

PRESS RELEASE

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For immediate release

**IASB Chairman speech: impairment requirement will result in
fundamental change**

Speaking today at a conference in London, Hans Hoogervorst, Chairman of the International Accounting Standards Board (IASB), said the forward-looking expected loss model in the new financial instruments Standard should provide investors with better insight on loan loss risks.

The conference is the third annual event for financial services institutions organised jointly by the IFRS Foundation and ICAEW. This year's event is focussed specifically on the practical implementation of the impairment element of the financial instruments Standard, IFRS 9. The Standard was finalised in 2014 and becomes effective in 2018.

The new Standard requires banks to recognise 12 months' expected losses on loans that perform as anticipated and full lifetime losses on loans that have experienced a significant increase in credit risk.

Hoogervorst said:

"The impairment element of IFRS 9 will result in fundamental change to current practice. It should help investors get a better picture of the risks banks face with regard to potential losses on loans extended to customers."

Some critics suggest IFRS 9 does not go far enough and that banks should be forced to recognise lifetime losses on the day loans are extended. However, Hoogervorst explained that such a model does not reflect the economics and could distort the actual performance of a bank. He also suggested it could increase the barriers for new banks wishing to enter the market and could have a negative effect on long-term lending in economic downturns.

Hoogervorst said that robust capital requirements are the best way to make the banking system safe and that transparent accounting can be of great help.

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Notes to editors:

- The full speech can be accessed [here](#).

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About the IFRS Foundation, IASB and IFRS

The IFRS Foundation is an independent, not-for-profit organisation, overseen by a Monitoring Board of public authorities. Its vision of a single set of global accounting standards is supported by G20 leaders and other international organisations with responsibility for the global financial system.

The mission of the IFRS Foundation is to develop International Financial Reporting Standards (IFRS Standards) that bring transparency, accountability and efficiency to financial markets around the world, fostering trust, growth and long-term financial stability. The International Accounting Standards Board (IASB) is the standard-setting body of the IFRS Foundation, made up of independent experts from diverse professional and geographical backgrounds. IFRS Standards are adopted by more than 100 countries globally.

For detailed information on the organisation's structure, the standard-setting process and the spread of IFRS Standards, visit www.ifrs.org.