

PROMETEIA RISK ACADEMY

IFRS 9 Masterclass

A deep dive into the new IFRS 9 paradigm and the challenges raised by the integration of Risk Management and Accounting perspectives



IFRS 9 Masterclass

In 2014, the International Accounting Standards Board issued a new set of accounting rules (IFRS 9) with the aim of **revisiting the system for the recognition and the measurement of financial instruments**. This new regulation replaces the International Accounting Standard (IAS) 39 in most of the jurisdictions starting January 1, 2018. **Considered as one of the main responses to the international financial crisis**, IFRS 9 is becoming a new paradigm in the financial industry and a fundamental milestone in the integration between Risk Management and Accounting processes. **IFRS 9 requires banks to replace the incurred loss model with a more forward-looking approach**. As a result, full lifetime losses will have to be recognised as soon as a significant increase in credit risk has taken place. The IFRS framework deeply affects the overall system of Banks under many aspects, in particular:

- **Governance and organizational processes**, that are impacted by the need of embedding risk management parameters within the impairment calculations and accounting reporting
- **Methodology and data workflow**, revolutionized by the new risk-based provisioning model
- **IT architecture**, challenged to sustain the risk integration needs between Finance/Accounting and Risk departments

YOUR EXPERT TRAINERS

Prometeia has a unique track record in the field of Risk Management and Regulatory Compliance:

- **Over 70 Risk Management projects successfully delivered in the last 3 years** in EMEA, supporting business processes and regulatory compliance of Risk, Finance, Treasury and Credit
- **Over 500 implementation consultants and IT engineers fully dedicated to Risk projects** (ERM and Buy-side), of which 300 specialised in Credit, ALM, Market and Liquidity Risk management
- **Over 25 years of experience in developing Risk & Regulatory Compliance solutions**, covering BCBS and Accounting requirements

THE COURSE

This two-day course provides a unique insight into the International Accounting Standards framework on financial instruments, with particular focus on the Loan Loss Provisioning (LLP).

The implementation of the new standard, which goes into effect on 1 January 2018, requires a clear understanding of its logic and business implications. Within this masterclass, we examine the **new criteria set for classification and measurement**, the **“expected loss” impairment model**, and its **implementation challenges** both in developed and in emerging markets. In addition to describing the new methodological framework introduced by

IFRS 9, the course focuses on **its impact on the IT system necessary** to implement IFRS 9 as well as the **business implications** of this new accounting schema, such as **origination of loans and lending, active portfolio management and credit pricing**. Finally, this program discusses the **challenges of implementing IFRS 9 in small and mid-sized banks**, where the advanced IRB (Internal Rating Based) models for capital adequacy are not yet established. **Intensive, practical discussions, with an emphasis on expert practitioner insights and their international experience, will provide an interactive and dynamic learning experience.**

THE TRAINING PACKAGE INCLUDES:

- **Live interactive workshop** with no limit to the number of participants from the Bank
- **Combination of industry best practices and concrete experience** acquired in both advanced and emerging markets
- **Comprehensive take-away course documentation**
- **Post-course contact with trainers** to address further concerns and draft a roadmap

HOW WILL YOU BENEFIT?

This 2-day course will be highly interactive with practical examples to explain concepts and group discussion will be encouraged throughout. Attendees will gain knowledge and know-how regarding:

- **The key concepts of IFRS 9** impairment framework
- **The standard methodologies for ECL calculation**, both in developed and emerging markets
- **The industry best practices on PD, LGD, and EAD modelling**

Plus:

- **The ability to assess the volatility of P&L** introduced by the new provisioning rule
- **The challenges the Bank has to face** when designing the IFRS 9 framework and implementing the impairment process
- **The effective approaches for improving the efficiency** of credit portfolio management under IFRS 9 rules

WHO SHOULD ATTEND?

The course is suitable for:

- **Risk, Regulatory Reporting, Credit, Treasury and Internal Audit** departments
- **Other governance functions** such as Planning, Organisation, IT and Compliance

PROGRAMME

DAY 1

Fundamentals of IFRS 9 Impairment Schema

- **Requirements for recognising** financial assets and financial liabilities
- **Principles-based versus rules-based** accounting schemes
- **The new impairment** philosophy
- **The three stages model**

The new concept of Expected Credit Losses

- **Probability-weighted outcome**, not “worst case” or biased scenario
- **Time value of money** and its implications
- **Reasonable evidence** based on historical, current and forecast information
- **SICR definition criteria** and rebuttable presumptions

The parameters for the calculation of Expected Credit Losses

- **PD development** and/or recalibration
- **LGD development** and/or recalibration
- **EAD development** and/or recalibration
- **EIR definition**

DAY 2

The requirement of forward-looking credit assessment

- **Available approaches** both in developed and emerging markets
- Main sources of **forward looking indicators**
- Development of **macro-economic satellite-models**

Practical issues to solve

- Relationship between **fair value and impairment**
- Financial instruments **with low credit risk** at the reporting date
- Financial instruments **already credit-impaired** at initial recognition

Governance and infrastructure for IFRS 9 compliance

- **The definition of IT architecture** for IFRS 9 impairment process
- **The definition of credit portfolio strategies** for mitigating the volatility of provisions
- **Optimization opportunities** given by the new accounting framework

Final challenges, conclusions and follow-up

- **Implications** of the IFRS 9 **implementation**
- **System challenges** in this pre-first application phase
- **What is to be expected after** the first IFRS 9 application

About Prometeia

Prometeia is a global provider of consulting services and business solutions focused on Risk & Performance Management. Since 1974, we supply highly specialised advisory, analytical tools and research programs, integrating quantitative models, market and customer data, financial and economic scenarios. With over 700 industry experts, we serve over 200 financial institutions in 20 different countries, through a consolidated network of foreign branches and subsidiaries located in Europe, Africa and Middle East. Prometeia's client base includes primary financial institutions, central banks and multilateral organisations, as well as local banks and credit unions.

OUR UNIQUE BUSINESS MODEL COMBINES



Prometeia's business model sets it apart from traditional professional training providers: its teaching relies heavily on real world practical experience, since Prometeia's matter-experts are constantly involved in the delivery of Risk Management projects in a multitude of banks and financial institutions. Prometeia's training mission is to add value to customers by building a bridge between economic theory, econometrics, finance and day-to-day banking challenges.