

#IFRS9 Simplified with #summitIFRS9



Board Briefing / June 2018

IFRS 9 Compliance @ Your Bank

***From IAS 39 to IFRS 9: How Ready
is Your Board for the transition?***

Summit Consulting Ltd Team

#IFRS9 Simplified / #summitADVISORY / Improving Your Condition

Impairment – control considerations



Business model	<ul style="list-style-type: none">• Business models reflect the impact of the IFRS 9• ECL models feedback into other strategic processes (e.g. capital management, pricing, stress testing, segments etc).
Systems	<ul style="list-style-type: none">• Alignment of risk and finance systems?• Remapping of lines and accounts within the general and sub ledgers• Common chart of accounts and data definitions across all parts of the business.
Data quality	<ul style="list-style-type: none">• Single data source at required granularity, with full drill down capability and validation of data• Frequent testing and maintenance of new data models• Automation of data controls
Process	<ul style="list-style-type: none">• Fully defined processes for identifying the provisions and how they relate to the business units, product pricing and strategy.• New credit risk monitoring processes to incorporate system solution to the generation of accounting information.
Controls and Governance	<ul style="list-style-type: none">• Circulation of management reports in a timely manner• Governance and controls over areas not currently subject to statutory audit (e.g. Risk and regulatory data)

Impairment: compliance challenges

Components	Implementation challenges
Portfolio segmentation	<ul style="list-style-type: none">• Determine segmentation criteria.• Consider existing models and data availability for various portfolios• Criteria for low credit risk
Transfer criteria	<ul style="list-style-type: none">• Definition of trigger events• Significant deterioration in credit
Maturity	<ul style="list-style-type: none">• Contractual term Vs behavioral• Consideration of prepayments and others
Expected loss modeling	<ul style="list-style-type: none">• Determination of models for 12 month and lifetime expected loss• Discount rate
Forward looking data	<ul style="list-style-type: none">• Economic overlay

IFRS 9 Est. Impact on Your Bank as at 30th May 2018

See MS Excel



Next actions...

IFRS 9 compliance strategy	Status	Board Decision
1. IFRS 9 gap analysis at your bank to inform IFRS9 compliance plan – mapping entire bank & responsibilities = alignment	Not done	Approve IFRS compliance plan.
2. Estimates of IFRS 9 impact on your bank's core capital, profitability & tax. You need a clear picture like yesterday!	Not done	This figure has to inform strategy & policy.
3. Choice of Business Model – Long term view of facilities (20 year +mortgages); Secured or not; Early recovery plan or hybrid & how??	Not done	<i>IFRS 9 Policy Approval.</i> Credit policy needs updated and fast tracking.