

## Regulatory Challenges: From Stress Testing to Impairment IFRS 9\*

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### Abstract

Following the recent financial crisis, financial institutions have been undergoing more scrutiny than ever. On one hand, regulators and central banks require banks and financial institutions to run supervisory stress testing exercises to investigate how potential shocks from adverse market conditions could weaken the capital position of an institution. On the other hand, IASB<sup>1</sup> superseded IAS 39 standard by IFRS 9 accounting standard which is mandatorily effective for periods beginning on or after 1 January 2018.

In this workshop, we introduce these two important features of the ongoing international regulation and supervision, and go over the most important challenges and possible opportunities financial institutions are currently confronting. One shared challenge between these two features is to define meaningful macroeconomic scenarios. How a scenario is defined? what are the main criteria one should take in to account when defining a new scenario? We go over these questions and study them from both theoretical and practical point of views.

In the end, if time permits, an overview of the Basel Accords would be presented.

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\*IFRS: International Financial Reporting Standard.

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