



Joint Vienna Institute (JVI)

Course on

Prudential Asset Classification and Provisioning and the IFRS

Vienna, Austria, April 7–11, 2014

Program

Monday, April 7, 2014

8:30 a.m.-9:15 a.m.

Administrative Briefing and Welcome

By Mr. Norbert Funke, JVI Director, and Tatiana Bredniakova, Program Officer, JVI

9:15 a.m.-10:30 a.m.

Introduction to the Seminar/Course and Participants

By Ellen Gaston, Fabiana Melo, Angelica Prieto and Linda Ditchkus

10:30 a.m.–11:00 a.m.

Coffee Break—Group Photo

11:00 a.m.–12:30 p.m.

Problem Assets and Provisioning—Supervisory Overview

This session presents an overview of the supervisory expectations regarding management of problem assets—including internal ratings, supervisory classification and provisioning.

By Fabiana Melo - Senior Financial Sector Expert, Monetary and Capital Markets Department, IMF

12:30 p.m.-2:00 p.m.

Lunch Break

2:00 p.m.–3:00 p.m.

IFRS Introduction

Overview of ongoing IFRS projects, IAS/IFRS related to impairment loss recognition, and accounting convergence issues.

Overview of Supervisory Roles in Provisioning in Countries Implementing IFRS

Overview of supervisory roles in balancing accounting and prudential requirements, balancing provisioning and capitalization, and dealing with common provisioning

issues in countries implementing IFRS (a detailed discussion of these issues will take place on Thursday morning).

By Ellen Gaston - Financial Sector Expert, Monetary and Capital Markets Department, IMF, Certified Public Accountant

3:00 p.m.–3:30 p.m.

Coffee Break

3:30 pm–5:00 pm

Bank's Loan Grading System—Introduction to Internal Rating Systems

Introduction to loan grading by banks. The purposes of classification (credit risk assessment, approval, pricing, monitoring, provisions). Sample classification systems (from simple to sophisticated). Approaches to internal ratings, risk quantification, loss concepts, mechanics, determining PDs.

By Angelica Prieto - Director, PWC Mexico (formerly CNBV Mexico)

6:00 p.m.–7:30 p.m.

Evening City Tour

Tuesday, April 8, 2014

9:00 a.m.–10:00 a.m.

IAS 39 and IFRS 9

Classification, reclassification, measurement, and comparison between the two standards. Supervisory implications will also be discussed

By Dr Linda Ditchkus - Banking Supervision Consultant, Certified Public Accountant (retired, U.S. Federal Reserve System)

10:00 a.m.–10:30 a.m.

Coffee Break

10:30 am.–12:30

Internal Rating Systems—cont.

How is an effective loan grading system implemented: risk appetite, Board and senior management involvement, organizational structure, use test, reporting and decision making.

By Angelica Prieto

12:30 p.m.–2:00 p.m.

Lunch Break

2:00 p.m.–3:30 p.m.

IAS 39 (Impairment Loss Recognition) and IFRS 9 (Credit Loss Recognition)

Requirements for recognizing impairment, application of estimating future cash flows, implications of the effective interest rate concept, impairment measurement on a collective basis, and estimating loss for off-balance sheet exposures. Interactions between the IASB's EL model and Basel II requirements. New IFRS 9 requirements.

By Linda Ditchkus

3:30 p.m.–4:00 p.m.

Coffee Break

4:00 p.m.–5:30 p.m.

IFRS—Hands-on Exercises

A continuation of the IFRS session with hands-on exercises and practices. If time permits, participants will also have chance to share their experiences regarding IAS 39 implementation and how it interacts with Basel rules.

Facilitators: Linda Ditchkus

Wednesday, April 9, 2014

9:00 a.m.–10:30 a.m.

Valuation and Accounting for Foreclosed Assets

IFRS 5 (Non-Current Assets Held for Sale), IFRS 13 (Fair Value Measurement) and valuation of foreclosed assets, interactions with appraisal/IVS (International Valuation Standard), and supervisory implications

By Linda Ditchkus

10:30 a.m.–11:00 a.m.

Coffee Break

11:00 a.m.–12:30 p.m.

IFRS-Hands-on Exercises

Continuation of the morning session with exercises on valuation and accounting for foreclosed assets.

Implementation Challenges in EM Countries.

Facilitators: Linda Ditchkus

12:30 p.m.–2:00 p.m.

Lunch Break

2:00 p.m.–3:30 p.m.

Supervisory Classification and Provisioning—International Practice

Purposes and uses of a supervisory classification system. Current practices in different countries.

By Fabiana Melo

3:30 p.m.–4:00 p.m.

Coffee Break

4:00 p.m.–5:30 p.m.

More on Provisioning and Supervisory Review

Use of internal ratings in Basel II. Sample case studies: “IRB provisioning.”

By Angelica Prieto

Thursday, April 10, 2014

9:00 a.m.–10:30 a.m.

Supervisory Roles in Dealing with Common Provisioning Issues in Countries Implementing IFRS

Participants will be divided into groups and given a set of questions on how supervisors should deal with common provisioning issues in countries implementing IFRS. Each group will present their answers before the instructor go over the issues.

By Ellen Gaston

10:30 a.m.–11:00 a.m.

Coffee Break

11:00 a.m.–12:30 p.m.

Tour de Table—Provisioning

Participants should be prepared to discuss their country’s current problem loans and provisioning regime. (The discussion can be introduced by a Power-Point presentation by one of the participants). Case studies for the next day will be distributed and explained.

Facilitator: Angelica Prieto

6:30 p.m.

Departure to the Farewell Dinner

Friday, April 11, 2014

9:00 a.m.–10:30 a.m.

Case Studies—the Role of Supervisors

Participants will work in groups with facilitators on the case studies distributed the previous day. These case studies will give participants the opportunity to practice the main concepts learned in loan classification and provisioning from both supervisory and IFRS perspectives.

Facilitators: Angelica Prieto, Linda Ditchkus

10:30 a.m.–11:00 a.m.

Coffee Break

11:00 a.m.–12:30 p.m.

Panel Session—Conclusion of the Case Studies

The four instructors will take questions and discuss conclusions of the case studies

Angelica Prieto, Linda Ditchkus, Fabiana Melo, Ellen Gaston

12:30 p.m.–1:00 p.m.

Closing Session/Graduation
