



CEMLA-FSI Policy implementation meeting on non-performing assets (NPAs)

Jointly organised by the Center for Latin American Monetary Studies (CEMLA) and the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS)

Hosted by the Central Bank of Costa Rica

San José, Costa Rica, 14–15 March 2018

Preliminary Agenda

Wednesday 14 March

09:00 **Welcome remarks**

Mr Eduardo Prado Zúñiga, General Manager, Central Bank of Costa Rica

09:10 **Introduction to the meeting**

Ms Patrizia Baudino, Senior Advisor, FSI, BIS

Mr Raul Morales, Manager, CEMLA

09:30 **FSI Insights – comparative assessment of NPA identification and measurement practices in Asia, Europe, the US, Latin America and the Caribbean (LAC)**

In March, the FSI will publish an FSI Insights covering country practices in the prudential and accounting treatment of non-performing assets (NPAs). Drawing on the findings from an FSI survey on selected Asian and LAC jurisdictions, as well as publicly available information on the US and the European Union-SSM, the paper highlights the wide variety in approaches, and identifies area for consideration by the authorities.

Ms Patrizia Baudino

Discussion and comments

10:30 **Prudential treatment of problem and forborne assets**

The Basel Committee on Banking Supervision (BCBS) has recently issued guidance on the treatment of problem assets and related provisions. This session will provide an overview of the BCBS Guidance on problem and forborne assets, to be followed by a discussion of the application of this standard, and, where applicable, the BCBS guidance on the Expected Credit Losses (ECL), in the region.

Mr Piers Haben, European Banking Authority (EBA) and co-chair of the BCBS Prudential Treatment of Problem Assets (PTA) group

Discussion and comments

11:30 Coffee/tea break



12:00 **Challenges in accounting and prudential treatment of problem and forborne assets**

IFRS 9 introduces requirements for the treatment of credit losses, replacing IAS 39 in several countries. However, implementation raises challenges, and this session covers examples of how countries have responded to them. The treatment of foreclosed assets is also key in the recognition of NPAs, and the session covers examples of national approaches in this regard too.

Mr Pedro Comin, Bank of Spain

Regional speaker

Discussion and comments

13:00 Lunch

14:30 **On-site credit risk methodology**

Supervisors use on-site visits to review banks' treatment of assets quality and credit risk. This session reviews supervisory practices in relation to the key elements of credit risk reviews in on-site inspections, such as sampling, collateral evaluation, treatment of impairments, credit risk methodologies, and outcomes.

Mr Ferdinando Cutino, European Central Bank

Regional speaker

Discussion and comments

15:30 Coffee/tea break

16:00 **Lessons learned on NPA identification, measurement and evolution following banking crises, AQRs and best practices**

The session covers country practices in identifying and measuring NPAs, including via asset quality reviews. As an example of the guidance provided by supervisors in this field, the session covers the case of the ECB, which recently issued guidance on the treatment of non-performing exposures, following an extensive stock-taking exercise in the SSM countries.

Mr Pedro Comin

Mr Ferdinando Cutino

Regional speakers / roundtable (all the delegations)

17:30 End of session

18:30 Welcome dinner



Thursday 15 March

09:00 FSI Insights – NPA resolution policies

The FSI recently published an FSI Insights on NPL resolution, which reviews NPL resolutions in several countries, and offers insights into the prerequisites for successful resolution strategies. Although the resolution toolkit has remained broadly unchanged for several decades, the success of resolution policies varies from country to country, and the paper seeks to identify a number of key country characteristics that determine it.

Ms Patrizia Baudino

Discussion and comments

10:00 Resolution of NPAs – national strategies, market developments and institutional arrangements

Drawing down the stock of NPAs can be complex for banks, especially when the level of legacy assets is high and the problem has reached systemic dimensions. This session discusses the implementation challenges and raises practical considerations about how banks can achieve this goal. For instance, what kind of secondary markets can support the disposal of NPAs, or what can the official sector do to facilitate the draw-down?

Mr Piers Haben

Regional speakers

11:00 Coffee/tea break

11:30 Panel discussion: lessons learnt, challenges and way forward

In this concluding session, all speakers and delegates are invited to share views and suggestions for discussion on the main take-aways from the event, for instance covering cross-country comparisons, best practices in the identification and measurement of NPAs, or NPA resolution, as applicable.

All non-regional speakers

Roundtable (all the delegations)

12:30 Closing remarks

12:45 Farewell lunch