

# IFRS 9 IT solutions



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# IFRS 9 IT solutions

Several aspects of IFRS 9 require automation

Implementing IFRS 9 at a financial institution has significant impact on data and IT systems which should not be underestimated:

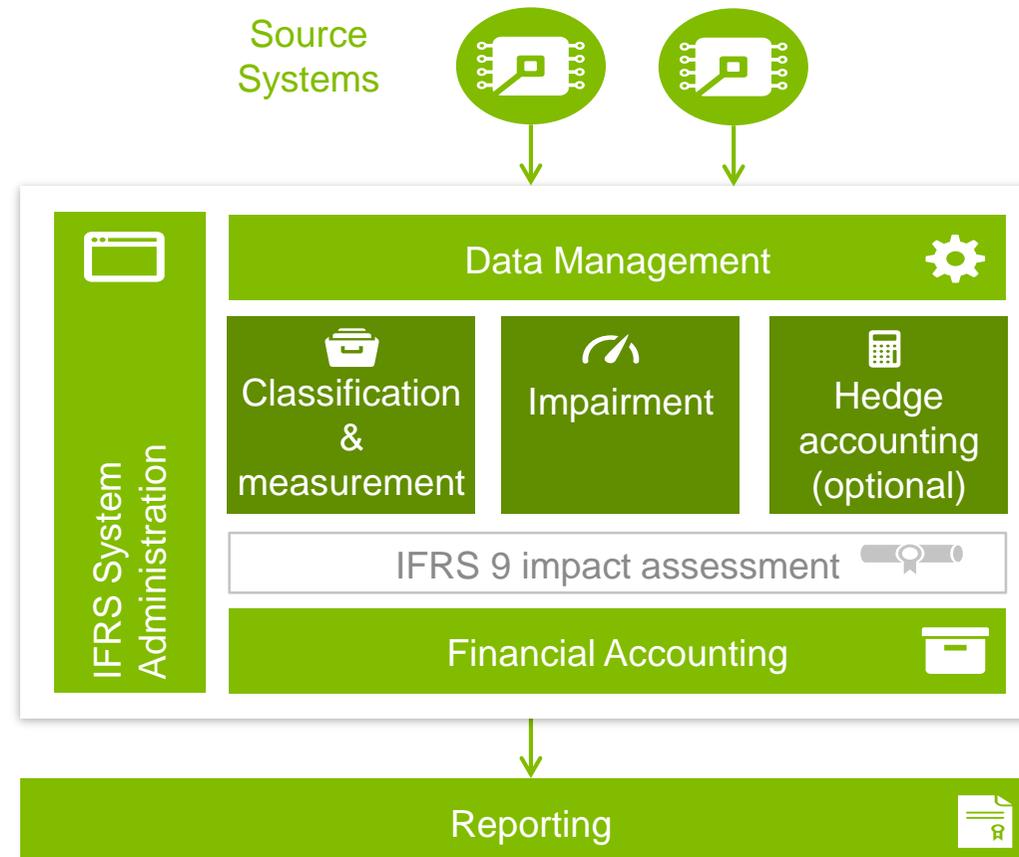
- SPPI test,
- valuation of loans at fair value,
- effective interest rate and amortized cost calculations,
- lifetime expect loss calculations (modelling lifetime PD, LGD, EAD),
- scenario based calculations of provisions,
- adjustment of interest income for Stage 3 loans.

Depending on maturity of IAS 39 systems already used by an institution the IFRS 9 adoption may be less or more complex in terms of data and IT system implementation.

# IFRS 9 IT solutions

## Key elements of an IFRS 9 software

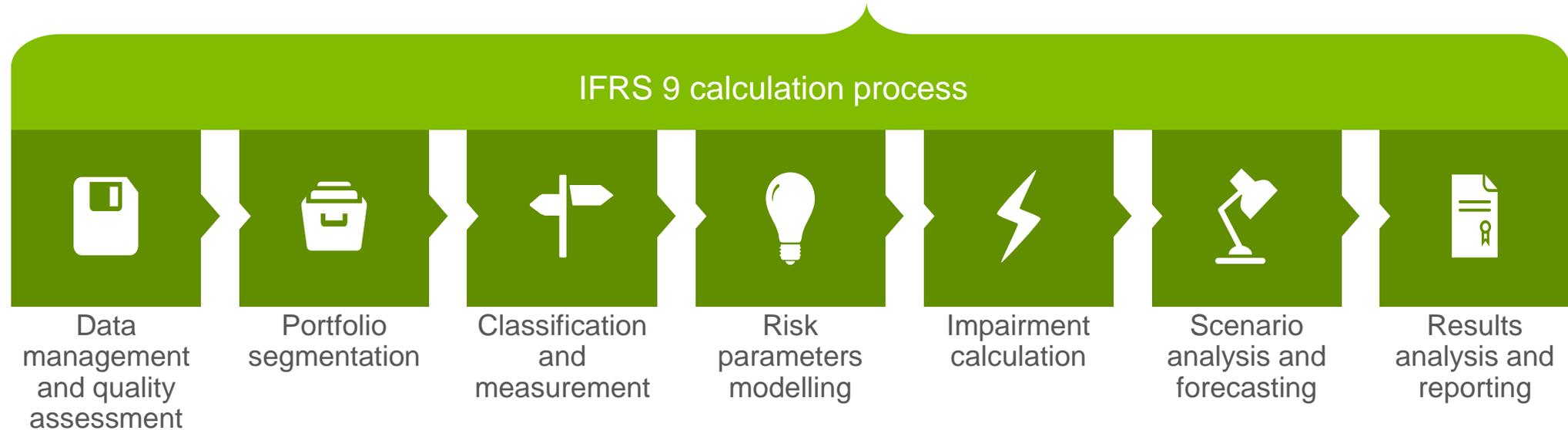
An IFRS 9 IT system will typically cover the following functionalities / modules:



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## Key elements of an IFRS 9 software

...and will typically need to cover the following processes:



# IFRS 9 IT solutions

## Upgrade existing or acquire new?

Depending on maturity of IAS 39 systems already used by an institution (and whether the entity is happy with the system) the entity may opt for upgrading the existing system.

Upgrading a mature, existing IAS 39 system to IFRS 9 will most likely require less effort and money than implementing a new system.

But is it always the best option? Some aspects need to be consider:

- **Maturity of the software.** Most likely regulators and auditors will require higher level of maturity, robustness and process integration of IFRS 9 solutions than those which were accepted for IAS 39 – need to invest into a more sophisticated solution.
- **Risk & Finance integration.** Use the occasion to bring in a more integrated solution (rather than stand alone applications used by Finance and Risk) which would stimulate cooperation of all functions involved in delivering IFRS 9 calculation and accounting.
- **Get one system for the whole Group.** Use the opportunity to harmonize IFRS methodology within the group.

# IFRS 9 IT solutions

A new solution - different options on the market

If, however, a financial institution needs to select a new system there are several options how to automate IFRS 9 calculations and accounting:

- **An in-house built solution.** E.g. built on top of the data warehouse.
- *Is there adequate IFRS 9 technology know-how in-house? Or shall external advisor be used?*
- **Modify existing core banking systems.** Option usually available only to users of local core banking systems where the local vendor of the system developed IAS 39 functionality and is upgrading it to IFRS 9.
- *Does the core banking system vendor possess adequate IFRS 9 know-how?*
- **General risk management solutions.**
- *Will it cover areas outside risk parameter calculations? If yes, is the accounting functionality good enough? Will the vendor provide end-to-end implementation covering IFRS 9 advisory and system integration?*
- **Dedicated IFRS 9 solutions** from a software house or a Big 4 accounting firm.
- *Will a software house vendor provide end-to-end implementation covering IFRS 9 advisory and system integration? Is a Big 4 solution a real software?*

# IFRS 9 IT solutions

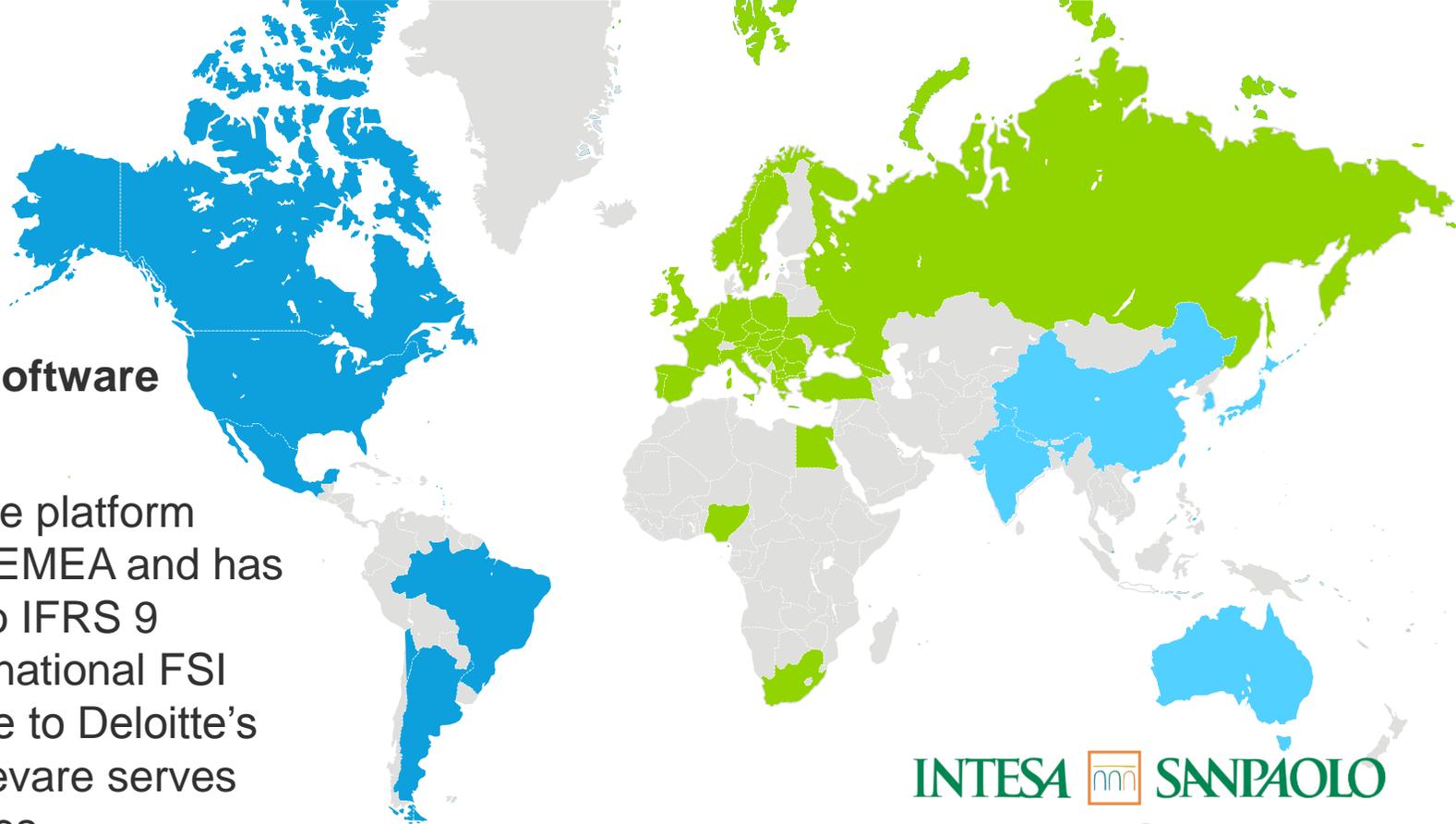
Finevare –  
Deloitte IFRS 9 solution

**Disruptive business model: mature software packaged with Big 4 advisory.**

Throughout the last decade the Finevare platform has developed a significant footprint in EMEA and has recently gained a global reach thanks to IFRS 9 engagements. As of today several international FSI Groups entrusted their IFRS compliance to Deloitte's IFRS software platform, and hence Finevare serves over 80 entities in more than 40 countries.

Finevare embeds, among others, financial instruments classification and impairment under IFRS 9. It is designed to be part of IT operational architecture, however was also successfully used as IFRS 9 impact study tool.

Experience built on multiple implementation projects dealing with financial instruments accounting under IFRS is embedded in the software and makes it robust, flexible and transparent for the end users.



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# IFRS 9 IT solutions

## Key elements for successful implementation



Key elements of successful implementation:

- **Buy-in and commitment from 3 stakeholders:** Finance, Risk and IT. It cannot be only a Finance project.
- **Data quality.** It is never perfect hence the key is the ability and efficiency of performing data improvement when needed.
- **Data availability.** Ability to extract and deliver additional data or flexibility to find workarounds if impossible to get missing data.
- **Pragmatic approach to IFRS 9 methodology and the system** – concentrate on “must-have” items.



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