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 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. \hspace{1cm} **Coffee Break**

3:30 pm–5:00 pm \hspace{1cm} **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. \hspace{1cm} **Evening City Tour**

**Tuesday, April 8, 2014**

9:00 a.m.–10:00 a.m. \hspace{1cm} **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. \hspace{1cm} **Coffee Break**

10:30 am–12:30 \hspace{1cm} **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. \hspace{1cm} **Lunch Break**

2:00 p.m.–3:30 p.m. \hspace{1cm} **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. \hspace{1cm} **Coffee Break**

4:00 p.m.–5:30 p.m. \hspace{1cm} **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

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| 9:00 a.m.–10:30 a.m. | Valuation and Accounting for Foreclosed Assets  
IFICRS 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

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| 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**