Creating Value Through Sound Governance

A CENTRAL BANK’S GUIDE TO
International Financial Reporting Standards

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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

- 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)
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
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*
Who should find the Guide of Interest?

- 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
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**

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**Project Team**

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- **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!


- 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!