

Transition to IFRS 9: Overcoming Practical Roadblocks



© 2018 CRISIL Ltd. All rights reserved.

Speakers:

Amit Vora
Director – CRISIL Risk Solutions

Rahul Nagpure
Associate Director – CRISIL Risk Solutions

Soham Sanyal
Senior Consultant – CRISIL Risk Solutions

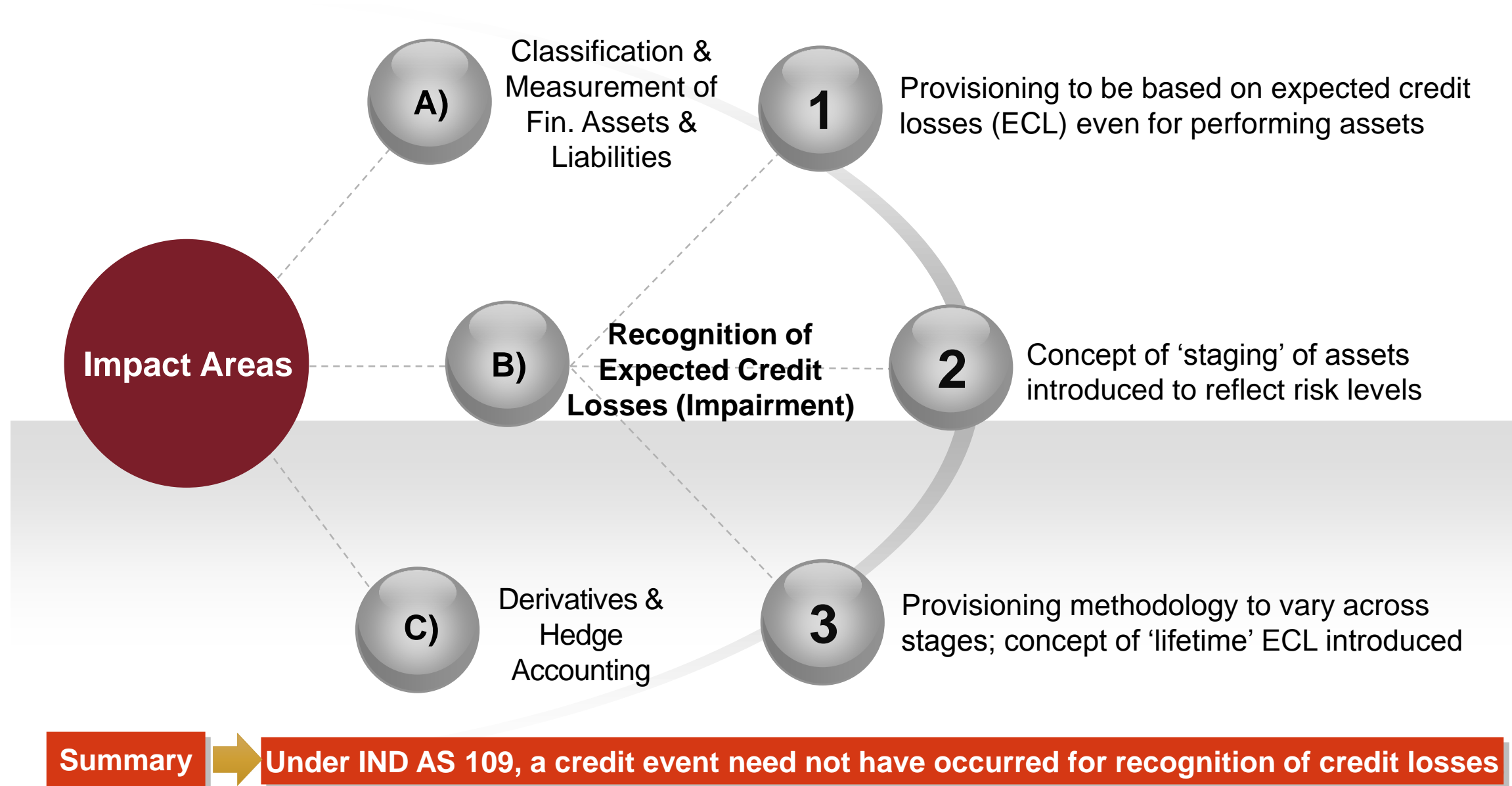
May 3, 2018

Agenda

- **Provisioning under IFRS 9 – Executive Summary**
- **Key Implications and Challenges during Implementation**
 - Functional challenges towards ECL estimation
 - Operational challenges towards framework implementation
- **Q&A**

Highlights of IFRS 9 (IND AS 109)

Implications signal a principle shift in the way credit losses are recognized



Agenda

- **Provisioning under IFRS 9 – Executive Summary**
- **Key Implications and Challenges during Implementation**
 - Functional challenges towards ECL estimation
 - Operational challenges towards framework implementation
- **Q&A**

Implications for Lenders

Key impact areas of proposed changes pose both functional and operational implications for lenders

Functional Implications

Data gap analysis and assumptions for current expected credit loss modelling

Assessing one-time impact on provisioning compared to current norms

Operational Implications

Automation of framework for implementation and reporting

Greater focus on collection efficiency and analytics

Agenda

- **Provisioning under IFRS 9 – Executive Summary**
- **Key Implications and Challenges during Implementation**
 - Functional challenges towards ECL estimation
 - Operational challenges towards framework implementation
- **Q&A**

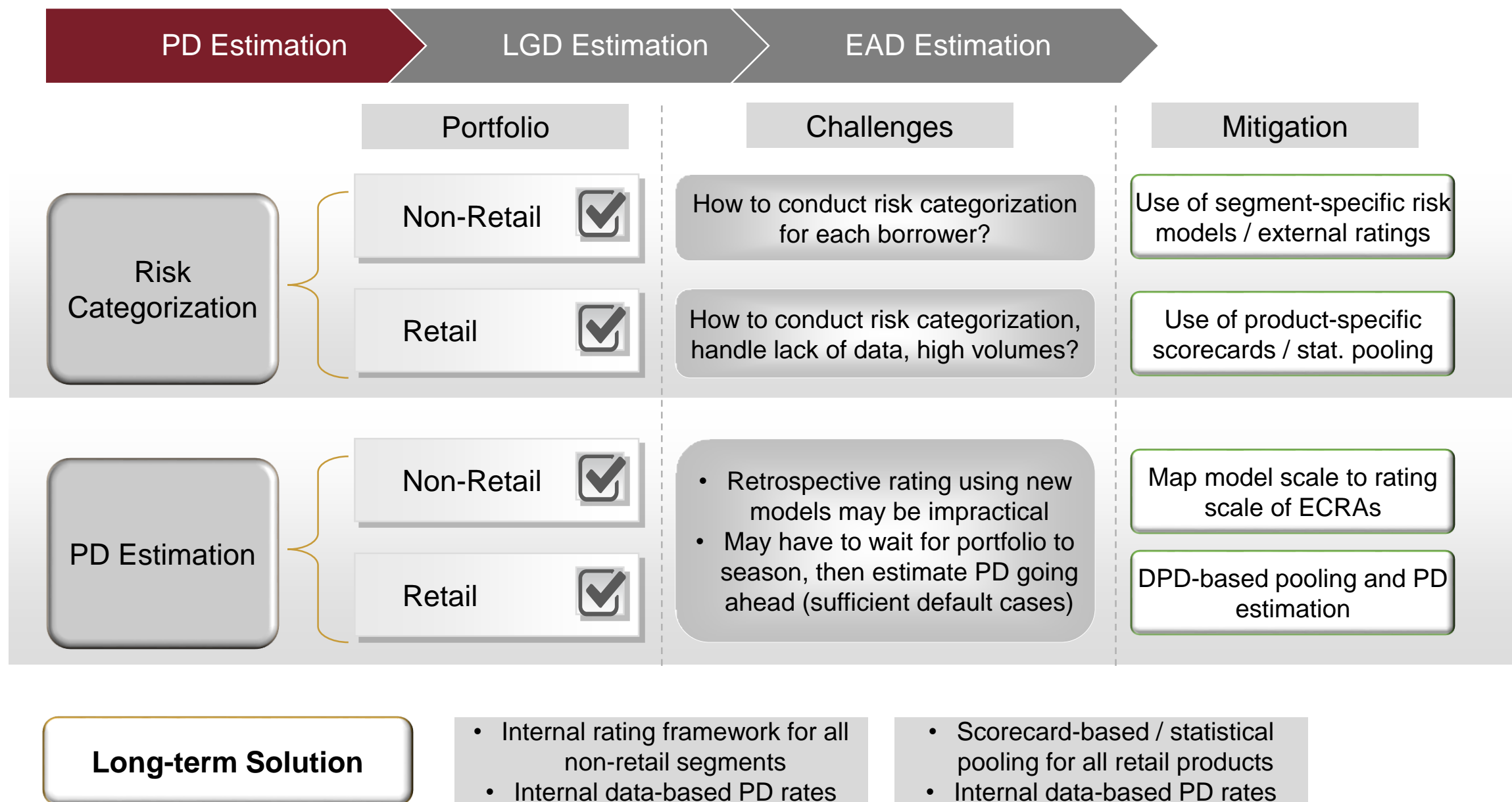
Expected Credit Loss Estimation

Key Challenges and Mitigation Steps



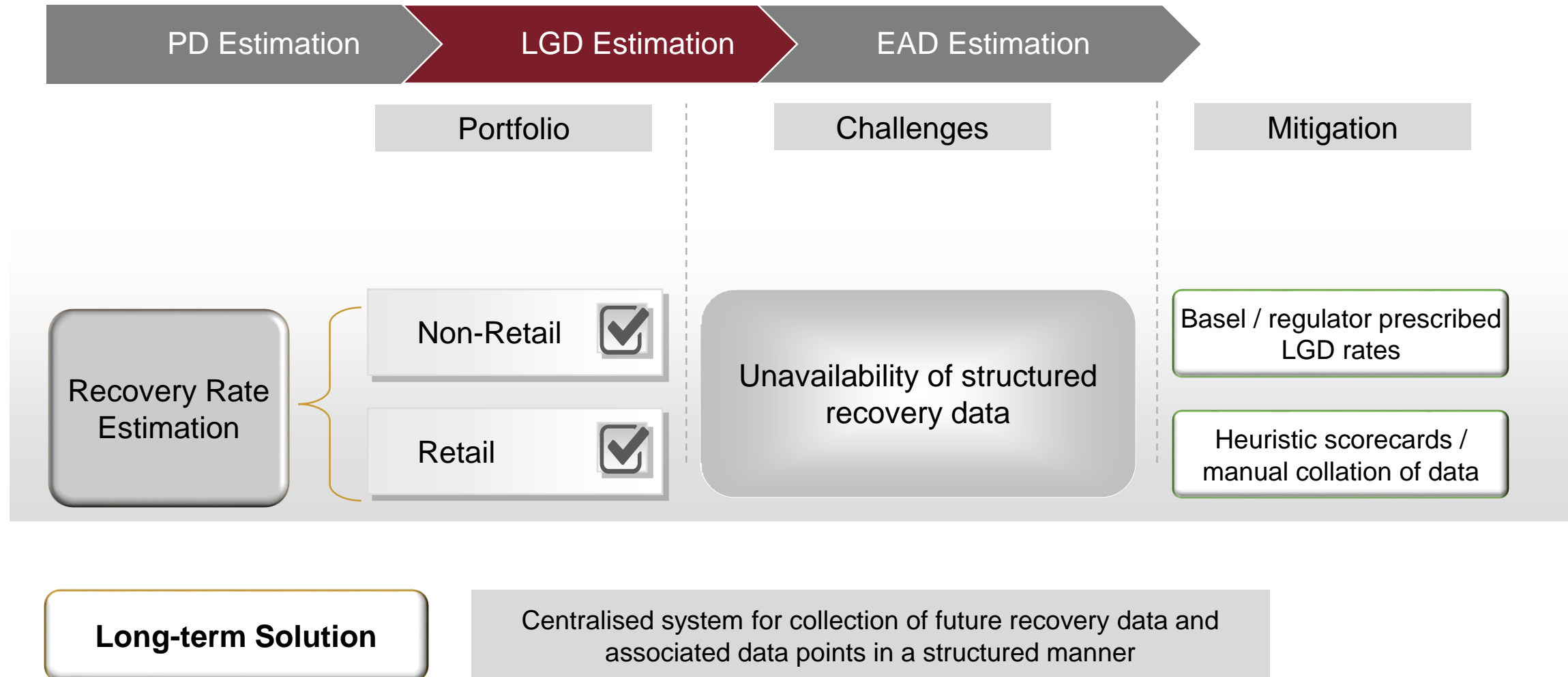
Expected Credit Loss Estimation

Key Challenges and Mitigation Steps



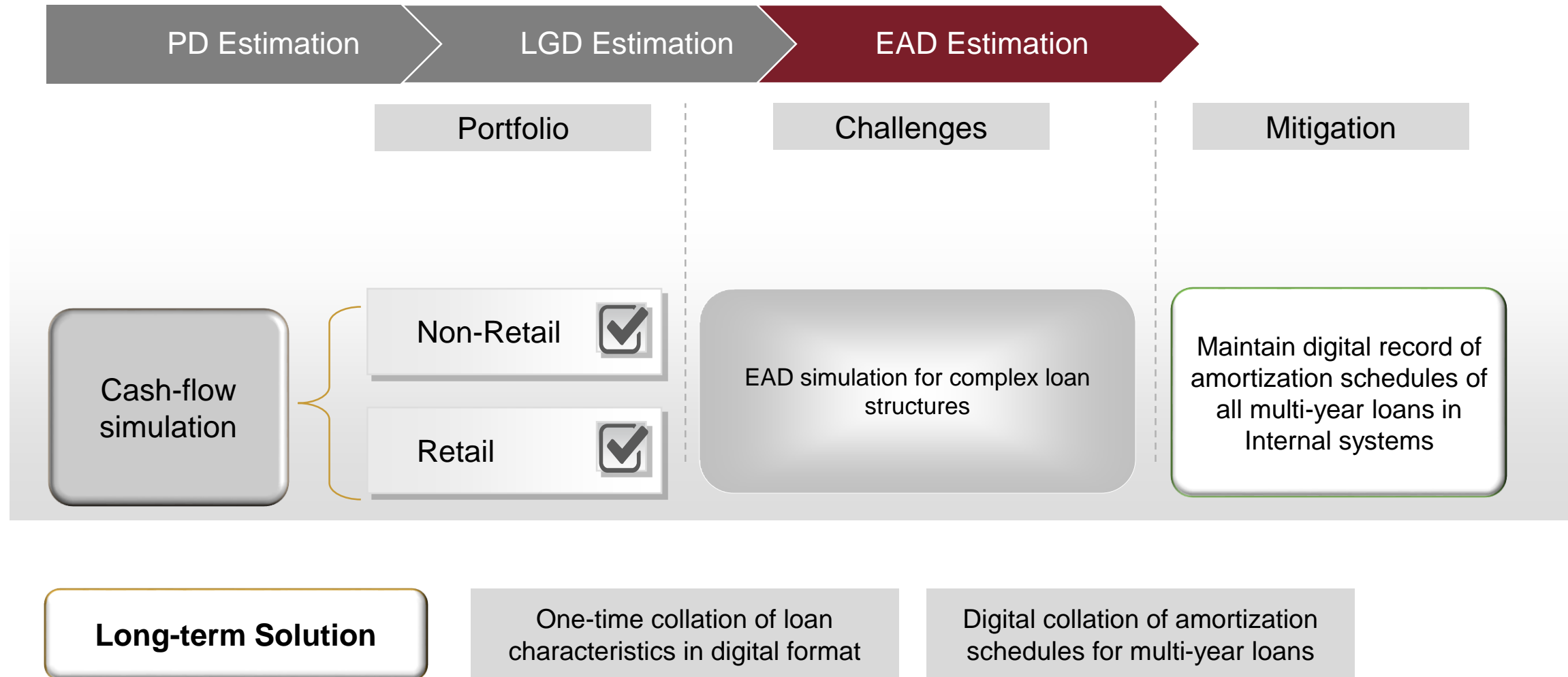
Expected Credit Loss Estimation

Key Challenges and Mitigation Steps



Expected Credit Loss Estimation

Key Challenges and Mitigation Steps



Agenda

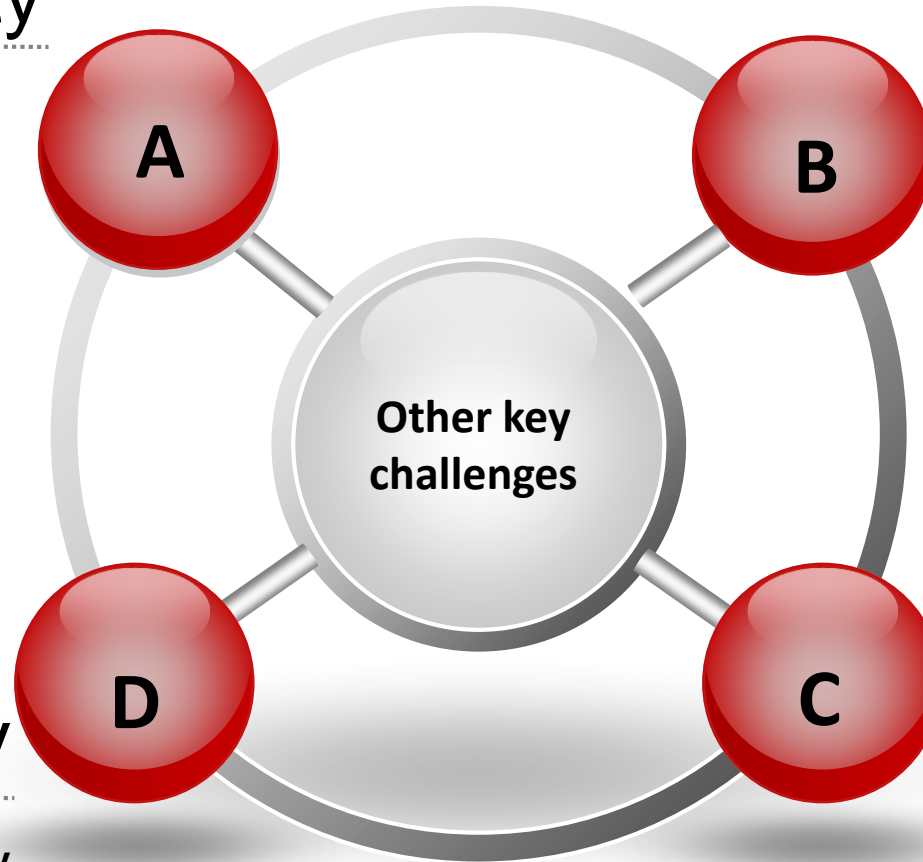
- **Provisioning under IFRS 9 – Executive Summary**
- **Key Implications and Challenges during Implementation**
 - Functional challenges towards ECL estimation
 - Operational challenges towards framework implementation
- **Q&A**

Challenges during Implementation

Key Challenges and Mitigation Steps

Data Integrity

- **Data integrity check**
Carry out data gap diagnostic as first step of implementation



New Products

- **Lack of reference points for new products**
Identify benchmark products
Use average rates for retail portfolios

Compliance and Auditability

- **Comprehensive methodology documentation**
Robust documentation of ECL estimation methodology across portfolio & product types to aid auditability and assessment of impact on provisions

Data Volume and Archival

- **Transaction level data to be computed and stored**
Procure systems to automate calculation and maintain audit trails for historical data

Summing It Up

- **IFRS 9 norms to result in a principal shift in credit risk provisioning**
- **Norms imply significant functional and implementation challenges**
- **Data will serve as an enabler for optimization of provisioning, through risk categorization models & frameworks and recovery analytics.**
- **Technology key in ensuring data integrity, compliance, and operationally robust rollout**

Agenda

- **Provisioning under IFRS 9 – Executive Summary**
- **Key Implications and Challenges during Implementation**
 - Functional challenges towards ECL estimation
 - Operational challenges towards framework implementation
- **Q&A**

Thank you

Send in your queries:

Amit Vora

Director, CRISIL Risk Solutions

Amit.vora@crisil.com

Rahul Nagpure

Associate Director, CRISIL Risk Solutions

Rahul.nagpure@crisil.com

Soham Sanyal

Senior Consultant, CRISIL Risk Solutions

Soham.sanyal@crisil.com

About us

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions, with a strong track record of growth, culture of innovation and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

About CRISIL Risk Solutions (CRS)

CRISIL Risk Solutions (CRS) provides a comprehensive range of risk management services, analytics and solutions to financial institutions, banks, insurance and corporates in India, the Middle East, Africa, South Asia and South-East Asia. We are a division of CRISIL Risk & Infrastructure Solutions Limited (CRIS), a wholly-owned subsidiary of CRISIL Limited, and have been ranked India's No. 1 Risk Solutions provider in a survey by Indian Banks' Association. Our solutions help clients identify, measure, and calibrate a comprehensive range of risks: credit risk, operational risk, regulatory risk and market risk. Our expertise in executing and managing diverse risk-related engagements, in-depth knowledge of regulatory requirements, and a pool of experienced professionals enable us to deliver enterprise risk management solutions from ideation to implementation. We supplement our core risk domain understanding and analytical skills with robust proprietary softwares to provide efficient solutions for risk management. Our software and service offerings include model development and validation, diagnostic analysis, framework development, formulation of policy & processes, corporate & retail credit lifecycle management solutions, integrated risk management solutions and regulatory reporting solutions.

CRISIL Privacy

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfil your request and service your account and to provide you with additional information from CRISIL and other parts of S&P Global Inc. and its subsidiaries (collectively, the "Company") you may find of interest.

For further information, or to let us know your preferences with respect to receiving marketing materials, please visit www.crisil.com/privacy. You can view the Company's Customer Privacy at <https://www.spglobal.com/privacy>

Last updated: April 2016