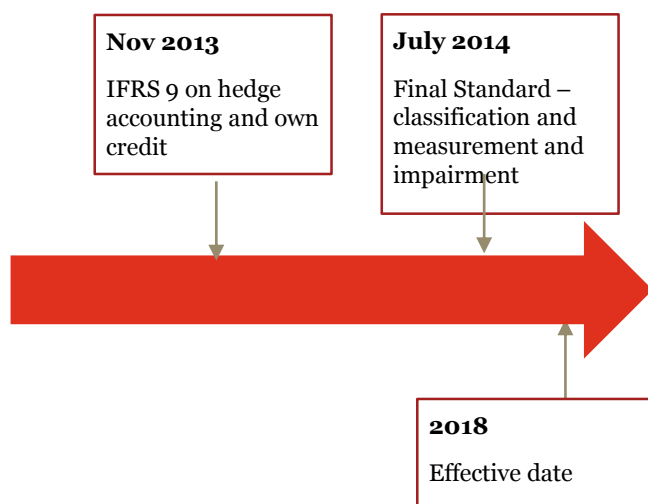


# Kenya IFRS 9 Implementation Working Group June 2017

# IFRS 9 - Timeline and effective date

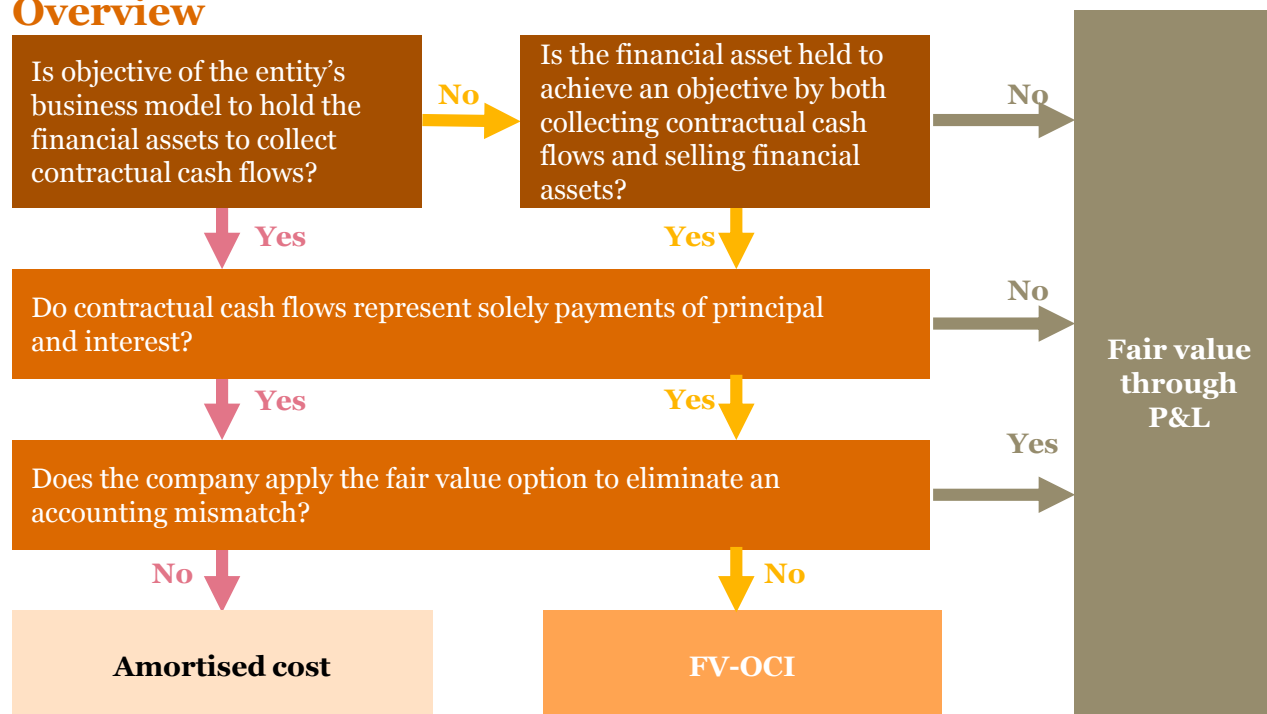


- IFRS 9 replaces IAS 39
- Effective for annual periods beginning on or after 1 January 2018
- Earlier application is permitted
- Apply retrospectively but comparatives not required to be restated (Note: hedge accounting mostly prospective)
- Option to adopt in phases only available before 1 February 2015

# ***Classification and measurement of debt instruments***

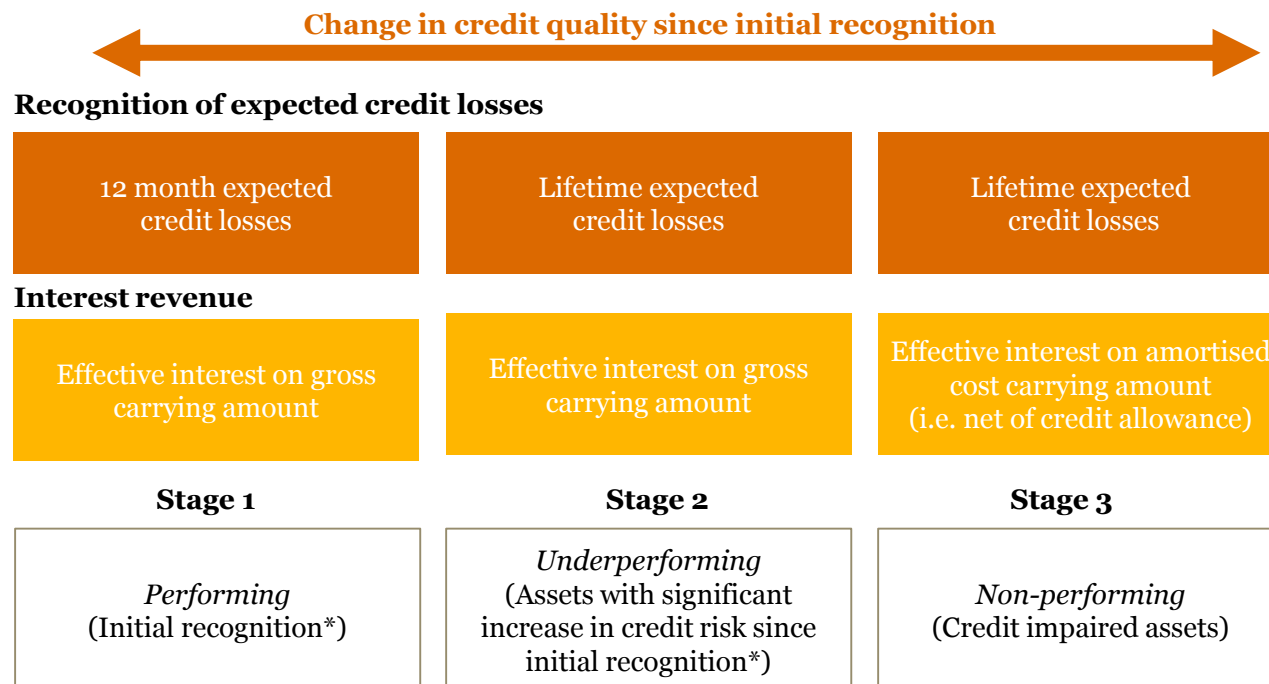
## **Business Model Assessment**

### **Overview**



## ***Impairment: Expected credit losses model (ECL)***

### General model



*\*Except for purchased or originated credit impaired assets*

**For trade and lease receivables, a simplified option: lifetime ECLs**

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## *Impact and challenges of IFRS 9 implementation*

- Significant increase in credit loss provisions on loans and advances (est. 25-50%) due to expected loss models
- Use of sophisticated models to calculate credit loss provisions: increased need for source data on credit risk tracking both at individual customer and macro levels
- Significant increase in disclosures in the financial statements – quantitative and qualitative information, clarity of accounting policies etc

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## ***Objective of the IFRS 9 Implementation Working Group***

- Need to have a working group of the stakeholders (regulators, preparers and auditors) to develop guidance that will ensure consistent implementation in the market
- Consistent interpretation and application of the more complex principles of the standard, and source data to be used in modelling (particularly at macro level)
- Drive comparable accounting policies, financial information and disclosures for similar businesses

## **Expected output of the Working Group**

Technical guidance notes to be reviewed and issued by the Professional Standards Committee to the market

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## ***Areas to considered by the IFRS 9 Implementation Working Group***

- Significant accounting policies e.g. what is modification for retail or corporate bank, what is a lifetime of a credit card, sovereign credit risk etc
- Credit loss models – Scenarios, source of data at macro level, forward looking information, what is significant deterioration etc
- Disclosures in the financial statements – templates of quantitative and qualitative disclosures

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## ***Working arrangements and timelines***

- Regular discussions/meetings of the working Group to be facilitated by the Institute.
- Quarterly interface with the Professional Standards Committee for progress updates
- We should aim to have draft guidance notes for Q1 2018



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***Thank you***