

Creating Value Through Sound Governance



A CENTRAL BANK'S GUIDE TO IFRS

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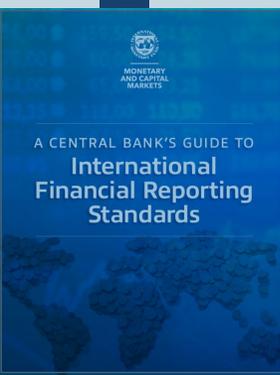


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Why Create a “Central Bank” Guide to IFRS?

- The IMF regularly provides technical assistance on application of IFRS
 - *Often repeating much of the same foundational information*
- Common questions:
 - *“What are Best Practices?”*
 - *“Do you have an example?”*
 - *“What are other central banks doing?”*
 - *Recognition that commercial bank practice is not always appropriate*
- About ¼ of the world’s central banks apply IFRS quite successfully
 - *Approximately another ¼ look to IFRS for guidance*
 - *Practices do vary on those items not fully aligned with IFRS or covered in IFRS*
- *Will be used as foundational guide in providing IFRS Technical Assistance*



The Opportunity



Image credit: Goalcast

- The goal is to promote greater transparency and consistency
 - *For both IFRS and Non-IFRS compliant central banks*
- Develop a central bank model focusing on the important disclosures
 - *What is important for a central bank differs from a commercial entity*
- While there is no “Best Practice”
 - *There are common practices! And some are better than others*
 - *Perhaps in time we shall see greater consistency*
- Funding for the project provided by the “Financial Sector Reform and Strengthening Initiative” (FIRST)



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About the Guide: Example Statements

- Based on a fictitious “Central Bank of Utopia”
 - *Statement of Financial Position*
 - *Statement of Profit or Loss and Other Comprehensive Income*
 - *Statement of Changes in Equity*
 - *Statement of Cash Flows*

- The guide provides a model for the structure of the statements themselves
 - *Structure aims to tell the central bank’s story*
 - *While not a typical commercial entity format, it is accepted by auditors*

Statement of Financial Position As at December 31 (in thousands of Utopian local currency)

| | Note | 2019 | 2018 |
|---|-----------|-------------------|-------------------|
| ASSETS | | | |
| Foreign currency financial assets | | | |
| Cash and cash equivalents | | | |
| Deposits with banks | | | |
| Securities | | | |
| Monetary gold | 3.1 | 19,671,825 | 19,067,867 |
| IMF related assets | 3.2 | 49,798,005 | 42,154,364 |
| Derivatives | 3.2 | 9,605,555 | 12,855,888 |
| Equity investments | 6 | 108,000 | 94,000 |
| Other receivables | 5 | 2,537,070 | 2,897,041 |
| Total foreign currency financial assets | 3.2 | 79,119,455 | 77,112,160 |
| Local currency financial assets | | | |
| Cash and cash equivalents | 7.a | 120,000 | 84,000 |
| Loans due from financial institutions | 11 | 8,300 | 8,000 |
| Securities | | 81,888,828 | 76,871,204 |
| Loans to staff | 3.1 | | |
| Advances to government | 3.3 (a,b) | 657,756 | 518,063 |
| Other receivables | 3.4 (a) | 500,000 | 550,000 |
| Total local currency financial assets | 11 | 949,000 | 450,000 |
| Total local currency financial assets | 3.4 (b) | 949,000 | 450,000 |
| Non-financial assets | | | |
| Non-monetary gold | | 1,294,900 | 96,388 |
| Inventories | 11 | 59,521 | 1,100,000 |
| Property, plant and equipment | | 2,832,659 | 44,125 |
| Intangible assets | 11 | | 2,698,366 |
| Investment properties | 8 | 16,672 | 4,497 |
| Other assets | 9 | 41,919 | 92,116 |
| Total non-financial assets | 9 | 134,965 | 30,082 |
| TOTAL ASSETS | 11 | 15,000 | 12,000 |
| | | 155,604 | 15,000 |
| | | 377,160 | 126,142 |
| | | 85,098,647 | 79,909,298 |
| LIABILITIES | | | |
| Foreign currency financial liabilities | | | |
| Balances of commercial banks | | | |
| Balances of government | | | |
| IMF related liabilities | | | |
| Derivatives | 3.3 (f) | 29,000 | 19,000 |
| Due to financial institutions | 3.4 (c) | 7,206,767 | 7,164,579 |
| Due to foreign central banks | 5 | 2,096,913 | 1,993,723 |
| Other liabilities | 3.2 | 8,300 | 8,000 |
| Total foreign currency financial liabilities | 3.5 | 7,462 | 25,944 |
| Local currency financial liabilities | | | |
| Currency in circulation | 11 | 10,645,460 | 8,721,190 |
| Balances of commercial banks | | 71,085 | 30,655 |
| Balances of government | | 20,258,988 | 13,054,092 |
| Certificates of deposits from Bank of Utopia | 10 | | |
| Due to financial institutions | 3.3 (f) | 14,467,118 | 13,528,764 |
| Other liabilities | 3.4 (c) | 29,666,760 | 27,950,889 |
| Total local currency financial liabilities | 3.3 (e) | 348,351 | 1,895,649 |
| Total local currency financial liabilities | 3.3 (e) | 5,000,944 | 3,507,159 |
| TOTAL LIABILITIES | 11, 15.2 | 57 | 557 |
| Equity | | 270,700 | 1,618,982 |
| Capital and general reserves | | 43,754,431 | 48,847,999 |
| Revaluation reserves | | 64,013,419 | 61,896,091 |
| TOTAL EQUITY AND LIABILITIES | 12.1; 20 | 4,885,342 | 8,898,982 |
| | 12.2 | 16,699,986 | 14,114,275 |
| | | 27,085,228 | 18,013,207 |
| | | 85,098,647 | 79,909,298 |



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About the Guide: Note Structure

- The notes are ordered based on importance
- Accounting Policies aligned with notes
 - *Foundational policies included in Note 2*
 - *Specific Policies and Judgements are aligned with the specific notes they refer to*
- Each note includes additional
 - *‘Business Context’ to provide greater understanding as to why the note is important*
 - *‘User Guidance’ provides additional direction that the reader should consider in developing the disclosure*
 - *Both of these are related to a central bank*



Why is it important?

- The world is continuing to change
 - *Global community is becoming more complex*
 - *Financial sector is becoming more integrated*
- Fostering greater trust in the central bank
 - *Need for greater comparability across central banks (and countries!)*
- The Guide “Notes” provide greater detail on Balance Sheet items
 - *The Balance Sheet is the heart of the central bank!*
 - *An understandable balance sheet is critical to financial sector and investor confidence in the central bank’s ability to conduct monetary policy, maintain financial stability and backstop the financial sector*
- *Certain unique central bank operations lack guidance under IFRS*
 - *These make it difficult not just for the accountants but also the auditors*



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Who should find the Guide of Interest?



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- Central bank Board; Council; Audit Committee members
- Governors, Deputy Governors, and central bank Executives
- Chief Financial Officers and Directors / Heads of Accounting
- Directors of key central bank operations:
 - *economic research, markets, foreign reserve management, currency, supervision, etc.*
- Accounting and financial reporting managers and staff
- Legal Council; Risk Management; Compliance; Audit
- Ministers of Finance, Parliamentarians, external auditors



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How did we Create It? What Process was Followed?

- Project involved participants from 13 central banks with global coverage
- Review of two dozen IFRS central bank statements from around the world
 - *Based on 2018 and 2019 results (including application of IFRS 9)*
- Each section was assigned to a primary lead and a secondary reviewer
 - *Full report then reviewed by all participants to ensure consistency*
- Project Consultants developed a set of “accounts” for the Bank of Utopia
 - *Incorporated examples and accounts of most common operations*
- The goal was to publish in Q2-2020;
 - *However, the global pandemic slowed progress*

Project Participants provide global perspective

Project Consultants

R. Wytenburg—IMF

A. Beja—previous BOA

R. Darbyshire—previous BOE

S. Liguori—previous BOC

Project Team

A. Laniel—Canada (BOC)

I. Williams—Jamaica (BOJ)

A. Andrade—Brazil (BCB)

R. Wenninger—Paraguay (BCP)

A. Chauke—South Africa (SARB)

A. Jabeen—Maldives (MMA)



M. Eriksen—Norway (NB)

L. Snihorska—Ukraine (NBU)

A. Manelashvili—Georgia (NBG)

A. Russu—Moldova (NBM)

D. Yangzom—Bhutan (RMA)

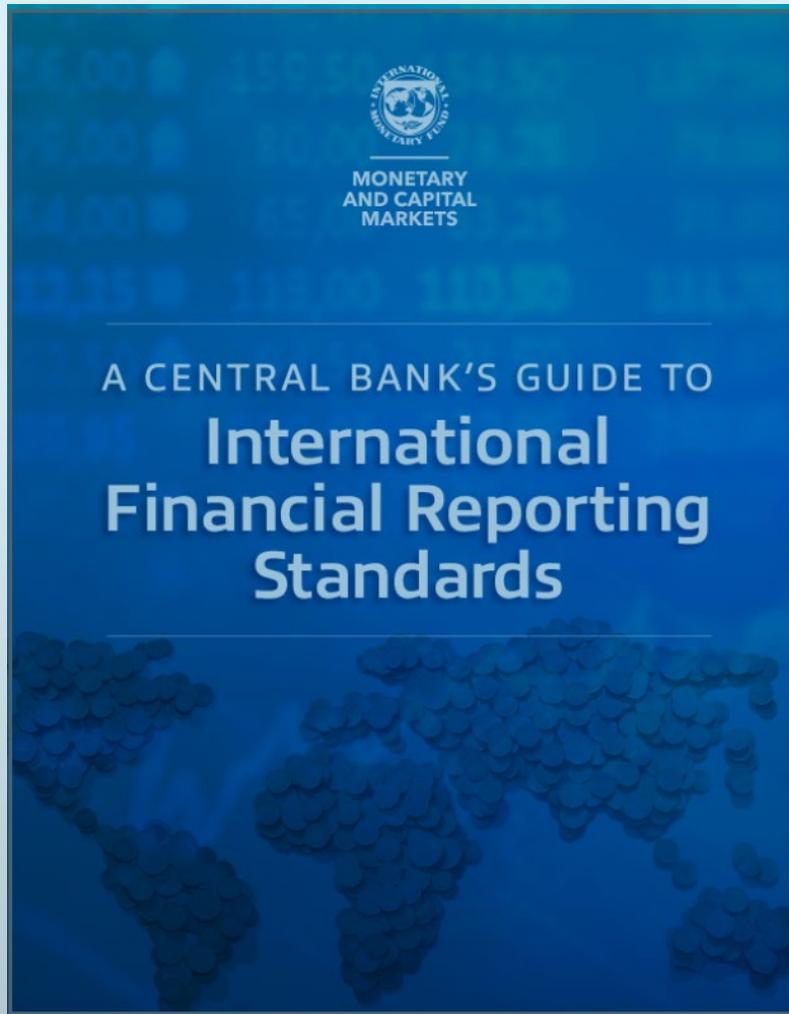
E. Korbi—Albania (BOA)

M. Stambuli—Malawi (RBM)

● Participant & Reference Financial Statements

● Additional Reference Financial Statements

Where to Find the Guide



- Soft copy currently available in English
 - *Spanish and French versions to follow!*
- <https://www.imf.org/en/Publications/Manuals-Guides/Issues/2021/04/05/A-Central-Bank-s-Guide-to-International-Financial-Reporting-Standards-49943>
- *Google: IMF Guide to IFRS*
- *Please feel free to share and to post on your internet and social media pages!*

Remember:

*With greater
independence comes
a greater need for
transparency and
accountability!*

