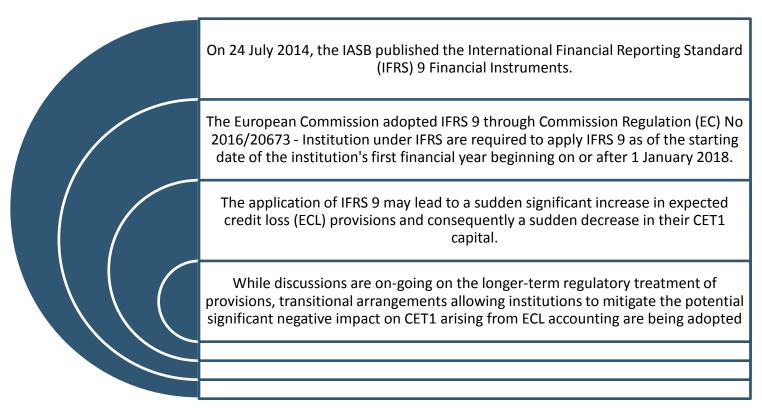


Introduction of IFRS 9





IFRS 9 transitional arrangements (i)





On 31st May 2017, the EU adopted a Proposal for a Regulation of the EP and of the Council amending the CRR as regards the transitional period for mitigating the impact on own funds of the introduction of IFRS 9.

The proposal suggests a new Article 473a, with provisions on the introduction of IFRS 9 and IFRS 9-like ECL models transitional arrangements that phase-in the impact of IFRS 9 impairment requirements on capital and leverage ratios.

Where an institution's balance sheet as of the first application of IFRS 9 reflects a decrease in CET1 capital due to increased ECL provisions compared to the balance sheet on the previous day, the institution should be allowed to include in its CET1 a portion of the increased ECL provisions during a transitional period.

IFRS 9 transitional arrangements (ii)





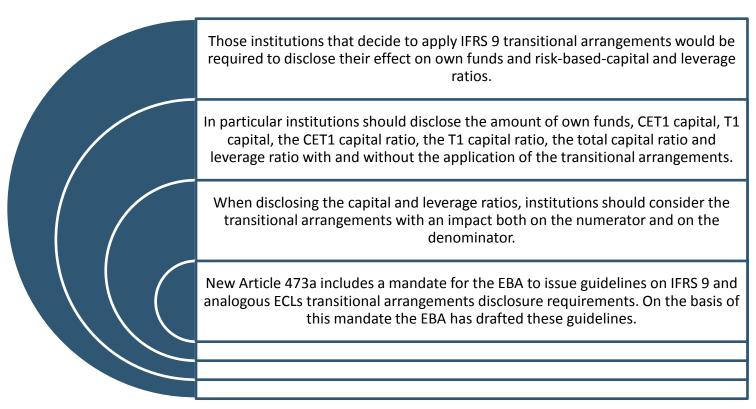
Institutions should decide whether to apply these transitional arrangements and inform the competent authority accordingly. Institutions applying transitional arrangements need to adjust the calculation of regulatory items which are directly affected by ECL provisions to ensure that they do not receive inappropriate capital relief.

This would ensure that an institution would not benefit from both an increase in its CET1 capital due to transitional arrangements as well as a reduced exposure value.

This transitional period should be of 5 years from the first day of application of IFRS 9. The portion of ECL provisions that can be included in CET1 capital should decrease over time down to zero to deliver full implementation by the end of the transitional period.

IFRS 9 transitional arrangements – Disclosure (i)





PRESENTATION TITLE 5

IFRS 9 transitional arrangements – Disclosure (ii)





The GL specify a uniform disclosure format for the institutions' disclosure requirements of IFRS 9 and analogous ECLs transitional arrangements with the aim of achieving a consistent and comparable disclosure among institutions during the transitional period.

When developing the GL, the EBA has taken into account developments at the international level, and ins particular account the standard issued by the BCBS in March 2017 on "Pillar 3 disclosure requirements – consolidated and enhanced framework".

The standard includes a disclosure template (template KM1) with implementation date of 1 January 2018 that provides users with information on the impact of the transitional arrangements for the implementation of expected credit loss accounting on the bank's regulatory capital and leverage ratios.

Guidelines on disclosure requirements on IFRS 9 transitional arrangements



Subject matter

• The GL specify the uniform disclosure format in accordance with which the disclosures required under paragraph 8 of Art.473a CRR should be made.

Scope of application

• The GL apply to the institutions referred to in paragraph 1 of Art. 473a CRR and that are subject to all or part of the disclosure requirements specified in Part Eight of the CRR in accordance with Articles 6, 10 and 13 of the CRR, during the transitional period set out in paragraph 6 of Art. 473a CRR.

Date of application

• These guidelines apply from 1 January 2018 until the end of the transitional period referred to in paragraph 6 of Article 473a of the CRR.

Guidelines on disclosure requirements on IFRS 9 transitional arrangements



Format

Institutions that choose to apply IFRS 9 and analogous ECLs transitional arrangements should complete the quantitative template contained in Annex I of the GL.

Those institutions under the scope of Art. 473a that choose not to apply IFRS 9 and analogous ECLs transitional arrangements should disclose the narrative commentary indicated in Annex.

Template IFRS 9-FL (i)



Template IFRS 9-FL - Own funds, capital and leverage ratios under IFRS 9/analogous ECLs transitional arrangements compared to fully loaded IFRS 9/analogous ECLs

Purpose

Scope of application: Institutions under the scope of Art. 473a and subject to Part Eight of the CRR, during the transitional period

Overview of institutions' own funds, risk-based capital ratios and, and leverage ratio under:

transitional IFRS 9/analogous ECLs

and fully loaded IFRS 9/analogous ECLs

Quantitative
template
mandatory for
those
institutions that
choose to apply
the transitional
arrangements

Those institutions that choose not to apply the transitional arrangements should disclose a narrative commentary explaining the following:

The institution is not applying the transitional arrangements,

reasons behind that decision and

That their capital and leverage ratios already include the full impact of IFRS 9/ analogous ECLs

Template IFRS 9-FL (ii)



Template IFRS 9-FL - Own funds, capital and leverage ratios under IFRS 9/analogous ECLs transitional arrangements compared to fully loaded IFRS 9/analogous ECLs

Frequency

Format

Accompanying narrative to the quantitative template for Institutions applying the transitional arrangements on:

Same frequency than the disclosures of information on own funds, risk-weighted assets and leverage ratio

Fixed format for the quantitative template mandatory, when applicable For institutions that are not applying the transitional arrangements, the narrative commentary is flexible

Key elements of the transitional arrangements they use Institution's choices regarding the options included in Article 473a(9) of the CRR

Changes to
RWA and
leverage
exposure
stemming from
the IFRS
9/analogous
ECLs
transitional
arrangements,
if material

Quantitative template

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Quantitative template					
	а	b	С	d	е
	Т	T-1	T-2	T-3	T-4
Available capital (amounts)					
Common Equity Tier 1 (CET1) capital					
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements were not applied					
Tier 1 capital					
Tier 1 capital as if IFRS 9 transitional arrangements were not applied					
Total capital					
Total capital as if IFRS 9 transitional arrangements were not applied					
Risk-weighted assets (amounts)					
Total risk-weighted assets					
Capital ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)					
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied					
Tier 1 (as a percentage of risk exposure amount)					
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied					
Total capital (as a percentage of risk exposure amount)					
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied					
Leverage ratio					
Leverage ratio total exposure measure					
Leverage ratio					
Leverage ratio as if IFRS 9 transitional arrangements were not applied					
	Available capital (amounts) Common Equity Tier 1 (CET1) capital Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements were not applied Tier 1 capital Tier 1 capital as if IFRS 9 transitional arrangements were not applied Total capital as if IFRS 9 transitional arrangements were not applied Risk-weighted assets (amounts) Total risk-weighted assets (amounts) Total risk-weighted assets Capital ratios Common Equity Tier 1 (as a percentage of risk exposure amount) Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied Total capital (as a percentage of risk exposure amount) Total capital (as a percentage of risk exposure amount) Total capital (as a percentage of risk exposure amount) Total capital (as a percentage of risk exposure amount) Total capital (as a percentage of risk exposure amount) Total 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Other considerations – Costs/Benefits



The information that institutions are asked to disclose under template IFRS 9-FL of the current guidelines is fully available to them

Institutions are already required to disclose the information on the transitional value of the parameters included in the template

And to estimate as part of the supervisory reporting to competent authorities (COREP) the value of the adjustments to be applied to capital and leverage ratios under a full implementation of IFRS 9

Marginal cost and impact of the implementation is expected to be negligible

Improved symmetry of information between market participants and institutions,

Consistency and comparability of the information available to market participants

Further fostering of market discipline

Next steps



- The guidelines were published on the 13 of July for a 2 month consultation, ending on the 13 of September. The final guidelines will be adjusted based on the comments received during the consultation period.
- It is important to note that once the final Regulation inserting new Article 473a in the CRR
 is published in the Official Journal of the EU, any appropriate adjustments will be made, if
 necessary to align the draft guidelines with the final version of Article 473a of the CRR.
- Nevertheless, any ongoing discussions or potential changes that may affect the way transitional arrangements will eventually be calculated is neutral from a disclosure point of view and should not have any impact on the guidelines,

PRESENTATION TITLE 13

Overview of questions for consultation



- 1. Could you provide your views on whether adding RWA on an IFRS 9 fully loaded basis in the quantitative disclosure template would provide more clarity to the users and would ensure a more consistent and comparable disclosure by institutions compared to the current proposal to disclose only the actual figure of RWA?
- 2. Do you agree with the overall content of these guidelines and with the template proposed? In case of disagreement, please outline alternatives that would help to achieve the purpose of the guidelines.

PRESENTATION TITLE 14

