

Questions and answers

on the compilation of the static pool for performance monitoring in the Eurosystem credit assessment framework (ECAF)

1. What is the definition of “static pool”?

The “static pool” is the list of all eligible entities¹ which, at the beginning of the reporting period (1 January), are under assessment by the credit assessment system being monitored.

Eligible entities are non-financial corporations and public sector institutions established in the euro area, as well as international and supranational institutions, which are eligible for use as collateral for monetary policy operations with the Eurosystem.² In particular, eligible entities must receive from the credit assessment system in question (e.g. an internal ratings-based (IRB) system) on 1 January (the beginning of the monitoring period) a probability of default (PD) not higher than 0.1% for the combined credit quality steps 1 and 2, and higher than 0.1% and up to and including 0.4% for credit quality step 3. These PD thresholds apply to credit assessment systems used only in the ECAF. For the systems used in the additional credit claims (ACC) frameworks, the static pool must also contain all entities fulfilling the debtor’s eligibility criteria and the PD level requirements according to the relevant ACC framework.

If a credit assessment system comprises more than one model, the static pool must include only the eligible entities assessed by the models approved for the purposes of the ECAF and/or the ACC framework.

Only eligible entities whose PD was assigned a “Date of credit assessment associated with PD BOP” not older than 12 months are included in the static pool at the beginning of the period. In line with paragraph 94 of the [“ECB guide to internal models – General topics chapter”](#), a “transition period” of up to three months during

¹ The terms “entity” and “debtor” are treated as synonyms for the purpose of the static pool.

² Eligible entities include domestic and foreign entities if they fulfil the debtors’ eligibility criteria defined in the [Guideline of the European Central Bank on the implementation of the Eurosystem monetary policy framework](#) (ECB/2014/60).

which the current PD is carried forward can be considered, provided that certain conditions are met.³

Counterparties' IRB systems must include in the static pool only eligible entities to which the counterparty has an exposure⁴ on 1 January. The exposure does not have to fulfil the eligibility criteria for credit claims used as collateral for monetary policy operations with the Eurosystem. The PDs of IRB systems must comply with [Regulation \(EU\) No 575/2013](#) (the Capital Requirements Regulation or CRR).⁵

Only relevant for some ACC frameworks:

For the performance monitoring of credit assessment systems used to assess retail credit claims, i.e. loans to private individuals, the static pool is defined as follows.

- a) For credit assessment systems assigning a PD to a loan, the static pool is the list of all loans⁶, including encumbered loans⁷, (i) which were under assessment at the beginning of the reporting period by the credit assessment system being monitored, (ii) which were compliant with the credit quality threshold, and (iii) whose debtor was eligible (in particular regarding the type of debtor and location of the debtor) under the home national central bank's ACC framework. For such credit assessment systems, the relevant information (e.g. the "Identifier", etc.) is collected at a loan level instead of a debtor level and references to "debtor" in questions 3 to 12 refer to "loan" instead of "debtor".
- b) For credit assessment systems assigning a PD to a debtor, the static pool is the list of all debtors which (i) were under assessment at the beginning of the reporting period by the credit assessment system being monitored, and (ii) are eligible debtors (in particular regarding the type of debtor, location of the debtor and compliance with the credit quality threshold) under the home national central bank's ACC framework.

³ Moreover, if there are operational issues or applicable regulatory requirements, the 12-month period can be exceptionally extended. In the event of an extension of the 12-month period, the credit assessment system has to explain the underlying reason in the "Comment" field.

⁴ The counterparty's "exposure" is defined in accordance with Article 5(1) of the CRR, i.e. an "asset or off-balance sheet item".

⁵ See Article 122(3) of the [Guideline of the European Central Bank on the implementation of the Eurosystem monetary policy framework](#) (ECB/2014/60)..

⁶ All credit claims that could potentially be mobilised by using a credit assessment system approved under the national ACC framework and which fulfil only the debtors' eligibility criteria on 1 January, in particular regarding the type of debtor, location of the debtor and compliance with the credit quality threshold. The national central banks have the discretion to put in place additional restrictions to include only eligible credit claims in the static pool.

⁷ For example, encumbered credit claims included in the underlying portfolio of a covered bond/asset-backed security shall be included in the static pool.

2. What is the definition of “non-financial corporations”?

The definition of “non-financial corporations” adopted by the [Guideline of the European Central Bank on the implementation of the Eurosystem monetary policy framework](#) is the definition given in [Regulation \(EU\) No 549/2013 on the European system of national and regional accounts in the European Union](#) (ESA 2010).

3. How must the static pool data be reported to the Eurosystem?

Static pool data are reported in the form of (i) an Excel template or (ii) a CSV template that the relevant national central bank sends to the credit assessment system.

The template must be filled in for each of the debtors included in the static pool of the credit assessment system. Information must be provided in the required format (e.g. PDs in basis points, etc.). No changes may be made to the structure, headers or sequence of the columns when filling in the template.

If the credit assessment system assesses natural persons or loans to natural persons, the “Name” field must not be filled in and the remaining information must be sufficiently anonymised to not allow for direct or indirect identification, to be compliant with the [General Data Protection Regulation](#) and the [Regulation applicable to the ECB](#).

4. What is the “Identifier”?

The “Identifier” is the code used by the credit assessment system for a debtor in the standard communications with the national central bank for the submission of assets as collateral for Eurosystem monetary policy operations. If this code does not exist, the code used internally by the credit assessment system in its database must be provided (preferably a unique public identifier such as a trade register identifier or tax identifier agreed with the national central bank). Once chosen, the identifier must be left unchanged for consistency across reporting periods. If a change in the identifier across reporting periods cannot be avoided, this must be reflected in the “Comment” field via the comment “Obligor previously reported as xxx”.

The debtor must be reported only once in the static pool regardless of how many different identifiers the system provider uses for the same debtor in its databases.

5. What is the “Eurosystem identifier”?

The “Eurosystem identifier” is a code used internally in the Eurosystem. It is provided by the national central bank, not by the credit assessment system.

6. **When are the “Beginning of period” and “End of period”?**

“Beginning of period” (BOP) is 1 January of the monitoring year.⁸

“End of period” (EOP) is 31 December of the monitoring year.

7. **In which format must the “Probability of default” (PD) be expressed?**

The probability of default (PD BOP, PD EOP) must be expressed in basis points format.

Examples:

- a PD of 0.4% (percentage format) must be reported as “40”;
- a PD of 0.004 (unit format) must be reported as “40”.

8. **Which PD must be reported in the template?**

The reported PD of an individual debtor must be the one that was or would have been used by a counterparty for the submission of collateral to the Eurosystem on the “beginning of period” and “end of period” dates. In other words, the reported PDs must be those that existed in the credit assessment system on 1 January (beginning of period) and 31 December (end of period), respectively. Eurosystem counterparties’ IRB systems and, thus, the PDs reported by an IRB system must comply with the CRR. More specifically, the PD reported should be the ‘final’ PD used for the calculation of own fund requirements, including any regulatory floors, add-ons, appropriate adjustments, margin of conservatism, overrides and mapping to master scales.⁹

9. **When must the “New debtor flag” field be filled in with “Yes”?**

A debtor is “new” and should be flagged as such when the debtor was not included in the static pool as of 1 January of the preceding monitoring period. The field must not be filled with “Yes” if the debtor was included in the static pool as of 1 January of the preceding monitoring period, even if its rating was (temporarily) withdrawn in the course of the same preceding reporting year. In the case of static pools comprised of loans, this field should refer to whether this particular loan was included in the static pool of the preceding monitoring period or not.

⁸ If the static pool information is not available for 1 January of the monitoring year, then the “beginning of period” refers to the first business day after 1 January.

⁹ See the definition of PD in the SSM document on ‘[Instructions for reporting the validation results of internal models](#)’ (p. 15).

10. When must the “Rating withdrawal” field be filled in with “Yes”?

The “Rating withdrawal” field must be filled in with “Yes” if the rating/PD assigned to a debtor included in the static pool was withdrawn from the credit assessment system during the reporting period, no matter whether the credit assessment system stopped providing a non-default rating temporarily or permanently during the reporting period. Please note that:

- a) the reason for the first withdrawal in the reporting period must be specified in the “Withdrawal reason” field using one of the five available options: “1. Incorrect or insufficient information provided”, “2. Default of rated entity”, “3. Reorganisation of rated entity (including merger or acquisition of rated entity)”, “4. Withdrawal at the end of the monitoring period”, or “5. End of rating due to other reasons”;
- b) if the “Withdrawal reason” field is completed with:
 - (i) “3. Reorganisation of rated entity (including merger or acquisition of rated entity)”, an explanation may be included in the “Comment” field if the rating, withdrawn due to reorganisation, is continued after the reorganisation;
 - (ii) “4. Withdrawal at the end of the monitoring period”, this means that the rating was still valid during the last day of the monitoring period (31 December) but expired at the end of that day;
 - (iii) “5. End of rating due to other reasons”, further information must be provided in the “Comment” field;
- c) both permanent and temporary (i.e. reversed within the monitoring period) withdrawals must be reported (in line with the reporting of temporary defaults; see next question). The additional information regarding the temporary nature of the withdrawal must be provided in the “Comment” field via the comment “Temporary withdrawal”;
- d) whatever the reason for the withdrawal of the rating, the debtor in question must continue to be monitored until the end of the reporting period and the “Default” field must also be filled in (with a “Yes” if the debtor defaulted in the reporting period, and a “No” otherwise). If such monitoring is not possible, further information must be provided in the “Comment” field.

The application of the concept “rating withdrawal from the credit assessment system” can be illustrated with the following example: Debtors included in the static pool on 1 January can become non-eligible for a variety of reasons in the course of the year, including PDs above the eligibility thresholds, ratings by non-ECAF-approved models of the credit assessment system, or the transition to non-eligible sector types according to the ESA 2010 classification. Since the rating withdrawal concept refers to withdrawals from the credit assessment system, debtors (i) which have become ineligible due to an end-of-period PD/rating above the maximum eligible PD/rating or the migration to an ineligible sector, or (ii) whose end-of-period PD/rating is provided by a non-ECAF-approved model must be reported with the respective PD/rating at

the end of the period. In case (i), this development must be reflected in the “Comment” field via the comment “Rating no longer eligible at the EOP” or “Debtor no longer eligible at the EOP”. In case (ii), the “Model EOP” field must be filled in with “Non-ECAF-approved model”. In both cases, the debtor should be flagged with “No” in the “Withdrawal flag” field because the debtor is not withdrawn from the relevant credit assessment system.

11. When must the “Default” field be filled in with “Yes”?

The “Default” field must be filled in with “Yes” if the debtor defaulted at least once in the course of the reporting period.

It does not matter whether the default was cured at the end of the reporting period, nor whether the rating of the entity was withdrawn during the monitoring period. The ECAF follows the definition of “default” laid down in Article 178 of the CRR.¹⁰ If the default was cured at the end of the reporting period, this must be reflected in the “Comment” field via the comment “Temporary default”.

12. Which code must be provided in the “Industry” field?

The “Industry” field must be filled in with the information on the economic sector of the debtor at the beginning of the reporting period (BOP). The NACE¹¹ code identifying the economic sector of the debtor must be provided on a best-efforts basis. In particular, use of the NACE alphabetical codes reported in the table below is required. However, national or internal classifications are acceptable as long as the complete nomenclature of the chosen classification is also provided separately.

¹⁰ See Article 59(7) of the [Guideline of the European Central Bank on the implementation of the Eurosystem monetary policy framework \(ECB/2014/60\)](#).

¹¹ [Statistical classification of economic activities in the European Community](#).

NACE codes

NACE code	Economic sector
A	Agriculture, forestry and fishing
B	Mining and quarrying
C	Manufacturing
D	Electricity, gas, steam and air conditioning supply
E	Water supply; sewerage, waste management and remediation activities
F	Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles
H	Transportation and storage
I	Accommodation and food service activities
J	Information and communication
K	Financial and insurance activities
L	Real estate activities
M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public administration and defence; compulsory social security
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other service activities
T	Activities of households as employers; undifferentiated goods - and services-producing activities of households for own use
U	Activities of extraterritorial organisations and bodies

Under some ACC frameworks, debts of private individuals are also eligible. In this case, the following classification must be used:

RETAIL	Private individual debtors eligible under the relevant ACC framework
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