CENTRAL BANK OF TRINIDAD AND TOBAGO

IFRS 9 – Financial Instruments

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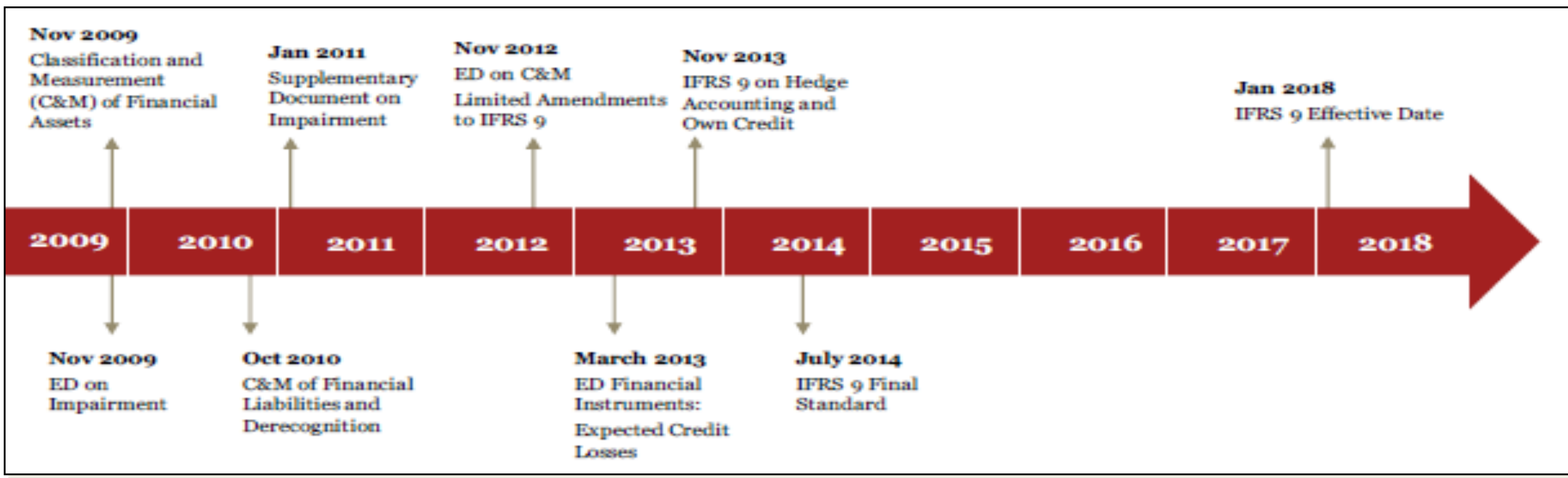
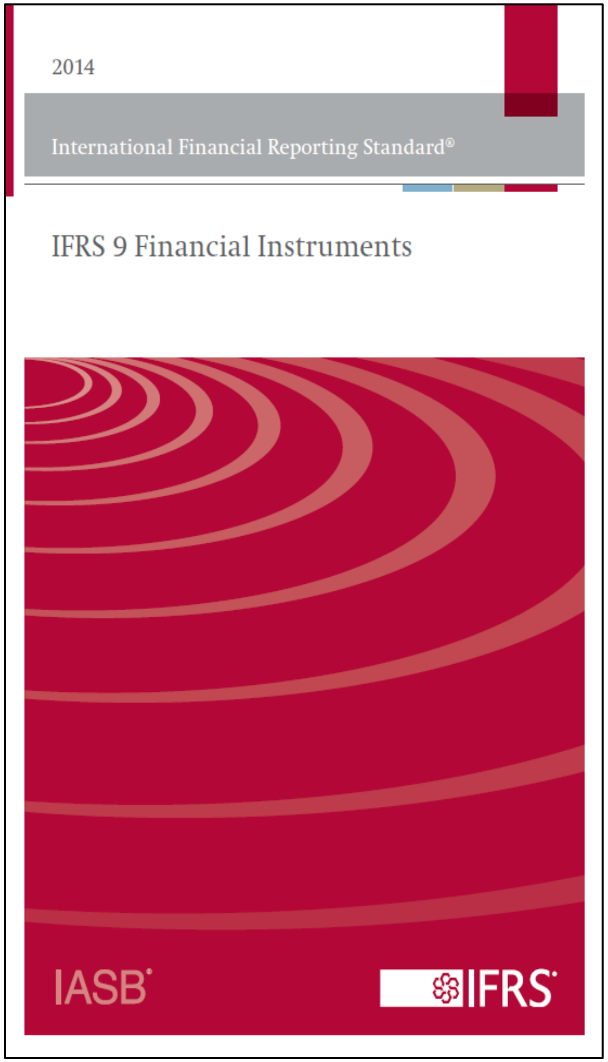
Why IFRS 9: A brief history?

- The reform of Financial Instruments accounting was one of the areas identified in the Norwalk Agreement of 2002 between IASB and FASB. As a result of this agreement, a number of projects were undertaken to eliminate differences between IFRSs and US GAAP

- Work on IFRS 9 was accelerated in response to the financial crisis of 2007/2008 when the. G20, the Financial Crisis Advisory Group, and others, tasked IASB to urgently address accounting shortcomings in IAS 39 This led to various projects highlighted below (Diagram courtesy of PwC):



IFRS 9 *Financial instruments*



Classification and measurement

A logical, single classification approach driven by cash flow characteristics and how it is managed.

Impairment

A much needed and strongly supported forward-looking ‘expected loss’ model.

Hedge accounting

An improved and widely welcomed model that better aligns accounting with risk management.

SUMMARY CHANGES FROM IAS 39 TO IFRS 9

IAS 39

- FVTPL
  - Held for trading
  - Designated
  - Derivatives, unless hedging instruments
- Available-for-Sale
- Loans and Receivables
- Held-to-Maturity

IFRS 9

- FVTPL
  - Held for trading
  - Designated
  - Derivatives, unless hedging instruments
- FVOCI
- Amortised Cost

IFRS 9 – FINANCIAL INSTRUMENT IMPAIRMENT MODEL

IAS 39 Incurred loss model	IFRS 9 Expected loss model
Current model until 2018 Impairment loss only	Future model from 2018: expected loss
Losses expected as a result of future events are not recognised regardless of likelihood	Responsive to changes in information that impact credit expectations
recognised when: trigger (loss) event occurs and impact can be reliably estimated More than one model depending on classification	Expected loss at recognition approach Deterioration in credit quality leads to recognition of lifetime losses
	Robust disclosures to allow users to understand the application and effect of the impairment models and judgements applied.


Thank you