

TERMS OF REFERENCE

AUTOMATION OF IFRS9 EXPECTED CREDIT LOSS MODEL

Reference No: NG-DBN-227674-CS-CDS

Hiring of a consultant to assist Development Bank of Nigeria to automate the enhanced IFRS 9 Excel Model used in computing Expected Credit Loss.

I BACKGROUND

The Development Bank of Nigeria (DBN) is a wholesale Development Finance Institution licensed and supervised by the Central Bank of Nigeria, with the objective of addressing the access to finance gaps of underserved Micro, Small and Medium Enterprises (MSME) in Nigeria. With business and governance models based on internationally recognized good practice and substantial commitment of capital, the DBN will perform a catalytic role with potentially transformational impact by facilitating financially sustainable and transparent access to finance for underserved MSMEs. This will be achieved by supporting the development of diverse lending products, including the provision of medium- and long-term loans in local currency (Naira) and partial credit guarantees (through its wholly owned subsidiary IMPACT Credit Guarantee Company) to be provided to eligible Participating Financial Institutions (PFIs), with a view to expanding their outreach to MSMEs and, to a limited extent, small corporates. The DBN has been registered as a public limited liability company and is regulated, licensed, and supervised by the Central Bank of Nigeria (CBN).

The operations of the Development Bank of Nigeria (DBN) are being supported by funding provided by the World Bank and other development partners, namely: the African Development Bank (AfDB), the German Development Bank (KfW), the French Development Agency (AFD) and the European Investment Bank (EIB). Together, these partner institutions are providing contributions in the form of debt, equity, and technical assistance for a combined value of over US\$1.3 billion.

DBN is licensed and regulated by the Central Bank of Nigeria (CBN) and is required to provide periodic financial reports to the CBN. As part of the CBN's regulation regarding financial reporting, DBN is expected to comply with the International Reporting Standard (IFRS). IFRS9, or the section of this standard that has to do with treatment of Financial Instrument requires the computation of Expected Credit Loss (ECL) as an input for quantifying the value of the financial instruments on the statement of affairs.

DBN has an existing Microsoft excel based IFRS 9 Expected Credit Loss Computation model and intends to engage a Consulting firm to enhance this model, increasing its capacity to adopt more granular inputs. This will ensure an output that provides a better measure of financial instruments. The enhanced version would need to be automated for efficiency.

2 SCOPE OF WORK

The IFRS9 model automation Consultant is expected to support DBN in automating the enhanced version of the excel based ECL computation model. Specifically, the consultant will be responsible for supporting the DBN to achieve the following:

- Automation of the IFRS 9 excel based model into the bank's core banking application.
- Generating appropriate reports that tally with that of the enhanced excel based model.
- Developing user friendly training materials for operating the automated version of the model.
- Developing a user manual for the automated model.
- Training stakeholders and users on the use and functionalities of the model.
- Supporting the model validators with necessary information on the automation of the model to enable the validators perform their duties.
- Organising a successful User Assessment Test for the model before go-live.
- Deploying the model for use in the live system environment.

3 TIMEFRAME

The assignment is expected to be completed within 4 months from the contract start date.

4 DELIVERABLES & TIMELINES

The Consulting firm will work with the Risk department for the entire period and ensure that all deliverables specified below are provided and approved by the DBN within the stated timelines.

- Develop a user manual for the automated ECL computation model - within 12 weeks from contract signing.
- Develop training materials for stakeholders and users of the automated model within 12 weeks from contract signing.
- Train stakeholders and users on the use of the automated version, including conducting user assessment test, within 12 weeks from contract signing.
- Automated version of the IFRS 9 ECL computation model deployed to the live core banking application within 12 weeks from contract signing.
- Live ECL reports generated by the automated model which gives outputs similar to that of the enhanced excel version within 16 weeks from contract signing.

5 PAYMENT SCHEDULE

The firm will be paid upon timely submission of agreed deliverables as stated in Section 4 above. Payment of contract sum will be made with respect to each deliverable as follows:

- Develop a user manual for the automated ECL computation model -10% of the contract sum.
- Develop training materials for stakeholders and users of the automated model -20% of the contract sum.
- Train stakeholders and users on the use of the automated version and conduct user assessment test – 20% of the contract sum.
- Automated version of the IFRS 9 ECL computation model successfully deployed to the live core banking application – 30% of the contract sum.
- Live ECL reports generated by the automated model which gives outputs similar to that of the enhanced excel version - 20% of the contract sum.

6 QUALIFICATION & EXPERIENCE

The Firm must be adequately qualified, with the required experience and proven track record in providing the proposed service. The Firm must moreover have the necessary team of experts and subject specialists required to deliver the services outlined in the Scope of Work.

The consulting firm must possess the following.

- Demonstrated experience with the use of IFRS9 expected credit loss computation models.
- Expertise in the use of Microsoft excel tools.
- Demonstrated experience in process documentation, automation, and software development.
- Demonstrated experience with the use of core banking applications like Eazybank AX.
- Demonstrated experience with loan processes of DFIs.