



International Financial Reporting Standard (IFRS)

April 2018

IFRS 9 for financial instruments sets out the requirements for recognising and measuring financial assets, liabilities; this standard replaces IAS 39. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics.

IFRS has been introduced to attempt to converge different accounting systems to a common system to achieve more comparable financial information, which would enable a better flow of international investment and contribute to the reduction of information asymmetry. This conversion is much more than a technical accounting challenge. IFRS implementation for financial institutions may significantly affect a company's day-to-day operations and may even affect the reported profitability.

Key challenges in implementing IFRS:

Availability of complete historical transaction and risk management data against financial assets for e.g. default history, recovery data, recovery costs, contractual cash flows, utilization data, credit ratings



Creating an appropriate Expected Credit Loss (ECL) model



Implementation and automation of IFRS 9 system to support identification, measurement and aggregation of data, computation of statistical measures and ECL and monitor early warnings



Lack of internal resources and subject matter expertise



Integrating IFRS 9 with the existing accounting framework



Measuring and mitigating the impact of IFRS 9 on the bottom line



Systematic MIS monitoring across prescribed & target metrics and preparation of detailed dashboard disclosures



Dealing with numerous complex and diverse regulatory regimes globally

Our service offerings under IFRS:

We advise our clients on many areas of capital planning and stress testing, including Capital Plan and supporting documentation. To add: Capital Management, Comprehensive Capital Analysis and Review (CCAR), Economic Capital

Documentation of Policies and Procedures	Develop policies and procedures for classification and measurement of all material risks
	Assistance in developing a comprehensive Credit Risk Management Policy
Building an Impairment Modelling Framework	Develop impairment models including Probability of Default (PD), Loss given Default (LGD) and Exposure at Default (EAD) models
	Development of a macro-economic framework
Development of Expected Credit Loss (ECL) Tool	Computation of ECL for IFRS 9 using the Deloitte proprietary ECL tool
	Assist in recognition of expected credit losses '12 month' or 'Lifetime' by using Deloitte tools
	Validation and review of risk component models and computation of ECL periodically
Conducting Trainings	Conduct IFRS 9 trainings for internal resources and senior management
	Conduct discussions with auditors
	Suggest improvements on the IFRS reporting processes and structure
	Monitor issuance of accounting standards and interpretations to accounting standards, and communicate management's interpretation/views to all stakeholders

Deloitte also provides a host of customized solutions on the basis of the need of clients.

The Deloitte Difference:



Industry Experience & Specialized Knowledge:

Deloitte’s professionals have extensive experience in managing large-scale risk transformation projects and are supported by a team of Subject Matter Experts (SMEs) with extensive experience in risk and regulatory compliance engagements



Value Beyond Scope of Work:

Assist in periodic review of processes; provide issue repositories and insights based on multi-dimensional trend analysis



Centralized Quality Management:

Dedicated central quality review and management team prior to issuance of reports, conduct risk transformations



Effective Delivery Model:

Robust delivery model with effective combination of execution, supervisor and quality review capabilities with global delivery model approach for project execution with seamless integration across global teams



Pan India Presence:

Dedicated multi-locational Financial Services Team across locations to effectively service all client locations



Capability to support increasing volumes:

Our capability to support our clients in conducting timely reviews with adequate resourcing support on need basis

Our Experience and Specialization:

Deloitte named the global leader in **Risk Consulting**, based strategy and capability by IDC MarketScape

Dedicated multi-locational **Financial Services Team of over 175 members**

Experience of working with **10 large banks and the banking regulator in India and Middle East**

Deloitte has delivered multiple multi-year risk and finance transformation projects (Basel and other regulatory programs)

Deloitte has **rich experience in India and across the globe**, including the regulatory bodies, including working with the largest banks across the areas of Enterprise Risk Management (ERM), Risk & Capital Management and technology implementation

Experience of providing **services to the in-house departments and captive units** of more than **30 banks**, supporting them in **finance, credit risk, market risk & system** initiatives

Provided **model validation, risk advisory and system automation services** to more than 20 banks for delivering on multi-year risk transformation initiatives

Worked with the **largest public sector, private sector and foreign banks** in India, providing **credit risk, market risk, Basel II reporting and model development / validation** services.

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