

# **Financial Services Seminar**

## **(IFRS 9 Overview)**

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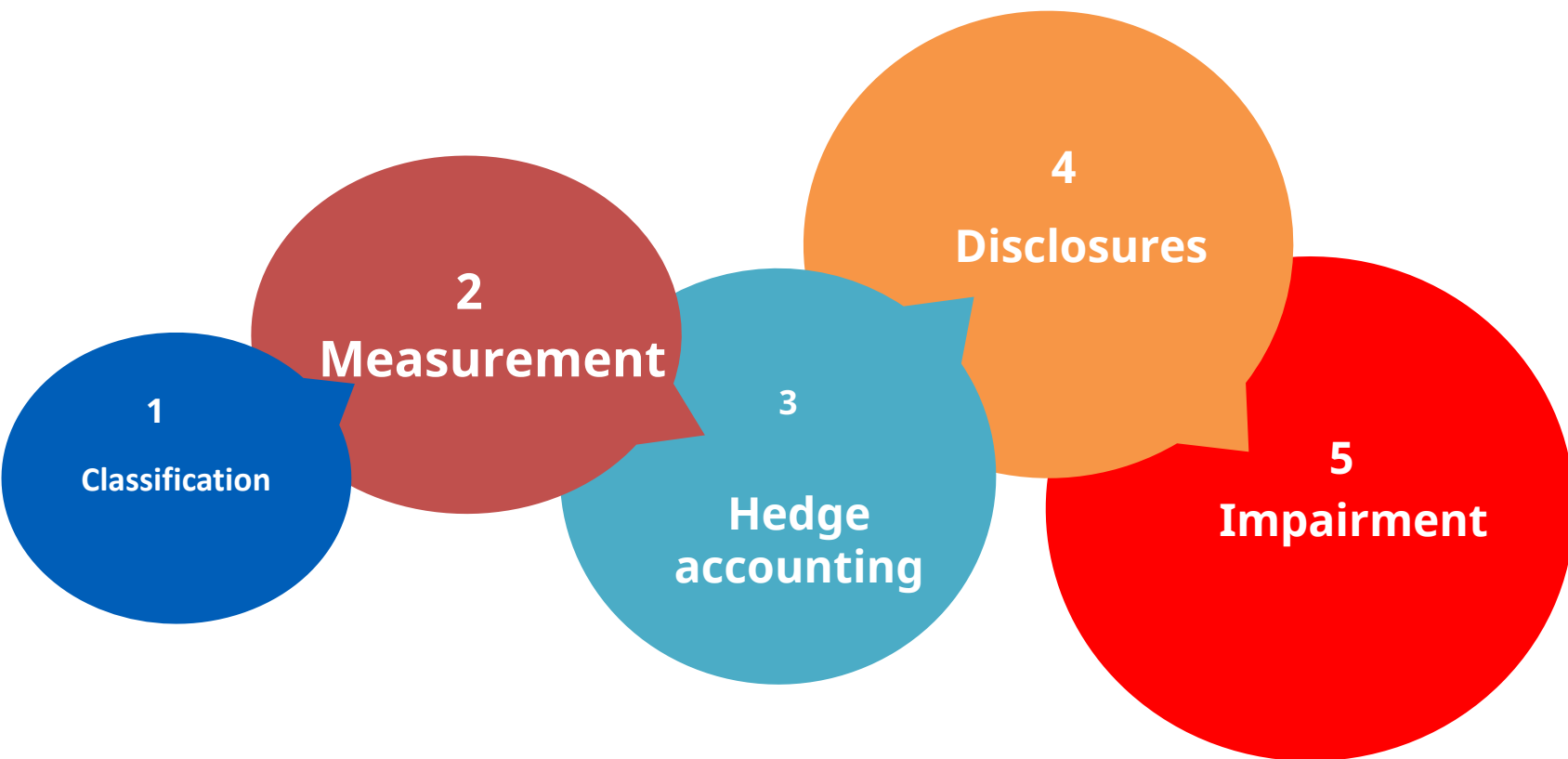
**Credibility.**

**Professionalism.**

**AccountAbility**

# IFRS 9 Key areas

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IFRS 9: 3/4

Years in

# IFRS 9 – Focus areas

SICR

Quality data

Regulatory-  
driven  
prudence

Forward looking  
information

Derecognition

Practical expedients

etc...

# IFRS 9 – Focus areas...

Parameter

Estimation – PD, LGD,  
EAD, PV, r, T,

Statistical  
capacity issues

Time horizon

Model selection  
and fitting

EAD term structure

Capacity building

etc...

# IFRS 9 – People issues

Finance vs  
Risk

External  
audit

Composition of IFRS  
9 committees

Audit  
Committees

People  
change

etc...

# IFRS 9 – Time issues

Use of  
hindsight

Level of  
granularity of  
decisions

Decision  
compromises

Segmentation

Managing  
uncertainty

etc...

# IFRS 9 – into the future

Iterative  
decisions

Real time  
controls

Materiality  
judgements

Disclosures

Rethinking prior  
decisions?

Automation?

Managing  
uncertainty

Future  
developments  
e.g. LIBOR  
etc...

# IFRS 9 – Covid 19

## Implications

- Interaction with staging requirements (Consideration for payment reliefs)
- Upward pressure on PD, LGD, EAD
- Lifetime expected credit losses (Is Covid - 19 a short-term shock?)
- Increases in assets at risk prior to default (Support facilities?)

# IFRS 9 – Covid 19

## Implications

- Relevance of historical information
- Value of collateral
- Impact of government intervention
- Modelling the effects of COVID-19 (Stressed scenarios?)

# IFRS 9 – Covid 19

## Implications

- Enhanced disclosures (IFRS 7)
  - How credit risk management practices have been affected;
  - How the segmentation of financial assets has been affected (e.g. have groups and/or portfolios been further sub-divided or regrouped);
  - Whether risk concentrations have changed (e.g. has ECL increased significantly relating to specific sub-portfolios or types of financial assets);
  - How systems have been updated to address the effects of COVID-19, including how the entity is assessing significant increases in credit risk and how those processes have changed;

# IFRS 9 – Covid 19

## Implications

- Enhanced disclosures (IFRS 7)
  - Significant assumptions underlying ECL measurement (e.g. how scenarios were developed and weighted that were incorporated);
  - Revisions to the entity's definition of default or write-off policy;
  - The basis of inputs into the assessment of SICR, and both 12-month and lifetime ECL, which may have changed significantly due to COVID-19); and
  - How forward-looking information has been incorporated.

# Questions & comments

