



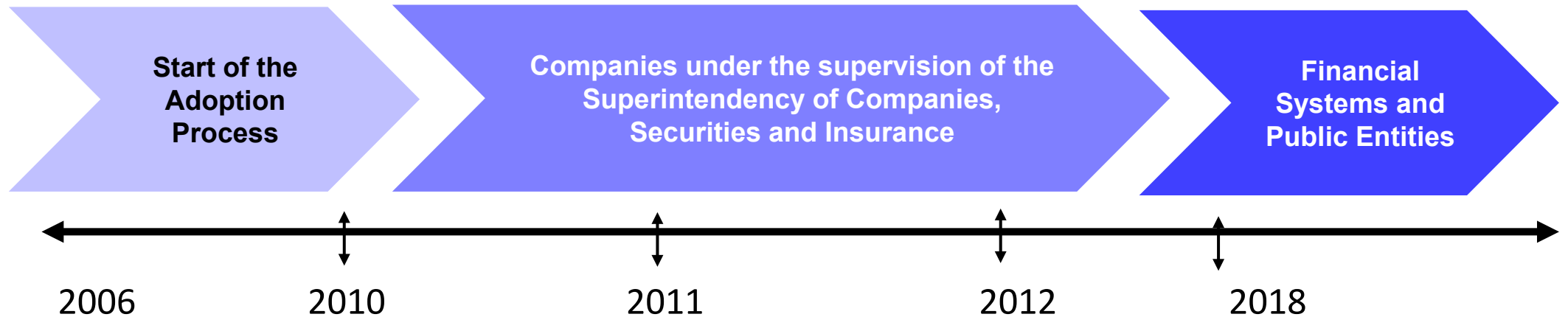
TRANSITION PROCESS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & ITS PARTICULARITIES

TRANSITION PROCESS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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1. BACKGROUND IFRS TRANSITION PROCESS IN ECUADOR



The Superintendency of Companies establishes an IFRS adoption schedule for the companies under its control

- Companies and subject entities regulated by the Securities Market Law, as well as all companies that carry out external audit activities.
- Obligatory nature of the holding companies or holders of shares, which have voluntarily formed business groups and mixed economic companies.
- Other small and medium-sized companies (SMEs) that comply with the conditions: Asset amount USD 4MM, Sales of up to USD 5MM and have less than 200 workers.

The Central Bank of Ecuador is the first financial institution in the country and the first public entity to carry out the process of adapting a new internationally recognized accounting regulatory framework.



2. ACCOUNTING FRAMEWORK USED BY THE CENTRAL BANKS OF THE REGION

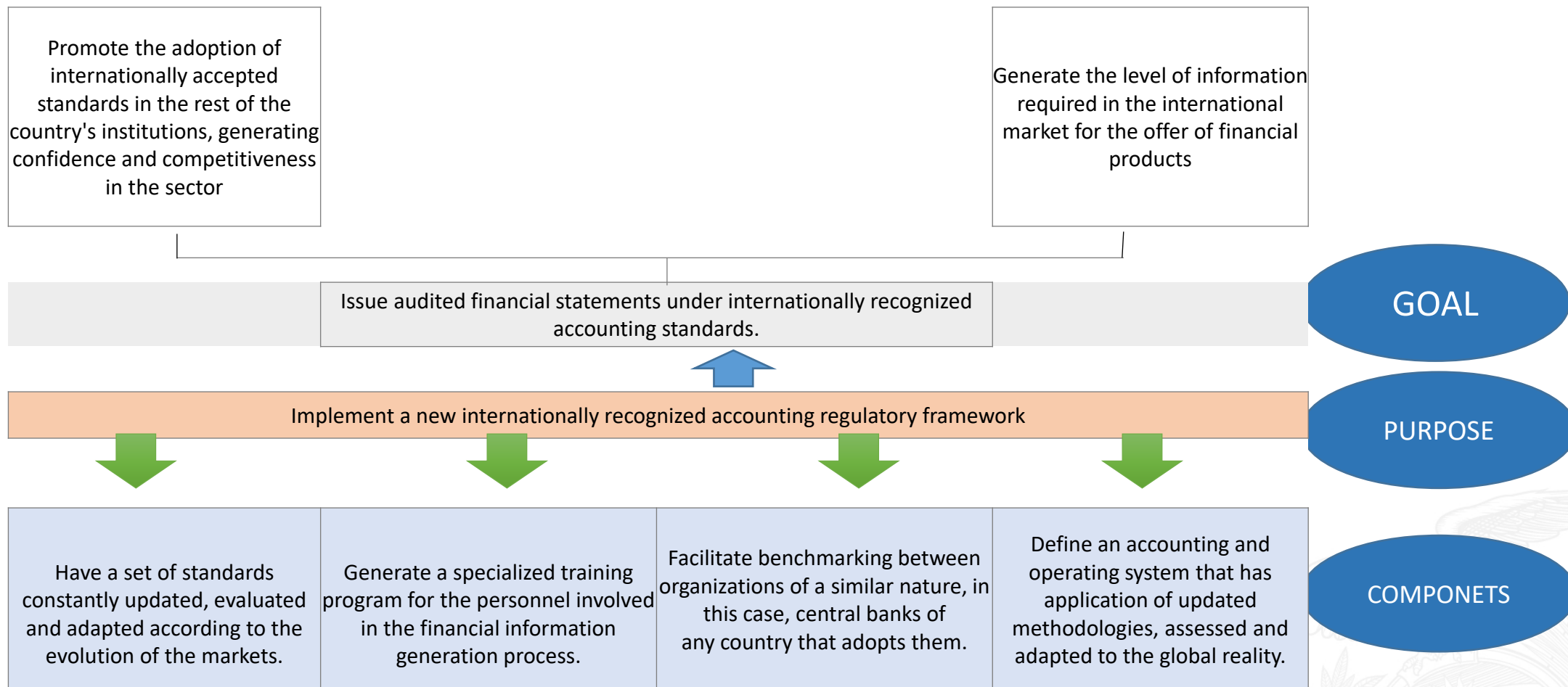
The nature of central banks makes operations for the fulfillment of their functions atypical under the general scope of accounting.

Several countries in the region have adopted Full or partial IFRS into their accounting standards

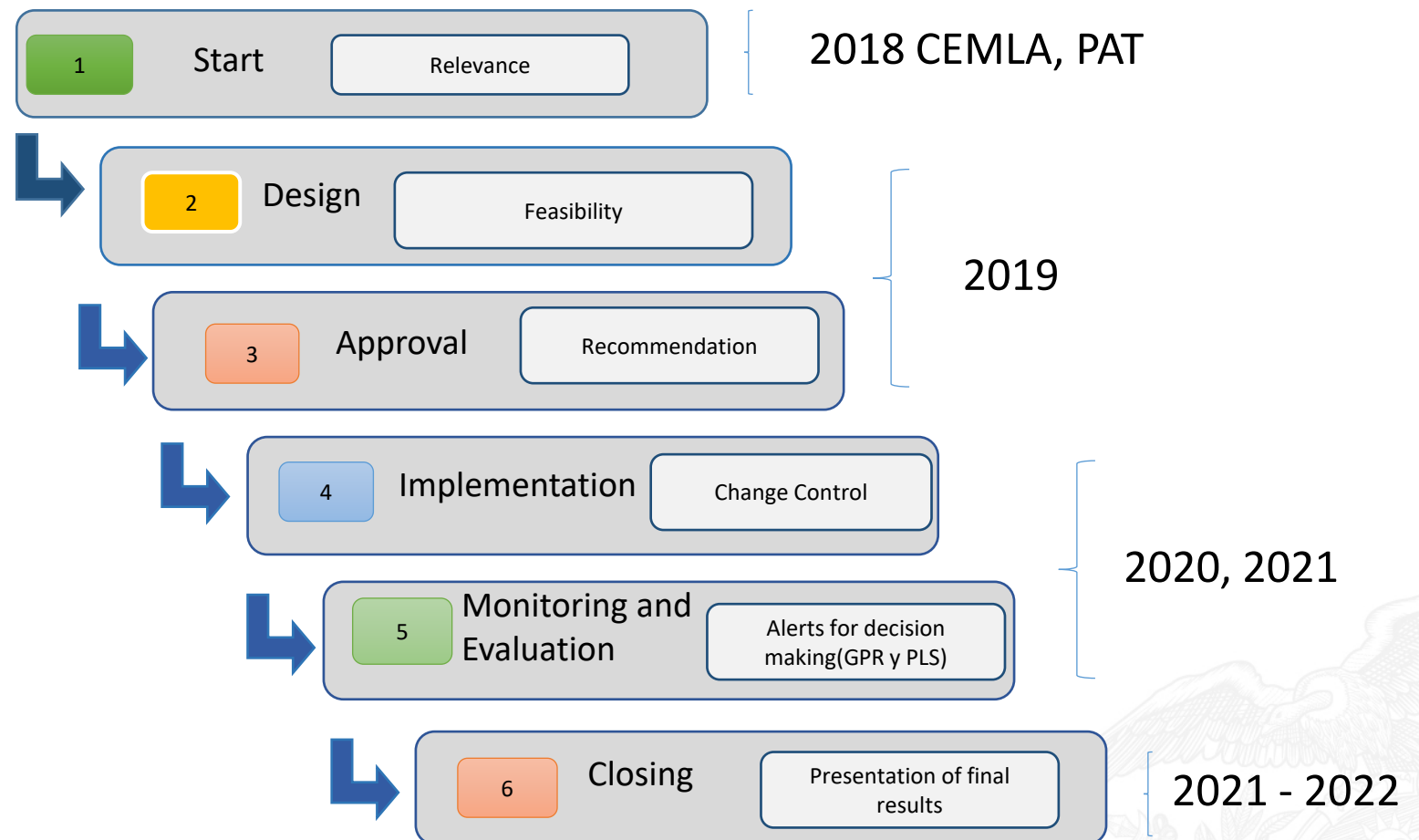
In Ecuador there is no obligation to apply international regulations in the Financial System, thus making the Central Bank of Ecuador a pioneer in adopting the IFRS.

3. OBJECTIVES ANALYSIS

TARGET TREE



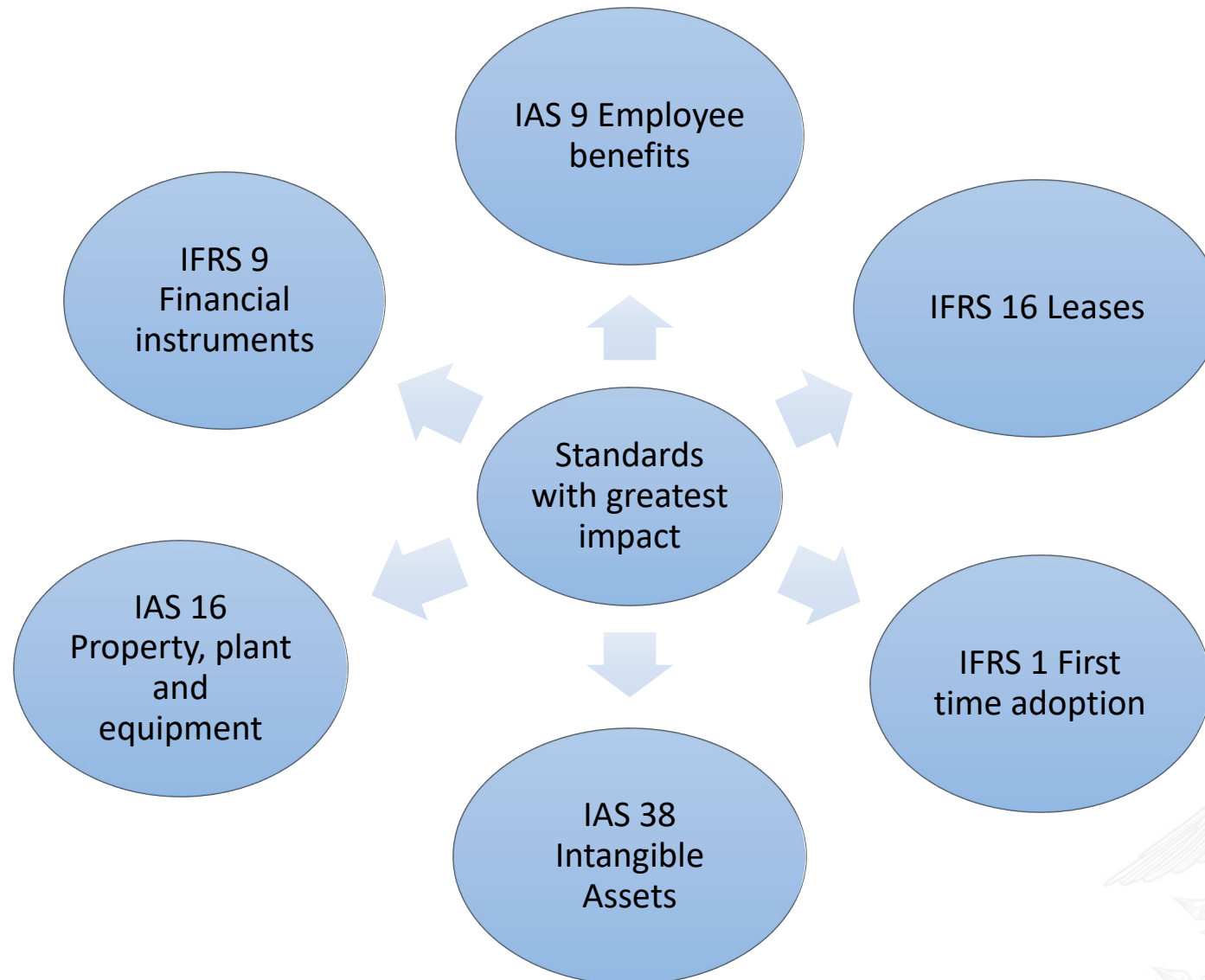
4. PROJECT OF CONVERGENCE TO IFRS IN THE BCE, LIFE CYCLE OF THE PROJECT



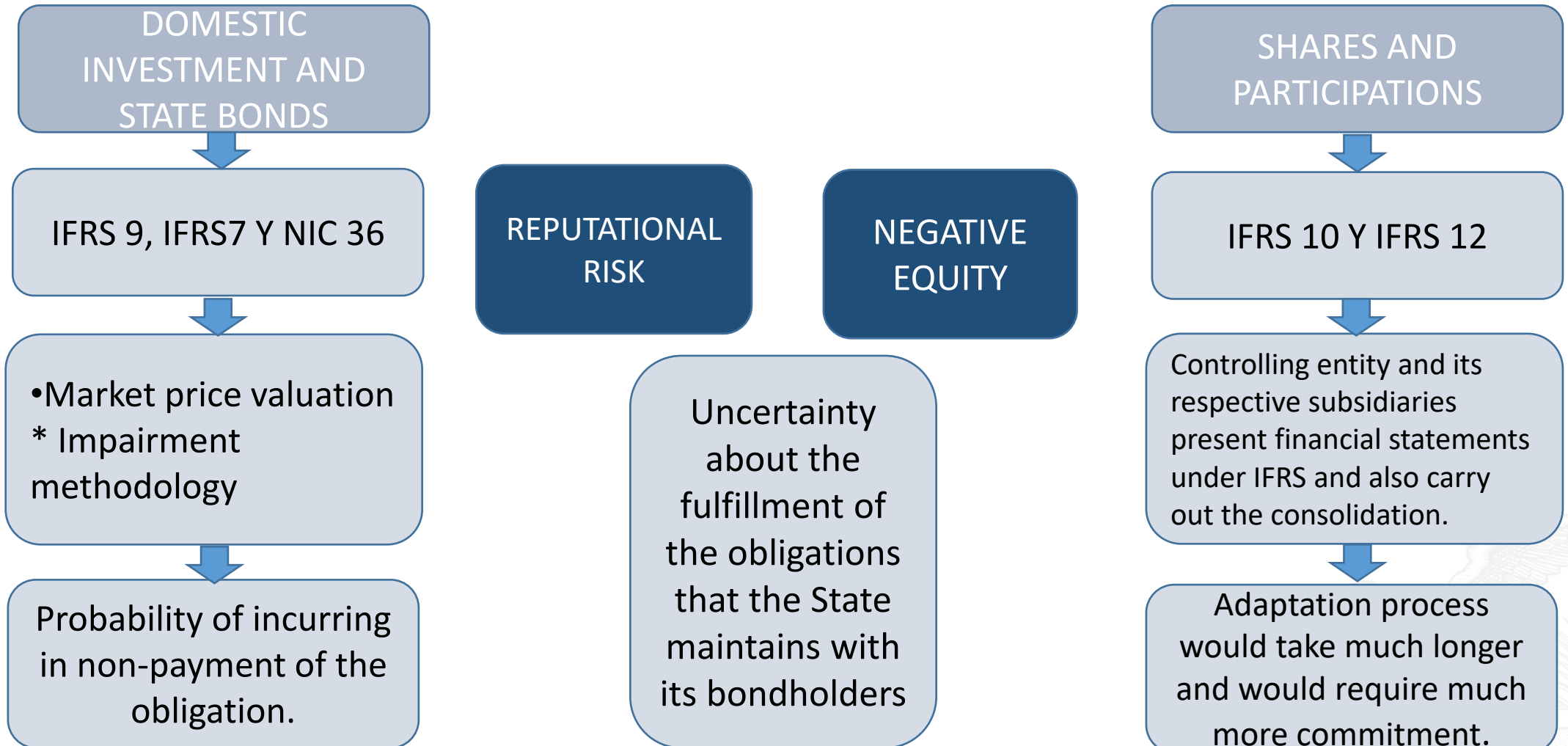
5. IFRS ADOPTION TIMELINE

DETAIL	2019	2020	2021	2022
Base year:				
Project approval.	FINISHED			
Transition year:				
Impact analysis on financial institutions as of December 31, 2019 with application of the new regulations		FINISHED		
Preparation of accounting policies.		IN PROGRESS		
Analysis of the different accounts that make up the Financial Statements		IN PROGRESS		
Year of definitive adaptation:				
Personnel training			FINISHED	
Hiring of the Consulting Company.			FINISHED	
Validation of methodology and procedures applied under the new regulations.			IN PROGRESS	
Evaluation of the methodology and procedures applied by the BCE under the new accounting regulatory framework.			IN PROGRESS	
Preparation and presentation of the final document for approval by the governing body and authorities of the BCE.			IN PROGRESS	
Entry of entries and accounting adjustments to obtain EEFF 2019-2020 with a new approach.				
Modification of internal regulations according to approved policies.				
Generation of financial statements with new accounting framework as official information.				
Audited financial statements under the new accounting framework				

6. IMPACTS OF THE ADOPTION OF IFRS



7. MAIN CHALLENGES



8. LIMITATIONS

Internal Difficulties

- Unforeseen
- Coordination between work teams
- Staff turnover, etc.

External factors

- Contracting Processes
- Budget constraints
- Health Emergency worldwide
- Local regulations, etc.

Transition stage due to change of government

- New authorities committed with carrying out activities related to the project.
- Board or Directory creation
- Modifications of the regulatory framework.



9. CHALLENGES IN THE ADOPTION OF THE IFRS IN CENTRAL BANKING

Although the progress in the adoption of IFRS for Central Banks in the region is important, efforts have been made and there has been commitment to achieve this convergence in such a way as to achieve the application of homogeneous accounting standards in the region that contribute to the comparability of financial information between central banks.

Experience and knowledge transfer between countries in the region that have adopted international regulations and those that are in process of adopting.





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