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Roadmap for transition to new reporting standards - multilateral development banks discussed implementation of new IFRS-9 standard on the platform of IIB

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For the first time ever, top managers from a number of Multilateral Development Banks (MDBs), including the International Investment Bank (IIB), the Asian Infrastructure Investment Bank (AIIB), the Black Sea Trade and Development Bank (BSTDB), the European Investment Bank/European Investment Fund Group (EIB/ EIF Group), the Eurasian Development Bank, the New Development Bank (NDB), the Islamic Development Bank (IsDB), the African Development Bank (AfDB) and a number of other financial institutions gathered in Moscow to discuss the issue of implementation of the IFRS-9. On September 28-29, 2017, the international conference "*IFRS-9 for Multilateral Development Banks*" concerning the implementation of the new financial reporting standard and improving the effectiveness of risk management took place in Moscow.

The IIB coordinated the "*IFRS-9 for Multilateral Development Banks*" jointly with the S&P Global and Finastra, one of the world leaders in the area of innovative financial technologies.

The main aim of the conference was to discuss and to analyze the possible consequences of new standards' implementation for financial reporting and risk assessment in MDBs taking into account the mission that development banks are executing in the global financial architecture.

During the discussions following particularities of the MDBs were highlighted: the presence of sovereign states among shareholders; the influence of shareholders' sovereign ratings on the capital-raising potential of the banks and the cost of debt financing attracted on the capital markets; the absence of a single regulator for the MDBs; the nature of the MDBs' mission – their activities are not focused on the profit optimization, but on the promotion of sustainable development among its shareholders.

Mrs. **Sue Lloyd**, Deputy Chairman of the International Accounting Standards Board, an independent international organization, which drafts and updates IFRS standards, made the opening presentation at the conference. It was focused on a detailed analysis of the IFRS-9's key elements.

As the main thesis in his speech, Mr. **Nikolay Kosov**, Chairman of the IIB Board, stressed that the MDBs should look how to transform challenges into opportunities. He pointed out the following challenges: the new requirements for capital classification and measurement; the additional burden on capital due to the new forward-looking approach on impairment assessment; the pressures on pricing and on risk appetite; the need to enhance business-processes and IT-solutions, and an increase of the duration of the MDBs investments.

The opportunities, according to Mr. Kosov, could associate with the creation of conditions in

which MDBs could increase their role in the global financial system if they follow the "counter-cyclical approach" which is opposite to the approach for the commercial banks' activities.

"We (MDBs) should ensure access to finance for those economic sectors that face difficulties," - stressed the IIB's top executive. - "We expect to see a reinforced mandate in financing vulnerable, but vital economic sectors in our member states - SMEs, green investments, RD&I (research, development & innovation), venture capital."

The speech of Mr. **Alexander Ekbohm**, Director, Lead Analyst Global Multilateral Lending Institutions S&P, attracted special attention of the participants, as it was focused on the impact of new standards implementation and on how to rate financial institutions.

According to the representative of S&P Global, changing the reporting standards by themselves should not influence the credit ratings of the banks, since they change the rules of banking financial reporting, rather than general state of business. In conclusion, he stressed that the forum *"important for the international financial system, in which the MDBs play a special, unique role. When implementing new standards, it should always be remembered that we examine, of course, the figures, but evaluating, first of all, the risks."*

During the two days, representatives of the international community of MDBs proactively communicated with the regulators, rating and consulting agencies on the framework of the conference. The dialog focused on the development of joint solutions for the efficient implementation of new reporting standards by MDBs.

Summarizing the results of the forum, its participants agreed upon the need to create a joint position on the issues discussed, such that regulators and rating agencies take in to account the nature of MDBs activities while implementing new standards and assigning ratings.

The conference, according to the organizers, is the first in a series of events focusing on the MDBs' strategic and financial issues, how to draft and make mutually beneficial decisions in the context of global economic trends.

Additional information about the conference can be obtained by calling +7 (495) 604-74-47 or by e-mail to press@iibbank.com

Reference:

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