

IFRS 9 Expected Credit Losses Building Models for Central Banks

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Introduction

The International Financial Reporting Standard 9 IFRS 9 is a critical accounting standard that governs the classification, measurement, and impairment of financial instruments. It has become especially vital for central banks to grasp the Expected Credit Loss ECL model in order to assess and manage credit risks with precision. The IFRS 9 standard plays a key role in how credit risk models are developed and implemented within central bank risk management frameworks.

This course is designed to equip central bank professionals with the knowledge and skills required to effectively build IFRS 9 ECL models from scratch, using real-world data. Participants will gain a comprehensive understanding of IFRS 9 and its implications on credit risk management and financial stability in central banks' operations.

Course Objectives

By the end of this course, participants will be able to:

- Understand IFRS 9 and its significance for central banks, including the impact on financial reporting and compliance with global regulations.
- Comprehend the Expected Credit Losses ECL model, including the three stages of credit impairment and its regulatory context.
- Prepare and assess the quality of data required for ECL modeling, addressing potential data gaps and ensuring compliance with privacy and security regulations.
- Apply key ECL modeling techniques, including Probability of Default PD, Loss Given Default LGD, and Exposure at Default EAD models to build effective credit risk models.
- Calibrate and validate ECL models through backtesting, stress testing, and proper model governance.
- Integrate ECL models into central bank risk management frameworks to enhance credit risk management.
- Analyze real-world case studies of successful IFRS 9 ECL model implementations and their impact on financial stability.

Course Outlines

Day 1: Introduction to IFRS 9 and Expected Credit Losses ECL

- Overview of IFRS 9 and its significance for central banks.
- Key concepts of the Expected Credit Losses ECL model and its regulatory context.
- Understanding the three stages of credit impairment in the IFRS 9 framework.
- The global impact and adoption of IFRS 9, and the importance of compliance for central banks.

Day 2: Data Preparation and Quality Assessment

- Identifying relevant data sources for building ECL models.
- Techniques for data cleaning, transformation, and validation.
- Evaluating data quality and addressing data gaps to ensure IFRS 9 compliance.
- Ensuring adherence to data privacy and security regulations for accurate credit risk models.

Day 3: ECL Modeling Techniques and Approaches

- Fundamental methodologies for building ECL models.
- Using Probability of Default PD, Loss Given Default LGD, and Exposure at Default EAD models to assess credit risk.
- Estimation of transition matrices and incorporating macroeconomic factors into ECL modeling.
- How to incorporate forward-looking information in the ECL models to meet IFRS 9 impairment requirements.

Day 4: Model Calibration and Validation

- Techniques for calibrating and validating ECL models with practical data.
- Methods of backtesting and stress testing to ensure model accuracy and robustness.
- Model governance and documentation, ensuring transparency and compliance.
- Effective communication with stakeholders about ECL model performance and its impact on credit risk models.

Day 5: Implementing IFRS 9 ECL Models in Central Banks

- Integration of ECL models into central banks' risk management frameworks.
- Understanding the implications of ECL on capital adequacy and financial stability in central banks.
- Leveraging ECL insights to enhance decision-making in credit risk management.
- Case studies and real-world examples of successful IFRS 9 ECL model implementations and lessons learned.

Why Attend this Course: Wins & Losses!

- Develop a solid understanding of IFRS 9 and its critical role in credit risk management for central banks.
- Learn how to build, calibrate, and validate ECL models using real-world data to comply with IFRS 9 impairment requirements.
- Gain hands-on experience in data preparation, modeling techniques, and stress testing that will directly enhance your organization's credit risk management strategy.
- Understand how to integrate ECL models into the overall risk management framework of central banks for more informed decision-making and improved financial stability.
- Learn from real-world case studies on how successful ECL model implementations have impacted the financial health of central banks.

Conclusion

As IFRS 9 becomes increasingly important for central banks worldwide, understanding and implementing the Expected Credit Loss ECL model is critical for ensuring financial stability and compliance with global standards. This course provides the necessary tools and techniques to build robust ECL models, calibrate them accurately, and integrate them into central bank risk management practices.

By attending this course, participants will be equipped with the knowledge to make informed decisions in credit risk management, improve the accuracy of financial reporting, and enhance the overall stability of their organizations.

FAQ

What is IFRS 9, and why is it important for Central Banks?

IFRS 9 is the international accounting standard that governs the classification, measurement, and impairment of financial instruments. This IFRS 9 training course explains the IFRS 9 definition, IFRS 9 meaning, and IFRS 9 basics, while highlighting its importance for IFRS 9 banking, financial reporting, regulatory compliance, and strengthening central bank risk management through effective credit risk assessment.

What are Expected Credit Losses ECL under IFRS 9?

Expected Credit Losses ECL, also referred to as Current Expected Credit Losses, are the impairment model introduced by IFRS 9 to estimate potential credit losses before defaults occur. The course explains what are Expected Credit Losses, the three-stage impairment approach, and how IFRS 9 impairment requirements improve financial reporting accuracy, proactive risk management, and regulatory compliance.

A graphic featuring the text 'UK Training PARTNER' in a bold, sans-serif font. The word 'PARTNER' is significantly larger and more prominent than 'UK Training'. The text is positioned over a background of concentric circles and a chessboard pattern.

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How does the course cover Credit Risk Models and ECL Modeling?

Participants will learn how to build and validate credit risk models, including Probability of Default PD, Loss Given Default LGD, and Exposure at Default EAD. The program explores different types of credit risk models, demonstrates what are credit risk models, and explains how credit risk models in banks are developed and integrated into IFRS 9 models to support reliable Expected Credit Loss calculations.

Does the course include IFRS 9 implementation and compliance?

Yes. The course provides practical guidance on IFRS 9 implementation, covering data preparation, model development, calibration, validation, governance, and documentation. Participants will also learn how to achieve IFRS 9 compliance, meet regulatory expectations, and understand the IFRS 9 impact on financial reporting, investment portfolios, and enterprise-wide credit risk management.

Who should attend this IFRS 9 training course?

This course is designed for central bank professionals, risk managers, credit risk analysts, financial reporting specialists, auditors, finance managers, compliance officers, and professionals involved in IFRS 9 implementation, IFRS 9 investments, impairment modeling, and central bank risk management. It is ideal for anyone seeking practical expertise in building and applying IFRS 9 models and managing Expected Credit Loss frameworks.