
Implementation of IFRS 9 - experience of banking supervisor

FINANCIAL SECTOR ADVISORY CENTER
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IFRS 9 standard – quick recap

- Introduced in 2014 by IASB
- EU adoption in 2016
- In force from January 1, 2018
- Many changes from IAS 39, esp. forward-looking impairment model for the recognition of credit losses
- CNB decided to require IFRS 9 adoption for all financial institutions



Previous adoption of IAS 39 at CNB with focus on impairment losses

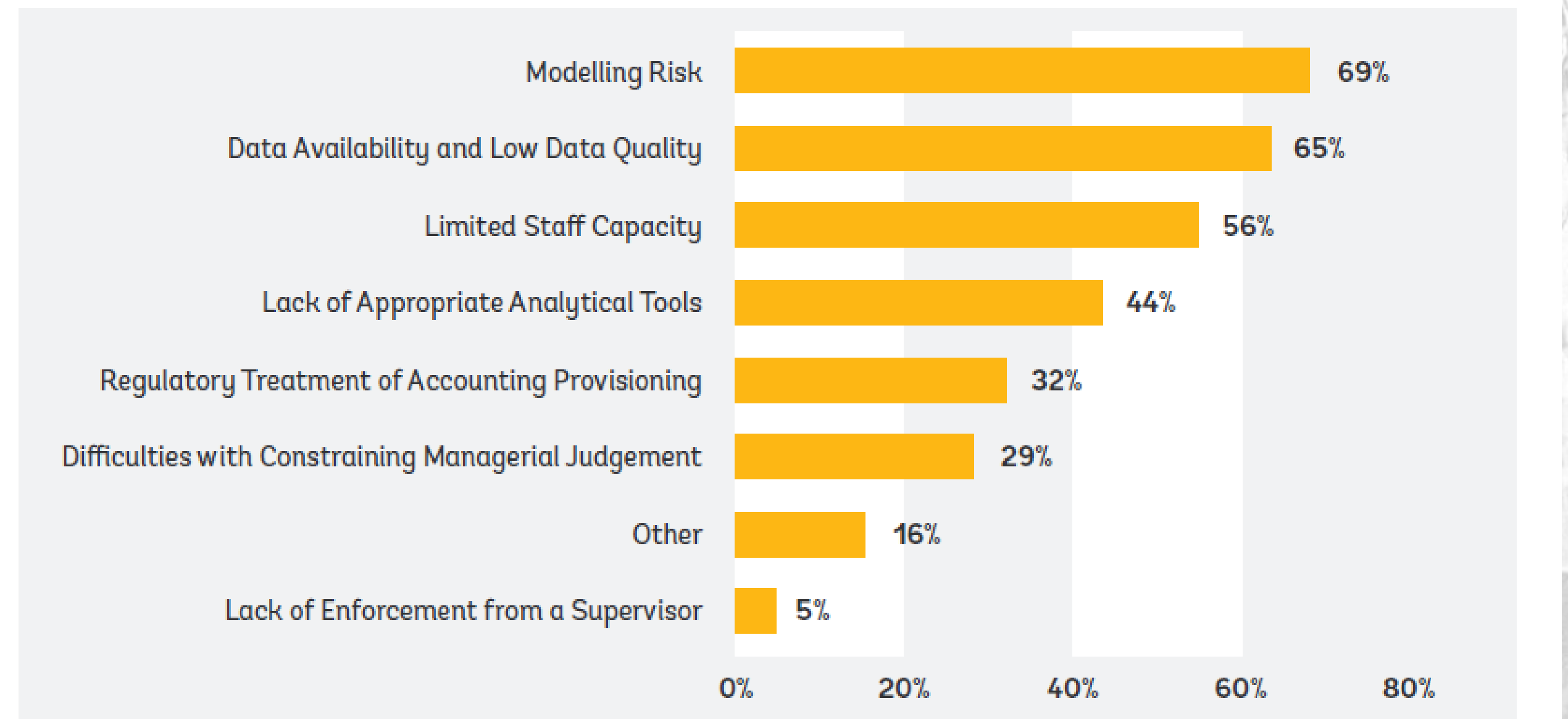
- 5 assets categories based on DPD and/or probability of repayment
 - Standard loans (up to 30 DPD)
 - Watched loans (30-90 DPD or high probability of repayment)
 - 3 defaulted categories (more than 90 DPD, more than 180 DPD and more than 360 DPD)
- 3 ways of loss calculation
 - Coefficients (0%, 1%, 20%, 50% and 100% after taking into account credit risk mitigation)
 - Expected cash flows (for bigger defaulted loans)
 - Statistical models (later IBNR provisions for non-defaulted loans based on IRB models)



Challenges for the IFRS 9 implementation

- Regulatory challenges
 - Scope of implementation (all institutions or based on size)
 - Proportionality and practical expedients
 - Common understanding with external auditors
- Supervisory challenges
 - Building staff – using existing resources?
 - Improving learning curve
 - Analytical tools – building on FINREP, benchmarking
 - Managerial Judgment – many degrees of freedom

FIGURE 2 - Supervisors' Challenges in Implementation of IFRS9

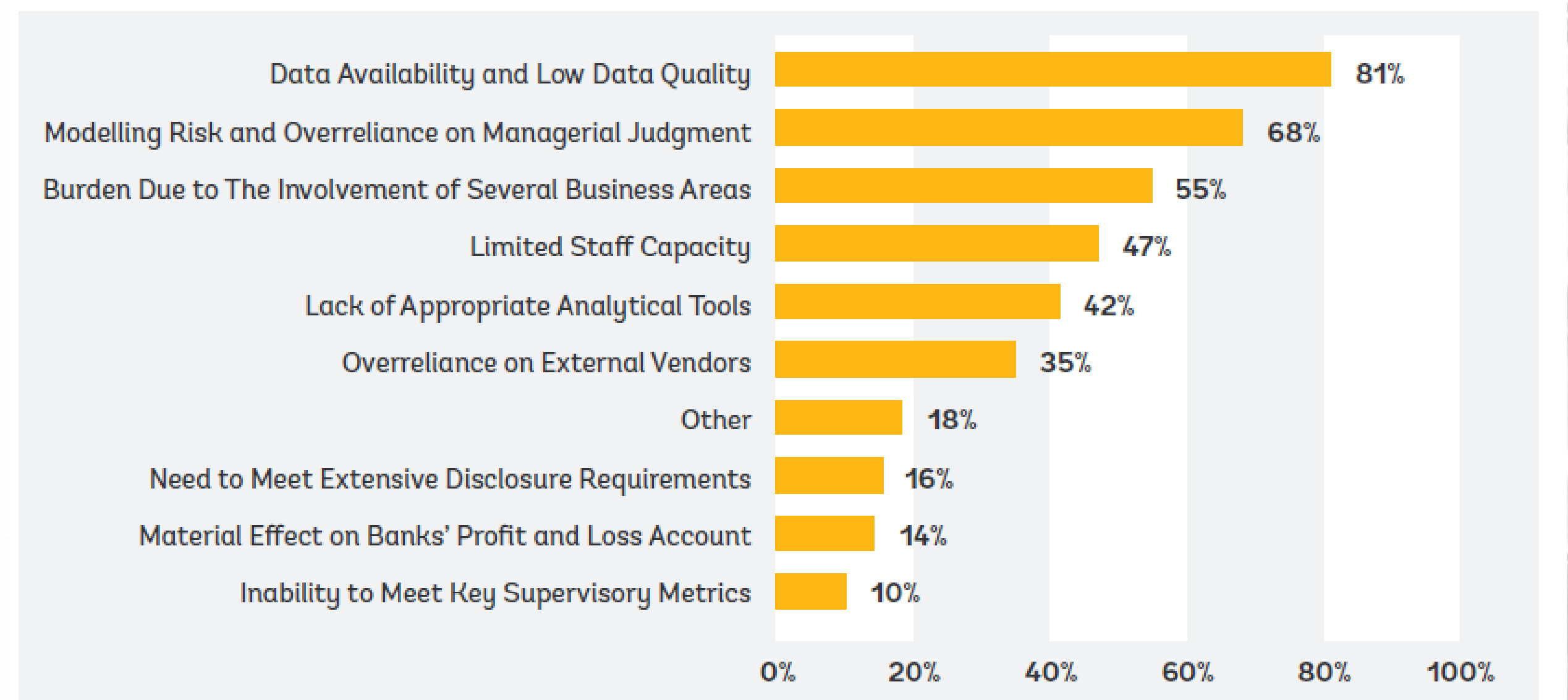


Source: World Bank's publication "Accounting Provisioning Under the ECL Framework"
<http://hdl.handle.net/10986/35373>

Challenges for the IFRS 9 implementation

- Banks' challenges
 - Regulatory disclosures
 - Often conflicting requirements from auditors and supervisors
 - External vendors
 - Lack of data
 - Unsuitable models/modelling risk
- Very low quantitative impact of IFRS 9 adoption for most of the markets

FIGURE 3 - Banks' Challenges in Implementing IFRS 9



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Thank you for your attention

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