

ICS FINANCIAL SYSTEMS LTD

ICS BANKS®
IFRS9 ECL Module

IFRS9 ECL Module

ICS BANKS® International Financial Reporting Standard 9 (IFRS9) is a forward-looking "Expected Credit Loss" (ECL) model which accelerates recognition of losses to help banks and financial institutions with identifying and mitigating credit risk early. This module adopts the general and simplified approaches for its impairment model, requiring the recognition of impairment losses in line with the stage of which is intended to reflect the drop in credit quality of a financial instruments.

The IFRS9 Module has been designed to seamlessly integrate with ICS BANKS® core banking system and offers a range of value-added features Including:

- AI-powered Probability of Default (PD) Model at both the facility and account levels
- Flexibility for products within the scope of implementation, covering retail, SMEs, and corporate segmentation in accordance with the bank's business objectives.
- Allows for a comprehensive review and modification of all system outputs by the authorized users with audit capabilities.
- Fully integrated with ICS BANKS® core banking system and ICS BANKS® Credit Scoring & Risk Rating system, used for internal rating to calculate customer credit quality and make informed decisions regarding staging and classifications.

Scope of Implementation

Islamic Banking
FAS 30 "Impairment, Credit Losses and Onerous Commitments"

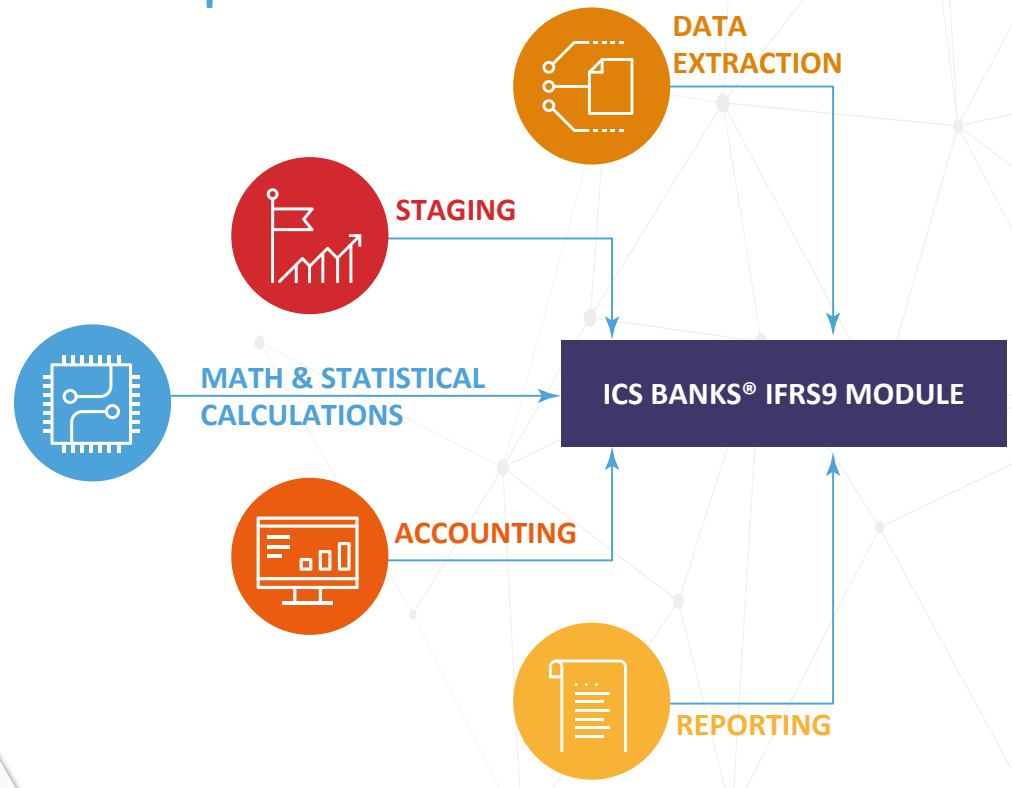
Commercial Banks (Conventional Banking)
IFRS9 Financial Instruments

©2024 ICS Financial Systems – ICSFS

Business in Scope

Investments in Debts Instruments	All Loan Commitments	Off-balance Instruments	Placements with other Banks	Direct & Indirect Facilities
• Measured at Amortized Cost (AMC) • Measured at Fair Value through Other Comprehensive Income (FVOCI)		• Letter of Guarantee (LGs) • Letter of Credits (LC)...etc.)		

IFRS9 Module Components

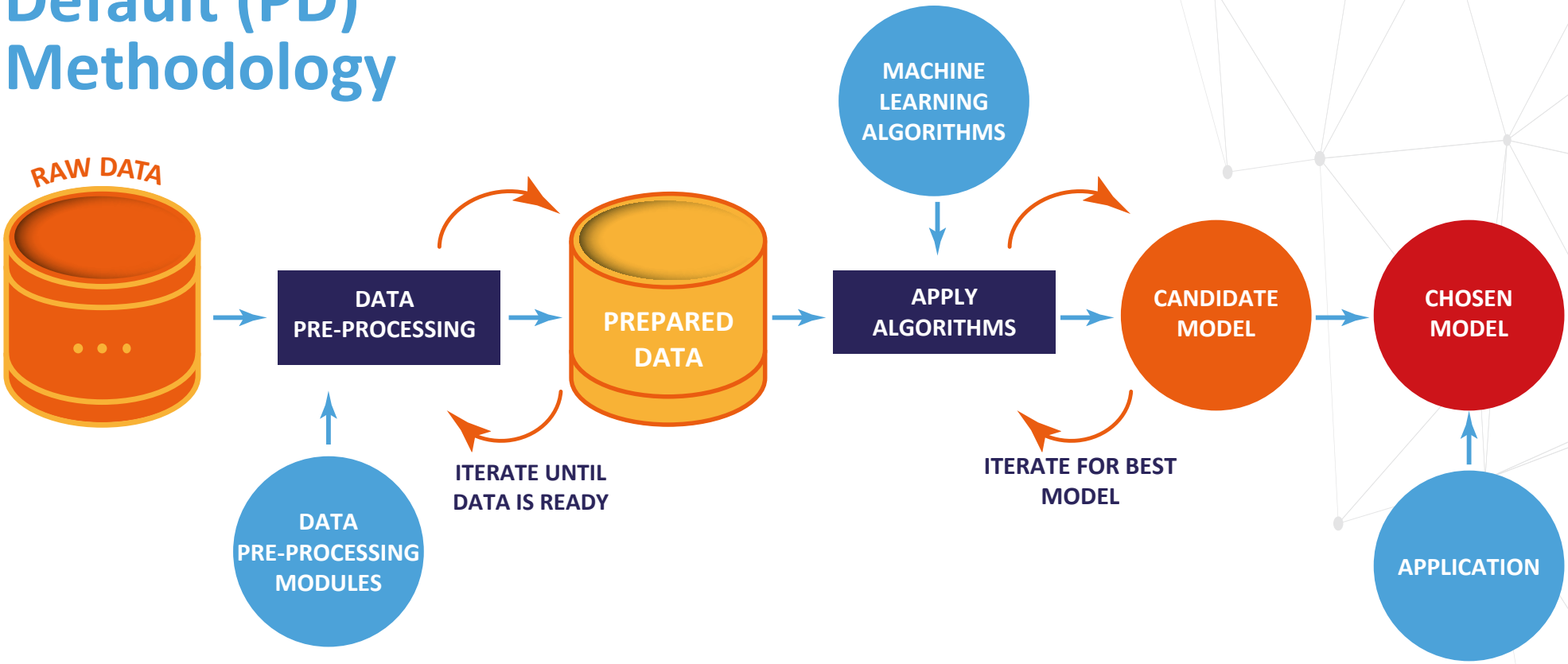


When we connected with ICSFS and discussed our requirements, we quickly came to realize that we are on the right path; we were pleased to find that they already have a fully integratable IFRS9 solution that surpassed our expectations and requirements.

AI Powered PD Model

Probability of Default (PD) is calculated using Artificial Intelligence on a facility detail / account level. Scenario analysis and stress testing of results allows to better capture future impact and accordingly more accurate probability of default (PD) value.

ICS BANKS® Probability of Default (PD) Methodology



©2024 ICS Financial Systems – ICSFS

Staging

For all financial assets that are within the scope of application, system do automatic sorting into stages reflecting their exposure to credit loss:

Stage One	Assets are performing
Stage Two	Assets are underperforming (there has been a significant increase in their credit risk since the time they were originally recognized)
Stage Three	Assets are non-performing and therefore impaired

Preparing data for the classification into staging, requires maintaining business rules that may be unique for each portfolio or product.

With ICS BANKS® IFRS9 ECL Model, users will easily update the rules and debug the updates; track data changes; and extract both the rules and the data for regulators and auditors.

Models for Computing ECL

As IFRS9 is principles based and does not offer any standard model for computing ECL, banks are therefore required to come up with their own models for ECL computation.

Accounting Integration

IFRS9 provides specific guidance on income recognition as well as on provisioning, both of which to be reported in banks' balance sheet and income statement and this is fully integrated with core banking system. System automatically maintains accounting processes to cater to ECL provisions and makes entries in the general ledger (GL) on the reporting date.

Data Management

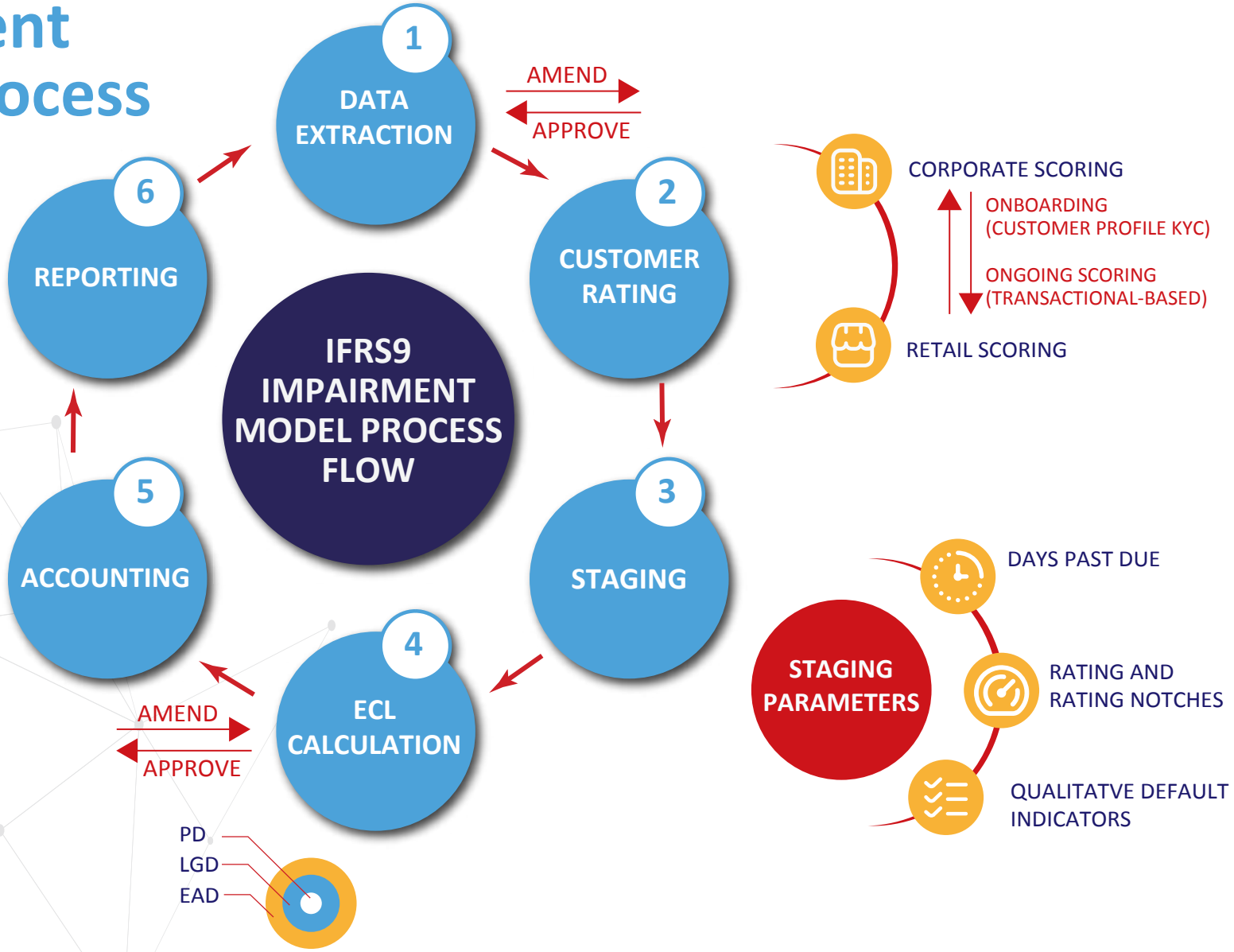
In order to comply with IFRS9, banks need to be able to identify the data requirements as well as the source systems that they originate from. Cash flow information, collateral data, exposure information, obligor rating data, and macroeconomic indicators are some of the data requirements of IFRS9.

ICS BANKS® IFRS9 ECL Module allows full integration with the core banking system and guarantee the automation of data extraction and ensures the availability of high-quality data at an acceptable granularity to run ECL computations and reporting.

Regulatory Reporting

The key operational tasks required to deliver IFRS 9 output and results are the reporting and analysis. ICS BANKS® IFRS9 ECL Module provides high level data analysis and dashboard reporting. All regulatory central banks reporting is automatically generated by the engine.

IFRS9 Impairment Model Process Flow



©2024 ICS Financial Systems – ICSFS



CONTACT US

ICSFS LATEST NEWS

ICSFS INSIGHTS

ICS Financial Systems Ltd. - ICSFS

A leading provider of modern banking and financial technology powered by a very solid, agile, and digital banking platform as part of its DNA, launching innovative products that are constructed on a secured and agile integration. Its ICS BANKS software is a fully integrated universal banking software with many suites servicing the financial industry that provide open products with international standards, real-time business processing and value-added capabilities of tailoring products, on-premises, hybrid or cloud. ICS BANKS software suites future-proof banking activities by providing a broad range of features and capabilities with more agility and flexibility, to enrich customers' journey experience.

Copyright ©2024 ICS FINANCIAL SYSTEMS LTD - ICSFS
All rights reserved. No part of this document may be reproduced or transmitted in any form or by any means without prior permission in writing from ICS FINANCIAL SYSTEMS Ltd. - ICSFS

Cloud Available

www.icsfs.com

BANKS BANKING SOLUTIONS

ICS FINANCIAL SYSTEMS LTD

Executive Briefing Center
2nd Floor, Berkeley Square House,
Berkeley Square, London, W1J 6BD, UK
Tel: +44 (0) 20 3319 5448
Fax: +44 (0) 20 8688 1673

Center of Excellence
P.O.Box 950499 Amman, Jordan 11195
Tel: +962 6 534 4088
Fax: +962 6 533 2651

BANKS BANKING SOLUTIONS