IFRS9: One page, 14 questions you need to explore before implementation…

	Policy/ Interpretation Area	*Overview and Notes*	*Reference in e.g. IFRS9/EBA*
1	Business model classification	All 'business models' (more often referred to in institutions as portfolios, products or business lines) must be classified as amortised cost, fair value through other comprehensive income or fair value through P&L (AmCost, FVOCI, FVTPL). You might need to sub-divide portfolios for this purpose. Care required re off-balance sheet exposures (see e.g. B5.5.31). Note this classification is a matter of fact, not of intent	4.1.2 – 4.1.4
2	Transaction costs	Decide which transaction costs and fees, if any, are incremental and directly attributable - they are to be accounted for in fair value and the effective interest rate (EIR)	5.1
3	'Low credit risk' exposures (required for FINREP reports)	Define internally per portfolio – note, there may be none. Any counterparty/issue rated investment grade or equivalent may be deemed low credit risk according to the Standard, but the EBA requires a more discriminatory approach	5.5.10, B5.5.22– B5.5.24
4	Significant increase in credit risk	Define internally per portfolio – note the "rebuttable presumption" at 30+ days past due, and the "undue cost and effort" caveat to creating predictive ECL models in the Standard itself, but the EBA requires additional tests in respect of the former and effectively removes the latter (see #6 below)	5.5.4, 5.5.9>
5	Credit impairment	Define internally per portfolio – note "observable data" and the IFRS9 non-exhaustive examples	App A
6	Expected loss modelling	Are your current models as good as they can be, on a best-efforts basis? Are they "neither a worst-case scenario nor the best-case scenario"? Is "reasonable and supportable" forward-looking information available, etc…note IFRS9 does not impose a standard level of sophistication	B5.5.28>
7	12-month v Lifetime ECL	"The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date." But see also B5.5.43 etc. Requires both a 12-month PD *and* a Lifetime PD for exposures >1 year	App A
8	Time-to-default for multiple cash-flow accounts	(i) Apply ECL per cash-flow and discount each resulting credit loss in its time bucket or (ii) Calculate exposure-weighted maturity (Effective Maturity or 'M' as per Basel) and calculate EAD as-at M?	
9	Discounting Time Buckets	Use FSA017 time buckets?	
10	Transitional provisions: initial ECL on adoption	Determine ECL on IFRS9 adoption	7.2.17>
11	Transitional provisions: credit risk at origination	Determine credit risk at origination versus at IFRS9 adoption, and has there been a significant increase since?	7.2.18>
12	ICAAP 2017	"Where the PRA deems preparations for implementation of IFRS9 to be insufficient the PRA may take action on a firm-by-firm basis" – see December 6th announcement	PRA 'clarification'
13	FINREP Regulatory Returns	Does your prospective data input file include categorisation at account and counterparty levels enabling population of the FINREP* regulatory returns (6 quarterly returns for institutions <£5bn in the UK)? There are 12 types of categorisation: exposure type, measurement basis, obligor type, business model classification, impairment stage, product, collateral, purpose, subordination status, performance status, credit risk status and write-off/recovery status	Annex III
14	Data storage	For MI, history and trend analysis, audit trail, reg reporting…	

*https://www.eba.europa.eu/regulation-and-policy/supervisory-reporting/implementing-technical-standards-on-proposed-amendments-to-finrep-ifrs-due-to-ifrs-9