RFP Number: T18-04-26
Description: REQUEST FOR PROPOSAL (RFP) FOR THE APPOINTMENT OF A SERVICE PROVIDER TO CONDUCT A COMPREHENSIVE VALIDATION OF IFRS 9 IMPAIRMENT TOOLS HOUSED IN VBA-DRIVEN EXCEL MODEL

Question and Answers Version 2

No.	Question	Type	Answer
1	How many originating sources of data exist within the IDCs IFRS 9 process? (For example, loan source systems, collections source systems, loan sanctioning data, collateral input data etc.)		During upstream processing, the SAS environment is populated via a controlled ETL-based staging layer that consolidates, standardises, and quality checks data sourced from multiple operational systems (including loan origination, collections, collateral management, sanctioning) and core financial systems. These source feeds are reconciled and transformed prior to ingestion into SAS, ensuring consistency in the data ultimately used for IFRS 9 calculations and reporting. From an IFRS 9 production and reporting perspective, the IDC's impairment process is driven by a single integrated reporting data source, namely a centrally governed SAS database, from which standardised reports are extracted and configured into Excel-based outputs for analysis and review. The data you will receive will be these excel or csv files. It is important to note that the current engagement is a Second Line of Defence (2LOD) model validation. Accordingly, our expectation is not for the successful bidder to re-engineer or operate the end to end data extraction but for the bidder to check that appropriate data has been fed into the IFRS 9 Framework and model. The IDC IFRS 9
2	What is the approximate number of unique data interfaces, data warehouses etc.		From an IFRS9 production perspective, the IDC does not operate multiple independent data warehouses for impairment calculations. The IFRS 9 inputs are sourced from a single core SAP database, which serves as the system of record for credit, exposure, and related portfolio data. Within SAP, several logical data interfaces and standardised reports are configured to support different analytical and reporting needs. These reports may draw on different SAP source tables or views, but they do not represent separate data warehouses or uncontrolled interfaces. We can confirm that all data currently used in the IFRS 9 model is readily available through the existing SAP reporting environment. The successful bidder will not be expected to re-perform data extraction or rebuild upstream interfaces, but rather to obtain assurance that the data used by the model is appropriate, complete, and consistently applied, in line with the scope of a Second Line of Defence (2LOD) model validation.
3	Are interfaces between systems/warehouses automated, manual or a combination?		The interfaces supporting the IFRS 9 process are manual in nature. Data is sourced from the SAP NetWeaver environment, which serves as the system of record for the underlying credit and portfolio information used in the IFRS 9 model. Specifically, standard reports containing the required data fields are extracted using the SAP NetWeaver desktop reporting functionality. These reports are then converted into Excel-based files, which are used as the inputs to the IFRS 9 impairment model. While the extraction and file preparation steps are manual, the process is well established and consistently applied. All data currently used in the IFRS 9 model is readily available through this existing SAP NetWeaver reporting process, and the successful bidder will not be expected to re-perform, automate, or redesign the underlying data extraction activities. They will be given the required data via these excel or csv files. In line with the scope of a Second Line of Defence (2LOD) model validation, the emphasis will be on providing assurance over the appropriateness, completeness, and controlled use of the data as utilised by the model, rather than on system integration or interface automation design.
4	In relation to the objective that states: "Access and assess the VBA code underpinning the IFRS 9 Tool to evaluate implementation fidelity, technical robustness, and consistency with the Excel model outputs —addressing gaps flagged in EY's 2023 validation." What is expected in terms of addressing gaps flagged in EY's 2023 validation? Is the intention to assess whether these gaps have been appropriately remediated, or for the successful bidder to perform the remediation thereof?		The expectation is that the successful bidder will assess whether the gaps identified in the prior IFRS 9 model validations particularly those flagged in EY's 2023 validation have been appropriately remediated. This assessment should include evaluating the adequacy, effectiveness, and sustainability of the remediation actions implemented, with specific reference to the underlying VBA code, implementation fidelity, and consistency between the code and the Excel model outputs. In addition, where outstanding gaps or partial remediations are identified, the successful bidder is expected to perform the necessary remediation activities in agreement with IDC, within the boundaries of the engagement scope. This may include refining VBA logic, strengthen controls, or address implementation weaknesses to ensure the IFRS 9 tool operates as intended and is technically robust. Accordingly, the scope encompasses both validation of remediation status and execution of remediation where required, rather than a purely observational or assurance-only
5	Does the IDC require an assessment of the macroeconomic data (historical and forecast data) used as inputs to the IFRS 9 model for their reasonability?		Yes, the IDC does require an assessment of the reasonableness of the macroeconomic data both historical and forecast used as inputs to the IFRS 9 model. A key objective of IFRS 9 is to ensure that Probability of Default (PD) estimates incorporate an appropriate macroeconomic overlay, enabling the model to anticipate periods of economic stress and support timely identification of Significant Increase in Credit Risk (SICR). In line with the Second Line of Defence (2LOD) mandate, the IDC's expectation is to obtain independent assurance, and for the successful bidder to offer guidance on a more appropriate methodology of the macroeconomic overlay model design. Specifically, the successful bidder is expected to provide assurance that: 1. The macroeconomic overlay methodology applied within the IFRS 9 framework is aligned with best practice and relevant regulatory and accounting guidance. 2. The macroeconomic forecasting approach (including scenario design, variable selection, and scenario weighting, where applicable) is consistent with acceptable and commonly applied practice. 3. Appropriate forecast validation techniques are applied to assess whether forecasted macroeconomic outcomes are reasonable relative to realised outcomes over time. There are multiple recognised approaches for such validation (for example, error analysis and back testing), and the IDC expects the successful bidder to provide guidance on the selection and application of these or other suitable techniques to support assurance that this component of the IFRS 9 framework is functioning as intended. Overall, the focus is on assessing methodological soundness, implementation adequacy, and validation effectiveness.
6	Will the scope of the validation include assessing the calibration of the underlying IFRS 9 ECL model parameters (i.e. PD, LGD, EAD), or is it limited to the IFRS 9 Tool that performs the staging and ECL calculation?		The IDC's expectation is that any party undertaking an IFRS 9 model validation should exercise professional judgement in determining the appropriate scope of work, based on the information provided, the structure of the IFRS 9 framework, and recognised good practice. The IDC's IFRS 9 Expected Credit Loss (ECL) models encompassing the underlying risk parameters (PD, LGD, and EAD) as well as the staging, historical macroeconomic data and ECL calculation tool ultimately feed into the Corporation's financial reporting and Annual Financial Statements. Accordingly, the IDC expects to receive independent assurance that the reported ECL outcomes are accurate, reliable, and fit for purpose. Whether this assurance necessitates assessing the calibration of the underlying model parameters, the implementation within the IFRS 9 tool, or both, should be determined by the successful bidder through the application of sound validation expert judgement. The emphasis is not on artificially constraining the scope, but on ensuring that the validation work performed provides credible assurance over the integrity of the IFRS 9 numbers as disclosed.
7	Will the successful bidder be required to remediate any findings raised during the validation (for example, perform a recalibration of model parameters)?		Yes. The Request for Proposal (RFP) was approved on the basis that the engagement will include both the identification and remediation of findings arising from the validation exercise. Accordingly, where validation activities identify deficiencies or weaknesses whether relating to model implementation, parameter calibration, governance, or technical robustness the successful bidder will be expected to undertake remediation of such findings, which may include activities such as recalibration of model parameters, refinement of VBA logic, or strengthening of controls, as appropriate and agreed with the IDC. This approach ensures that the validation exercise results in tangible improvements to the IFRS 9 framework and provides assurance that the Expected Credit Loss outcomes feeding into financial reporting are robust, defensible, and fit for purpose, rather than