USER GUIDE FOR THE *EXPLANATION FORM FOR ACC POOLS NOT ACHIEVING THE A1 COMPLIANCE SCORE*

1. Introduction

1.1 What is the purpose of this form?

The National Central Bank (NCB) may accept non-compliant ACC pools as eligible collateral on a case-by-case basis, subject to the provision of adequate explanations for the failure to achieve the mandatory score. The purpose of this form is to provide a structured format for these adequate explanations and the action plan for achieving full compliance.

1.2 Who must submit this form and when should it be submitted?

For all currently pledged ACC pools that do not achieve the A1 compliance score for the latest loan-level data submissions to the repository[1] as at the "pool cut-off date" the counterparties are required to submit this form in order to maintain the ACC pools eligible as Eurosystem collateral, within the same deadline foreseen for the submission of the loan-level-data.

The form should be sent to the relevant NCB assessing eligibility. The information provided in the explanation form should correspond exactly to the status of the most recent loan-level data report submitted to the repository.

ACC pools that have achieved an A1 compliance score for the latest loan-level data submissions to the repository are not required to submit this form.

1.3 How will the Eurosystem use the contents of this form?

The NCB checks the most recent loan-level data submissions and the information provided in the explanation form for consistency.

The assessment of whether an ACC pool is within the tolerance range is carried out based on the latest loan-level data submitted to the repository on the pool cut-off date.

Once the explanatory form has been submitted, no additional missing mandatory field can be deemed to be the result of "legacy IT system" issues. Additional loans can be deemed "legacy assets", "legacy IT system" or "Not integrated IT systems following recent banking merger" in an existing ACC pool only if the missing data refer to the same fields which have been already included in the explanation form, within the same percentage and terms. The NCB uses the explanation form as a point of reference to confirm compliance with this guideline.

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[1] On June 2021, the only repository authorized by the Eurosystem is European DataWarehouse.

2. Definitions

2.1 General terms

Active loans

An active loan is a loan with a current balance that is not equal to zero.

Inactive loans

An inactive loan is a loan with a current balance equal to zero. For instance, inactive loans are loans that have been redeemed, prepaid, cancelled or repurchased, or have been defaulted on (with no further future recoveries expected).

2.2 Legacy assets

Legacy assets (see Figure 1) are those loans where some required mandatory fields cannot be reported, mainly because:

a. data are not in the system, because they were only collected using non-electronic methods and were not converted into electronic form (but for other originated loans, these data are collected, stored in bank systems and reported in accordance with the ACC template); or

b. data are not in the system, because they were not collected at the time the loans were originated (but for other originated loans, these data are collected, stored in bank systems and reported in accordance with the ACC template).

In other words, *a small percentage of active loans have missing data for a limited number of mandatory fields, but the remaining active loans have data for all mandatory fields*.

The data issue may be temporary (in which case it will be resolved within a set period of time) or permanent, if it is due to the unavailability of the information at the time the loans were originated. For the purpose of completing this explanation form, legacy assets are defined from a ***business perspective*** (loan origination date, origination channel, etc.) or an ***IT perspective*** when a maximum of 7 mandatory fields are missing for less than 7% of active loans.

2.3 Legacy IT systems

The legacy IT system issue (see Figure 2) can be summarised in the following manner: *a limited number of mandatory fields have missing data for almost all active loans, but other mandatory fields contain data for all active loans*.

This data issue corresponds to a situation where the IT systems of the originator do not collect and do not store some mandatory data. The data issue is temporary and will be resolved within a set period of time.

For the purpose of completing the explanation form, legacy IT systems are defined from an ***IT perspective*** when a maximum of 3 mandatory fields are missing for more than 7% of active loans.

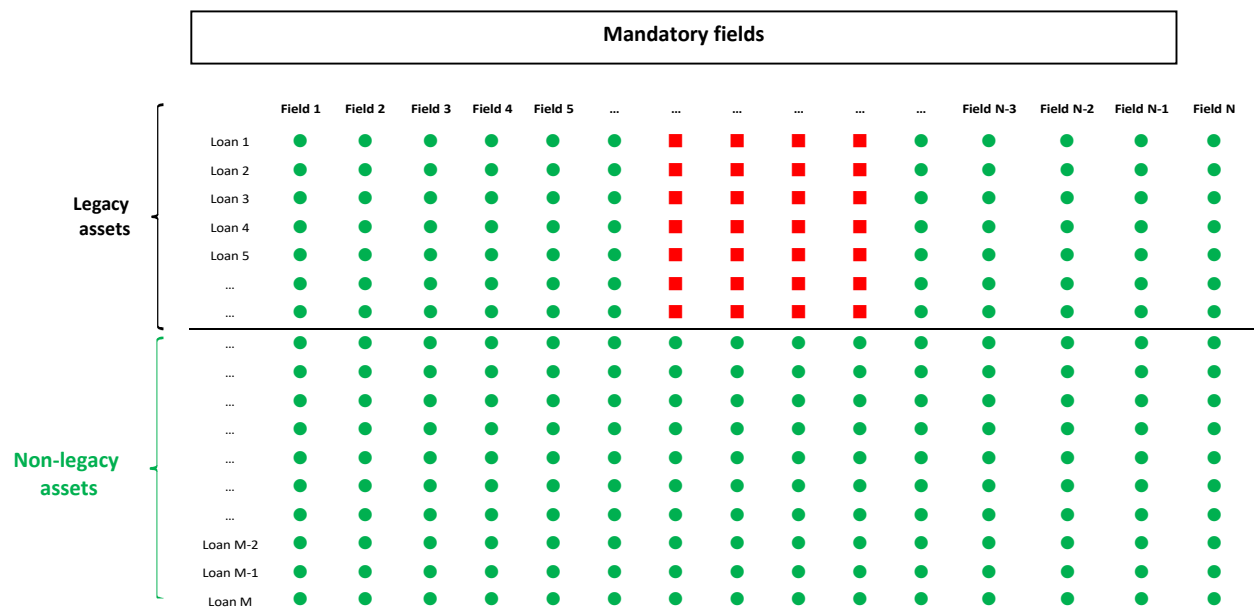## 2.4 Not integrated IT systems following recent banking merger

This situation concerns originators that have recently merged, previously used different IT platforms and have not had the time to fully integrate their IT systems.

This data availability issue is similar to the legacy IT system issue and can be summarised in the following manner: *a limited number of mandatory fields have missing data for all active loans, but other mandatory fields have data for all active loans*. However, the main reason for not reporting the mandatory data is the lack of integration of IT systems (which store these mandatory data) following a recent merger. If the mandatory data were missing in the IT systems before the recent merger, the issue should be classified as a legacy IT system issue.

For the purpose of completing this explanation form, this issue is defined from an ***IT perspective;*** a maximum of 5 mandatory fields are missing for more than 7% of active loans.

In the explanation form, the data quality issues *legacy IT systems* and *not integrated IT systems following recent banking merger* are exclusive and cannot both be selected.
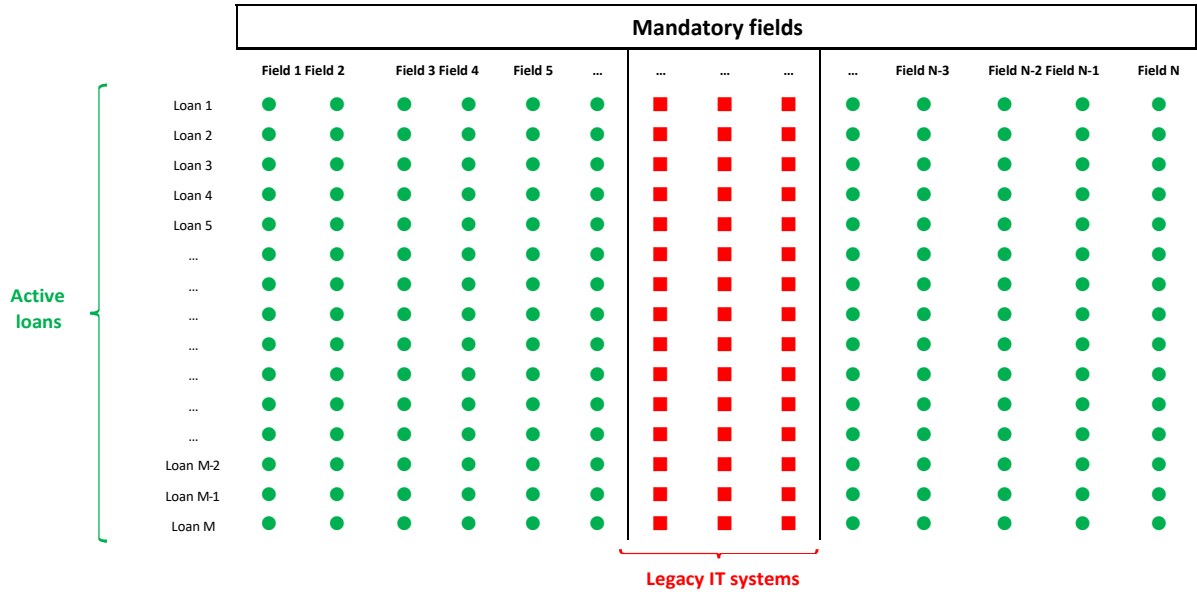
Figure 1. Simplified visual representation of data quality issues related to legacy assets

Figure 2. Simplified visual representation of data quality issues related to legacy IT systems

3. Structure of the explanation form

The explanation form has four main sections. Only blue cells must be filled in by the counterparty.

Please note that the form is interactive and macros should be enabled when opening the form.

3.1 NCB information section

The counterparty is required to indicate the NCB to which the explanation form will be sent.

To which national central bank (NCB) will the explanation form be sent?

Please select the NCB:	Luxembourg: Banquè centrale du Luxembourg	Check consistency

3.2 ACC pool information section

The counterparty is required to provide the registration ID for the ACC pool in the repository (ED Code), the ACC pool name, and the counterparty's name.

The key item in this section is the **ACC ID**, which should not be misreported. The eligibility of ACC pools required to submit a form will be assessed on the basis of the **ACC ID** submitted in the form.

ACC pool information

ACC ID (ED Code)	CCASFR000022199420145
ACC pool name	ACC pool name here
Data provider's name	Data provider's name here

3.3 Adequate explanations for why the ACC pool cannot achieve an A1 score

This section contains all the explanations that are deemed adequate by the Eurosystem in order to explain why the ACC pool cannot achieve the A1 compliance score. Counterparties are required to provide the relevant explanations for the ACC pool by ticking the relevant boxes and completing the relevant sections (legacy assets, legacy IT systems or Not integrated IT systems following recent banking merger).

Adequate explanations as to why the ACC pool cannot achieve the A1 compliance score

Does the ACC pool loan-level data submission have any data availability issues?

☐ **Legacy assets**

☐ **Legacy IT systems**

☐ **Not integrated IT systems following recent banking merger**

The following three adequate explanation options can be selected:

- legacy assets;

- legacy IT systems;

- not integrated IT systems following recent banking merger.

The options *legacy assets* and *legacy IT systems* (or *not integrated IT systems following recent banking merger*) are **cumulative**: the **counterparty can indicate multiple explanations**, meaning that one ACC pool can, for example, have both data availability issues.

The data quality issues *legacy IT systems* and *not integrated IT systems following recent banking merger* are exclusive and cannot both be selected.

Legacy assets

If the ACC pool has a legacy asset issue (*i.e. some mandatory fields are missing for less than 7% of active loans*), the counterparty should tick the box marked **"Legacy assets"**.

Adequate explanations as to why the ACC pool cannot achieve the A1 compliance score

Does the ACC pool loan-level data submission have any data availability issues?

☑ Legacy assets

Once the box marked **"Legacy assets"** has been selected, a new section entitled **"Legacy assets"** will become visible. The counterparty is required to provide several explanations relating to this issue:

- the date that this data availability issue is expected to be resolved (optional);

- legacy assets as a percentage of the total number of active loans;

- the number of mandatory fields that are not filled with data;

- a list of the mandatory fields that cannot be filled with data.

Legacy assets

By when do you expect to resolve this data issue (dd/mm/yyyy)?	31/12/2022
Legacy assets as a percentage of total number of active loans:	2%
Number of mandatory fields not filled with data:	3

Please provide the list of mandatory fields that cannot be filled with data

Field 1	AA3 - ServicerName
Field 2	AA10 - LoanCurrencyDenomination
Field 3	AA20 - PrimaryIncomeVerification

Legacy assets as a percentage of active loans must be **rounded to zero decimal places** (e.g. 4% instead of 3.578%).

Legacy IT systems

If the ACC pool has a legacy IT system issue (*i.e. some mandatory fields are missing for more than 7% of*

active loans), the counterparty should tick the box marked **"Legacy IT systems"**.

Adequate explanations as to why the ACC pool cannot achieve the A1 compliance score

Does the ACC pool loan-level data submission have any data availability issues?

☐ **Legacy assets**

☑ **Legacy IT systems**

Once the box marked **"Legacy IT systems"** has been selected, a new section entitled **"Legacy IT systems"** will become visible. The counterparty is required to provide several explanations relating to this issue:

- the date that this data availability issue is expected to be resolved (mandatory);

- the number of mandatory fields that are not filled with data;

- a list of the mandatory fields that cannot be filled with data.

Legacy IT systems

By when do you expect to resolve this IT system issue (dd/mm/yyyy)?   30/06/2023

Number of mandatory fields not filled with data: 2

Please provide the list of mandatory fields that cannot be filled with data

Field 1   AA17 - PrimaryIncome

Field 2   AA18 - PrimaryIncomeCurrency

Not integrated IT systems following recent banking merger

If the ACC pool has an issue relating to not integrated IT systems following a recent banking merger, the counterparty should tick the box marked **"Not integrated IT systems following recent banking merger"**.

Adequate explanations as to why the ACC pool cannot achieve the A1 compliance score

Does the ACC pool loan-level data submission have any data availability issues?

☐ **Legacy assets**

☐ **Legacy IT systems**

☑ **Not integrated IT systems following recent banking merger**

Once the box marked **"Not integrated IT systems following recent banking merger"** has been selected, a new section entitled **"Not integrated IT systems following recent banking merger"** will become visible. The counterparty is required to provide several explanations relating to this issue:

- the date that this data availability issue is expected to be resolved (mandatory);

- the number of mandatory fields that are not filled with data;

- a list of the mandatory fields that cannot be filled with data.

Not integrated IT systems following recent banking merger

By when do you expect to resolve this IT system issue (dd/mm/yyyy)?	12/06/2024
Number of mandatory fields not filled with data:	3

Please provide the list of mandatory fields that cannot be filled with data

Field 1	AA24 - OriginalLoanTerm
Field 2	AA6 - Originator
Field 3	AA25 - PoolAdditionDate

3.4 General comments section

This section contains a text box, in which the counterparty can submit any comments relating to the data quality/data availability.

Please include below any specific comments about the data quality/data availability

4. Consistency check for the explanation form

Before submitting the form to the relevant NCB, the counterparty is required to check the explanation form for consistency (see the consistency check button in the first section of the form).

To which national central bank (NCB) will the explanation form be sent?

Please select the NCB:	Luxembourg: Banque centrale du Luxembourg	Check consistency

5. Changing the ACC type

The explanation form contains different fields depending on the type of ACC that is being entered (Residential mortgages, SME ACC). Users that have already begun entering information (or are working with a saved version) for one type of ACC should be aware that, upon entering an ACC ID for another ACC type will lead to the spreadsheet being reinitialized. The figure below illustrates the message that will appear for a user moving from a Residential mortgages to a SME ACC pool; clicking on "Yes" will lead to the existing information being erased and the appropriate fields appearing.

ACC pool information

ACC ID (ED Code)	CCASPT000066100420954
ACC pool name	ACC pool name here
Data provider's name	Data provider's name here

ACC pool ED Code

Changing the ACC type will reinitialize the spreadsheet.

Are you sure you want to change the ACC type?

SI   No

6. Questions regarding the explanation form

All questions regarding the explanation form can be addressed to the relevant NCB.