

Online Programme on Credit Risk Modelling for ECL Provisioning and Capital Estimation under Final Basel III and IFRS 9

June 15 – 20, 2020

(Online course duration 20 hours)

Coordinators

Dr Arindam Bandyopadhyay

Associate Professor &

Associate Dean - Training & Consultancy

Dr Tasneem Chherawala

Assistant Professor

(Finance Area Group)



**National Institute of Bank Management
Pune, India**

Background

Events of the global financial crisis in 2007-08, led to the criticism of “too little, too late” for the accounting recognition of impairment losses on financial instruments under IAS 39. As a consequence, the International Financial Reporting Standards 9 (IFRS 9) rule has introduced fundamental changes in credit impairment standards and assessment of loss allowances, which are expected to have a significant impact on the financial statements of Banks and FIs. IFRS 9 suggests a forward-looking approach for identification of credit impairment and estimation of Expected Credit Loss (ECL) that will provide a timely and adequate accounting treatment of loss provisions.

The Basel Committee on Banking Supervision (BCBS) has advocated for a high quality implementation of IFRS 9 by banks, which will improve the linkage between the economics of risk and capital management with the financial accounting of provisions. Under the Basel III Internal Ratings Based (IRB) Approach, banks are required to not just measure their credit risk capital as per internal models, but also estimate expected loss for credit risk and demonstrate commensurate provisioning. Thus, both the IRB Approach of Basel III and IFRS 9 will require banks to internally model the key elements of their credit risk related losses, viz., Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) and thereby derive more risk sensitive measures for expected credit loss and credit risk capital. Of course, regulatory and auditor oversight will require that these models are validated and subject to forward looking stress tests. The IRB Approach and IFRS 9 ECL Approach have many commonalities, which will enable banks to leverage on their databases and IT systems for complementary preparedness and implementation.

In India, as in many other countries, IFRS implementation has become imperative. The Reserve Bank of India has extended the implementation deadline for commercial banks beyond the original date of 1 April, 2018. Many NBFCs however, have already migrated to IFRS and started measuring and reporting ECL based provisions. It is essential for banks, FIs and NBFCs in emerging markets to become familiar with the credit risk concepts and grasp the nuances of credit risk modelling that drive ECL based provisions and IRB Approach capital estimation.

Objective

- Familiarize participants with the conceptual foundations and mathematical framework of ECL based provisioning under IFRS 9 and Basel III credit risk capital
- Provide in-depth understanding of the credit risk models for PD, LGD and EAD with hands-on exercises
- Explain how IRB data, systems, models and risk parameters can be effectively utilized to develop forward looking ECL models that meet IFRS requirements

Content

- ❑ Introduction to IFRS 9 and Credit Risk Capital under Basel Norms
- ❑ Conceptual Understanding of Expected Credit Loss (ECL) under IFRS 9 (IndAS 109) and IRB Approach for Credit Risk Capital under Basel III
- ❑ PD Estimation Models for Basel IRB & IFRS 9 ECL (Scoring / Rating Models and validation of Models)
- ❑ Point-In-Time PD Estimates for Stage 1 and Stage 2 Accounts
- ❑ Modelling Forward Looking PDs by Incorporating Macroeconomic Conditions
- ❑ Identifying Significant Increase in Credit Risk (SICR) under IFRS 9
- ❑ Models for Estimation of LGD and EAD (IRB Approach vs IFRS 9)
- ❑ Portfolio Approach of Managing Credit Risk under IRB Approach
- ❑ Estimation of 12-month and Lifetime ECL for different credit facilities under IFRS 9
- ❑ ECL Model-Implications on Provisioning & Capital by Banks: International Experiences
- ❑ Key IFRS 9 and IRB Challenges for Banks and FIs under current market and regulatory environment triggered by the Covid 9 Pandemic
- ❑ Hands-on Exercises for PD Estimation Approaches & Model Validation
- ❑ Hands-on Exercises for Portfolio Credit Risk
- ❑ Hands-On Exercises for Measuring 12-Month and Lifetime ECL for Credit Facilities

Target Group

The programme is intended for executives working in the departments of Finance, Accounts, Treasury, Risk Management and Audit of Banks, NBFCs and FIs, Chartered Accountants and Executive of Audit Firms

Dates

June 15 - 20, 2020

The programme will commence at 10 am on June 15, will involve total 20 study hours (spread over 6 days) during the course, and conclude by 5.00 pm on June 20, 2020

Pedagogy

This online course will have 20 hours of engagement time delivered via online mode, over 6 days. The courseware will comprise of:

- I. Reading material for self-study, Case study or exercise material and Online references
- II. Video sessions comprising of:
 - i. Pre-recorded videos sessions on several topics.
 - ii. Live, interactive video sessions by faculty and guest speakers
- III. Excel based Templates for hands-on exercises
- IV. Self-assessment quizzes and assignments to track progress in the course

Modalities

- Participants enrolled to the programme will be provided with log-in id and password to log into the online learning management platform of the institute. The detailed programme schedule will be shared with the participants. Guidance will be provided for navigating through the various activities in the platform such as accessing courseware, viewing video sessions, participating in live sessions, taking quizzes, etc. The programme window will be open for maximum 6 days including date of commencement.
- Live session schedule will be provided at the start of the programme.
- Executives attending the program would need internet access on a desktop or laptop with Google Chrome to enable access to live and recorded sessions. Participants would also need to have MS-Office on their desktop / laptop for accessing excel and word files for exercises.

Completion Certificate

A completion certificate will be given to the participant at the end of the programme. Participant has to remain logged in for at least the total number of engagement hours within the duration of the programme for being considered to have completed the same.

Nominations and Enquiries

Nominations are invited from both Institutions and Individuals from India and Abroad. Executives working in Banks/Financial Institution/Consulting Firms/Audit and Accountancy Firms/Technology Firms in the Banking and Financial Services Domain can apply for the programme in their individual capacity

Please address your enquiries and nominations to:

Dr Arindam Bandyopadhyay

Dr Tasneem Chherawala

Programme Coordinators

National Institute of Bank Management

Kondhwa Khurd, Pune 411048, INDIA

Tel. : 0091-20-26716000 (EPABX)

E-mail : arindam@nibmindia.org, tasneem@nibmindia.org

Web : www.nibmindia.org

Last Date for Receiving Nominations: June 12, 2020

Programme Fee (per participant) for 20 hours programme

US \$ 800 for foreign participant

	Fee	GST	Fee+GST	TDS
Member Banks :	18000	3240	21240	1800
Non-Member Banks :	21000	3780	24780	2100
Individual Nominee :	21000	3780	24780	----

The fee includes the cost of tuition, access to reading material and recorded videos, etc. (Central Goods and Services Tax (GST) @ 18%, and TDS @ 10%. Kindly send the TDS Certificate on priority to NIBM).

Mode of Payment for Indian Participants

- The fee may preferably be transferred by RTGS/NEFT/ECS to our A/c No. 20002400021 with Bank of Maharashtra, NIBM Branch, Pune (IFSC Code MAHB0001124). NIBM PAN No. AAATN0040P and GSTIN No. 27AAATN0040P1ZJ.
- National Institute of Bank Management
NIBM Post Office, Kondhwe Khurd, Pune 411 048, INDIA.

Mode of Payment for Foreign Participants

Mode of Remittance: SWIFT*

1. Name & Address of our Bankers : **Oriental Bank of Commerce**
C-2, Shop No. 4-5, Bramha Estate
Kondhwe Khurd, Pune 411 048
Maharashtra, India
2. Name of the Account : **National Institute of Bank Management**
3. NIBM's Bank Account No. : **Current A/C 11281131004402**
with Oriental Bank of Commerce
4. Bank's Swift Code : **ORBCINBBFCP**
5. Oriental Bank of Commerce A/c No. : **36152559**
with Correspondent Bank
6. Preferred currency : **USD**
7. Correspondent Bank : **CITIBANK N.A.**
8. Swift code for Citi Bank : **CITIUS33**

*** The Foreign Bank Charges/ SWIFT charges/Commission is to be borne by the remitter. The fees mentioned in the invoice/brochure is to be paid to NIBM, net of all bank charges.**

***Payments will be accepted only through electronic mode.
Cheques/DDs/Pay Orders will not be accepted.**

- **For all electronic remittances, kindly send a confirmatory e-mail at: accounts@nibmindia.org giving details of the remitter and participant, name and dates of programme, etc.**