

# **Expert Advisory Panel**

## **25-26 February 2010**

### **Draft summary agenda**

1. Administrative matters
  - a. Finalisation of future meeting venues
    - 25/26 March
    - 26/27 April
    - 24/25 May
    - 21/22 June
  - b. Objective of the panel
2. Feedback from the cash flow estimate subgroup on IASB model
  - a. EAP proposition of approach (*Franciane Rays*)
  - b. Discussion of questions raised from the presentation
  - c. Issue 4 - Implications of 'actual' losses (*Ned Pollock*)
  - d. Issue 12 - Simplifications for standardised banks (*Ned Pollock*)
  - e. Issue 13 - Macroeconomic outlook and management judgement (*Ned Pollock*)
  - f. Experiences with SOP 03-3: dealing with operational challenges (*Steve Mackey*)
  - g. Issue 9- Interaction with Basel II requirements (*Nathalie Beaudemoulin*)
  - h. Discussion of the remaining cash flow estimate issues
3. Feedback from the effective interest method subgroup on IASB model
  - a. EIR analysis (*Rubén García Céspedes*)
  - b. EIM approximation outcomes (*Iain MacLachlan*)
  - c. Discussion of the remaining effective interest method issues
4. FASB update and discussions
  - a. Discussion of the preliminary draft of FASB impairment model (including some comparison of FASB and IASB impairment models)
  - b. EAP feedback on some of the FASB questions to the cash flow estimate and effective interest method subgroups

## **Appendix A**

Following is a list of issues that have been identified in the course of the project regarding impairment of financial instruments, including the comments received on the Request for Information as well as other issues suggested by EAP candidates.

### **Estimating cash flows:**

- lack of historical data;
- estimates for individual financial instruments;
- estimates on a portfolio and individual level;
- implications of ‘actual’ losses;
- correlation in portfolios;
- migration of instruments over time;
- penalty payments;
- recovery costs;
- interaction with Basel II requirements;
- implications of probability of pre-payment;
- estimates using data from secondary sources;
- simplifications for standard banks;
- macroeconomic outlook and management judgement;
- updating estimates (operationalise frequency of re-estimates);
- loan restructures and loan commitments;
- cash flows for floating rate notes where benchmark interest rate are not observable; and
- estimates for non-rated instruments.

**Effective interest method/allocation mechanism for initial estimate of expected credit losses:**

- variable rate instruments;
- possible alternatives for the allocation of the initially expected losses;
- determination of the initial expected spread;
- applying the ECF approach to specific types of instruments (eg instalment loans or revolving facilities);
- simplifications for standard banks and non-financial companies; and
- transitional requirements.

**Other:**

- disclosure requirements and transparency.