

# **Expert Advisory Panel**

## **21-22 June 2010 (Beijing)**

### **Agenda**

1. Administrative matters
2. Feedback from the cash flow estimate subgroup on the IASB model
  - a. Issue 9 – Interaction with Basel II requirements (*Art Lindo*)
3. Feedback from the effective interest method subgroup on the IASB model
  - a. Issue 2 – EIM approximation outcomes (*Iain MacLachlan*)
4. Other aspects of the IASB ED
  - a. Proposed disclosure requirements (*Rubén García Céspedes*)
  - b. Comparison of Pillar III, IFRS 7 and ECF disclosures (*Nathalie Beaudemoulin*)
  - c. Operational aspects of transition
5. Other aspects of the FASB ED
  - a. Proposed disclosure requirements
  - b. Operational aspects of transition
6. Data availability issues (*IASB staff*)
7. Operational aspects of the converged impairment model (*Urs Bluemli, Rubén García Céspedes, Bill Hayward, Ralf Leiber, Stephen Mackey, Iain MacLachlan, Tomoki Muto and Franciane Rays*)
8. Using a loss rate methodology (*Darrin Benhart*)
9. IASB's update on EAP discussions (*John Smith*)
10. FASB's update on EAP discussions (*Larry Smith/Akwasi Ampofo*)
11. Closing

## **Appendix A (proposed revision 17 June 2010)**

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. A new group of issues called 'Open/closed' portfolios has been added. The issues in this new group have been identified by the EAP members as significant system implementation challenges.

### **'Open/closed' portfolios:**

1. estimates for individual financial instruments;
2. estimates on a portfolio and individual level; and
3. migration of instruments over time.

### **Estimating cash flows:**

1. ~~lack of historical data~~ (*thoroughly discussed*);
2. ~~estimates for individual financial instruments~~ (*being addressed in the 'open/closed' portfolios group of issues*) ;
3. ~~estimates on a portfolio and individual level~~ (*being addressed in the 'open/closed' portfolios group of issues*);
4. ~~implications of 'actual' losses;~~ (*thoroughly discussed*)
5. ~~correlation in portfolios~~ (*thoroughly discussed*);
6. ~~migration of instruments over time~~ (*being addressed in the 'open/closed' portfolios group of issues*);
7. ~~penalty payments;~~
8. ~~recovery costs;~~
9. interaction with Basel II requirements;
10. implications of probability of pre-payment;
11. ~~estimates using data from secondary sources~~ (*thoroughly discussed*) ;
12. simplifications for standardised banks;

13. ~~macroeconomic outlook and management judgement; (thoroughly discussed)~~
14. ~~updating estimates (operationalise frequency of re-estimates) (thoroughly discussed);~~
15. ~~loan restructures and loan commitments (thoroughly discussed);~~
16. ~~cash flows for floating rate notes where benchmark interest rate are not observable; and~~
17. ~~estimates for non-rated instruments (thoroughly discussed).~~

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

1. variable rate instruments;
2. possible alternatives for the allocation of the initially expected losses;
3. determination of the initial expected spread;
4. ~~applying the ECF approach to specific types of instruments (eg instalment loans or revolving facilities) (thoroughly discussed);~~
5. determining interest revenue for originated and purchased financial instruments (with lower credit quality);
6. possible simplifications for standardised banks and non-financial companies; and
7. transitional requirements.

**Other:**

- disclosure requirements and transparency.