MONECO FINANCIAL TRAINING

IFRS 9 – THE NEW STANDARD, CLASSIFICATION, IMPAIRMENT AND IMPLEMENTATION CHALLENGES

18. – 19. 9. 2017

Lektor: Jean-Bernard Caen

BCBS 239 COMPLIANCE – RISK DATA AGGREGATION AND RISK REPORTING FRAMEWORK

20. – 21. 9. 2017

Lektor: Krassimir Kostadinov

MONECO
Financial Training

IFRS 9 – THE NEW STANDARD, CLASSIFICATION, IMPAIRMENT AND IMPLEMENTATION CHALLENGES

TERMÍN: 18. – 19. 9. 2017 • ÚČASTNICKÝ POPLATEK: 29 600 Kč

Key points / questions answered:

- **What is IFRS 9, where does it come from and what is its purpose?**
- **What are the principles for classification and measurement of financial instruments?**
- **How to approach and implement impairments under IFRS 9?**
- **How calculate 12-month and lifetime Expected Credit Losses?**
- **What kind of leverage can be expected from Basel 3?**
- **How to deal with the technological challenges resulting from IFRS 9 implementation?**

The purpose of this seminar is to introduce you to the principles of IFRS 9, the new accounting standard for financial instruments, to be implemented by January 1st, 2018 at the latest. These principles include a reviewed classification and measurement of financial instruments, a new forward-looking assessment of impairments and an improved approach to hedge accounting.

We start with a brief history of accounting, the creation of the International Accounting Standard Board, the International Financial Reporting Standards, IAS 39 and IFRS 9.

We then take a closer look at IFRS 9 phase 1 that addresses the questions of financial instruments classification and measurement. As compared with the current IAS 39, the new classification restricts significantly the types of assets that can be amortized. As the other two asset classes require fair or market value accounting, this raises questions of valuation and issues of P&L volatility.

After this, we turn to the phase 2, impairment. In the past, concerns have been raised about "too little, too late" provisioning for loan losses. The new expected credit loss model for the recognition and measurement of impairments aims to address these concerns, and accelerates the recognition of losses by requiring provisions to cover both already-incurred losses (like the current IAS 39) AND future expected losses. This new approach will significantly increase banks provisioning levels and reduce their solvency ratios.

Once the impairment principles have been understood with the help of some exercises to measure expected credit losses, IFRS 9 modeling requirements appear more explicitly. At that stage, we compare them with regulatory parameters in a search for potential leverage in setting up IFRS 9 models. Also we review the *BCBS Guidance on credit risk and accounting for expected credit losses*, and its 11 principles. It confirms that leveraging of Basel 3 credit models should not lead to unrealistic expectations.

Then we review the new principles for hedge accounting, called phase 3, why they are closer to business practices and how they will facilitate credit risk micro-hedging. Macro-hedging principles are yet to be defined and are not covered in this training.

Finally, we address the implementation challenges by listing, classifying and prioritizing the identified modeling and data-related challenges. A real-life example of IFRS 9 impairment calculation on an existing commercial IT platform is given. With 18 months to go until IFRS 9 day-1, each participant should have now a clear understanding of IFRS 9 nature and ambition and be able to take away a comprehensive assessment of the priorities for his/her institution.

MONDAY, SEPTEMBER 18

09^{00}–09^{15}

Welcome and Introduction

09^{15}–12^{00}

Overview of IFRS 9
- Brief history and scope of the accounting standard
- Lessons learned from the Global Financial Crisis
- Overview of the principles
- Relationship with other regulatory developments
  – Basel III, BCBS Guidance on ECL

Classification of financial instruments
- Recognition and de recognition of financial assets and liabilities
- Overview of the asset classes
- The SPPI criteria
- Business model assessment
- Classification of financial liabilities

12^{00}–13^{00}

Lunch

13^{00}–16^{30}

Measurement and impairment
- Initial measurement
- Amortized cost measurement
  – Effective interest method
- Overview of impairment requirements
- The Expected Credit Losses (ECL) concept

- ECL components and articulation
- Individual and collective measurements
- Guarantees and collaterals
- Exercises and Q&A

TUESDAY, SEPTEMBER 19

09^{00}–09^{15}

Recap

09^{15}–12^{00}

Impairment (continued)
- Review of ECL assessment
- Special cases
  – Credit impaired at initial recognition
  – Lease and receivables
- Presentation of ECL in the financial statements

Comparison with Basel regulatory models
- Review of regulatory models
- Regulatory requirements on credit parameters (PD, LGD,…)
- IFRS 9 requirements on these parameters
- Identification of areas of potential leverage

12^{00}–13^{00}

Lunch

13^{00}–16^{30}

BCBS Guidance on expected credit losses
- Ambition of BCBS on the matter
- The 11 principles
- What is the real impact of the guidance

Implementation challenges
- State of the art IFRS 9 impairment calculation: Illustration
- Modeling challenges
- Data-related challenges
- Other challenges
- Assessment of the priorities for each participant

Evaluation and Termination of the Seminar

MFT

Jean-Bernard Caen

As a Policy Advisor within the consulting firm PRNS 'parnass' since 2014, Jean-Bernard has been working on assignments for Financial Institutions in the areas of risk-finance interactions, ALM, capital allocation, risk appetite and the economic assessment of risks.

Before that, as Head of Economic Capital and Strategy for Dexia group for 12 years, he was in charge of Basel2 Pillar2 and Risk-Finance cooperation. He was instrumental in working out and implementing Economic Capital as the internal measure of risk. It was subsequently used in all risk vs. return processes across the group, such as Risk Appetite, Risk Budgeting, RAROC and Capital Planning.

In 1990, Jean-Bernard founded the Management Consulting firm Finance & Technology Management (FTM), which he ran for 12 years as the CEO. As such, he directed numerous assignments for European Financial Institutions in the areas of Shareholder Value, Risk Management, Capital Allocation and ALM.

He is a member of PRMIA France Executive Committee, of AFGAP Management Board, and he teaches at the French National School of Economics and Statistics; he is also a senior lecturer and he published numerous articles.

He is a French Civil Engineer and he graduated from MIT.
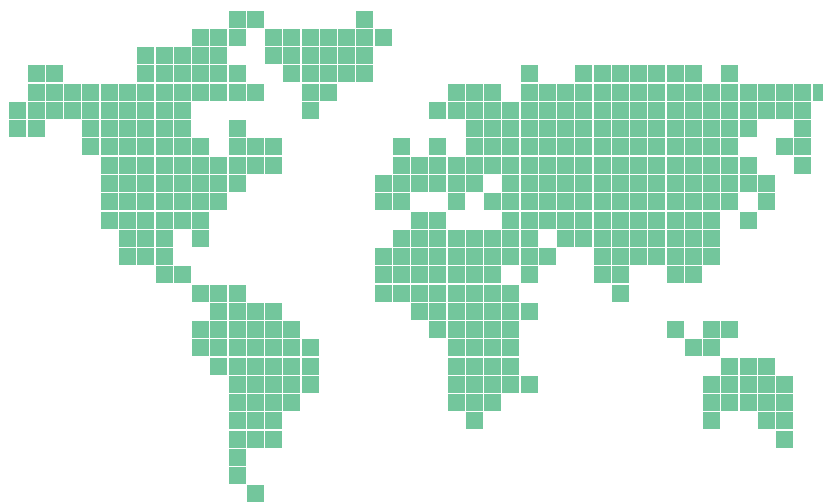
Knowledge Leads the Way...

Knowledge Leads the Way...

Key points / questions answered:

- **What is BCBS 239 and how does it relate to other regulations (Basel III / IFRS 9)?**
- **How to implement the risk reporting completeness principle?**
- **How to assess data accuracy and improve data quality in practice?**
- **What tools and business processes are appropriate to meet adaptability requirements?**
- **Which innovative technologies might help the bank with BCBS 239 and which not?**
- **What could be the overall structure of a BCBS 239 project at the bank?**

The purpose of this seminar is to introduce you to a range of methodologies for practical application of the 14 Principles for Effective Risk Data Aggregation and Risk Reporting by the Basel Committee on Banking Supervision (BCBS 239).

We start with a general overview and discussion of the principles, including their relationship to other important regulatory developments, such as ECB's AnaCredit, Basel III and IFRS 9. In the context of the need to accommodate to the ever changing internal and supervisory policies, we present several benchmarks and best practices in areas such as BCBS project set-up, risk data governance, and data architecture.

We then take a closer look at the principle of Completeness, which requests the bank to aggregate and report all material risk types across any relevant dimension such as business line, legal entity, asset type, industry, region and other groupings. We introduce a set of pragmatic KPIs designed to provide a bridge between the risk types and the economic performance of the bank. We explain how, on the one hand side, these KPIs can be calculated only given the complete and granular risk data as prescribed by BCBS 239, and, on the other hand side, how the resulting framework can substantially improve the bank's capability to take decisions in an unbiased, data-driven way.

After this, we turn to the principle of Accuracy and Integrity, which refers to the ability of the bank to produce data and reports on a largely automated basis in order to minimise the probability of errors. We start with a generic framework for assessment of data accuracy and give specific examples and mini-case-studies on how this framework can be applied in practice. We proceed with a description of two pragmatic methods for data quality improvement and apply them to solve common problems that exists in many banks' data-warehouses.

Extrapolating upon the topic of automation, we introduce the principle of Adaptability, which requests the bank to be ready to generate a broad range of on-demand, ad-hoc risk management reports, including requests during stress/crisis situations. On that topic, we introduce several examples for tools and practices that facilitate the reporting adaptability while enhancing Timeliness, Clarity and Usefulness (which are further principles in BCBS 239). In particular, we give a high-level introduction of several innovative technologies which, when applied sensibly, might prove extremely useful for the bank with respect to risk reporting and risk data aggregation.

Finally, we look at the principles in combination. We describe a framework for Risk Data Governance and give practical insights on the development and implementation of IT systems and business processes under consideration of business continuity planning, impact analysis capability, risk taxonomies, ownership and data quality controls.

WEDNESDAY, SEPTEMBER 20

09⁰⁰–09¹⁵

Welcome and Introduction

09¹⁵–12⁰⁰

Overview of BCBS 239

- Brief history and scope of the regulation
- Lessons learned from the Global Financial Crisis
- Overview of the principles
- Relationship with other regulatory developments
  - Basel III, IFRS 9
  - ECB's AnaCredit
- Benchmarks and Best Practices
  - BCBS 239 Project set-up
  - Risk Data Governance
  - Data Architecture

12⁰⁰–13⁰⁰

Lunch

13⁰⁰–16³⁰

The Completeness Principle

- What is a complete risk report?
- Risk, the bank's balance sheet and risk-adjusted performance measurement
- Framework for risk measurement: baseline and scenario generation
  - Credit Risk
  - Market Risk
  - Operational Risk & Operational Costs
  - Funding and Liquidity Risk
  - Other risk types

- Calculation examples and details on risk-adjusted performance measures
  - Gross Income
  - Gross & Net Margins
  - Contribution Margins
  - Risk-adjusted ROI
- Example reports and Q&A

THURSDAY, SEPTEMBER 21

09⁰⁰–09¹⁵

Recap

09¹⁵–12⁰⁰

The Accuracy and Integrity Principle

- How to assess data accuracy?
  - Data-driven accuracy KPIs
  - Sample analysis approach
  - Stress test approach
- How to improve data quality?
  - Handling dimensional hierarchies
  - Case Study: robust improvement of customer address (location) data
  - Handling portfolio segmentations
  - Case Study: optimal portfolio segments for the IFRS 9 Impairment Model.

12⁰⁰–13⁰⁰

Lunch

13⁰⁰–16³⁰

The Adaptability Principle

- Best Practices illustrated
  - Overcoming the data silo problem
  - Reporting automation

  - On-demand and ad-hoc risk management reports
- Exercises and Q&A

Other Principles: Timeliness, Clarity, Usability

- Which innovative technologies might prove to be helpful?
  - Large-scale scenario simulations on cloud infrastructure
  - Fast, adaptable model development environments
  - Big Data or Right Data?
  - Data-driven, interactive web-based documents

The BCBS 239 Principles taken together

- Framework for Risk Data Governance
  - Data Architecture revisited
  - Risk Taxonomies revisited
 - Process Ownership and Quality Control revisited

Evaluation and Termination of the Seminar

Dr. Krassimir Kostadinov

Dr. Krassimir Kostadinov is founder of UniversalOwner, a boutique advisory services firms focussing on quantitative risk management and banking software design, development and implementation. Previously, he has held a position at an international banking software house head-quartered in Luxembourg, where he was Head of the Data Access and Valuation department.

Krassimir has multi-year experience in training, consulting and project management, including implementations of risk management / reporting systems and internal business processes for compliance to banking regulations such as Basel III and IFRS 9. His approach to training involves explaining in detail and providing economic intuition on the mathematical concepts that appear in the regulatory requirements, as well as discussing data flows, system design and/or software tools appropriate for practical implementation. He has done projects and held courses at multiple financial institutions in 20+ countries on 3 continents. His most recent project was on the establishment of an innovative, data-driven and independent credit rating agency.

Krassimir earned a Ph.D. in Mathematics from the Munich University of Technology, Germany. In his research, he developed new statistical and computational methods for multidimensional financial data aggregation and applied them to measure risk from extremal events on the credit and fixed income markets.
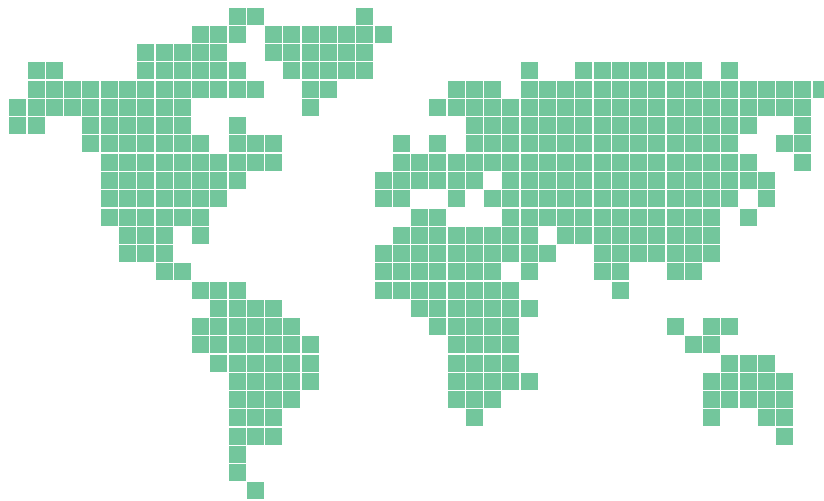
Knowledge Leads the Way...

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MONECO Financial Training

Jedná se o program intenzivních seminářů a praktických workshopů přednášených v anglickém jazyce expertními lektory. Cílem vzdělávacího programu je poskytnout finančním profesionálům přístup k nejmodernějšímu know-how, praktickým dovednostem a detailním znalostem. Organizátorem a producentem vzdělávacího programu MONECO Financial Training je společnost MONECO, spol. s r. o.

MÍSTO KONÁNÍ A UBYTOVÁNÍ ÚČASTNÍKŮ

Semináře vzdělávacího programu MONECO Financial Training se konají v prostorách mezinárodního čtyřhvězdičkového hotelu NH Prague. Ubytování není součástí seminářů. Na vyžádání účastníkům provedeme rezervaci ubytování přímo v hotelu NH Prague za zvýhodněné ceny.

JAZYKOVÉ POŽADAVKY

Veškeré studijní materiály, používaný simulační software a vlastní přednáškový program jsou vždy vedeny v anglickém jazyce bez simultánního tlumočení. Pro účast na seminářích je proto požadována minimálně pasivní znalost anglického jazyka na úrovni porozumění běžnému mluvenému přednesu a výkladu, včetně odborné terminologie v dané oblasti.

REGISTRACE ÚČASTNÍKŮ

V případě zájmu o účast na semináři je nutné se závazně registrovat pro konkrétní termín. Po zaslání závazné přihlášky obdrží účastníci potvrzení účasti. Vzhledem ke skutečnosti, že organizátor a producent programu MONECO Financial Training klade zásadní důraz na maximální intenzitu výukového procesu a získání individuálních praktických dovedností každého absolventa, je vždy striktně limitován maximální počet účastníků na seminářích. Přihlášky budou proto akceptovány v došlém pořadí až do naplnění kapacity předmětného semináře. V případě, že nebude možno přihlášku z nějakého důvodu akceptovat, obdrží objednatel obratem o této skutečnosti vyrozumění.

ÚČASTNICKÝ POPLATEK A CENA BLOKU

Účastnický poplatek představuje celkovou cenu pro jednu osobu za jeden seminář. Účastnický poplatek je stanoven pro každý seminář jednotlivě a nezahrnuje DPH. Cena bloku představuje poplatek za účast na vzájemně navazujících seminářích, což jsou integrované modely: 3+2, 2+3, 2+2, 1+3, 3+1, 1+2+2 a 2+2+1. Ceny bloků jsou stanoveny v „Kalendáři seminářů MONECO Financial Training". V účastnickém poplatku, respektive ceně bloku je souhrnně zahrnuto kurzovné, veškeré studijní materiály, případně použitá softwarová řešení, certifikace formou udělení diplomu a kompletní občerstvení. Součástí účastnického poplatku nebo ceny bloku není ubytování účastníků.

CENOVÉ SLEVY A PLATBY

Při závazné registraci účasti více osob jsou poskytovány objemové slevy z účastnického poplatku. Při závazné registraci minimálně dvou účastníků jedné firmy na jednom semináři bude poskytnuta sleva ve výši 10% z účastnického poplatku. Při závazné registraci jedné osoby na dva a více seminářů současně bude poskytnuta sleva 10 % z účastnických poplatků. Uvedené slevy není možné kombinovat a nejsou poskytovány účastníkům na vzájemně navazujících seminářích, což jsou integrované modely: 3+2, 2+3, 2+2, 1+3, 3+1, 1+2+2 a 2+2+1. Účastníci semináře obdrží daňové doklady (faktury) k úhradě účastnických poplatků minimálně 10 pracovních dnů před konáním semináře. **Podmínkou účasti je vždy uhrazení celkové fakturované částky před zahájením konání příslušného semináře.**

ZRUŠENÍ ÚČASTI

V případě nemožnosti osobní účasti na závazně objednaném semináři je možná účast předem avizovaného náhradníka. Zrušení účasti bude akceptováno pouze v písemné formě nejpozději dvacet kalendářních dnů před termínem zahájení semináře, přičemž bude účtován stornovací poplatek ve výši 10 % z účastnického poplatku nebo ceny bloku. **Zrušení účasti v době kratší než dvacet kalendářních dnů před zahájením semináře není z technických a organizačních důvodů možné.** Společnost MONECO, spol. s r. o. si vyhrazuje právo na zrušení části nebo celého semináře kdykoli, z jakýchkoli blíže nespecifikovaných důvodů, včetně případu vyšší moci. V tomto případě bude přihlášeným účastníkům vrácen účastnický poplatek v alikvotní výši.

ZÁVAZNÁ PŘIHLÁŠKA

• IFRS 9 – The New Standard, Classification, Impairment and Implementation Challenges	☐	18.–19. 9. 2017	29 600 Kč	**2+2** 52 000 Kč ☐
• BCBS 239 Compliance – Risk Data Aggregation and Risk Reporting Framework	☐	20.–21. 9. 2017	33 300 Kč	

ORGANIZACE

Název:

Fakturovat k rukám pana/paní:

Pracovník odpovědný za vzdělání:

Adresa včetně PSČ:

IČ: DIČ:

ÚČASTNÍCI

1. Jméno a příjmení: Telefon:

   E-mail: Pozice:

2. Jméno a příjmení: Telefon:

   E-mail: Pozice:

3. Jméno a příjmení: Telefon:

   E-mail: Pozice:

Datum a místo: Jméno a podpis oprávněné osoby: