

IFRS 9 Impairment – In-Depth

Practical Issues for Implementation and
Transition to Expected Credit Loss Accounting

December 13 - 14, 2016 • Toronto

IFRS 9 Impairment – In-Depth will examine the critical aspects of the new ECL rules and provide guidance on key concepts, terminology, operational impacts and project management to assist you in your implementation planning including:

- IFRS 9 and BCBS expected capital losses – a comparative update
- Probability of default – estimation and differentiation from Basel rules
- Estimating credit losses – modelling loss given default (LGD)
- Stage assessment and stage migration
- Exposure at default (EAD) under IFRS 9
- IFRS 9 transition - current issues and hot topics
- Implementation and macro forecasting using Excel
- Macroeconomic forecasts – forward looking and probability weighted
- Validation and backtesting of IFRS 9 models
- Audit challenges arising from IFRS 9 ECL compliance
- New impairment disclosures for including EDTF guidelines

Who Will Be Presenting

- Deloitte LLP
- Ernst & Young LLP
- KPMG LLP
- Moody's Analytics
- Nexx Consultants
- PricewaterhouseCoopers LLP

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**Comments From
Participants Attending
Acumen Conferences -
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Work With**

"...provided a very good high level summary of the key impacts of IFRS to financial institutions."

•
Associate Chief Accountant,
Bank of Montreal

"Presentations were clear even though topics were complex."

•
Chief Financial Officer,
Société Générale

"Best conference I've ever attended."

•
Senior Manager,
Enterprise Hedge Accounting
and Derivative Reporting
Royal Bank of Canada

"Suffice it to say that the conference delivered on my expectations...A lot has been taken away from this conference...\$ well spent..."

•
V.P. Risk Management Advisory,
**New Brunswick Credit Union
Stabilization Board**

"...excellent breadth of coverage of a very complex series of regulations..."

•
Senior Treasury Analyst,
Meridian Credit Union

"Well rounded. Good flow."

•
Manager, Capital Risk,
RSA

"Speakers were very knowledgeable, materials were current...examples and materials were relevant and well presented."

•
Derivatives Accountant,
Agrium Inc.

Message From The President

IFRS 9 implementation projects are well under way as target dates for testing, parallel runs and live deployment are quickly approaching. Many projects are discovering that implanting ECL accounting is a nuanced and highly detail driven exercise.

For companies behind in the implementation process, time is becoming critical. This in-depth, information packed conference has been designed to provide a benchmark on decisions taken to date as well as to provide critical insights to enable organizations to move forward decisively with their projects.

As organizations embark on their implementation projects many new operational tasks present unprecedented challenges including:

- Forward looking approach is incompatible with existing credit loss models
- Inadequacy of spreadsheets to manage accounting
- Portfolio segmentation and differing criteria for different asset classes
- Understanding the impact on credit risk including stress testing, knowledge of current and original credit risk levels
- How to define and measure significant deterioration in credit quality
- Determining approaches to calculating expected credit losses
- Allocating assets to stages and deriving historical information for disclosures
- Establishing stage allocation and transfer criteria
- Approaches to calculating expected credit losses
- Validation and backtesting of IFRS 9 models

All of these issues, and more, will be addressed throughout the two days of this conference. Banks, insurers, credit unions and government agencies overseeing financial services will obtain the most complete and current information on IFRS 9 impairment accounting available in Canada from the foremost experts in the field.

IFRS 9 Impairment – In-Depth has been specifically designed to meet your information needs and to examine the critical aspects of the new ECL rules and provide guidance on key concepts, terminology, operational impacts and project management to assist you in your implementation planning

I hope to meet you personally in December welcome you to an outstanding professional development experience.

Sincerely,



President, Acumen Information Services

P.S. Take advantage of this terrific learning opportunity to stay on top of crucial developments and, as well, to earn up **11.50 CPE hours**.

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- Chief Accountants
- Chief Risk Officers
- VPs, Directors and Managers
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 - Financial Reporting
 - Regulatory Accounting
 - Risk Management / Reporting
- Controllers
- Internal Auditors
- Audit Committee Members
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- Risk Managers
- Audit and Assurance Professionals
- Industry Regulators and Standard Setters
- Financial Analysts

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Program: December 13

9:00 a.m. - 9:05 a.m.

Welcome and Opening Remarks from the Chair

*George Priekšaitis, Partner, Ernst & Young LLP
and Global Member of the IASB Impairment
Transition Resource Group*

9:05 a.m. - 10:00 a.m.

**IFRS 9 and BCBS Expected Capital Losses –
A Comparative Update**

*Marc Buklis, Managing Director,
PricewaterhouseCoopers LLP
Esteban Villacis, Director, Financial Services Advisory,
PricewaterhouseCoopers LLP*

- “Significant increase in credit risk” – IFRS 9 vs. BCBS terms and objectives
- Similarities and differences in concepts and application
- Regulatory probability of default vs. IFRS 9 probability of default
- OSFI and BCBS expected credit loss guidance including final 2016 BCBS rules
- Integrating BCBS IFRS 9 guidance into accounting processes
- IFRS 9 and Basel III Capital – integration points
- IFRS 9 data requirements vs. Basel capital systems
- Impact on Capital
 - global perspective
 - impact on different product groups
- Anticipated changes to Pillar 3 disclosures

10:00 a.m. - 11:00 a.m.

**IFRS 9 Probability of Default – Estimation and
Differentiation from Basel Requirements**

*Mahdi Amri, Partner, Deloitte LLP
Ali Boudhina, Ph.D., Senior Manager, Deloitte LLP*

- Clarifying PD terminology
 - probability of default vs. default rate
 - point in time (PIT) vs. through the cycle (TTC) – IFRS 9 vs. regulatory accounting
 - lifetime PD vs. TTC PD
 - use of hybrid PD methodologies
- Calibrating PD
 - understanding the nature of rating models and their objectives
 - adapting TTC or PIT models to meet specific needs
 - ensuring model validation for effectiveness before calibrating
- Estimating lifetime PD
 - adjusting PIT PD for IFRS 9 forward-looking requirements

- forecasting macroeconomic scenarios for long term events
- approaches for macroeconomic adjustment of PD understanding the nature of rating models and their objectives
- developing PD term structure
- Utilizing a simpler approach – criteria and considerations
- Identifying what is not compliant for PD estimation
- Applying PD concepts to examples from different portfolios/segments

11:00 a.m. - 11:15 a.m. Morning Networking Break

11:15 a.m. - 12:30 p.m.

**Estimating Credit Losses – Modelling Loss Given
Default (LGD)**

Sohail Farooq, Co-Founder, Nexx Consultants

- IFRS 9 definition of “credit loss”
 - key parameters of “credit loss” under IFRS 9
 - what is “cash shortfall” and how is it to be computed?
 - is LGD equivalent to “cash shortfall”?
 - secured vs. unsecured exposures
 - credit enhancements
- Estimating/modelling LGD
 - LGD estimation approach
 - using IRB LGD models for IFRS 9 LGD
 - differences between IRB LGD and IFRS 9 LGD estimates
- Approaches for measuring and estimating LDG
 - Basel LGD vs. IFRS 9 LGD
 - discounting LGD using effective interest rates
- Considerations for the development of an effective LGD model
- Forward looking adjustments
- Issues for larger institutions vs. smaller institutions

12:30 p.m. - 1:30 p.m. Luncheon

1:30 p.m. - 2:40 p.m.

Stage Assessment and Stage Migration

*Abhimanyu Verma, Partner, KPMG LLP
Sandeep Patkar, Senior Manager, KPMG LLP
Raghuvir Rajagopalan, Senior Manager, KPMG LLP*

- Interpreting significant increase in credit risk
- Assessing credit risk – required information and it sources
- Challenges for different exposures - non-retail and retail
- Measuring PD at origination – portfolio and segment considerations
- Lifetime for assessing significant increase in credit risk
- Establishing criteria for reflecting portfolio quality deterioration over time

- Short term comparisons (rating grades, 12 month PDs) and lifetime PD comparisons
- Defining credit deterioration triggers – what is acceptable, what do you need?
- Incorporating “expected” defaults into deterioration triggers
- Incorporating forward looking information and integrating future looking scenarios
- When “practical expedients” may be used
 - balancing practical expedients vs. BCBS/OSFI high quality implementation requirements
- Balancing quantitative and qualitative thresholds in staging
- Rebuttable presumptions and how to build them into triggers
- Assessing assets at the individual and group level
- Stage 1 to Stage 2 transfer
 - basing transfer criteria on Basel risk measures
 - what are optimal transfer criteria?
- When must an asset move to Stage 3?

2:40 p.m. - 3:00 p.m. **Afternoon Networking Break**

3:00 p.m. - 4:20 p.m.

Exposure At Default (EAD) Under IFRS 9

Sohail Farooq, Co-Founder, Nexx Consultants

- EAD coverage IFRS 9
- What does “lifetime” mean under IFRS 9
- Stage determination under IFRS 9
 - Stage 2 – expected lifetime
 - Stage 3 – lifetime
- Basel vs. IFRS 9
- EAD – performing and non-performing accounts
- Addressing long term maturity considerations (12 months and beyond)
- Taxonomy of credit facilities and current industry practices
- A survey of approaches for EAD determination
- Approaches for calculating prepayment and credit conversion factor
- Considerations for segmentation
- Incorporating forward looking EAD parameters to determine Lifetime Expected Losses under IFRS 9

Program: December 14

9:00 a.m.

Opening Remarks from the Chair

George Prieksaitis, Partner, Ernst & Young LLP and Global Member of the IASB Impairment Transition Resource Group

9:00 a.m. - 10:15 a.m.

IFRS 9 Transition - Current Issues & Current Hot Topics

George Prieksaitis, Partner, Ernst & Young LLP and Global Member of the IASB Impairment Transition Resource Group

- Examination of issues affecting Canadian financial institutions arising from ITG discussions
- Working with the Global Public Policy Committee (GPPC) on *Implementation of IFRS 9 by Banks*
- Issues in applying the Basel Committee Consultative Paper on “Guidance on Accounting for Expected Credit Losses” and OSFI Guidelines on Collective Allowances
- Review and results of EY’s September “IFRS 9 Observer” global survey
- Current challenges in modelling expected lifetime losses
- Pronouncements from the Financial Stability Board’s (FSB) Expanded Disclosure Task Force
- IFRS 9 implementation plans – are you in the right place?

10:15 a.m. - 11:10 a.m.

Build vs. Buy – Implementation and Macro Forecasting Using Excel

Cayetano Gea-Carrasco, Managing Director, Moody’s Analytics

- IFRS 9 impairment programs outlook
 - implementation progress on ECL processes
- Challenges and lessons from organizations of different sizes
 - data, analytics/scenarios, processes and disclosure/reporting
 - governance
 - business impacts: capital, origination strategy and pricing
 - can Excel be used to manage ECL compliance – when would it be appropriate?
 - case studies of calculations and macroeconomic forecasting using an excel solution
- Build vs. Buy
 - Moody’s experience with firms of different sizes

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- trade offs, functionality, determining what is really needed
- best practices in achieving a common interpretation of the standard

11:10 a.m. - 11:30 a.m. **Morning Networking Break**

11:30 a.m. - 12:30 p.m.

Macroeconomic Forecasts – Forward Looking and Probability Weighted

Abhimanyu Verma, Partner, KPMG LLP
Sandeep Patkar, Senior Manager, KPMG LLP
Raghuwoir Rajagopalan, Senior Manager, KPMG LLP

- Forward looking recognition of credit losses on the balance sheet
 - retail/consumer & small business
 - commercial
 - corporates and banks
- Consideration of future stage 2 allocation
- Quantitative evaluations and qualitative overlays
- Macroeconomic scenarios
 - how many are appropriate
 - profiling the macroeconomic challenge
 - macro factors and credit factors to incorporate
 - multiple scenarios vs. multiple outcomes – what is required?
- Determining an unbiased probability-weighted outcome
 - stress testing scenarios
 - probability weighted vs. deterministic
 - developing the baseline scenario – median as opposed to the mean
 - what must be considered and modelled?
 - issues for different portfolios
 - how to establish staging assessment and ECL measurement is unbiased when developing
 - macroeconomic scenarios
 - probability weights
 - range of outcomes
- Linking macroeconomic forecasts PIT measures

12:30 p.m. - 1:30 p.m. **Luncheon**

1:30 p.m. - 2:30 p.m.

Validation and Backtesting of IFRS 9 Models

Shawn Sampson, Senior Manager, Financial Services Risk Management Advisory, Ernst & Young LLP

- Backtesting requirements
- Data

- Identifying possible validation tests and performance metrics
- Understanding validation of IFRS 9 models vs. IRB/AIRB models
- Differences for wholesale/corporate vs. retail models
- Operational challenges

2:30 p.m. - 3:20 p.m.

IFRS 9 Impairment Disclosure Including EDTF Guidelines and CSA/OSC Considerations

Eni Petrela, Senior Staff Accountant, Ernst & Young LLP

- New disclosures for impairment under IFRS 9
 - credit risk
 - asset quality
- Interaction with IFRS 7 and other standards
- EDTF final report on disclosure changes banks will need to make for ECL implementation
 - recommendations and how OSFI is responding
 - temporary considerations for transition
 - permanent considerations surviving transition
- IASB disclosure initiative – considerations for IFRS 9 impairment disclosures
- How new requirements create processes subject to rigors of financial reporting/disclosure
- Implementation process and considerations
- Transition disclosures

3:20 p.m. - 3:35 p.m. **Afternoon Networking Break**

3:35 p.m. - 4:30 p.m.

IFRS 9 Expected Credit Losses – Audit Challenges

Amit Chalam, Senior Manager, KPMG LLP

- Identification of significant risks
- Forward-looking information requirements
 - governance over setting of assumptions
 - backtesting
 - corroboration with external data
 - completeness
 - reasonable and supportable information
- Judgmental considerations
 - range of estimation uncertainty
 - granularity of decisions
 - quality of credit risk data
 - practical expedients and accounting judgments
- Dealing with estimates not addressed by existing auditing standards
- Adequacy of systems and controls
- Use of experts
- Auditor's involvement in implementation planning

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