MAURITIUS BANKERS ASSOCIATION LIMITED

2 Full Day Course on

Credit Risk Analysis, Measurement Techniques and Applications under IFRS 9

- *Tackling practical and methodological challenges for impairment and provisioning models to ensure timely and accurate IFRS 9 compliance*

14 Hours CPD Points

(MQA Approval in Process)

1. Course Description

IFRS 9 fundamentally changes the way banks develop and use some of their credit risk models and the industry is currently running up against numerous methodological and practical issues in the preparation for compliance. Banks need to decide how they will run their projects and manage the ownership issues arising between risk and finance, as well as to what extent they can (and should) leverage their Basel models, before moving onto the methodological complexities around expected credit loss, the forward looking approach, and point in time modelling, on which an industry consensus is urgently required.

There are the issues surrounding back testing and validation, and ensuring you have enough of the right kind of data for your modelling projects. Surrounding all this, are the wider questions of how credit risk modelling is changing and the relationship between Basel and IFRS 9 going forward, which makes for a challenging and uncertain industry environment.

This in-house training will give participants practical demonstrations of how industry leaders are developing and implementing the models required for IFRS 9.

Detailed case studies will demonstrate the most effective ways of tackling some of the practical issues around implementation such as setting up and running IFRS 9 projects, stakeholder management between the risk and finance functions, and determining the approach to take to your models.

Participants will also learn how their peers are defining some of the key terms and parameters around IFRS 9, ensuring they are on the same page as other key players when it comes to the three bucket approach and lifetime expected loss.

2. Target Audience

The following staffs are targeted:

Executives, Presidents, Vice Presidents, Treasury Management staff, Compliance Departments, Managing Director, Directors, General Managers, Head of Departments, Senior Managers, Regional Managers, Managers, Supervisors from the following job functions: Credit Risk Modelling; Credit Analytics; Risk Modelling; IFRS 9; Model Validation and Stress Testing

3. Course Objectives

After this course, delegates are expected to gain insights into best practice strategies and techniques, including:

- ✓ Determine what your approach to credit risk modelling should look like under IFRS 9
- ✓ Get practical examples of how forward looking and point in time methodologies should look Validate and back test your IFRS 9 models effectively and overcome the data issues involved
- ✓ Hear the latest updates on regulation and future challenges

4. Methodology

This course employs a combination of instructor-led sessions, case studies, group exercises, scenarios and discussions with the following:

- ➢ Practical workshops and worked examples
- ➢ Comprehensive course documentation
- ➢ Interactive roundtable discussion and breakout sessions
- ➢ Hands-on ‘learning by doing’

Trainer:
Sunjay Lutchmun from Marcus Events, Malaysia
(Detailed CV attached)

Venue: Le Labourdonnais Waterfront Hotel, Port Louis

Dates:

Batch 1: Monday 16 and Tuesday 17 January 2017

Batch 2: Wednesday 18 and Thursday 19 January 2017

Cost:

A participation fee of Rs 20,000 per attendee to cover the cost of materials, refreshments, lunches and a Certificate of Attendance from Marcus Events.

DAY ONE
EXAMINING APPROACHES TO IFRS 9 COMPLIANCE IN THE RISK MODELLING FUNCTION

Session One
Understanding the regulatory demands of IFRS 9 on credit risk modelling
• What does the IFRS 9 regulation mean for the credit risk modelling function?
• Understanding industry benchmarks in risk modelling
• What are key stakeholders (Regulators, auditors, banks) looking for and where are their concerns?

Session Two
IFRS 9: From Regulation to Implementation & Beyond
• Understanding the impact areas: Financials, processes, people and technology
• Minimizing the impact: Approach towards IFRS 9 modelling and implementation
• Post IFRS implementation
• Understanding secondary impacts: Connecting IFRS 9 with pricing, collections and limit decisions

Session Three
The new future of credit risk modelling: What does it look like and how should we prepare?
• Understanding the link between mature and new regulations; interconnectedness of future regulations, clarification in a complex regulatory environment
• Ensuring you have the right modelling talent in place for the future: Changes to the required skill sets for credit risk modelers
• Basel IV: A more standardised approach for the future?
• Meeting the technical challenges of the future: IFRS 9, stress testing, CCAR, and more
• The challenges 'big data' presents for modellers

Session Four
Improving overall risk management of portfolios
• Evaluation methods from major banks
• Improving data quality
• Finding a good combination between controlling data
• and reducing expenses
• Keeping internal risk sensitive methods and provisioning

Session Five
Lessons learned on the implementation of IFRS 9 models
• Model design
• Granularity of PD models and transition matrices
• Consequences of overlap with IRB models
• How forward looking should these models be?
• Monitoring regime
• Examples of common pitfalls

Session Six
IFRS9 and Practical Modelling Challenges:
• Examples of how Basel models can be leveraged for IFRS9
• Challenges around introducing PiT-ness into the estimation
• Bucket 1 to 2 transfer criteria – what is practical versus what is required
• Back-testing and validation – required and expected level of granularity
• Forward looking LGDs and EADs – practicality around this
• How to deal with the expected volatility in provisions

• Reconciling expectations from BCBS and IAS

DAY TWO

TACKLING THE METHODOLOGICAL CHALLENGES OF CREDIT RISK MODELLING

Session One

Staging methodology: Requirement versus practical implementation

• Technical approaches to transferring between buckets
• What are the practical challenges related to transfer between the three stages?
• What about transferring back?
• Measuring 'significant increase'

Session Two

Estimating Point In Time Probability of Default

• Do 'point in time' PD estimates comply with 'forward looking' requirements under IFRS-9?
• Practical aspects of model design and methodology selection
• Leveraging existing models and capital management framework e.g. Basel IRB models and stress testing models
• Lifetime PD estimation approaches
• Incorporating macro-economic drivers into forward looking estimates
• Model design considerations for program managed (high default frequency) versus transaction managed (low default frequency) portfolios
• Minimizing spurious volatility in PD estimates and provisions

Session Three

The forward looking approach in practice: What are the issues and how are they being overcome?

• How forward looking does your model have to be? How forward looking can it be?
• What does the practical implementation of the forward looking approach look like?
• What kinds of lifetime components are being used?
• Lifetime expected credit loss allowance
• Regulatory guidelines on approaching the forward looking aspect
• The implications of this model for the bank: How might forward looking capability drive the bank's strategy?

Session Four

IFRS 9: A complete game changer for banks

• Not just another Accounting or Financial Reporting standard
• Impact on business and policy regulation
• What this mean to internal and external stakeholders
• Effect on Profit & Capital Charge
• Changes to risk management strategies
• Increased transparency and accurate reporting of risk