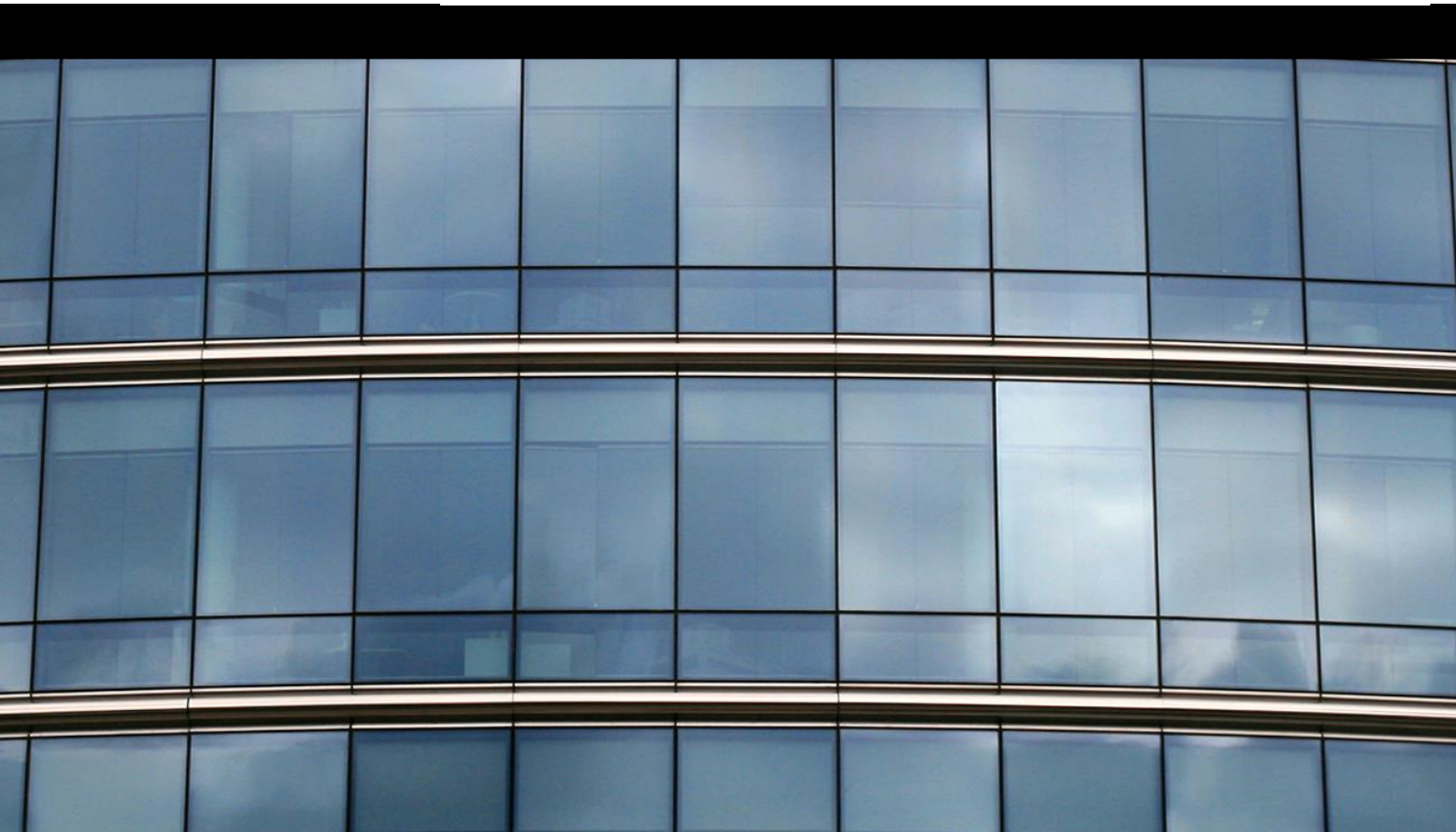
A comprehensive analysis of IFRS9 implications and challenges



Executive Summary

Regulatory changes are not new to the Financial Services industry, but they have certainly grown in volume as well as complexity in recent years. FiSer Consulting understands the impacts and challenges from this continuous volume of regulations as well as the impact on the core functions and infrastructure of financial institutions. We are heavily engaged with our clients on all such aspects affecting their business and remain a tried and trusted leading and support advisor. A major game changer is the new Standard introduced by the IASB which effectively replaces IAS39 with IFRS9.

The main aim of IFRS 9 is to increase the relevance of accounting provisions to transfer information from the organisation to investors and to the regulators about those events that can be reliably forecast. This will in turn reduce the noise from arbitrary effects as a result of errors and really making accounting provisions relevant, as far as possible, to investors. The new standard fundamentally alters earnings and the balance sheet that are reported on.

With less than a year to final implementation date, most organisations should be preparing to conduct a parallel run with the respective reporting to follow. However, this is generally not the case and there is a still many milestones to be reached prior to 1 Jan 2018.

In this paper, we will outline how the Standard has evolved from IAS39, the changes that have been proposed and a detailed analysis in terms of technology, resource, modelling and data as well as the actions to be considered in adopting to IFRS9.

Seperately, we will detail the services that FiSer Consulting provides and how we can help you best respond in a proactive manner to the new benchmark in financial reporting.

Contents

	page
The move to IFRS9	3
Summary of IFRS9 changes	4
High Level Impact Analysis	4
Credit Losses- Overview, Impact & Actions	6
Classification and Measurement	7
Hedging- Overview, Impacts and Actions	9
Disclosure- Overview, Impacts and Actions	10
Impact on Models	11
Data Considerations	11
Optimal Compliance	12
Our Services	15
Glossary of Terms	17
Next Steps	18

The move to IFRS9

IFRS9 replaces IAS 39, one of the Standards inherited by the IASB when it began its work in 2001. Many preparers of financial statements, their auditors and user of said financial statements found the requirements for reporting financial instruments complex. IFRS9 is a response to these concerns. Work on IFRS9 was further accelerated in response to the financial crisis. In particular, interested parties including the G20, the Financial Crisis Advisory Group and others highlighted the timeliness of recognition of expected credit losses, the complexity of multiple impairment models and own credit as areas in need of consideration. The final Standard was published in July 2014 after several incremental publications which now completely cover the phases below. The IFRS9 Standard is subdivided into three main phases:

- Impairment
- Classification and Measurement
- Hedge accounting

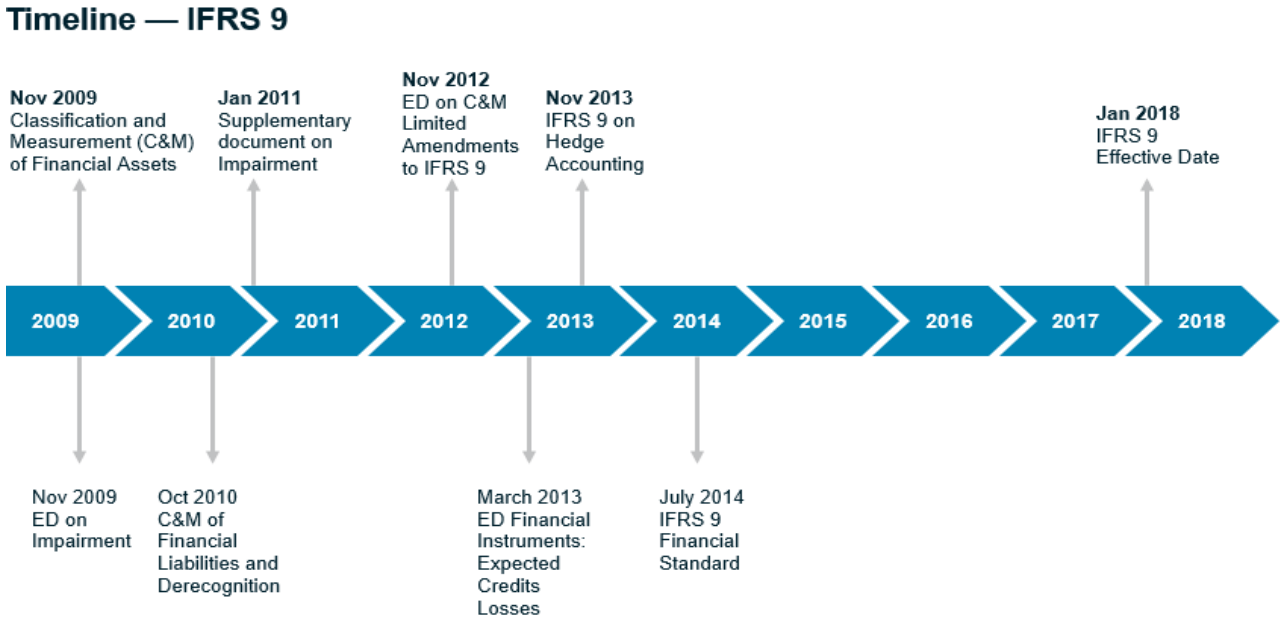
Each of these individual phases and its impact on the business will be detailed further on in this paper. The rollout of IFRS9 will be a catalyst in sustainable best practice by linking finance, regulation, compliance and risk management.

IFRS9 has foundations which have commonility with a number of other key regulatory trends. The foundation for an easier implementation can be achieved if an organisation has performed well in implementing:

- BCBS 239 for data management
- Comprehensive Capital Analysis and Review
- Dodd- Frank Act Stress Test
- EBA stress testing
- Rigorous enterprise credit and counterparty risk management via IRB
- Close working practices, with risk management and finance sharing a common culture with regards to risk-adjusted performance management

We acknowledge that this will not be the case for most organisations and hence the need to start adequately planning a strategy and approach to meet the tight regulatory deadlines.

IFRS9 is effective for annual periods beginning on or after 1 January 2018, subject to endorsement in some territories. With the large amount of work involved and resourcing requirements to be engaged to achieve this deadline, its imperative that organisations act swiftly to comply.



Summary of IFRS9 changes

Credit losses
Reported credit losses are expected to increase and become more volatile under the new expected credit loss model. The number and complexity of judgements is also expected to increase.

Classification and measurement
How financial assets are classified becomes more judgemental and may affect how capital resources and requirements are calculated.

Hedge accounting
Hedge accounting is more closely aligned with risk management and is available for a broader range of hedging strategies.

Disclosures
Extensive new disclosures are required. System and controls changes will be necessary to capture the required data.

High level impact analysis

We see the following having a major impact on an organisation. It certainly points to a proactive approach to complying with the requirements of the new Standard.

- **Increase in provisions**: Pricing of products will be increased as the provisioning of (Expected Credit Losses (ECL) will more than likely increase by half of its current levels. Any increases in provisions directly decrease an organisations KPI's i.e. profits and balance sheet equity, and affect the KRI's i.e. capital adequacy ratios under the Basel framework.

- **ECL Recognition**: The new standard requires banks to recognize ECL at all times, for all financial instruments, and at the individual asset level. It also requires organisations to update the ECL amount at each reporting date to reflect changes in the credit risk of financial instruments. This significantly increases the number and frequency of impairment calculations to be performed and the amount of information to be collected.

- **Forward looking calculations**: Under IAS39, the effects of possible future credit loss events cannot be considered, even when they are expected. However, under IFRS9, the impact of future events has to be assessed, and in a way that covers any future credit events and any relevant future macroeconomic and market developments. This forward-looking requirement will further increase measurement complexity and require additional data collection and analysis.

- **New information requirements**: IFRS9 expands the information that an organisation must consider when determining ECL. Such ECL measurements must be based on reasonable, timely and supportable information, both historical and forecast in nature. All this information must be obtained on an individual account level and then stored, managed and reconciled with the general ledger on an aggregated level. Organisations will need new technology solutions capable of dealing with massive amounts of data. And this comes at a cost on both a capital and operational level.

- **New credit risk modelling:** Banks will need to develop a new set of credit risk models for IFRS9 ECL measurement. Inputs from the existing Basel credit risk models could be used. However, due to the number of differences between the two frameworks, IFRS9 ECL models will still have to be treated, reviewed and managed separately. Additionally, to tackle the forward-looking aspect of IFRS9, additional models will have to be adjusted or created to cover macroeconomic parameters, prepayments, collateral value and other areas. The number of models will increase significantly, which will have a ripple effect on

existing model development, validation, and deployment processes and technology.

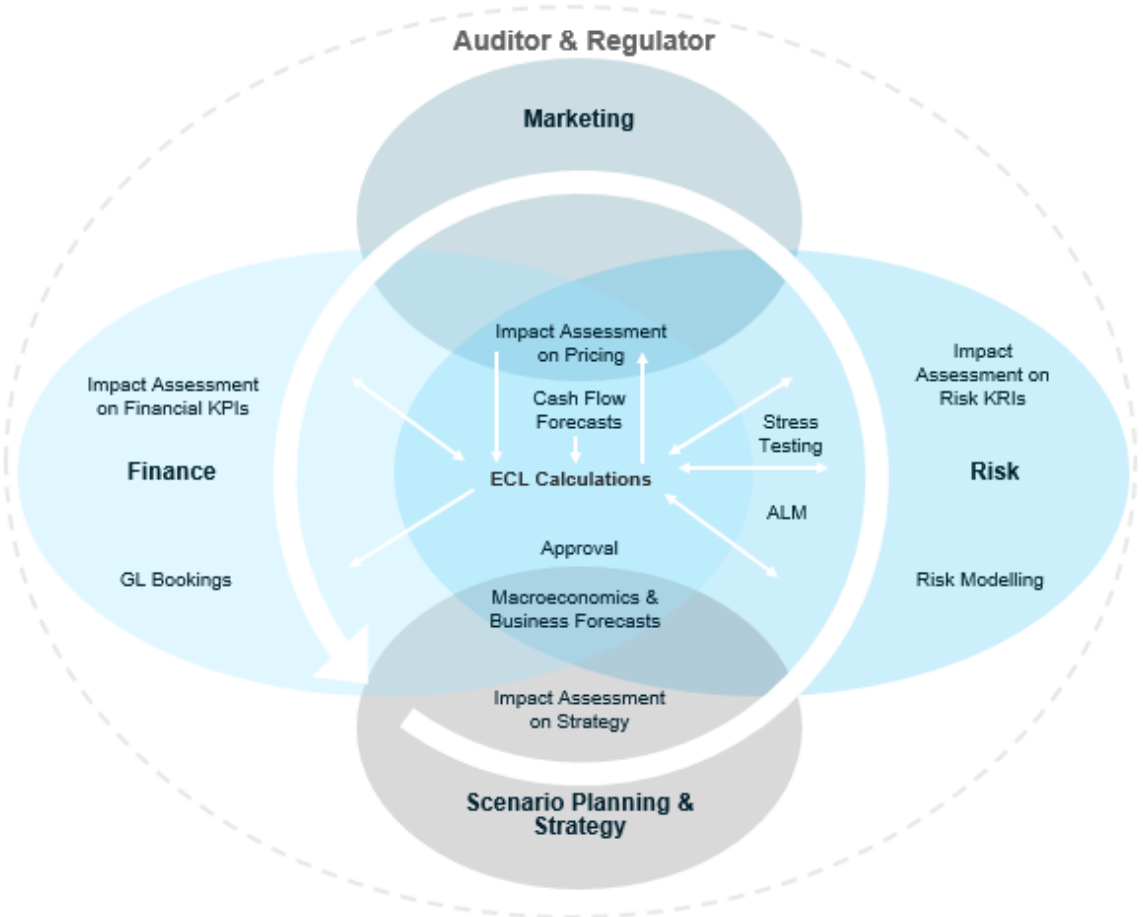
- **Investing in high performance solutions:** IFRS9 creates a great deal of room for subjective interpretation and methodological choice. Each interpretation and choice can potentially have significant financial impacts on organisations. In order to identify the optimal interpretations and choices, organisations should assess and review all plausible approaches by running multiple simulations on relevant data sets. Due to the strong and indirect dependencies between calculations of KRIs and KPIs, organisations will likely need to perform full recalculations in order to properly assess the impact of these choices.

  Given these complexities, the large data volumes involved and the broad scope of IFRS9, organisations using their existing technologies will face performance challenges and processing bottlenecks when running simulations to determine optimal choices. They can avoid these bottlenecks by investing in higher performance/best of breed solutions.

- **Alignment with Other Bank Processes:** There will be sizable overlap and dependencies between the various components of the ECL measurement process and other existing processes within banks e.g. ALM, processes related to stress testing, pricing, credit risk modelling. Organisations should therefore not only facilitate proper sharing of information across these different areas, but also strive to drive synergies between these processes for greater efficiency and effective governance.

  Our experiences with process design and data warehousing structures can guide you along the most effective approach.

  The diagram below provides an overview of the overlap and dependencies in the ECL measurement process.



A more comprehensive analysis now follows on each specific phase and considerations to take in to account:

Credit Losses due to Impairment

Overview

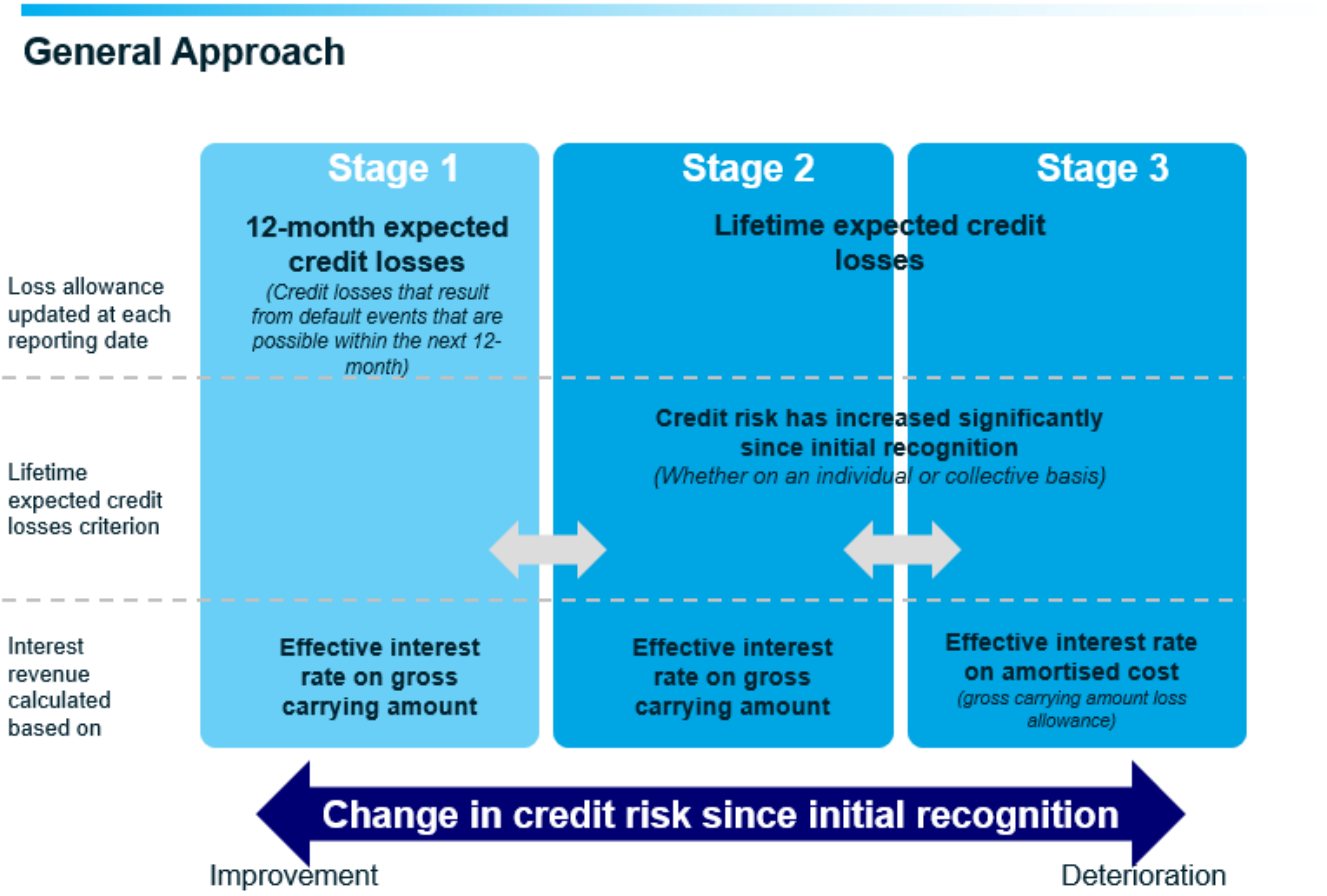
IFRS9 introduces an expected credit loss (ECL) model, which uses a dual measurement approach that requires recognition of either 12-month ECLs or lifetime ECLs: 12-month ECLs for those assets that have not suffered a significant increase in credit risk since initial recognition; lifetime ECLs for those that have.

Impacts

- The new model relies on organisations being able to make robust estimates of ECLs and establishing when significant changes in credit risk occur, increasing the level and complexity of judgement significantly.
- Equity, regulatory capital and KPIs may be significantly affected as they will reflect ECLs as well as incurred credit losses. Volatility will also increase as external data, such as ratings, credit spreads and predictions about future conditions, will be assessed in the calculation of ECLs.
- New systems and processes as well as associated internal controls, will be needed to meet the ECL model's extensive new data and calculation requirements. E.g. estimates of 12 month and lifetime ECLs. Information will also be required to determine whether a significant increase in credit risk has occurred or reversed.

Actions to Consider

- Decide how the model will be applied to different financial assets and how key terms such as 'significant increase' and 'default' will be defined in the context of financial assets held.
- Develop appropriate methodologies and controls to ensure judgement is exercised consistently throughout the organisation.
- Design, implement and test new systems, databases and related internal controls to collect the additional data e.g. historical loss data and economic forecasts.



- Incorporate the new requirements into capital planning and stress testing to ensure the potential impacts under adverse scenarios are properly understood and addressed.
- Identify KPIs and management information that will be used to monitor ECLs.
- Consider developing a plan to reduce potential volatility e.g. by diversifying products within portfolios to reduce concentrations of credit risk or adjusting maturities of products.

Classification and Measurement

Overview

IAS 39 contained many different classification categories and associated impairment models. Many of the application issues that arose with IAS 39 were related to the classification and measurement of financial assets.

Based on feedback received, the IASB decided that the most effective way to address such issues and improve the ability of users of financial statements to better understand the information about the amounts, timing and uncertainty of future cash flows, is to replace the existing classification and measurement categories for financial assets.

The table below provides an overview of the differences between the two Standards:

IAS 39 Classification	IFRS9 Classification
Rule based	Principles based
Complex and difficult to apply	Classification based on business model and nature of cash flows
Own credit gains and losses recognised in profit or loss for fair value option (FVO) liabilities	Own credit gains and losses presented in OCI for FVO liabilities
Multiple impairment models	One impairment model
Complicated reclassification rules	Business model driven classification

Impacts

- IFRS9 requires financial asset classification to be based on contractual cash flow characteristics and the business model for managing the asset. The objective of the contractual cash flow characteristic test is to determine if the cashflows are Soley Payments of Principle and Interest (SPPI) outstanding. Judgement is therefore required in determining whether the SPPI criterion is met eg. if the interest rate resets every month to a one-year rate, then determining whether the SPPI criterion is met may require a quantitative assessment.
- The testing of such SPPI criterion is largely left to the discretion of individual organisations due to its subjectivity. However, this gives rise to several challenges which are detailed below.
- How an organisation classifies its financial assets could affect how its capital resources and capital requirements are calculated, and create volatility in profit or loss or equity. Hence the need to ensure this is accurate and the interpretation is fully understood.
- It may also influence product features in loan contracts, and processes such as loan underwriting and buying of securities.

Skill gaps	Complexity of commercial loan agreements	Difficulties in interpretation
•Due to the large volume of contracts, significant time and effort may be required to read and interpret all related clauses. Dedicated subject matter experts may need to be recruited. Monotonous nature of such work will lead to high levels of human error. The lack of knowledgeable staff to perform SPPI testing will lead to inaccuracies and delays.	• Organisations with a larger proportion of commercial loans to retail loans may face relatively greater difficulties. Commercial loan clauses are more customised. Special caution needs to be exercised in interpretation.	• Organisations may find it difficult to interpret the requirements of the standards correctly and decide conclusively whether the financial instrument passes the SPPI test or not. • NOTE: For the purposes of this paper such interpretation challenges are not listed.

Actions to Consider

- Perform a comprehensive review of all financial assets to ensure they will be classified and measured appropriately.
- Upgrade accounting systems to ensure they can capture information needed for classification and measurement.
- Develop appropriate methodologies and controls to ensure judgement is exercised consistently throughout the organisation. Determine and assess the potential impact on regulatory capital.
- Consider changes to contractual terms or business models.
- With regards to SPPI challenges (which have been listed above), an organisation could tackle such challenges in the following manner:

i) Bridge the skills gap by onboarding resources with the required expertise IFRS9 requirements. This will enable sound and quick decisions with regards to interpretation, evaluating contracts, classification of financial instruments etc.

ii) Leverage emerging technologies by way of machine learning and NLP. These tools could provide considerable efficiency in terms of interpreting lengthy and voluminous contracts.

iii) If an organisation plans to conduct SPPI testing manually, then it must build tools and accelerators in house. These could be frameworks, checklists and so on. Not only will this expedite SPPI assessment given that testing is repetitive in nature, but these tools will also help to ensure reliability and accuracy tests.

Hedge Accounting

Overview

The hedge accounting requirements in IAS 39 were developed when hedging activities were relatively new and not as widely understood as they are today. Because of the increased use and sophistication of hedging activities the IASB decided to undertake a fundamental overhaul of all aspects of hedge accounting. Hedging risks and components of items has become common business practice. Investors have said that they want to be able to understand the risks that an entity faces, what management is doing to managed those risks and how effective those risk management strategies are.

Many investors believed that the IAS 39 hedge accounting requirements fall short in providing this information. Thus, investors often use non-audited information to understand risk management. Investors, and others, also believe that the requirements in IAS 39 are arbitrary and too rule-based, and they are for a closer alignment with risk management. In addition, many feel that IAS 39 does not allow entities to adequately reflect their risk management practices. E.g. there are instances in which hedge accounting cannot be applied to groups of items, whereas for risk management purposes items are often hedged on a group basis. In addition, IAS 39 does not allow hedge accounting to be applied to components of non-financial items, but when entities hedge such items they usually only hedge components of them.

This meant that the greatest challenges were faced by those hedging non-financial risks; therefore, entities hedging such risks (such as non-financial institutions) are expected to benefit most from the new hedge accounting model. Others believed that the disclosure requirements in IAS 39 did not provide sufficient

information in the financial statements about an entity's risk management activities. Hence the introduction of IFRS9.

Impacts

IFRS9 allows an organisation to switch to a new hedge accounting model that is aligned more closely with risk management. The new model may allow additional hedging strategies, but some current hedging strategies may be restricted.

- The new model is more principles-based i.e. the hedge effectiveness test under IAS 39 falls away and a more judgemental approach is required in the assessment of qualifying, rebalancing and discontinuing hedge accounting.

Actions to Consider

- Assess whether to adopt the new IFRS9 hedging model or remain with IAS 39 hedge accounting.
- Determine which newly permissible hedging strategies are in line with current risk management objectives.
- Assess whether current hedge accounting documentation provides a sufficient link between individual hedging relationships and the related risk management objective, and document the steps necessary to meet new effectiveness requirements.

Disclosures

Overview

In addition to improving the accounting for impairment, the new model is accompanied by improved disclosure about expected credit losses and credit risk. Organisations are required to provide information that explains the basis for their ECL calculations and how they measure expected credit losses and assess changes in credit risk.

Organisations are also required to provide a reconciliation from the opening to the closing balances for 12-month loss allowances separately from lifetime loss allowance balances. This is provided along with a reconciliation from the opening to closing balances of the related carrying amounts of financial instruments subject to impairment.

The reconciliations are required to be provided in a way that enables users of financial statements to understand the reason for changes in the allowance balances. Examples of this are whether it is caused by changes in credit risk or increased levels of lending. In addition, in response to requests from users of financial statements, information is required to be provided about the credit risk of financial assets by rating grades and about financial assets on which contractual cash flows have been modified.

Impacts

- Extensive new qualitative disclosures are required to explain how judgement is exercised as well as quantitative disclosures about financial assets.
- Extensive new disclosures are also required for impairment. Sourcing the additional information could be complex and time-consuming.
- Additional disclosure requirements will apply for hedge accounting.

Actions to Consider

- Identify key policies, inputs and assumptions, and design disclosures that meet the requirements of IFRS9 and investors/stakeholders.
- Assess current systems to identify data gaps that need to be filled to meet the new disclosure requirements.

Impact on Models

Point in time Default Probability (PD)

- Credit provisions are currently posted on an incurred loss basis. Models will now need to predict credit exposure at PIT rather than 'through the cycle' (TTC), which is the basis for Basel IRB.
- Twelve month expected credit losses used for reg purposes are normally based on TTC probabilities of a default in cycle-neutral economic conditions. PD used for IFRS9 should be based on PIT and therefore will change as an entity moves through the economic cycle.
- Historic data will be required (especially origination data) to build 12 month and lifetime estimates of PD, LGD and EAD.

Model validation will follow many existing IRB processes, but will diverge from them in these key areas:

- There is likely to be more diversity in the models that require testing e.g. the complexities in validating low default portfolios and expert judgement models, especially LGD calculations.
- IRB models are tested as TTC and IFRS9 models are PIT, so validation for IFRS9 will be a parallel and separate process to IRB.
- IRB does not require full coverage of the balance sheet; however, IFRS9 coverage is much higher, so more models will require validation.

Model validation will be required at a minimum to cover the following:

- **Review of model documentation** – methodology, delivery of models and testing.
- **Governance process** – status, compliance and appropriateness.
- **Methodology review** – challenges to the techniques used and focus on weaknesses and limitations. IRB models often cater for weaknesses by being conservative; however, IFRS9 models are not meant to be conservative, but best estimates.
- **Review of model performance** – through backtesting, historic model testing for each period under review, reperforming models, comparison of model performance using other models, etc. IRB calibration tests will need to be enhanced for IFRS9 calibration, including:
  - **Calibration for a maximum of 90 days past due** (DPD) for IFRS9 (with some exceptions) versus possible 180 DPD for IRB. Conservatism in IRB models to adjust for model error or uncertainty versus IFRS9 measures that are meant to be the current best estimates.
  - **Expected life can be greater than contractual life** e.g. revolving credit facilities, which can affect the quantum in the EAD calculation.

Data considerations

- An ideal scenario for all organisations is one where BCBS 239 constrained data is easy for the accounting function to access and any questions regarding the origin of data are readily available.
- Complete and frequent reconciliation of risk and accounting data needs to be evident.
- Requires a uniform segmentation of assets and liabilities into products and portfolios. One that is coherent across risk and finance.
- From a technology perspective, duplication of work needs to be minimised and these processes should be automated to improve the soundness and reliability of the banks results.
- Require the ability to monitor redesigned processes and enforce control frameworks at business unit and product levels.
- Tracing of lineage of data inputs into systems.
- Need to demonstrate full data and process lineage across enterprise core financial, treasury, operations and risk management functions.

- Reports should be able to allow a user to trace a data point straight to the initiating production system.
- Current issue faced by organisations is that the ETL process does not make it easy to maintain data quality and lineage when data is transformed by the process. If there is a change at the production system level, then the ETL processes have to be modified accordingly, which means frequent and painful reviews.

Optimal Compliance

The following highlights eight steps that organisations should take to reach optimal compliance with IFRS9.

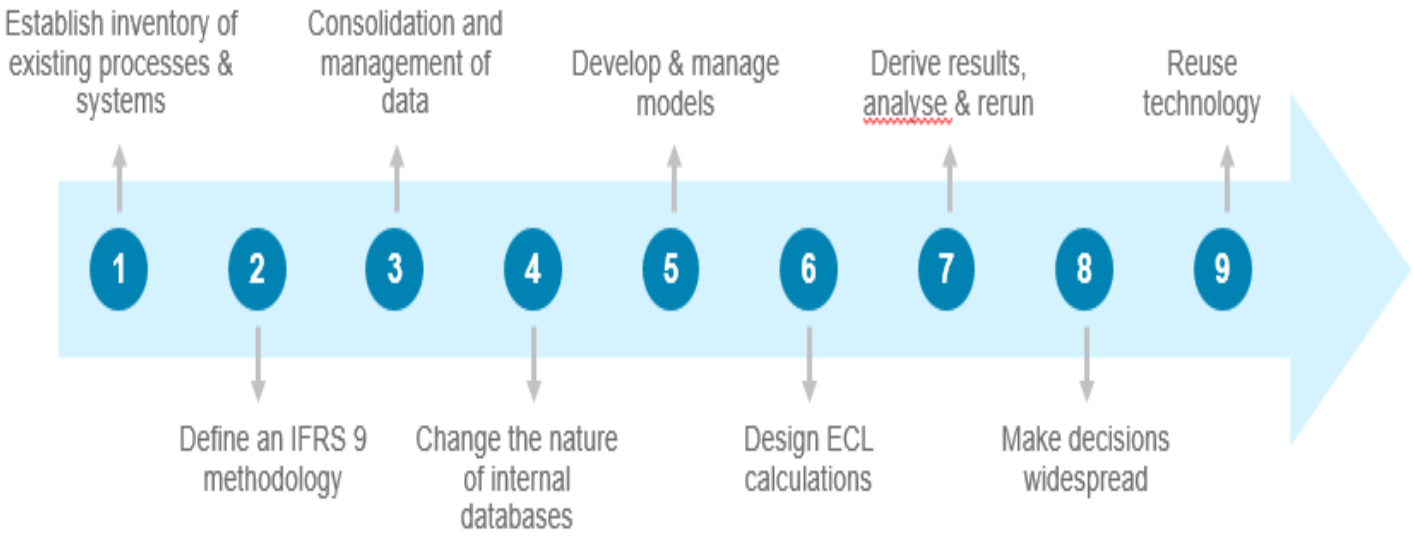
1. Establish an inventory of Existing Processes and Systems

Optimal compliance with IFRS9 will require significant flexibility, governance and performance in terms of processes and technology. All existing, relevant processes and systems should be carefully considered and assessed within the context of new IFRS9 requirements. A solid understanding of an organisation's starting position should be a prerequisite for a successful implementation.

2. Define an IFRS9 Methodology

Due to the large scope of IFRS9 and the number of methodological choices involved, banks will need to apply different ECL measurement approaches to different segments of their portfolios. For this reason, the first choice that banks have to make is how to segment their portfolios for the purposes of ECL measurement.

- Subsequently, organisations will have to derive business rules that will steer the ECL calculations across and within the segments defined above. Within each segment, such rules may include:
- Categorisation of financial instruments into IFRS9 impairment stages 1, 2 and 3 (performing, underperforming, and non-performing, respectively).
- Determination of lifetime expected loss using a simplified approach (based on an estimated ratio for loan losses allowance) or a complex approach (where it's calculated for each instrument using full cash flow generation).
- Requirements for expert adjustments and approvals in the ECL calculation process.
- Treatment of financial instruments on an individual or grouped basis.
- Assignments of a specific model version to estimate ECL parameters.



- These rules will create further subsegments, each with a unique ECL measurement process. To arrive at the optimal methodology for ECL measurement, organisations will need to go through numerous iterations, identifying and making step-by-step improvements and assessing their impact.

3. Consolidation and Management of Data

Once an optimal methodology is defined, an organisation would need to aggregate relevant data from data sources across the business and bring it into an automated, centralised test environment. This however may not be an easy task given that data integration, provisioning, quality and aggregation continue to pose numerous challenges. In addition, tracing and documenting data transformations needed for proper governance and auditability is often time consuming, inefficient and incomplete.

Data reconciliation with finance and risk systems at any step of the ECL measurement process will be the key for the auditors, as well as the regulators, who are increasingly paying more attention to the management and usage of the risk data.

The data environment used for IFRS9 needs to address the above, be auditable and also flexible enough in order to quickly adapt to any changes in the underlying methodology. This can be achieved by giving more control to the business people who can obtain new data or alter existing data themselves without putting additional pressure on IT resources.

4. Changing the nature of internal databases

Such databases are required to be larger, more dynamic and open to external data.

No constraints must be imposed on where the data is located. Avoid duplication and double storage. A platform needs to enrich the data, but retain the links to all sources, hence providing full data lineage. All data changes are therefore tracked and auditable. The ability to draw down to raw data sources is essential for establishing trust in the system and for overall integrity.

Further examples of the internal database impact:

- **All assets need to be impaired** (in both the amortised cost or FOVCI method). This translates to an increase in data granularity and subsequently an increase in volumes.

- **PIT requirement**: High-frequency updates compulsory. Ticks the boxes for identifying credit risk increases as soon as possible.

- **Correct assessment of ECL:** In order for this assessment to be effective in its application, significant changes to internal databases are required. Needs to be linked to market data so updates are immediate.

- **Forward-looking approach:** Results in a significant inflow of external financial and economic data. ECL is assessed as a probability-weighted discounted cash shortfall and the weighting refers to possible future scenarios. ECL changes will need to be disclosed and explained, so a significant mass of external financial and economic data will have to be collected and stored for future retrieval and analysis.

- **Aligning the goals of the CFO and CRO:** Ensure that your IT architecture is not changed in order to allow dual ownership of data.

5. Develop and Manage Models

To address modelling challenges, organisations need to have technology in place that can support an end-to-end modelling process that will handle a large number of models, ensure auditability, and quickly assess the impact of changes in modelling assumptions and their deployment.

This process also needs to allow organisations to use previous modelling work, adjust models quickly, and easily reuse models for other purposes. Success in these areas will greatly

affect the implementation effort and financial impact of IFRS9.

6. Design ECL Calculations

After the modelled inputs are obtained, ECL calculations for each subsegment of the portfolio are performed following the IFRS methodology that has been defined. Even within a particular calculation type, organisations must choose from a number of calculation choices. Each choice will have a different impact to the business.

In order to tackle the number and frequency of the ECL calculations, the ECL calculation engines need to offer high performance in a controlled customisation environment, so that analysts can easily adjust and redeploy different calculation approaches and data sets as inputs.

7. Derive Results, Analyse and Rerun

Once ECL calculations are performed, organisations can use analytical engines to assess the financial impact. Due to the strong connection between calculations of the financial KPIs and risk KRIs, this will require full recalculations in most cases.

In order to achieve optimal results, organisations will need to revisit their methodological choices, understand their impact and the impact of alternatives, and rerun calculations and analyses as needed. Its therefore fundamentally important that the underlying end to-end technology is traceable (for governance and audit purposes), as well as usable by business people so they can perform this work themselves (rather than having to rely on IT to implement each methodological change).

Storing the results in one central location together with the inputs and applied methodological choices will enable full transparency, as well as provide a base for ongoing efficiency monitoring of the underlying methodology over time, which can then lead to further improvements.

At the end of the whole process, organisations should choose the overall methodology that offers the optimal financial impact while ensuring compliance with IFRS9 requirements.

8. Make Decisions Widespread

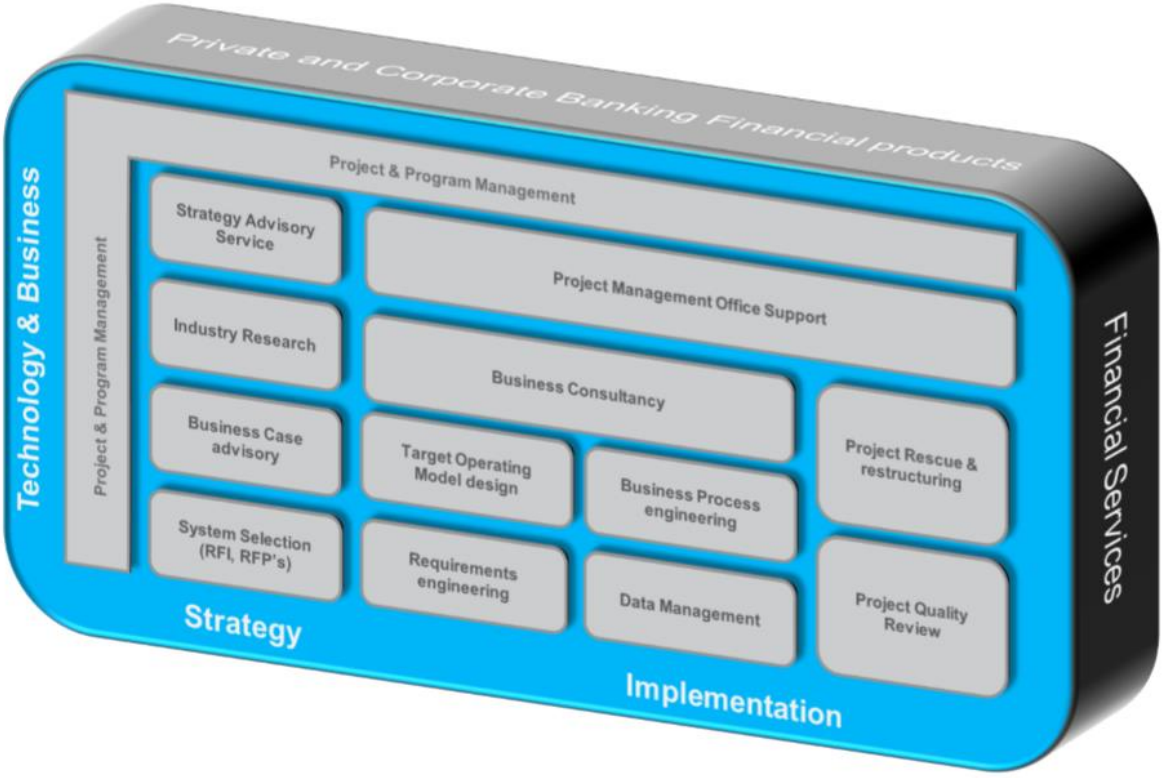
Internal use of IFRS9 ECL figures is important in order to show the auditor and regulator that the organisation's methodology is robust and reasonable. However in order for IFRS9 ECL to play an important role in decision making, all relevant data (inputs, outputs and assumptions) should be stored in one central location to facilitate efficient sharing of information across the organisation.

Business stakeholders throughout the organisation must be able to access, analyse, review and report this data themselves. Therefore the technological approach taken should minimise the number of intermediate steps required to move data from the source to the decision maker. Self-service technology increases the speed of decisions, reduces the number of potential bottlenecks, and minimises the likelihood of errors occurring.

9. Reuse Technology

Once the technology environment is in place, then the various components can be reused and redeployed to address other regulatory and internal challenges. This allows organisations to share the technology costs across different units and projects, which should decrease the implementation effort needed for IFRS9 compliance. It also allows organisations to work toward a common supporting infrastructure that eases the governance, auditability and transparency of processes. Many of these processes are siloed and yet are interdependent at the same time, so it makes sense that they share data and models.

Our Services and how we can help



FiSer Consulting can assist you in the transformation process for IFRS9 in the following areas:

❖ **Business Consultancy, Requirement Engineering & Business Process Engineering**

Due to our exclusive focus on Financial Services, our consultants have a strong content background which covers the Finance Reporting and Risk areas. A strong background and extensive knowledge of the organisation and processes, our consultants can assist you with:

- Interpretation and approach to the new IFRS9 requirements and its impact on the business and target operating model
- Design of infrastructure, risk controls and processes to support IFRS9
- Changes with operating models
- Assisting with developing a holistic plan and strategy which includes assistance with technology selection, considerations and implementation
- Assist with consolidating data for forward looking calculation purposes and provide both gap and overall impact analysis.
- Enabling your organisation towards usage of AI or robotic functionality to assist with the challenges related to the classification phase

❖ **Business Case Advisory**

With a major change to your technology infrastructure, internal modelling, resource capacity as well as far reaching implications for the entire business, our consultants can formulate and develop a solid Business Case which will cover:

- A description of the business challenge
- An assessment of the potential costs and benefits of the IFRS9 investment
- An assessment of the risks that may arise during the implementation/change program
- Facilitate the process of defining, quantifying overall implementation costs and selecting these solutions.

- Recommendations on a preferred course of action.

❖ **Project & Program Management**

The implementation of IFRS9 covers changes that effect many stakeholders of the organisation. Our Project & Program Management capability can help you structure and manage a variety of stakeholders across your business. Our project & program managers combine multiple years of experience with in-depth knowledge of the Financial Services and Reporting space.

❖ **Project Management Support**

Aligned with our Project & Program Management capability, the IFRS9 implementation requires detailed and frequent risk & issue tracking, planning &

- Description of the implementation approach.

dependency management as well as internal status reporting. Our Project Management Officers, with proven experience within the Financial Services industry, assist the organisation in managing these challenging activities.

❖ **Data Management**

FiSer consultants can support your needs to have data managed correctly as well as having the necessary security safeguards in place. Our service would facilitate the implementation of the according and necessary required changes. This will also include gap and impact analysis on data and systems specific to IFRS implementation.

Glossary of terms

Term	Definition
AI	Artificial Intelligence
BCBS	Basel Committee on Banking Supervision
CFO	Chief Financial Officer
CRO	Chief Risk Officer
DPD	Days Past Due
ECL	Expected Credit Loss
EAD	Exposure at Default
ETL	Extract, Transform and Load
FVO	Fair Value Option
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
IRB	Institutional Review Board
IT	Infrastructure Technology
LGD	Loss Given Default
KPI	Key Performance Indicator
KRI	Key Risk Indicator
NLP	Natural Language Processing
NPV	Net Present Value
PD	Probability of Default
PIT	Point In Time
POC	Proof of Concept
SAAS	Software as a Service
SPPI	Solely Payments of Principle and Interest
TTC	Through The Cycle

Next steps

For further information on Basel IV and where FiSer Consulting can assist you, please contact:

FiSer Consulting | Paul Nielsen - Senior Consultant

Paul has over 15 years of Financial Services experience across Credit Risk, Operational Risk, Asset Securitisation, Internal Audit, Retail Banking, Investment Banking, Finance, and IT. He has also performed various roles in the Asset Management, Fund Administration and Custodian space. He has extensive consulting skills in Basel II, Solvency II and Sarbanes Oxley regulatory reporting. He has managed high profile projects and programmes across different business areas and service offerings. Paul also has a wide-ranging understanding of FATCA, CRS, IFRS9 and MIFID requirements and implementation.

Contact: p.nielsen@fiser.consulting

Barbara Strozzilaan 201
1083 HN Amsterdam
The Netherlands

Tel.: +31 20 20678386
www.fiser.consulting