Introduction

1. The comment period for Request for Information Post-implementation Review of IFRS 9—Impairment (the RFI) ended 27 September 2023 and the IASB received 78 responses, including a comment letter from investors.¹ This paper summarises the feedback.

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¹ In addition to the 78 letters, the IASB received 1 late letter. This has not been reflected in this paper but will be considered as part of the further analysis at future meetings.
Overall theme of feedback

2. Overall, the post-implementation review (PIR) feedback is very positive. Almost all respondents agreed that the impairment requirements in IFRS 9 Financial Instruments:

(a) result in more timely recognition of credit losses compared to IAS 39 Financial Instruments: Recognition and Measurement. They said applying the requirements helped resolve the ‘too little, too late’ problem identified during the financial crisis; and

(b) work as intended with no fundamental questions (‘fatal flaws’).

3. These respondents said applying the requirements generally results in an entity providing useful information about the effect of credit risk on the future cash flows. The requirements also result in greater alignment between the accounting and credit risk management practices, thereby supporting transparency about credit risk management practices and facilitating credit quality monitoring and controls.

4. Most respondents commented that applying the requirements during periods of uncertainty, such as the covid-19 pandemic or the recent geopolitical and economic uncertainties, demonstrated the model is based on robust principles. However, some respondents said the requirements have yet to be tested in a scenario of significant defaults. Other respondents noted the increased use of judgemental management overlays, rather than statistical models, to respond to these uncertainties. In their view, this practice highlights the limitations of scenario analysis.

5. Although the PIR feedback did not identify any fatal flaws, respondents identified specific matters where entities experience application challenges and diversity in practice, mostly in areas that require use of judgement. Respondents also expressed concerns over the lack of consistency in the credit risk disclosures. Most PIR feedback focussed on:
(a) application issues arising from the interaction between the impairment requirements and the requirements in IFRS 9 for modifications, derecognition and write-off (Topic 7); and

(b) diversity in application of, and potential improvements to, the disclosure requirements on credit risk in IFRS 7 Financial Instruments: Disclosures (Topic 9).

6. Respondents generally suggested the IASB makes specific improvements, mainly in the form of application guidance or illustrative examples. In their view, major amendments are not justified in the light of the overall positive experience with the impairment requirements and the significant implementation costs incurred.

Summary of feedback

1. Impairment

<table>
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<tr>
<th>IFRS 9 requirements</th>
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<tr>
<td>The expected credit losses (ECL) model is principle-based, designed to require entities to recognise credit losses on a more timely basis than required in IAS 39. It eliminates the threshold for recognising credit losses so that it is no longer necessary for a credit event to have occurred before credit losses are recognised. Accordingly, expected and updated credit losses are recognised throughout the life of financial instruments, and the same impairment model is applied to all financial instruments within the scope of IFRS 9 that are subject to impairment accounting. The ECL model represented the IASB’s main response to the global financial crisis. It was a large undertaking for banks and other companies to implement it.</td>
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</table>

7. As noted in paragraph 2 of this paper, respondents agreed that applying the ECL model results in more timely recognition of credit losses compared to IAS 39. A few of these respondents nonetheless:
(a) noted that because the model is based on *expected* credit losses, some credit losses do not eventually crystallise resulting in volatility in profit or loss; or

(b) reiterated concerns about procyclicality resulting from movements of assets between stage 1 and stage 2. However, a preparer said initial concerns about negative procyclical effects have not materialised.

8. Some respondents also commented on the changes introduced by IFRS 9 compared to IAS 39 focusing on:

(a) *complexity*. Respondents agreed that complexity caused by having multiple impairment models has reduced since applying IFRS 9. However, applying the requirements often involves making significant judgements (for example, determining significant increases in credit risk) which they said increases complexity. Furthermore, the requirement to reflect forward-looking information, while beneficial, adds to the complexity.

(b) *cost versus benefit*. Respondents said that implementing the impairment requirements resulted in an increase in credit losses recognised and in significant costs (eg system changes, building credit risk models and hiring highly specialised skillset). They also commented on the ongoing costs for data gathering, model recalibrations and increased auditing costs. However, they found that the benefits from applying the model such as more timely recognition of credit losses, more useful information to investors and greater alignment with credit risk management practices outweigh these costs. A few respondents also noted that the costs of building and updating models are essentially costs required from a credit risk management and regulatory perspective, and not specific to applying IFRS 9.

9. Noting that insurers have jointly applied IFRS 9 and IFRS 17 *Insurance Contracts* only since 1 January 2023, some respondents said more feedback will be available later about the effect of the ECL model on insurers which they expect will be considered as part of PIR of IFRS 17.
2. The general approach to recognising ECL

<table>
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<tr>
<th>IFRS 9 requirements</th>
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<tr>
<td>Applying IFRS 9, an entity is required to recognise:</td>
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<td>(a) a loss allowance at an amount equal to at least 12-month expected credit losses throughout the life of the instrument; and</td>
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<tr>
<td>(b) lifetime expected credit losses if there has been a significant increase in credit risk since initial recognition.</td>
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</table>

10. Almost all respondents supported the general approach, noting that the two-step approach to recognising ECL provides useful information about changes in credit risk and avoids recognition of credit losses that would have been ‘too much, too soon’. Respondents did not identify fatal flaws with the approach but encouraged the IASB to consider some targeted improvements.

11. Most of the feedback related to the approach for recognising ECL for intragroup financial instruments and initial ECL for purchased financial assets.

**ECL for intragroup financial instruments**

12. Many respondents said the costs of applying the general approach to intragroup loans often outweigh the benefits gained by investors from the resulting information. They said this problem mostly arises when preparing separate financial statements while investors tend to place greater reliance on consolidated financial statements.

13. Respondents said these transactions are often not based on commercial terms and entities lack reliable data that would provide an adequate basis to recognise ECL. Similar feedback was received for intercompany financial guarantee contracts. Some respondents suggested the IASB provide application guidance on how entities can reliably recognise ECL for these transactions. Other respondents suggested the IASB provide an exemption from, or a simplification of, the requirements to recognise ECL for these transactions.
Initial ECL for purchased financial assets

14. Some respondents said that the requirement to recognise at least 12-month ECL at each reporting date results in partial double counting for the effect of ECL when a financial instrument is first recognised. In their view, ECL is already reflected because financial instruments are recognised at fair value on initial recognition.

15. Although respondents acknowledged that this matter has been considered by the IASB when developing the requirements (see paragraphs BC5.87–BC5.95 of the Basis for Conclusions on IFRS 9), a few respondents suggested the IASB reconsider the requirement in the context of purchased financial assets that are not credit impaired. In their view, this problem is most pronounced for such assets and the reporting outcome reduces the usefulness of information about acquisitions to investors.

16. However, there were mixed suggestions about how to solve this issue. A few respondents said the IASB should extend the approach currently applied to purchased or originated credit-impaired (POCI) financial assets to apply to all purchased assets. A prudential regulator suggested adding specific disclosure requirements to facilitate investors’ analysis. On the other hand, some respondents said the costs of any action would outweigh the benefits because the ‘double-counting’ effect under IFRS 9 is not substantial.

3. Determining significant increases in credit risk (SICR)

<table>
<thead>
<tr>
<th>IFRS 9 requirements</th>
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<tr>
<td>The objective of the impairment requirements in IFRS 9 is for entities to recognise lifetime ECL on all financial instruments for which there has been a significant increase in credit risk since initial recognition.</td>
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<tr>
<td>To determine SICR, an entity is required to consider the change in the risk of default occurring since initial recognition, over the expected life of the financial instrument.</td>
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<td>Therefore, the assessment of SICR is relative, not absolute.</td>
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17. Respondents supported the principle-based approach in IFRS 9 to assess SICR and did not identify any fatal flaws with the requirements. However, many respondents, including prudential and securities regulators, standard-setters and accounting firms think the requirements are not always applied consistently. For example, a prudential regulator said that they observe instances where entities with similar portfolios reach different conclusions about SICR, ultimately resulting in significantly different ECL.

18. These respondents suggested the IASB provide application guidance or illustrative examples on key areas of diversity to support consistent application. Those areas are:

   (a) what constitutes a significant increase in credit risk. Respondents shared the view that further guidance is necessary to address the diversity in how entities determine that SICR occurred. Suggestions included, supplement the objective of SICR assessment by discussing what a reasonable SICR approach should achieve, add further illustrative examples of SICR thresholds and discuss linkage to factors an entity considers for risk management or regulatory reporting purposes (eg assessments for watchlist or special mention assets). Respondents also suggested improvements in disclosures about SICR thresholds (see topic 9).

   (b) use of collective assessment for SICR. Many respondents said further application guidance or illustrative examples are necessary to support consistent use of collective assessment for SICR. For example, illustrating a collective assessment of the impact from emerging risks and events to identify vulnerable sectors and borrowers, not yet reflected in individual assessments. Furthermore, a prudential regulator observed that some entities interpret paragraph B5.5.1 of IFRS 9 to mean the use of collective assessment for SICR is purely optional hence they think clarification about when a collective assessment is required would support greater consistency.

19. In addition, respondents identified application questions about how entities can determine SICR in specific fact patterns or for specific instruments and suggested the IASB provide illustrative examples. This includes, for example, what is considered
the date of initial recognition for purposes of assessing SICR if a loan is recognised from the draw-down of a credit card.

4. Measuring ECL

20. Almost all respondents provided feedback about the measurement of ECL and did not identify any fatal flaws with the principle-based requirements. However, they noted diversity in practice, primarily in areas on which they think IFRS 9 does not provide sufficient application guidance and they suggested the IASB add guidance to support greater consistency in these areas. Most feedback related to forward-looking scenarios, post-model adjustments or management overlays (PMAs), measuring ECL for loan commitments, and reflecting the effect of financial guarantees in measuring ECL.

21. Some respondents specifically commented on the need to consider the effects of climate-related risks and suggested the IASB explicitly state that an entity is required to reflect these effects in the measurement of ECL. Other respondents identified specific application questions, such as how to measure ECL for some contractually linked instruments.

Forward-looking scenarios

22. Many respondents commented that they have observed diversity in practice regarding the number of forward-looking scenarios entities use and the weights they assign to those scenarios. They suggested the IASB clarify what is the objective of the scenario analysis—that is, clarify what are entities expected to achieve with the forward-looking scenarios and specify that entities need to consider material non-linearities in the distribution of potential credit losses when defining scenarios.

23. Some regulators and accounting firms explained that additional guidance on this topic would help achieve greater consistency and support them in challenging the instances in which multiple scenarios are warranted but not used or the scenarios used are not meaningful.
24. Many respondents said that the IFRS Transition Resource Group (ITG) discussions provided helpful conclusions relating this topic and suggested the IASB consider incorporating those key conclusions into IFRS 9.

Post-model adjustments or management overlays

25. Respondents across all stakeholder groups noted that, in recent years, the use of PMAs has significantly increased to capture the impact of emerging risks. Respondents, including preparers, said these adjustments have been a helpful tool to support timely recognition of ECL because they compensate for the lack of historical information that would be representative of future outlook and other limitations of statistical models.

26. Many respondents (including some accounting firms, regulators, and standard-setters) noted that, by nature, PMAs often involve a high degree of subjective management assessments and could have a significant effect on the measurement of ECL. They reported diversity in the way PMAs are recognised and a general lack of transparency about how a PMA is determined, reducing the usefulness of information about ECL to investors. This feedback is consistent with feedback received by an organisation representing analysts.

27. These respondents acknowledged that IFRS 9 and IFRS 7 set out the requirements for the measurement and disclosure of ECL and the same requirements are applied regardless of how an entity estimates ECL. However, in the light of diversity in practice, they suggested the IASB add application guidance to IFRS 9 and additional disclosure requirements to IFRS 7 to help achieve greater consistency. See topic 9 for further feedback on disclosures about PMAs.

Loan commitments

28. Some respondents identified application challenges on the measurement of ECL for revolving credit facilities such as credit cards and overdraft facilities. They asked for additional application guidance about:
(a) the characteristics of loan commitments that fall in scope of the exception in paragraph 5.5.20 of IFRS 9 (for example, how to interpret ‘managed on a collective basis’ referred to in paragraph B5.5.39(c) of IFRS 9); and

(b) how to determine the maximum period to consider in measuring ECL on revolving credit facilities such as credit cards.

29. These respondents said the education material issued by the IASB in May 2017 and the deliberations of the ITG contain helpful conclusions on these issues and thus, suggested the IASB incorporate them into IFRS 9.

30. A few respondents raised other application questions, including questions about the accounting treatment for loan commitments issued at below-market terms or whether specific types of commitments are subject to the impairment requirements.

31. Notwithstanding these application challenges, two accounting firms and a standard-setter shared the view that the loan commitment issues are not of high priority because there is no evidence that the existing diversity in practice materially affects entities’ financial statements and the usefulness of information to investors.

Financial guarantee contracts held

32. Some respondents said there is diversity in practice in how entities assess whether a financial guarantee contract (FGC) held by an entity is ‘integral to’ or ‘part of’ the contractual terms, and thus required to be included in the measurement of ECL. They attributed this diversity to the lack of guidance in IFRS 9 about how to perform the assessment, especially when the FGC is not an explicit contractual term of the instrument. These respondents suggested the IASB provide a non-exhaustive list of factors for entities to consider when applying paragraph B5.5.55 of IFRS 9. Respondents said that the guidance developed by the accounting firms over the years has been helpful in supporting entities making this assessment, but such guidance is not consistent across all firms, thus results in diversity in practice.
33. Furthermore, some respondents said there are no explicit requirements in IFRS 9 or other IFRS Accounting Standards on accounting for FGCs that are not considered integral to the contractual terms (referred to as ‘non-integral FGC’). Consequently, entities have to develop an accounting policy applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Respondents noted that, generally, entities apply by analogy IAS 37 Provisions, Contingent Liabilities and Contingent Assets to non-integral FGCs held and recognise a reimbursement asset. However, there are different views about the timing for recognition of the asset, how to measure it and recognition of any fees paid upfront, which ultimately result in further diversity in practice.

34. Respondents therefore suggested the IASB clarify the requirements for non-integral FGCs because they are widespread. Suggestions included that the IASB develop requirements specific to non-integral FGCs or permit entities to reflect the effect of all FGCs in the measurement of ECL, even if not integral to the contract. In their view, this would be consistent with the risk management view.

35. Two accounting firms said these issues are not of high priority because in many cases, the ultimate net impact on financial statements is similar regardless of whether the FGC is considered integral or not. In their view, accepted practices have been established, thus the diversity is limited. A standard-setter also expressed the view that FGCs issues are of medium, rather than high priority, but did not explain the rationale for the view.

5. Simplified approach

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<tr>
<th>IFRS 9 requirements</th>
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<tr>
<td>IFRS 9 reduces the costs and complexities of applying the ECL model for non-financial institutions and other entities through the simplified approach by removing the need to calculate 12-month ECL and track the increase in credit risk since initial recognition.</td>
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IFRS 9 requirements

This approach applies to trade receivables, contract assets that result from transactions in the scope of IFRS 15 *Revenue from Contracts with Customers*, and lease receivables that result from transactions in the scope of IFRS 16 *Leases*.

36. Respondents who provided feedback about the simplified approach noted that the approach is widely used by non-financial institutions. These respondents shared the view that there are no fatal flaws with the approach, and that it achieves the objective of reducing costs and complexities of applying the impairment requirements.

37. However, some respondents, particularly some standard-setters and accounting firms, said that non-financial institutions experience some application challenges such as including forward-looking information in a provision matrix, suggesting the IASB provide further application guidance or educational material to promote greater consistency. Also, despite the application guidance in paragraphs B5.5.51–B5.5.54 of IFRS 9, these respondents asked for further guidance about how to apply the simplified approach to assets for which there is no sufficient historical data (for example, assets originated from a new business).

38. Respondents also said that the simplified approach strikes the right balance between costs of applying the approach and the benefits to investors from the resulting information. Some respondents even suggested the IASB extend the scope of the simplified approach to other financial instruments (such as intragroup loans) to reduce the cost of applying the general approach to those instruments.
### 6. Purchased or originated credit-impaired financial assets

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<th>IFRS 9 requirements</th>
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<tr>
<td>IFRS 9 has specific measurement requirements for the recognition of interest revenue and ECL for POCI financial assets, requiring an entity to:</td>
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<tr>
<td>(a) apply a credit-adjusted effective interest rate (EIR) to the amortised cost of POCI financial assets from initial recognition;</td>
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<tr>
<td>(b) include the initial ECL in the estimated cash flows when calculating the credit-adjusted EIR for these assets. Neither a loss allowance nor credit losses are recognised on initial recognition of POCI financial assets; and</td>
</tr>
<tr>
<td>(c) subsequently, only the cumulative changes in lifetime ECL since initial recognition are recognised as a loss allowance.</td>
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39. Most respondents said generally, the requirements in IFRS 9 for POCI financial assets can be applied consistently and lead to accounting outcomes that faithfully reflect the underlying economic substance of these transactions. Nonetheless, respondents identified some application challenges and asked the IASB to provide additional guidance. Those application challenges include:

(a) **assessing whether a modified financial asset is originated credit-impaired.**

Some respondents observed diversity in how entities assess whether modification of a restructured asset results in derecognition of the original asset and recognition of a new asset, and whether that asset represents an originated credit-impaired asset. They noted that whether the original asset continues to be recognised or a new asset is recognised, could have a material effect on the related ECL amount. While some entities derecognise restructured financial assets and recognise new assets as POCI, others continue to recognise them as Stage 3 assets. In this context, respondents also said it is challenging to determine the fair value at initial recognition for originated credit-impaired assets that arise from a substantial modification due to the lack of observable purchase price.
(b) accounting for improvements in credit risk after initial recognition of a POCI financial asset. Some respondents said that there is diversity in how entities recognise the effect of these improvements in the statement of financial position—some recognise it as a negative entry to the ECL allowance, others recognise it as an adjustment to the gross carrying amount of a POCI financial asset. They suggested the IASB clarify this issue to enhance the consistency in practice and the comparability of financial information, particularly because it affects metrics such as ECL coverage ratios. An accounting firm however said this issue does not materially affect entities’ financial statements.

7. Interaction of impairment requirements with other requirements

<table>
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<th>IFRS 9 requirements</th>
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<tr>
<td>The impairment requirements in IFRS 9 interact with many other requirements both in IFRS 9 (eg modification, derecognition or write-off) and in other IFRS Accounting Standards (eg financial assets recognised applying IFRS 15 or IFRS 16 that are in scope of impairment requirements of IFRS 9).</td>
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40. As noted in paragraph 5 of this paper, this is one of areas where most PIR feedback is received. Respondents said the interaction between impairment requirements in IFRS 9 and other requirements is generally well understood. However, they identified several challenges and application questions when applying the IFRS 9 impairment requirements alongside requirements on modification, write-off and derecognition (see paragraphs 42–50 of this paper).

41. A few respondents also identified other application questions about the interaction with requirements in other IFRS Accounting Standards. Those questions mainly related to accounting for ECL in cases of revisions of receipts from trade receivables arising from IFRS 15 or potential effects on ECL from the unguaranteed residual value of the asset underlying a finance lease applying IFRS 16.
Distinguishing credit losses from other changes in expected cash flows

42. Acknowledging that the definition of credit losses in Appendix A of IFRS 9 refers to all cash shortfalls, many respondents (including standard-setters and accounting firms) said IFRS 9 does not provide sufficient guidance for entities to distinguish between credit losses, modification losses (paragraph 5.4.3), revision of estimated contractual cash flows (paragraph B5.4.6), derecognition, including forgiveness (paragraph 3.2.3) and write-offs (paragraph 5.4.4). Respondents noted that Illustrative Example 11 in IFRS 9 illustrates the application of impairment requirements alongside modification of contractual cash flows, but they asked for additional application guidance or illustrative examples for different fact patterns.

43. Respondents provided detailed feedback about the application questions that arise in different fact patterns (for example, in context of forbearance or modification of cash flows for commercial reasons), but most feedback related to two questions:

(a) does the reason for any cash shortfalls (credit vs non-credit related) affect the accounting outcome, including presentation of losses; and

(b) what is the order in which entities shall apply IFRS 9 requirements, ie are the requirements for derecognition, modifications or impairment applied first?

44. Respondents noted that differing views or judgements on these questions could have significant consequences for the application of the impairment requirements, including determining SICR, assessing whether an asset is POCI, timing of loss recognition and presentation in the statement of profit or loss.

45. One of the examples provided to illustrate the application questions is when a law is expected to be enacted that would require lenders in a jurisdiction to offer payment holidays for a specified period. In these circumstances, respondents said IFRS 9 is not clear if an entity shall reflect the change in expected cash flows as:

(a) a change in estimate of ECL. To be recognised at the time there is reasonable and supportable information about the cash flow changes and be presented in the impairment line item in the statement of profit or loss;
(b) **a modification.** To be recognised when a modification of the contractual cash flows occurs and present the related loss in the statement of profit or loss, separately from the impairment line item; or

(c) **a change in estimated cash flows.** To be recognised applying paragraph B5.4.6 of IFRS 9 when an entity revises its estimate of receipts and be presented as income and expense in the statement of profit or loss.

46. Respondents noted that a related issue was discussed at the IFRS Interpretations Committee which discussed forgiveness of cash flows on lease liabilities, not payment holidays. In this context, a few respondents suggested the IASB include the conclusions from such discussion into IFRS 9, but others said this topic requires a broader consideration by the IASB.

47. For many respondents, resolving these application challenges is either of high or medium priority because matters relating to the definition of credit losses are fundamental to impairment requirements, thus is important the IASB supports consistent application in this area.

48. Regarding prevalence of these transactions, some said that while most payment holidays were observed during the covid-19 pandemic, some forms of government loan subsidies continue to be granted at present in the light of increased interest rates.

49. All these respondents welcomed the IASB’s pipeline research project on amortised cost measurement and supported joint consideration of findings arising from both PIRs of IFRS 9—that of classification and measurement requirements and the impairment requirements.

**Write-off**

50. Some respondents, including some accounting firms, standard-setters and preparers, said there are various challenges related to recognition and presentation of write-offs. For example, they said IFRS 9 is not clear or results in counterintuitive outcomes in:
(a) accounting for write-offs, particularly for an asset for which the write-off is greater than the ECL loss allowance (should the write-off be accounted for by reducing the gross carrying amount of a financial asset or consider the write-off as crystallisation of losses already reflected in ECL, thus only account for the difference as an additional impairment loss).

(b) the recognition of recoveries from amounts previously written off (whether recoveries are recognised when cash is received or when they become virtually certain). Some respondents also said that the lack of guidance on presentation of these recoveries leads to diversity in the statement of profit or loss.

8. Transition

<table>
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<th>IFRS 9 requirements</th>
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<tr>
<td>Entities were required to apply IFRS 9 retrospectively, but with reliefs to mitigate potential challenges that might have arisen from retrospective application.</td>
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<tr>
<td>IFRS 9 did not require the presentation of restated comparative information. Instead, it required entities to disclose the effect on impairment of financial instruments of the transition to IFRS 9.</td>
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</table>

51. Respondents did not provide a significant amount of feedback on this topic. Most respondents that provided feedback found the transition requirements generally worked well and the reliefs provided were helpful in reducing costs for preparers.

52. Respondents shared the view that the combination of the relief from restating comparative information and the requirement for transition disclosures achieved an appropriate balance between reducing the costs for preparers and providing useful information to investors. The requirement to disclose the reconciliation of impairment allowances under IAS 39 and IFRS 9 was considered particularly useful. A few respondents suggested that a similar approach be considered in the future for major amendments to IFRS Accounting Standards.
9. Credit risk disclosures

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<th>IFRS 7 requirements</th>
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<tr>
<td>IFRS 7 sets out objectives and minimum requirements about credit risk disclosures, with the objective of assisting investors to understand and evaluate an entity’s credit risk management practices, the amounts in the financial statements arising from ECL, and credit risk profile of the entity’s financial statements. The objective-based disclosure requirements allow entities to decide how much detail to disclose and how much emphasis to place on different aspects of the disclosure requirements.</td>
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</table>

53. As noted in paragraph 5 of this paper, this is one of the two areas where we received most PIR feedback. Respondents said that the principle-based ECL model inherently requires entities to make complex judgements. As a result, IFRS 9 relies on high quality disclosures for investors to understand how entities made those judgements and analyse the amounts in the financial statements arising from ECL.

54. Most respondents were of the view that there are no fatal flaws about the credit risk disclosure requirements in IFRS 7. They also said that the combination of disclosure objectives and minimum disclosure requirements is the right approach for a general purpose—rather than industry specific—accounting standard such as IFRS 7.

55. However, most respondents (except some preparers), said the requirements are not applied consistently. They explained that, in practice, the quantity, quality, and level of disaggregation of information disclosed by different entities vary significantly, reducing comparability between similar entities and limiting the usefulness of information to investors. In this context, respondents acknowledged that they do not expect uniformity in how judgements are made by different entities but expect greater consistency in disclosures about them, which would allow investors to evaluate credit risk management practices, amounts arising from ECL and changes in the ECL amounts during the period, including the reasons for such changes.
56. To support greater consistency, respondents provided many suggestions, including that the IASB add minimum disclosure requirements in specific areas, specify the format for some disclosures, add application guidance to support greater consistency in how entities disaggregate information by *classes* of financial instruments and add specific illustrative examples. Most feedback focused on disclosure about:

(a) *PMAs.* Consistent with feedback summarised in paragraphs 26–27 of this paper, respondents including investors, reported lack of consistent, and entity-specific, information in the financial statements that would identify the material PMAs recognised, explain the reasons for using PMAs versus statistical models, and the plans to unwind PMAs, eg by embedding related inputs in statistical models. Suggestions included adding minimum disclosure requirements about PMAs or stating explicitly that PMAs are in scope of credit risk disclosure requirements in IFRS 7.

(b) *sensitivity analysis.* Respondents noted that IFRS 7 has no specific requirements to disclose information about the sensitivity of the ECL allowance to changes in key assumptions. Although some entities already disclose a sensitivity analysis on the basis of requirements in IAS 1 *Presentation of Financial Statements* (eg disclose what would ECL allowance be under different scenario weightings), those analyses are not provided consistently. Respondents including investors, thus suggested the IASB add specific requirements for an ECL sensitivity analysis to assist investors better understand and analyse the effects of future uncertainties in the ECL.²

(c) *determining SICR.* As noted in paragraph 18 of this paper, respondents reported deficiencies in the disclosures about SICR, including disclosure about the significant judgements entities made in determining SICR. For example, some entities disclose quantitative and qualitative factors they used and disaggregate the information by class of assets, key products, or geography; others provide generic descriptions of some of the factors they use without a

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² Some IFRS Accounting Standards contain specific requirement about disclosure of sensitivity analysis, for example, IFRS 7 requires disclosure of sensitivity analysis to market risk.
clear link or proportionality to factors that triggered material movements in ECL. These respondents suggested that IASB clarify that entities need to disclose relevant information about SICR thresholds which triggered movements of assets between stages, including the extent an entity relies on backstops, such as the 30 days past due rebuttable presumption in paragraph 5.5.11 of IFRS 9.

57. Some respondents also observed a lack of consistency with regards to several other areas, including disclosure about scenarios, the reconciliation of the ECL allowance and the related changes in gross carrying amounts of assets, and the effect of climate-related risks in the measurement of ECL.

58. Those respondents that suggested improvements to IFRS 7 however noted that IFRS 7 applies to entities of different sizes and industries and asked the IASB to consider the proportionality of any potential improvements, balancing the need for comprehensive disclosures by larger financial institutions with information that is relevant to entities with limited exposure to credit risk. In this context, some suggested the IASB consider exemptions from some of the current disclosure requirements for entities that apply the simplified approach because they found the amount of disclosure can be disproportionate to the nature of their business (for example, disclosures about write-off policies or collateral management).

59. As indicated in paragraph 55 of this paper, some other respondents mainly preparers, said IFRS 7 requirements are sufficient and, in their view, strike the right balance between costs for preparers and benefits to investors. These respondents are concerned that any potential improvements would involve significant costs for preparers to implement which would exceed any incremental benefit to be gained by investors.

60. Some respondents also commented on the role of auditors or enforcers in supporting greater consistency in how entities provide the credit risk disclosures. They emphasised the positive effect of the regulatory or industry group recommendations in some jurisdictions. For example, respondents noted that the recommendations for
ECL disclosures issued by the UK prudential regulators, have resulted in banks providing more consistent ECL disclosures.  

10. Other matters

61. Some respondents identified other matters that they think the IASB should consider as part of the PIR of the impairment requirements. Most of this feedback related to the topic of FGCs issued by an entity, for example, respondents reported lack of sufficient guidance in IFRS 9 related to accounting of FGCs where premiums are received over the life of the contract, rather than upfront. Respondents said some entities recognise a receivable for future premiums not yet due and other entities do not recognise such premiums, resulting in different accounting outcomes.

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3 Three UK regulators, the Financial Conduct Authority, the Financial Reporting Council and the Prudential Regulatory Authority jointly established a UK taskforce on disclosures of ECL which publishes reports with recommendations for a comprehensive set of ECL disclosures. These reports include recommendations on information to be provided on judgemental areas of ECL, along with illustrative best practice examples.