

Creating Value Through Sound Governance



A CENTRAL BANK'S GUIDE TO IFRS

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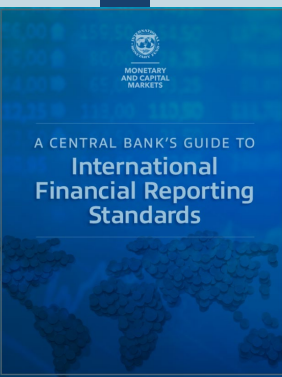


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Why Create a “Central Bank” Guide to IFRS?

- 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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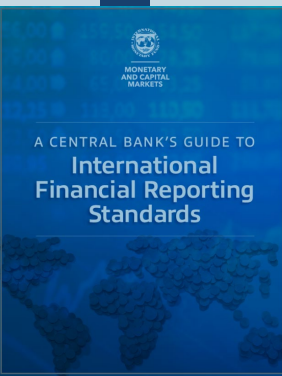
About the Guide: Example Statements

- 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	5,898,982
	12.2	16,699,986	14,114,275
		27,085,228	18,013,207
		85,098,647	79,909,298



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?



Image credit: Jirrsak

- 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)

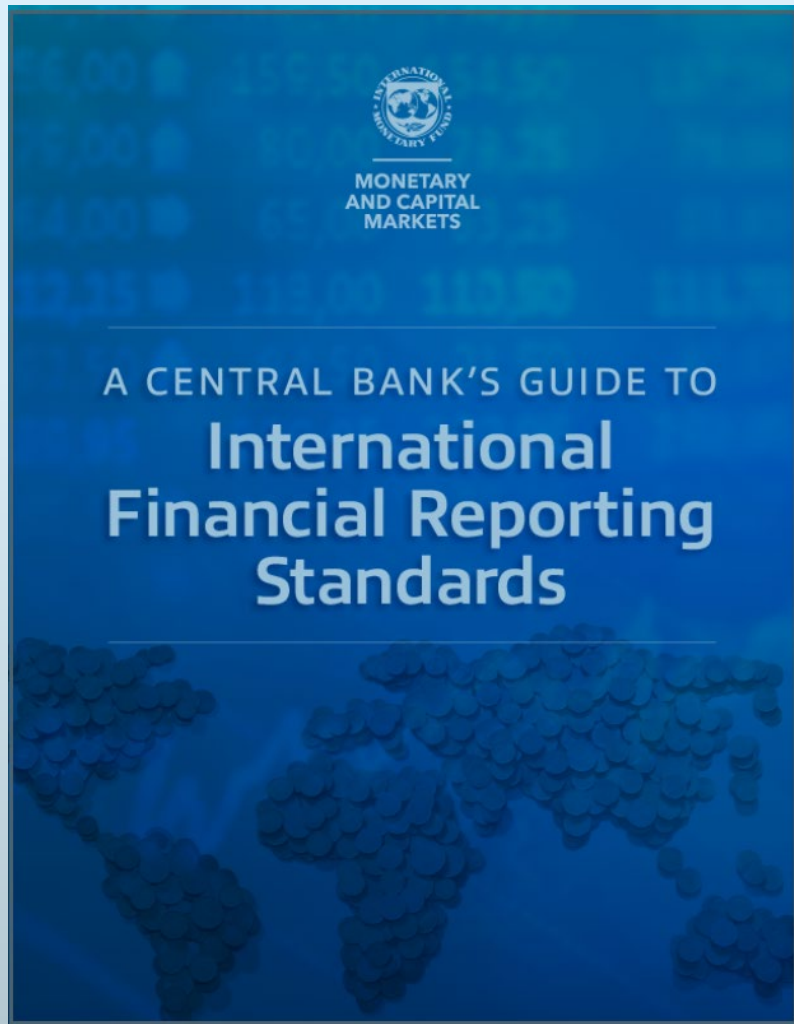
E. Korbi—Albania (BOA)

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!*

