

# MONECO FINANCIAL TRAINING

## BRACING FOR IMPACT OF IFRS 9 IMPAIRMENT PRINCIPLES, ECL FRAMEWORK AND MODELLING REQUIREMENTS

**March 20-21, 2018**  
**Lecturer: Jean-Bernard Caen**

**Registration Deadline: March 6, 2018**

Upcoming Seminar

## Bracing for Impact of IFRS 9

### Key points / questions answered:

- Who are the wolves waiting for your first impairment figures?
- Real and fake compliance: What can go wrong?
- What are the alternative credit risk models for assessing multi-period PDs?
- How to transition from Through-the-Cycle PDs to Point-in-Time PDs?
- How to make credit risk parameters sensitive to economic cycles?
- What are the good questions to ask now?
- How to assess your priorities?

The purpose of this seminar is to understand and improve your mechanism of impairment as required by IFRS 9, the new accounting standard for financial instruments, in effect from January 1<sup>st</sup>, 2018.

Because it includes revolutionary new features, extensive post-deadline work will be needed to reach full compliance. These features include *expected* credit losses over the *lifetime* of transactions, integration of a *forward-looking* stance and numerous *judgmental* calls.

We start with a brief history of accounting, the creations of the International Accounting Standard Board, the International Financial Reporting Standards, IAS 39 and finally IFRS 9. This will give you the historical roots and intentions that led to IFRS 9

Then we review IFRS 9 phase 1 “Classification and Measurement” in order to carefully position the impairment process, or IFRS phase 2, in its alignment. We are now ready to uncover Phase 2 objectives, perimeter of application and major characteristics.

Phase 2, impairment, is the answer by the IASB to the concern raised by the G-20, that the credit provisioning approach in force during the crisis was “too little, too late”. And the new Expected Credit Loss model for the recognition and measurement of impairments does address this concern by accelerating the recognition of losses through powerful new principles.

Once the impairment principles have been described and understood with the help of some games, IFRS 9 modelling requirements appear more explicitly. At this stage, we enter the realm of credit risk modelling. We review the major approaches, from historical loan-losses to regulatory models to credit VaR, with a number of practical exercises. The pros and cons of each modelling approach are assessed in regards to IFRS 9 requirements.

Naturally, a specific attention is given to the Supervisor’s posture regarding the implementation of IFRS 9 in banks. We review the *BCBS Guidance on credit risk and accounting for expected credit losses*, and its more recent paper on the *Regulatory treatment of accounting provisions*.

Finally, we look at implementation and governance issues from a number of viewpoints: accounting and regulatory supervisors, banks and consulting firms and auditors. A particular attention is given to the technology and data-related issues, and to strategic considerations dealing with the management of P&L volatility and disclosures.

IFRS 9 is now in full force. At the end of the training, each participant has acquired a clear understanding of IFRS 9 impairment principles and modelling requirements and is ready to contribute significantly to running and improving the impairment process.

### TUESDAY, MARCH 20<sup>th</sup>

09<sup>00</sup>–09<sup>15</sup>

#### Welcome and Introduction

09<sup>15</sup>–12<sup>30</sup>

#### Birth and overview of IFRS 9

- Brief history of accounting
- The accounting institutions and the financial crisis
- Overview of IFRS 9 principles
- Phase 1, classification and measurement

#### Impairment principles

- Overview of impairment requirements
- The Expected Credit Losses concept
- Staging and the notion of Significant Increase of Credit Risk
- Lifetime PDs and forward-looking stance
- Expected disclosures

12<sup>30</sup>–13<sup>30</sup>

#### Lunch

13<sup>30</sup>–16<sup>40</sup>

#### Credit risk modelling

- Principles of credit risk measurement
- Credit risk parameters
- Measuring Probability of Default

- Portfolio effects and concentration
- Parametric approaches like IRB models
- Non-parametric approaches like Credit VaR

### WEDNESDAY, MARCH 21<sup>st</sup>

09<sup>00</sup>–09<sup>15</sup>

#### Recap

09<sup>15</sup>–12<sup>30</sup>

#### From credit risk modelling to impairment calculations

- Assessing a Significant Increase in Credit Risk
- From 1 year PDs to Multi-periods PDs
- From Through-the-cycle to Point-in-Time risk parameters
- Risk parameters sensitivity to the state of the economy
- ECL as the weighted average of multiple scenarios
- Cost-benefit analysis of possible simplifications
- Steps towards a fully compliant impairment model

12<sup>30</sup>–13<sup>30</sup>

#### Lunch

13<sup>30</sup>–16<sup>30</sup>

#### IFRS 9 and the regulators

- Ambition of BCBS on the matter
- BCBS guidance on credit risk and accounting for ECL
- Regulatory treatment of accounting provisions
- Expected impact of the regulation

#### Implementation and governance challenges

- Implementation challenges as seen by supervisors and banks
- Implementation challenges as seen by consulting and IT firms
- Governance challenges: Data and proxies, reinventing the impairment process, auditing models, IT and systems issues

#### Wrap up and conclusion

### **Jean-Bernard Caen**

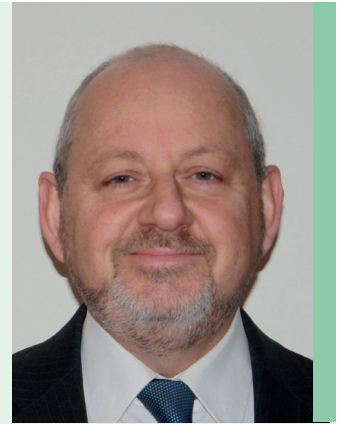
As a Policy Advisor within the consulting firm PRNS 'parнас' since 2014, Jean-Bernard has been working on assignments for Financial Institutions in the areas of risk-finance interactions, ALM, capital allocation, risk appetite and the economic assessment of risks.

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...*

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# Terms and Conditions of the MONECO Financial Training

## MONECO Financial Training

MONECO Financial Training offers a comprehensive programme of English-language seminars, trainings and practical workshops lectured by qualified tutors. Our objective is to provide the industry professionals with advanced financial know-how and up-to-date analytical methods and skills.

## Seminar Venue and Accommodation

The bulk of the MONECO seminars are traditionally held at the international four-star NH Prague Hotel in Prague, Czech Republic. Since we are expanding our training activities, we run some selected seminars also in other European destinations. Accommodation is not included in the seminar price, but upon request we are happy to offer you hotel reservations in every of our training destinations at special discounted prices for our valued clients.

## Tuition Language

Seminar tuition is in English language, as are all manuals, training software etc. Therefore, in order to benefit from participation, at least a passive knowledge of English, including common financial phrases and related terminology, is required.

## Registration

Clients who decided to participate, should submit us in advance a registration for a particular seminar (letter, fax, internet etc.). Subject to availability, the participant will then receive a confirmation of participation. The number of participants is always strictly limited in order to secure an effective and focused learning environment.

## Seminar Prices

The quoted seminar prices are per person and include all the training manuals, lunches and refreshments, certification diploma in English and selected software solutions used at the seminar. The price does not include hotel accommodation. Quoted prices are exclusive of local VAT (21 %) "Bundle" prices represent the total fee for participation in mutually related seminars (i.e. "Bundles 3+2, 2+3, 2+2, 3+1, 1+3, 1+2+2 and 2+2+1"). "Bundle" prices are provided in the Calendar of the MONECO Financial Training seminars.

## Discounts

Bulk discounts are offered when submitting an application for the participation of more than one person. A 10 % discount is offered when at least two participants from one company register for a seminar or one participant registers at once for two or more seminars. The discounts do not apply for "bundle" prices, as these already represent discounted prices.

## Invoicing and Payment

An invoice for the seminar price will be sent to the participants no later than 10 working days prior to the beginning of the seminar. **Full payment of the invoice must be made before the start of the seminar as a precondition of participation.**

## Terms of Cancellation

If for whatever reasons a registered participant is unable to attend, a substitute delegate may be appointed to participate instead. For cancellations received 20 days or more before the beginning of the seminar, a 10 % cancellation fee of the full price will be invoiced i.e. 90 % of the price is refunded. **For cancellations received less than 20 days prior to the beginning of the seminar, the full price is payable i.e. no refund will be provided. All cancellations must be in writing.** The organizers of the MONECO Financial Training courses reserve the right to cancel the individual participation or cancel the entire seminar or part of it for whatever unspecified reasons, including possible force majeure. In this case, the price paid will be refunded in full or in part, accordingly.

## REGISTRATION FORM

**Registration Deadline:  
March 6, 2018**

**Bracing for Impact of IFRS 9: Impairment Principles, ECL Framework and Modelling Requirements**

March 20 – 21, 2018

€ 1,120

### COMPANY

Name:

Approving Manager:

Person responsible for training:

Address:

Tax Registration No.:  VAT Identification No.:

### PARTICIPANTS

1. Title:  Name:  Phone:   
Mr/Mrs/Ms  
E-mail:  Position:

2. Title:  Name:  Phone:   
Mr/Mrs/Ms  
E-mail:  Position:

3. Title:  Name:  Phone:   
Mr/Mrs/Ms  
E-mail:  Position:

Date:  Signature: