press release

Standard Chartered

Standard Chartered and Regulators help create awareness for IFRS Adoption in the Banking Sector.

September 2011, Nigeria – In line with the Federal Government of Nigeria and the Central Bank of Nigeria's (CBN) directives on mandatory adoption of IFRS for publicly listed and significant public interest entities by 1st January, 2012, Standard Chartered Bank Nigeria (SCB) recently organized a 5 day training workshop to bring to the forefront key implementation issues arising from Nigeria's adoption of International Financial Reporting Standards (IFRS).

Standard Chartered recognizes the need for training and capacity building of personnel in order to adopt the IFRS. Accordingly, rather than focus exclusively on classroom training of staff, the bank decided to have a mix of classroom trainings, interactive stakeholder sessions and external workshops based on its assessment of the enormity of changes in financial reporting, technical skill sets, business processes and systems which would arise from IFRS adoption. Standard Chartered also realizes that the transition to IFRS will require all key stakeholders to work in unison to address common challenges and highlight similar opportunities in order to ensure a successful implementation of IFRS in Nigeria. Driving stakeholder engagement and debate on a topical issue as IFRS,is in fulfillment of SCB's brand promise to be Here for good in the community in which it operates. The workshop achieved its objective of increasing industry technical capacity and also provided operators and regulators with the opportunity to debate risks, challenges and opportunities arising from IFRS adoption in an extensive and balanced manner.

The first 3 days of the seminar focused on significant accounting requirements in IFRS environment as well as infrastructural issues. The target participants included a proper mix of senior executives of banks, directors of key banking regulators from the CBN and the Nigeria Deposit Insurance Corporation (NDIC). On the 4th and 5th days, activities were organized in conjunction with Federal Inland Revenue Service (FIRS) to x-ray the tax implication of IFRS adoption in Nigeria with particular reference to the banking industry. The FIRS and Nigeria Accounting Standards Board (NASB) presented papers highlighting the regulatory migration issues arising from IFRS adoption. The target audience for these days included members of professional bodies such as ICAN, CIBN and CITN; regulators from CBN, FIRS, and NASB;

selected professional firms: PwC, Deloitte & Co; Ijewere & Co; and selected Financial Institutions: GTB, Access, UBA, FBN, Citibank, ETB, FSDH amongst others.

According to Standard Chartered Bank's Executive Director for Finance, Mrs. Yemi Owolabi,

"We are always interested in deepening the knowledge base of our stakeholders in the country's financial services industry. As an international bank with a presence in more than 70 countries across different continents, we fully realize the importance of adherence to internationally accepted standards within the financial services industry. The importance of this workshop cannot be over emphasized based on the regulatory directive for IFRS adoption by the 1st January, 2012. We intend to continue organizing seminars like this to ensure the development of capacity and creation of awareness not only for the members of staff of Standard Chartered Bank in Nigeria but also for our various stakeholders within the country."

Standard Chartered Bank hopes that key stakeholders in the adoption process will commit to driving the strategic and technical issues raised with policy makers in Nigeria and seek to arrive at a position that does not unduly disrupt a banking sector which is just recovering from a financial crisis.

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Additional Information for Editors

A brief summary of issues identified over the course of the sessions includes:

1. IFRS implementation in Nigeria is generally accepted and necessary. The time frame might be aggressive but all stakeholders agreed that all hands should be on deck to make the adoption and transition process successful;

2. The need for regulatory (CBN, NASB/FRC) guidelines for effective implementation especially during the transition period. For example, the FRC/NASB needs to provide clarity regarding early-adoption of IFRS, considering that a few banks are already reporting under IFRS in Nigeria;

3. The need for regulators to communicate IFRS implementation plans to operators and the market and also for operators to ensure detailed line-by-line impact analysis is communicated to the Board, investors, shareholders and regulators;

4. Intensification of training and capacity building focused on the entire organisation rather than on finance resources only. For example, The Board of Directors that sign financial statements need to have a broad understanding of IFRS. Business heads need to be involved to ensure the understand the impact of increased disclosure requirements on their business, etc;

5. The infrastructure cost requirements of IFRS is enormous. The massive investments in systems, people and processes and need for routine and regular updating is an issue;

6. Education of users of financial statements is also important, e.g. shareholders, customers, analyst, etc is critical to ensure IFRS restated financials do not confuse and create a crisis of confidence due to likely volatility in banks balance sheets and earnings;

7. Different banks are at different stages of implementation of IFRS in Nigeria. The regulators (CBN & FRC) should conduct practical and substantive assessment of state of readiness of each bank to ensure implementation challenges are identified early and mitigating steps put in place to address them. Common issues should be shared with operators in the industry;

Major technical issues include:

a. Successful fair valuation of financial instruments (IAS 32 & 39) assumes availability of market data freely accessible to all. However, it was noted during the seminar that dearth of relevant and reliable market data was a major setback. The other alternative is for the operators to rely on is the use of internal models. To mitigate the risk of inconsistency in internal models by banks, regulators must come up with agreed framework to guide banks appropriately;

b. Impairment of loans and receivables (IAS 36) will also lead to issues as there is no indication that key regulators: CBN, NASB/FRC and FIRS are in agreement on which impairment model will be acceptable. Impairment of loans involves recognition and measurement of specific impairment provisions and also portfolio provisions using an incurred loss model, while prudential guidelines involves the expected loss model based on specific and general provisions;

c. There is a need for review of existing legislation to prevent expensive and avoidable litigation. E.g. CAMA expressly mentioned that financial statements in Nigeria should be prepared using local Statements of Accounting Standards (SAS) issued by the NASB. By implication, the relevant tax laws recognises only financial statements so prepared, now that those sections have not been repealed, what effect will this have on 2011 as a comparative to 2012?

d. Mark-to-Market (MTM) of financial instruments upon IFRS adoption, will create significant swings in earnings and capital adequacy of banks, particularly where interest rates are rising, e.g. huge FGN govt bond holdings currently held by banks, may result in losses being recognised when MTM impact is recognised. This has obvious tax implications which require the FIRS coming up with guidelines or fiscal filters on allowable deductions and revenue.

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Note to Editors:

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With 1,700 offices in 70 markets, the Group offers exciting and challenging international career opportunities for around 85,000 staff. It is committed to building a sustainable business over the long term and is trusted worldwide for upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity. Standard Chartered's heritage and values are expressed in its brand promise, 'Here for good'.

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Standard Chartered in Nigeria

In 1965, the Standard Bank of South Africa merged with the Bank of West Africa acquiring businesses including a banking operation in Nigeria, which dated back to 1894. The name was then changed to Standard Bank of West Africa. Four years after the merger, Standard Bank Nigeria was incorporated locally to take over the business in Nigeria. In 1971, 13% of the share capital was placed with Nigerian investors. The end of the civil war saw a major economic upturn and as a consequence, the military government sought to increase local control of the retail-banking sector, hence the Bank's investment in Standard Bank Nigeria (renamed First Bank of Nigeria in 1979) was reduced to 38%. Standard Chartered remained a shareholder of First Bank of Nigeria until 1996.

Standard Chartered re-entered Nigeria in 1999 and opened to customers on 15 September 1999 as a wholly owned subsidiary of Standard Chartered Bank Plc, headquartered in United Kingdom. It now has twenty eight branches located in Lagos, Port Harcourt, Abuja, Ibadan, Kano, Maiduguri, Ota, Aba, Kaduna and Onitsha and Onne offering a wide range of products and services in both consumer and wholesale banking. It employs over 650 employees and sees Nigeria as a growth centre.

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