORY REGISTRATION APPLICATION

23 September 2020

SECURITISATION

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has received its first application for registration as a securitisation repository (SR) under the Securitisation Regulation.

ESMA, under the Securitisation Regulation, has direct responsibilities regarding the registration and supervision of SRs, who centrally collect and maintain the records of securitisation transactions in the EU.

The reporting obligation for reporting entities will begin with the registration of the first SR. ESMA will announce publicly when the first SR(s) are registered.

If you are interested in applying for a registration, please refer to this guidance, and for further information on the registration process, please contact SR-registration@esma.europa.eu.

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OVERVIEW OF THE PORTUGUESE ACC FRAMEWORK AND RECENT DEVELOPMENTS

SARA DANTAS, BANCO DE PORTUGAL

Overview of the Portuguese ACC Framework and recent developments

17 December 2020

European DataWarehouse webinar



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- 1. Additional credit claims framework**
- 2. Operational procedures for the mobilization of ACC pools**
- 3. Recent developments - COVID 19 measures**



- 1. Additional credit claims framework**
2. Operational procedures for the mobilization of ACC pools
3. Recent developments - COVID 19 measures



1. Additional Credit Claims Framework

- ❑ The possibility of implementing Additional Credit Claims (ACC) frameworks was **introduced in December 2011**, as part of the enhanced credit support measures to foster bank lending during the financial crisis.
- ❑ Additional credit claims are an example of the types of assets **temporarily eligible as collateral** to ensure that banks have broader access to central bank liquidity.
- ❑ ACCs are credit claims that may **not fulfil all the eligibility criteria** applicable under the general collateral framework



1. Additional Credit Claims Framework

- ❑ ACC frameworks are **specific to each National Central Bank (NCB)**, as well as the risk entailed in the acceptance of such credit claims
- ❑ To compensate for the higher risks, the national central banks impose higher valuation haircuts
- ❑ Following the Governing Council Decision of December 2011, **Banco de Portugal ACC Framework was subsequently approved in February 2012**
- ❑ Banco de Portugal ACC Framework included the acceptance of **credit claims (CC) mobilized individually and as a pool (ACC portfolio)**



1. Additional Credit Claims Framework

Eligibility criteria – aggregated credit claims

❑ Portfolio types accepted: Consumer, Corporate, Mortgage

❑ In order to be eligible, CC shall comply with the following requirements:

- The portfolio composition shall be **homogeneous** - each CC in the portfolio has the same purpose, according to the portfolio type
- Only performing loans are accepted
- A concentration limit of 1% by debtor shall be respected
- There is no minimum value by CC
- The CC must be reported to the Portuguese Central Credit Register (CCR) prior to mobilization
- Loan level data report to a Eurosystem authorized repository



1. Additional Credit Claims Framework

Eligible credit assessment system or source

- ☐ The individual CC included in the portfolios needs to have a credit quality assessment by:
 - ☐ An Internal ratings-based system from the counterparty (IRB); or
 - ☐ An Internal credit assessment system from the NCB (ICAS)



1. Additional Credit Claims Framework

Risk control measures

- Each portfolio is subject to adjustable haircuts, monthly calculated
- The haircut depends on the PD and the LGD of each debtor/CC included in the portfolio
- The minimum haircut value of the portfolios is 16%
- When the concentration limit is between 0.5% and 1%, an add-on of 3 pp is applied to the haircut

The minimum haircuts levels are established at Eurosystem level, but NCBs may decide to apply higher haircuts



- 1. Additional credit claims framework**
- 2. Operational procedures for the mobilization of ACC pools**
3. Recent developments - COVID 19 measures



2. Operational procedures for the mobilization of ACC pools

❑ Counterparties reporting obligations towards Banco de Portugal:

- Monthly:
 - The detailed composition and features of the credit claims included in each mobilized portfolio – one specific Excel template *per* portfolio
 - Changes in the composition of the portfolio (new credit claims added) can only occur at the monthly report
 - Reference date: end of the month
 - Reporting deadline: six business days
- Daily:
 - Global valuation of each pool (updating as regards redemptions, withdrawal of non-performing credits, etc.)



2. Operational procedures for the mobilization of ACC pools

☐ Validations and eligibility assessment are performed, by the collateral management team, based on the monthly report:

- Schema/validity compliance
- Eligibility checks
- Cross-checks with the Portuguese Central Credit Register (existence of CC and data quality)
- Result: a list of issues to be analysed and fixed by the counterparty if it deemed necessary – *iterative process with the counterparty until no issues are found*
- Haircuts automatically assigned at the end of this process

This assessment is automatically executed by our credit claims handling system - EEB.



2. Operational procedures for the mobilization of ACC pools

- ❑ After the eligibility assessment and the cross-checks, portfolio composition is reported to EDW by the counterparty.
- ❑ Currently, counterparties shall **report quarterly to the EDW**, with reference to the end of the quarter, using the appropriate template:
 - Auto Loans ACC Template
 - Consumer Loans ACC Template
 - Leases ACC Template
 - Residential Mortgages ACC Template and
 - SME Loans ACC Template
- ❑ Validations are performed:
 - Cross-checks against the previously reported and validated data (i.e. via BdP templates)
 - Interest rates verification (no negative interest rates allowed)



- 1. Additional credit claims framework**
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3. Recent developments - COVID 19 measures

- ❑ In **April 2020** the Governing Council, in response to COVID-19 economic effects, announced a set of temporary measures to **increase collateral availability**, of which:
- A substantial haircut reduction for the ACC frameworks, in particular for the pools of ACC
 - A simplification of the reporting to the EDW (delayed first reporting date and quarterly reporting instead of monthly)
 - **NCBs were given the opportunity to enlarge their respective ACC frameworks**
 - These temporary measures were set to be in place **until September 2021**, subject to a detailed analysis before its phasing-out



3. Recent developments - COVID 19 measures

Changes introduced to Banco de Portugal ACC framework:

- Acceptance of BdP statistical in-house credit assessment system (S-ICAS) as a new credit assessment source
- Elimination of minimum amount for CC in Corporate and Mortgages portfolios (previously 10 000 euros)

In December 2020 the Governing Council announced new monetary policy measures to face the pandemic crisis:

- The collateral measures introduced in April 2020 were extended until June 2022 (from September 2021)



Overview of the Portuguese ACC handling system

December 2020

European DataWarehouse webinar



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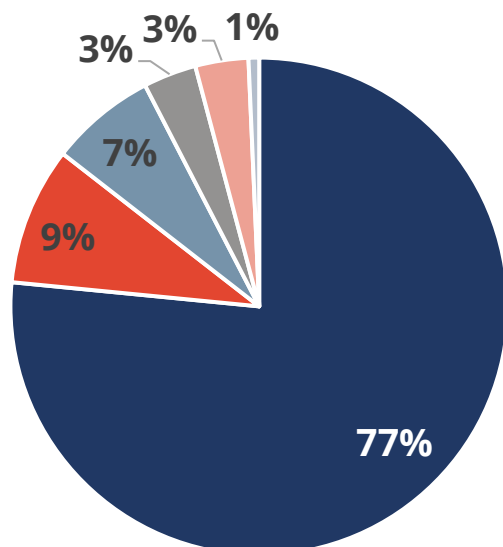
EDITOR UPLOAD AND DATA QUALITY PROCEDURES FOR ACC

EIRINI KANONI, EUROPEAN DATAWAREHOUSE

ACC OVERVIEW BY COUNTRY OF ASSET AND ASSET TYPE

The following charts show the breakdown of ACC portfolios by country of assets and asset type

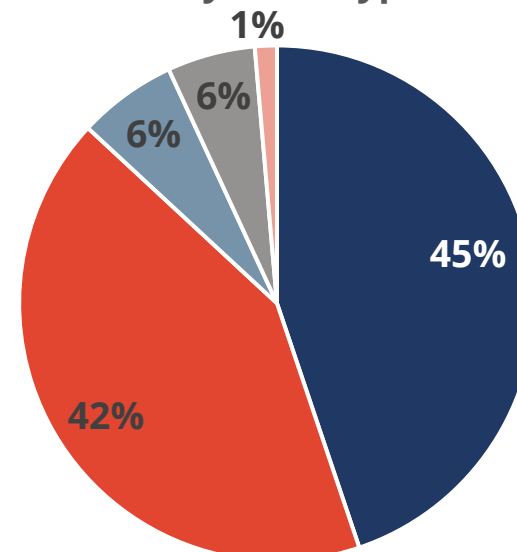
ACC by country of assets



■ Italy ■ Portugal ■ France ■ Ireland ■ Greece ■ Cyprus

Source: European DataWarehouse calculations

ACC by asset type



■ RESI ■ SME ■ LES ■ CMR ■ AUT

Source: European DataWarehouse calculations

EXISTING ACC EUROSISTEM TEMPLATES ACROSS ASSET CLASSES

Template Name	ECB Loan Level Data - Reporting Template for SME ACCs	ECB Loan Level Data - Reporting Template for Leasing ACCs	ECB Loan Level Data - Reporting Template for Residential mortgage ACCs	ECB Loan Level Data - Reporting Template for Consumer Finance ACCs
N° fields	126 ¹	110	155	58
N° of ND allowed mandatory fields	19	59	18	40

Source: European DataWarehouse calculations

¹ Excluding the amortisation profile section

DATA QUALITY CONTROLS ON ACC PORTFOLIOS WITH EDITOR

The ED data quality verification services aim at signalling potential inconsistencies and the lack of data (No Data), within the ACC portfolios, before the data is published and made available to the Eurosystem

The data quality checks available in EEditor for residential and SME/corporate portfolios operates in three separate steps:

1. Upload of the Loan-Level Data (LLD) file in EEditor
2. Automatic validation checks are run on the data and errors and potential inconsistencies are identified
3. Publication of the LLD file with the Eurosystem

The pre-screening tool verifies the information uploaded in the private area:

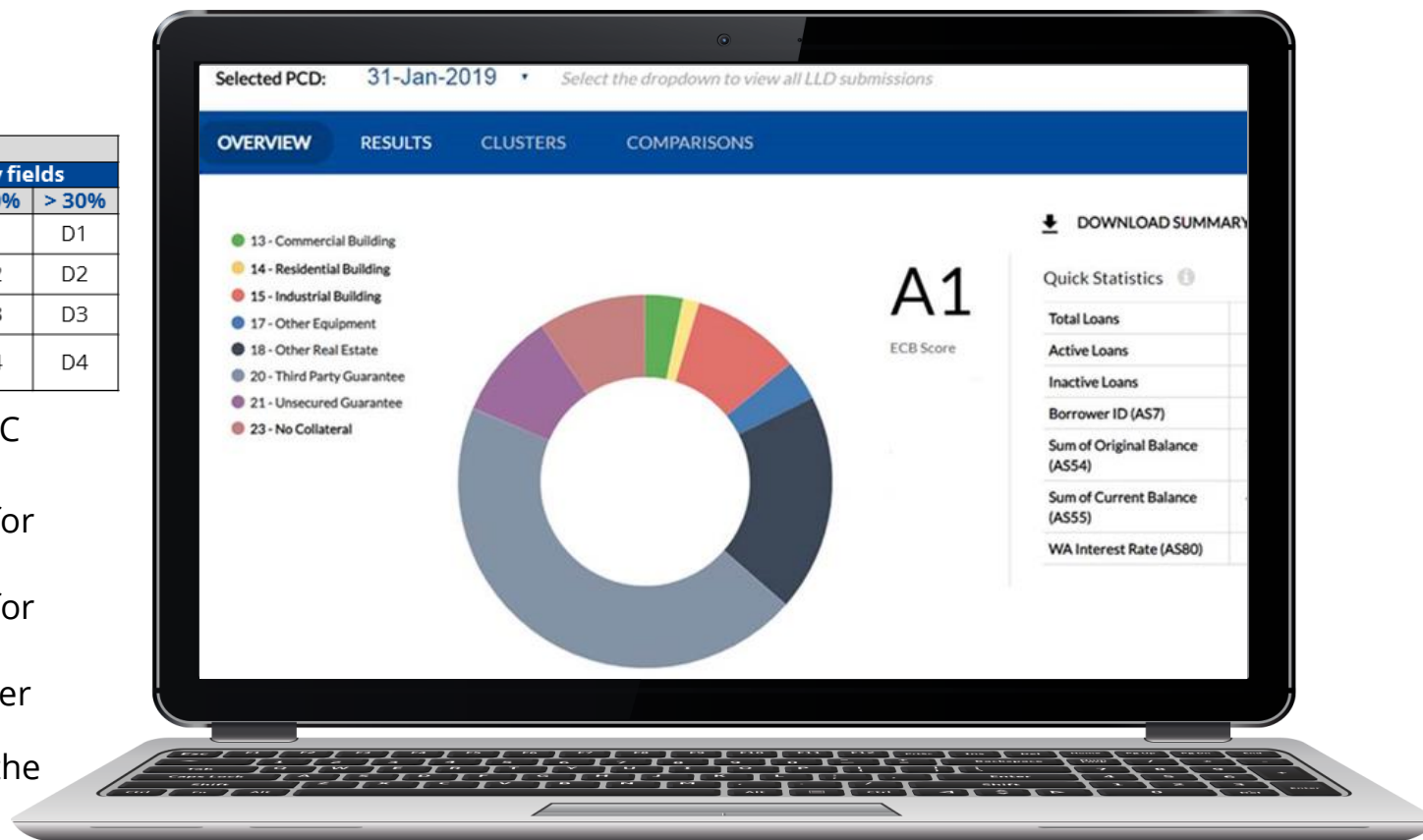
- Avoiding subsequent LLD corrections and
- Decreasing the risk of sanctions for lack of data or inconsistencies reported in the LLD file

EDITOR FUNCTIONALITY FOR ACC

- Data completeness score based on the ECB matrix

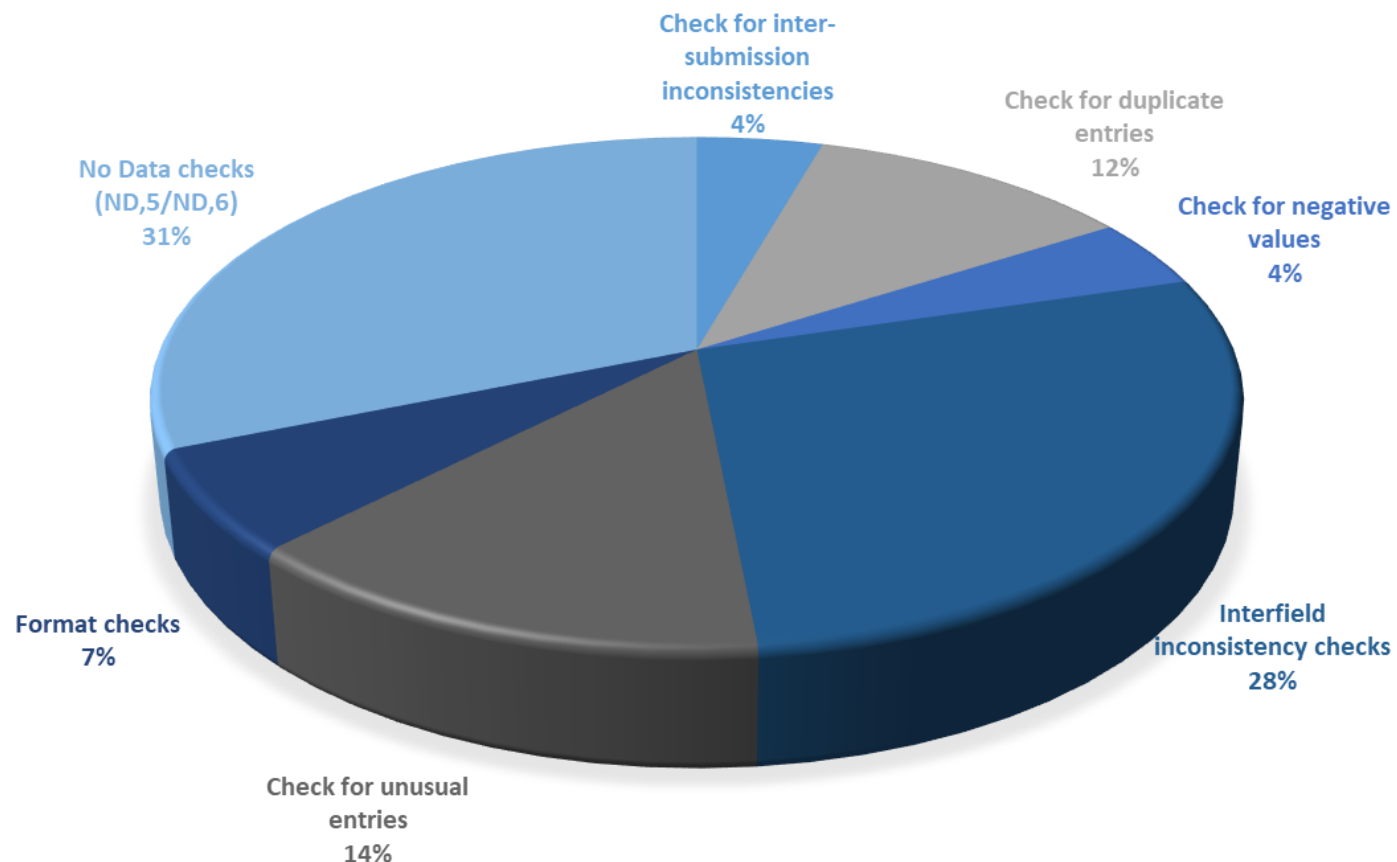
ECB Score Matrix					
ND,1 as percentage of total mandatory fields					
	0	≤ 10%	≤ 30%	> 30%	
The sum of ND,2; ND,3 and ND,4 as percentage of total mandatory fields	0	A1	B1	C1	D1
	≤ 20%	A2	B2	C2	D2
	≤ 40%	A3	B3	C3	D3
	> 40%	A4	B4	C4	D4

- Data quality checks on ACC portfolios:
 - 300+ validation rules for ACC residential
 - 150+ validation rules for ACC SME
 - Rules for ACC consumer and leasing portfolios may be developed in the future




OVERVIEW OF DATA VERIFICATION CHECKS FOR ACC

- The graph shows the types of checks available in EEditor
- Data quality checks are divided in seven different categories:
 - No Data (ND) checks
 - inter-submission inconsistencies
 - duplicate entries
 - negative values
 - interfiled inconsistency
 - unusual entries
 - format checks



IDENTIFICATION OF POTENTIAL INCONSISTENCIES IN THE LLD FILE

By clicking on “Manage Submissions” and then “Results”, it is possible to view the potential inconsistencies within the uploaded but not yet published portfolio. If you click on the download symbol , EDITOR shows the details of the potential inconsistencies that have been indicated.

Selected PCD: 31-Mar-2019  *Select the dropdown to view all LLD submissions*

 UPLOAD  PUBLISH























OVERVIEW RESULTS CLUSTERS COMPARISONS



Total Rules: 322

Rules Failed: 22

Total Active Loans: 581

Check ID	Rule Description	Impacted Total Loans		Impacted Active Loans		Impacted Active Loans %		Current Underlying Data
		Current	Previous	Current	Previous	Current	Previous	
AR200/CCR_ND5/A/01	AR200 Source of the LGD estimate in field AR199 = ND,5 for active loans	581	NA	581	NA	100.00	NA	 
AR20/CCR_ULV/A/01	AR20 Second Applicant Year of Birth earlier than 1900 for active loans	310	NA	310	NA	53.36	NA	 
AR26/CCR_COM/A/02	AR26 Primary Income + AR28 = 0 and AR21 not in (4,6,7) and (AR154 = 0 or AR154 like 'ND%' or AR154 is NULL) and (AR76 = 0 or AR76 like 'ND%' or AR..	303	NA	303	NA	52.15	NA	 
AR198/CCR_UD/A/02	AR198 Last Obligor Rating Review < AR55 (Loan Origination Date) for active loans	90	NA	90	NA	15.49	NA	 
AR135/CCR_ND5/A/01	AR135 Original Loan to Value ND5 for active loans	39	NA	39	NA	6.71	NA	 
AR136/CCR_ND5/A/01	AR136 Valuation Amount ND5 and AR66 > 0 for active loans	39	NA	39	NA	6.71	NA	 
AR137/CCR_ND5/A/01	AR137 Original Valuation Type ND5 and AR66>0 for active loans	39	NA	39	NA	6.71	NA	 
AR138/CCR_ND5/A/01	AR138 Valuation Date ND5 and AR66>0 for active loans	39	NA	39	NA	6.71	NA	 
AR169/CCR_IIC/A/03	AR169 Arrears Balance = 0 and AR166 = 3	39	NA	39	NA	6.71	NA	 
AR15/CCR_IIC/A/01	AR15 Borrower Type in (2,3) and AR21 not in (6,9) and AR21 not like 'ND%' for active loans	26	NA	26	NA	4.48	NA	 
AR26/CCR_ND5/A/01	AR26 Primary Income = ND,5 & AR130 not in ('2'; '3'; 'ND') and [AR154 in (0;ND,5;ND,6') or AR155 in (0;ND,5;ND,6') or AR156 in (0;ND,5;ND,6')..	21	NA	21	NA	3.61	NA	 

DETAILS OF CHECKID AR26/CCR_ND5/A/01

Examples of the details available in EDITOR – CheckID AR26/CCR_ND5/A/01

a) File generated by the Editor system

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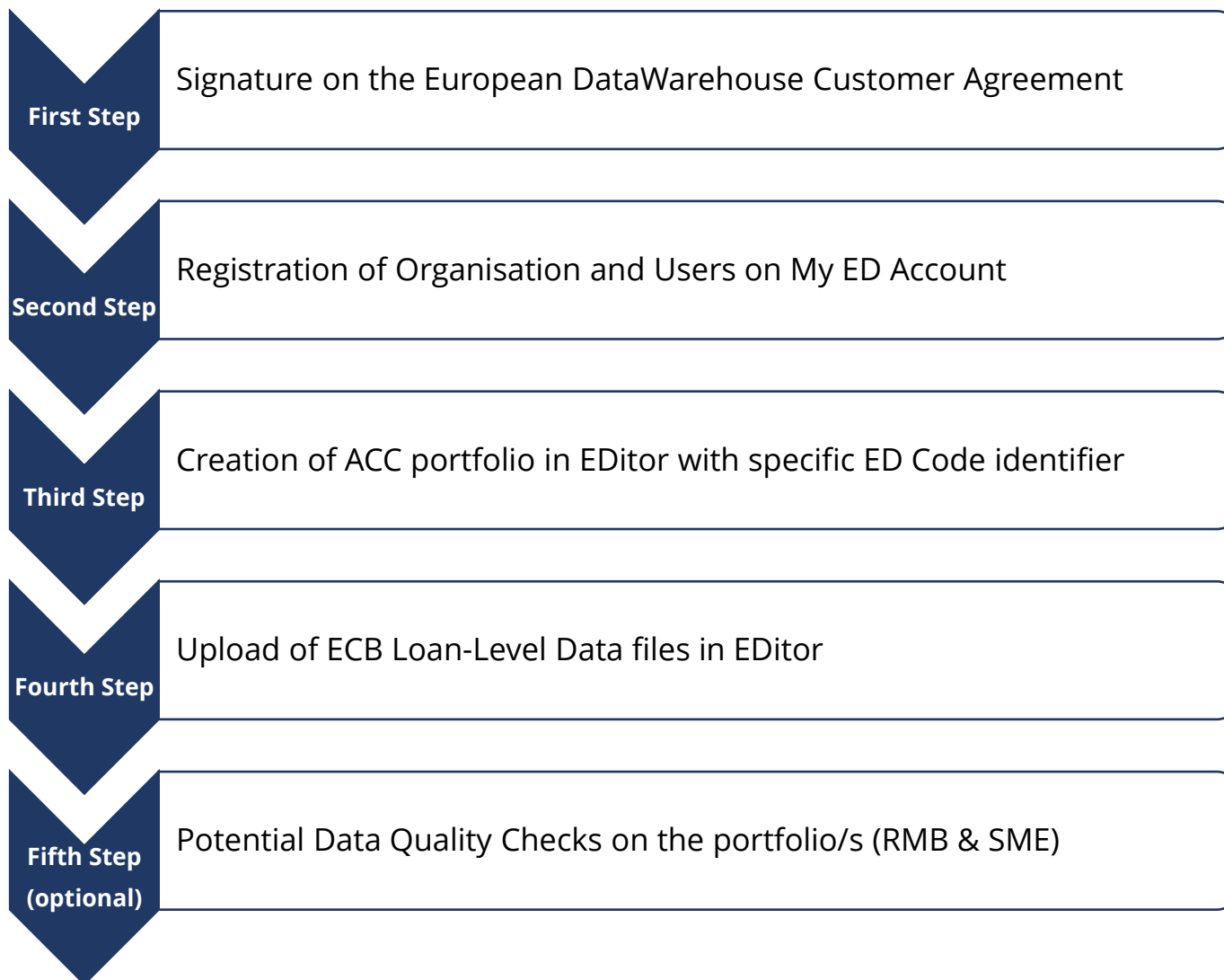
CCRSIT100088102....xlsx ^

Show all ✕

b) Loan details

	A	B	C	Q	R	S	T	U
1	AR1	AR2	AR3	AR23	AR24	AR25	AR26	AR27
2	2019-03-31	ACC_Residential	13431	N		0	ND,5	1
3	2019-03-31	ACC_Residential	13873	N		0	ND,5	1
4	2019-03-31	ACC_Residential	14315	N		0	ND,5	1
5	2019-03-31	ACC_Residential	14757	N		0	ND,5	1
6	2019-03-31	ACC_Residential	15199	N		0	ND,5	1
7	2019-03-31	ACC_Residential	15641	N		0	ND,5	1
8	2019-03-31	ACC_Residential	16083	N		0	ND,5	1
9	2019-03-31	ACC_Residential	16525	N		0	ND,5	1
10	2019-03-31	ACC_Residential	16967	N		0	ND,5	1
11	2019-03-31	ACC_Residential	17409	N		0	ND,5	1
12	2019-03-31	ACC_Residential	17851	N		0	ND,5	1
13	2019-03-31	ACC_Residential	18293	N		0	ND,5	1
14	2019-03-31	ACC_Residential	18735	N		0	ND,5	1
15	2019-03-31	ACC_Residential	19177	N		0	ND,5	1
16	2019-03-31	ACC_Residential	19619	N		0	ND,5	1
17	2019-03-31	ACC_Residential	20061	N		0	ND,5	1
18	2019-03-31	ACC_Residential	20503	N		0	ND,5	1
19	2019-03-31	ACC_Residential	20945	N		0	ND,5	1
20	2019-03-31	ACC_Residential	21387	N		0	ND,5	1
21	2019-03-31	ACC_Residential	21829	N		0	ND,5	1
22	2019-03-31	ACC_Residential	22271	N		0	ND,5	1

STEPS FOR REGISTERING ACC PORTFOLIOS IN EUROPEAN DATAWAREHOUSE





Q&A

THANK YOU//CONTACT US

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