9098

In-Class

24 hours

GBP 750 + EGP11,000

Course Description:

IFRS 9 is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognized in profit and loss as they arise ("FVPL"), unless restrictive criteria are met for classifying and measuring the asset at either Amortized Cost or Fair Value Through Other Comprehensive Income ("FVOCI").

One of the major elements of the change for banks is that they now need to assess the lifetime loss expectation rather than just the previous one-year view. This results in incorporation of forward-looking guidance and the development of appropriate models. Model validation consequently becomes of even greater importance.

This course looks at the key issues concerning credit risk provisioning and IFRS 9 and considers the management approach to be taken within a bank.

Target Audience:

This course is designed for finance, reporting credit risk and other professional involved with the IFRS 9 process.

Course Objectives :

By the conclusion of this event delegates will have gained an understanding of how to manage :

- The staging within IFRS 9
- The credit calculations that are required to be undertaken
- The life time credit assessment
- What is a significant diminution in credit quality

Course Outline:

Session 1: Brief Refresher on the Framework of IFRS9

- Main elements of IFRS 9
- FVPL and FVOCI
- Impact on modelling
- Key issues with modelling PD
- Key issues with modelling LGD
- Key issues with modelling EAD

- 12 months and lifetime assessment
- Modelling approaches
- Definition of default
- Non-modelled portfolios

Session 2: Calculating ECL

- Identifying data
- Developing a model for expectations
- Building and developing the risk pool
- Making the risk pool data valid
- Validation prior to use
- Back testing
- The nature of the calculation
- Calculating PD
  - Data considerations
  - Identification of pool characteristics
  - The modelling approach
- Calculating EAD
  - Using our own loss data
  - Understanding how facilities move to default
  - Calculating pool EAD
  - Data considerations
- Calculating LGD
  - Data considerations
  - Collateral values
  - The modelling approach

Session 3: Managing IFRS 9 Model Risk

- Conceptual soundness
- Robustness, consistency and accuracy
- Meaningful differentiation of risk
- Selection of variables (obligor characteristics, transaction characteristics, macroeconomic factors)

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- Changes in the economic and credit environment
  - Overall
  - At risk factor level
  - At business or strategy level

Session 4: Specific IFRS 9 Model Validation Issues
- The three phases and their impact on model validation
- Evaluation of risk stage determination
- Review of robustness of staging thresholds
- The one-year assessment and movement to lifetime value
- Validating PD models
- Data quality and reliability standards
- Data stability
- Data cleansing and scaling
- Validation of data and data analysis
- Model discrimination
- Model Calibration
- Validating correlation
- Validating data quality and aggregation
- Validating LGD models
- Validating economic input data
- Validating EAD and data stability
- Different approaches and techniques
- Exposure weighted measures
- Validating qualitative data

Session 5: Validating Low Default Portfolios
- The issues
- Problems with data
- Dealing with sampling

- Dealing with tail risk
- Using confidence levels
- Validation of data in low default populations
- Usage of synthetic data

Session 6: Other Issues
- Sensitivity analysis
- Stress testing methodologies, inputs and outputs
- Scenario modelling approaches, inputs and outputs
- Reporting to management
- Reporting externally
- Reporting on model validation framework
- Reporting on model validation methodology
- Periodic validation report
- Model monitoring

Course Provider:
Risk Reward