

Philippine Financial Reporting Standards 9 Financial Instruments



BANGKO SENTRAL NG PILIPINAS

From IAS 39 to IFRS 9

IAS 39

- Memo to BSFIs
- Circular No. 494
 - Provisioning
- Circular No. 512
 - FRP

2005

IFRS 9

Circular Nos.

- 708
- 733
- 761

- ### Circular No.
- 912

2016

FULL ADOPTION

2018

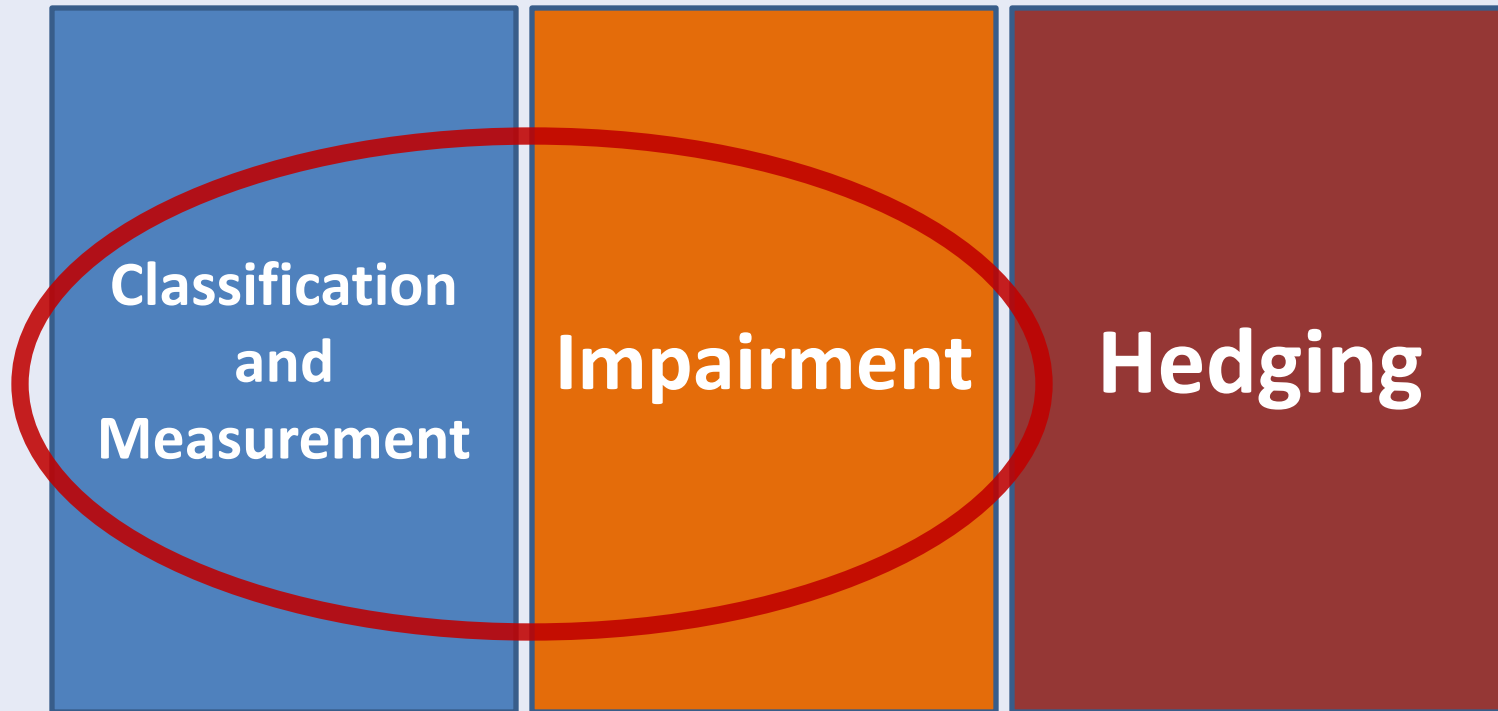
2011/12



BANGKO SENTRAL NG PILIPINAS

IFRS 9

*The final version of the Standard was issued in July 2014.
Full implementation by January 1 2018.*



BANGKO SENTRAL NG PILIPINAS

Classification and Measurement

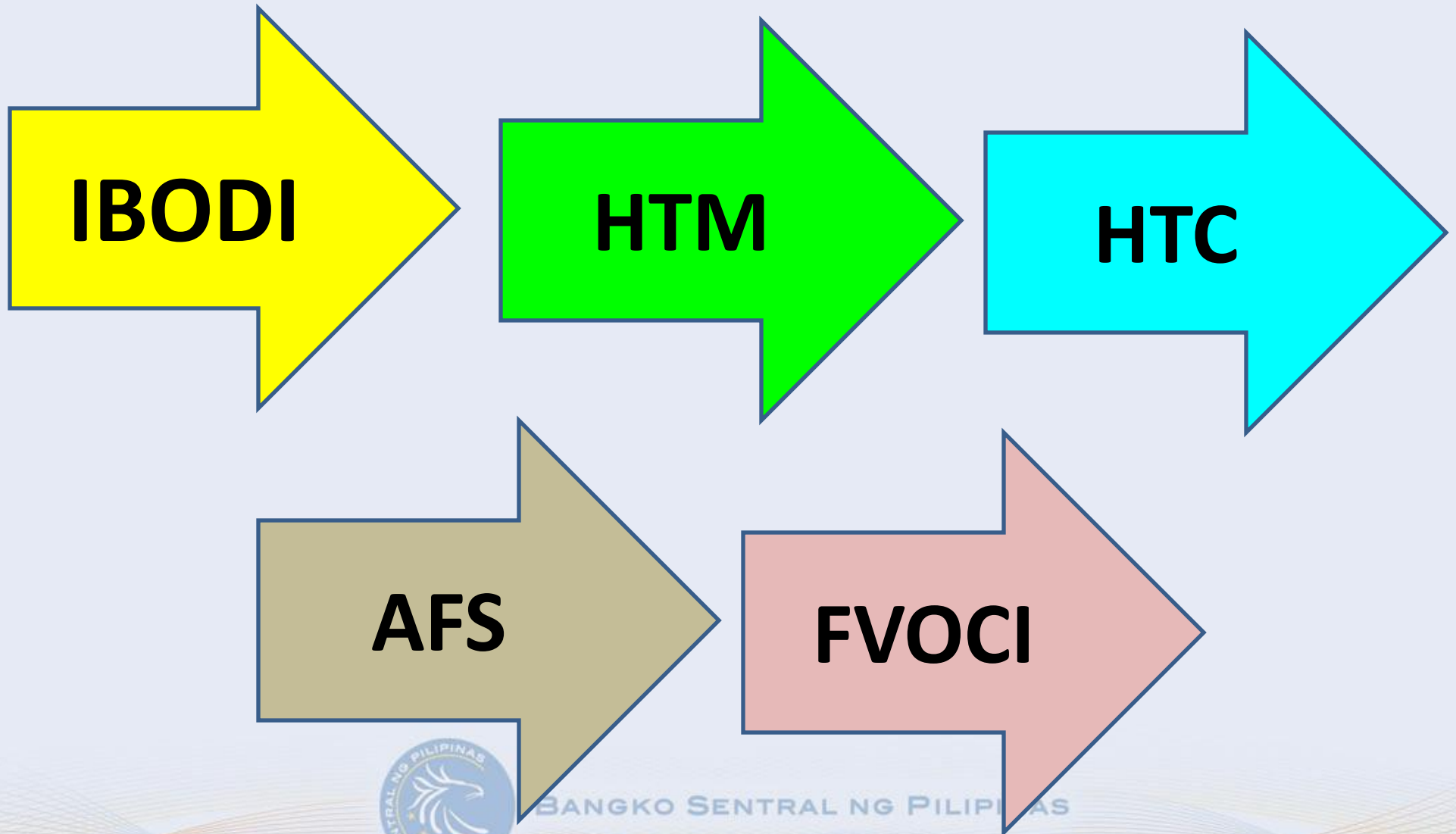
	IAS 39	IFRS 9*
Classification and Measurement	Held for trading Available-for-sale Held-to-maturity	FVTPL FVOCI HTC (Amortized Cost)

**Fair value through profit or loss (FVTPL),
Fair value through other comprehensive income (FVOCI)*



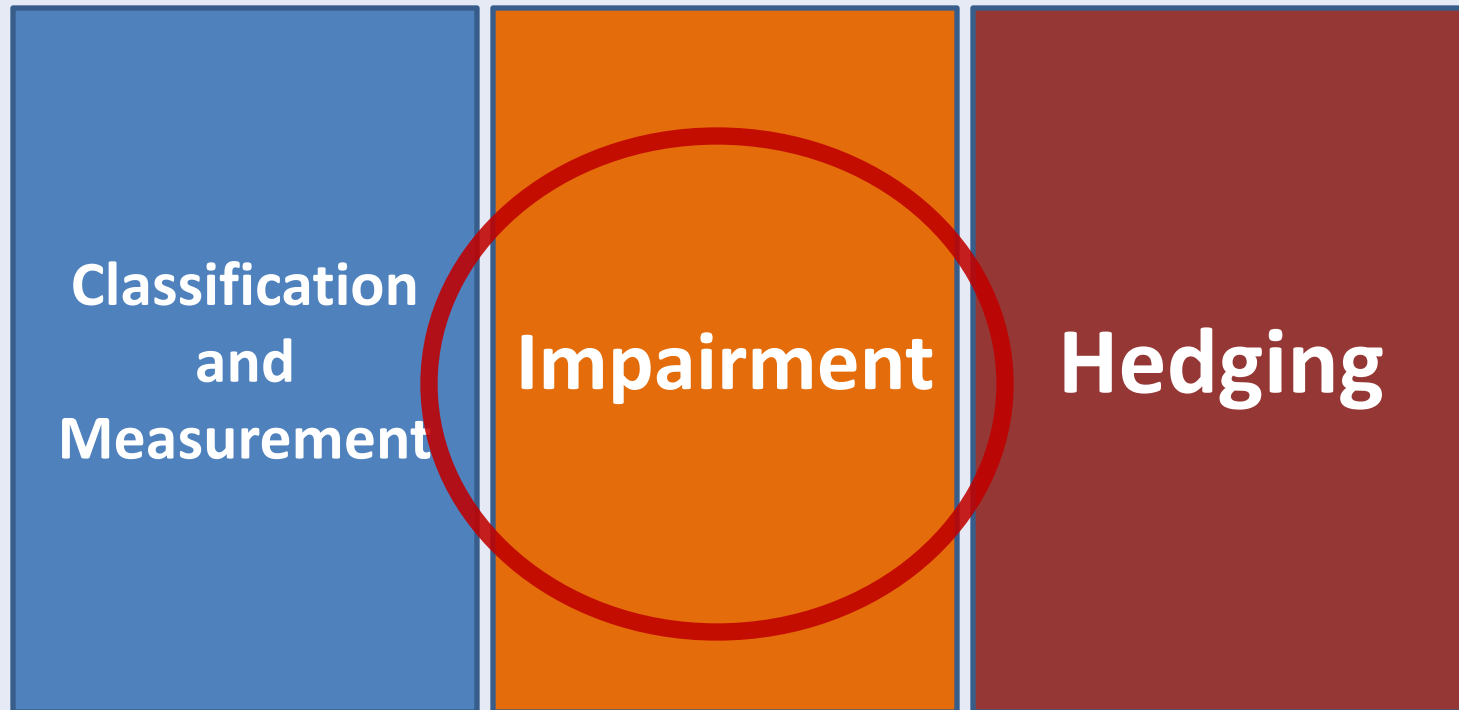
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Classification and Measurement



IFRS 9

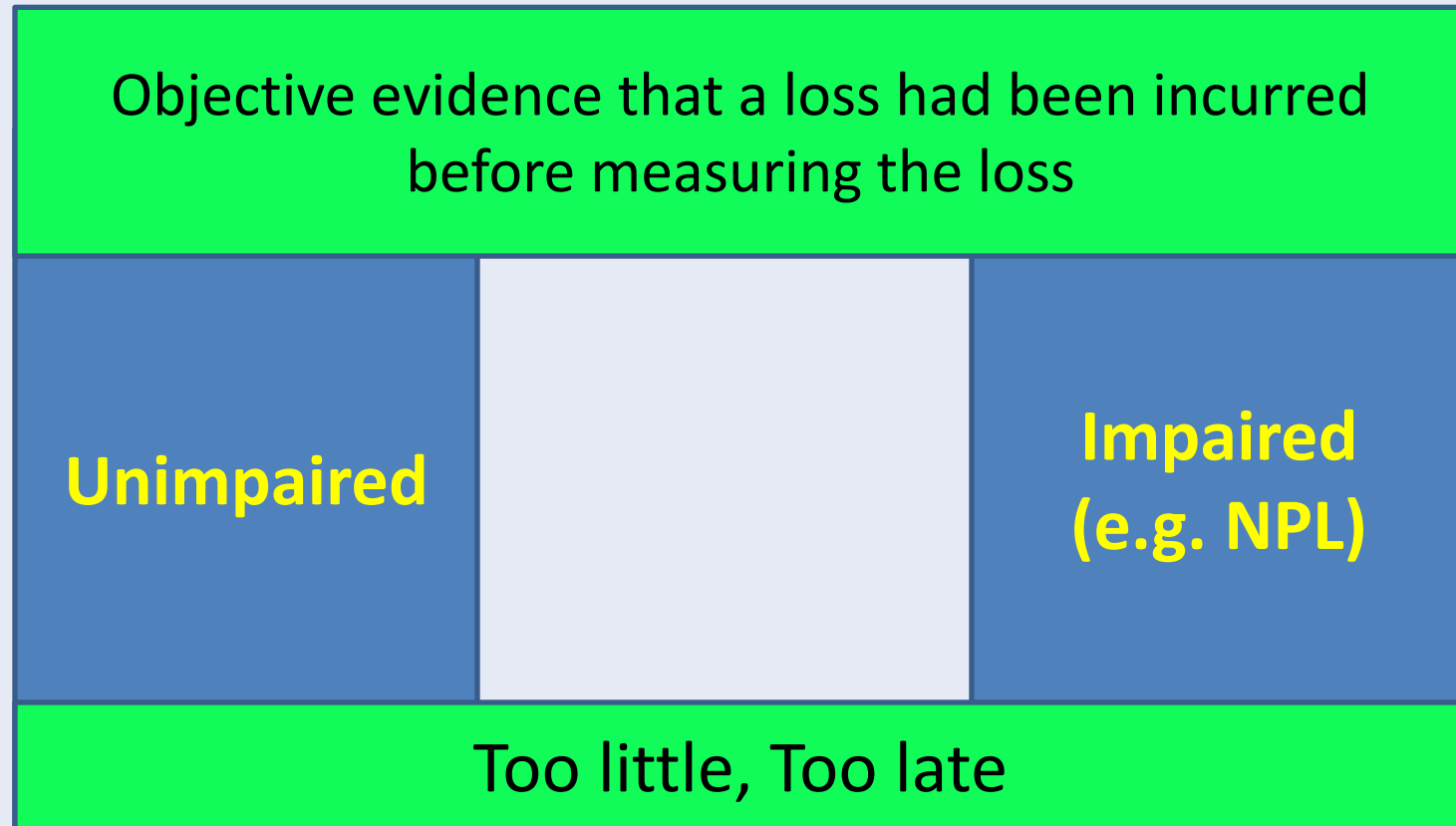
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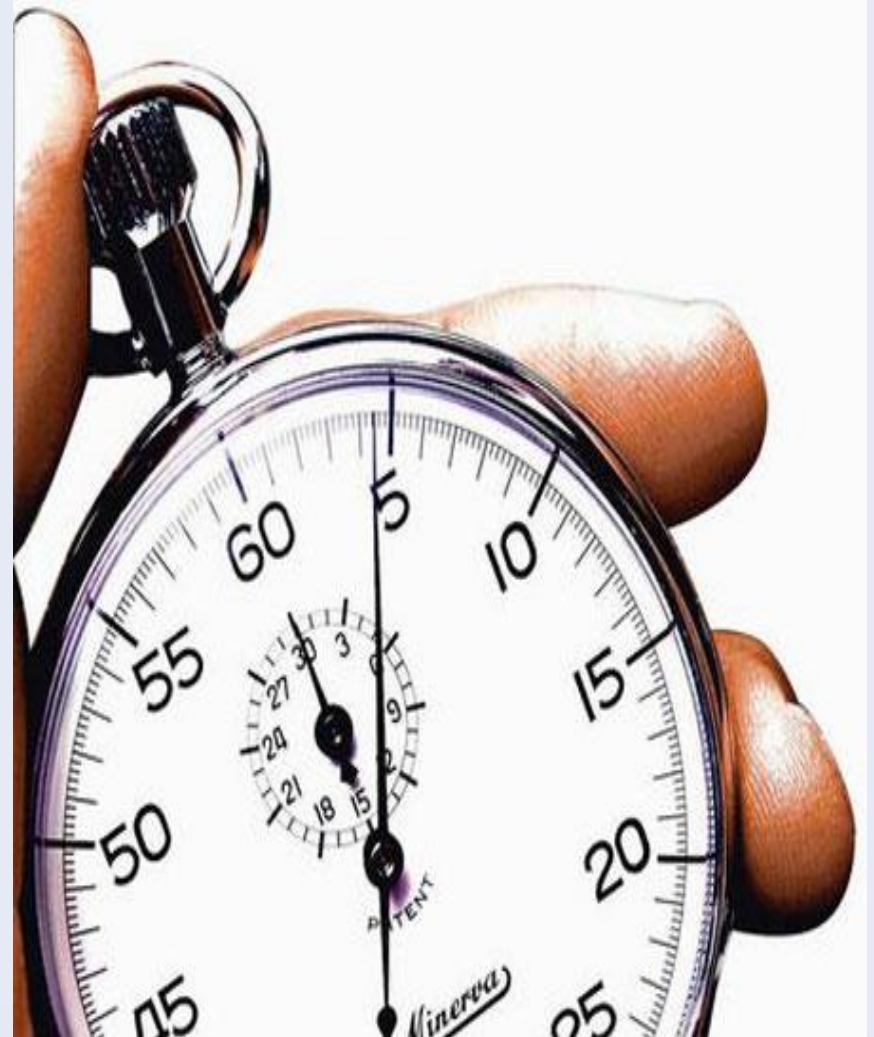
Impairment - *Background*

IAS 39



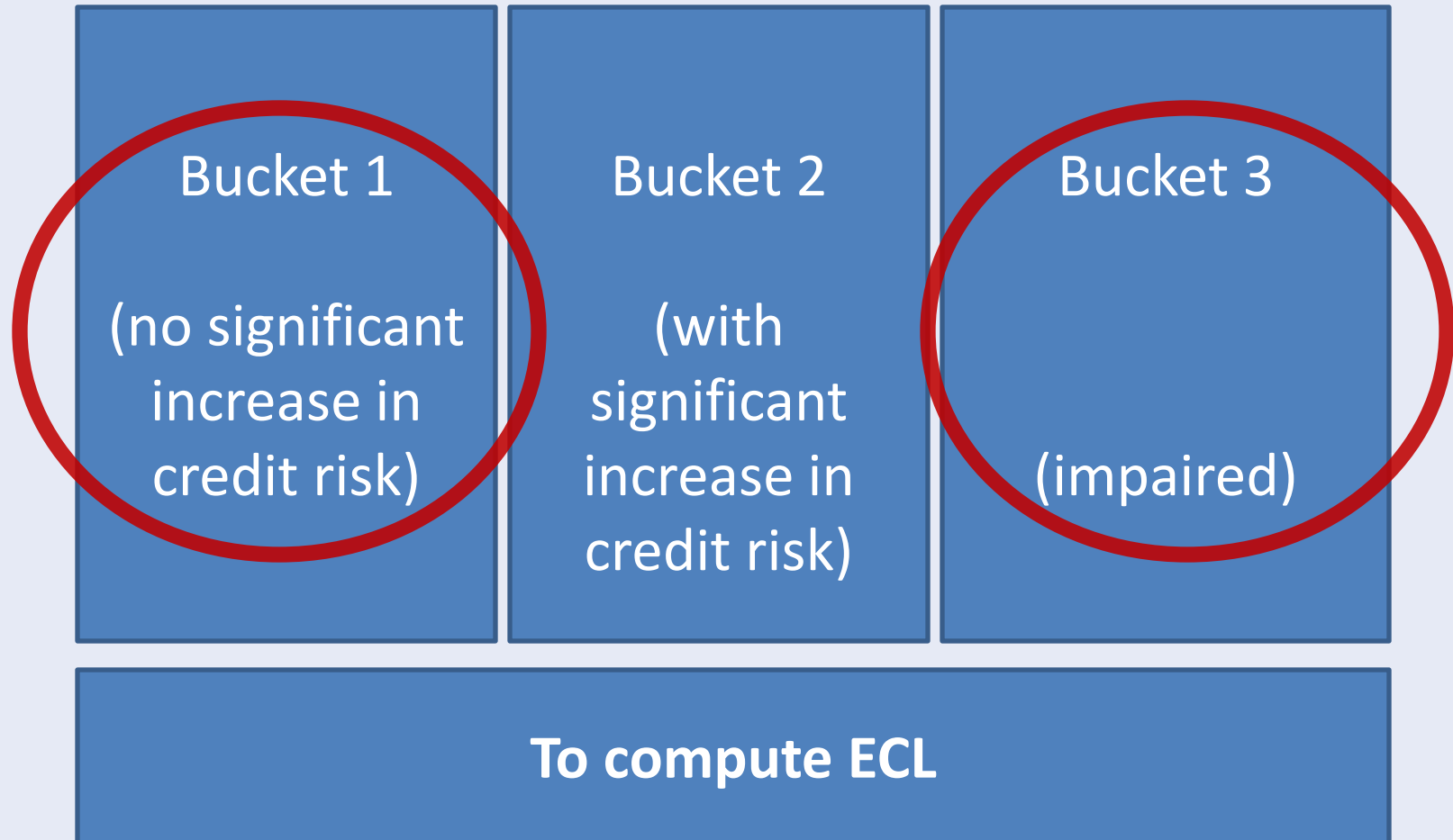
Impairment - *Expected Credit Losses (ECL)*

- Based on an expected credit losses model
- **Future-focused and more timely loss recognition**
- Principles-based accounting standard geared towards the earlier recognition of impairment losses

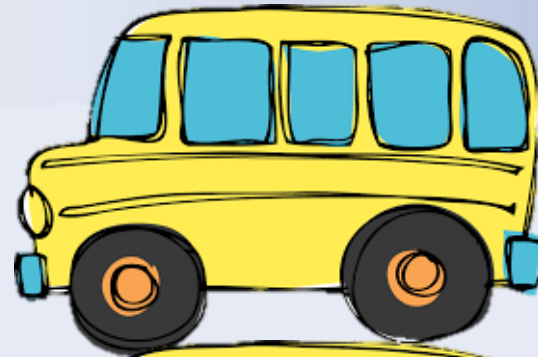
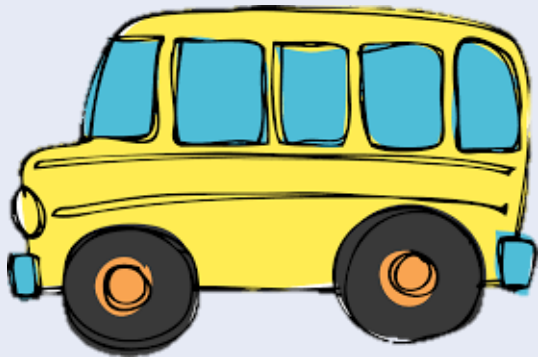


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Impairment – *The Three (3) Stages*



Example



PILIPINAS

Principle 18

The supervisor determines that banks have adequate policies and processes for the **early identification** and management of problem assets, and the **maintenance of adequate provisions** and reserves.

**Basel Core Principles for Effective
Banking Supervision**

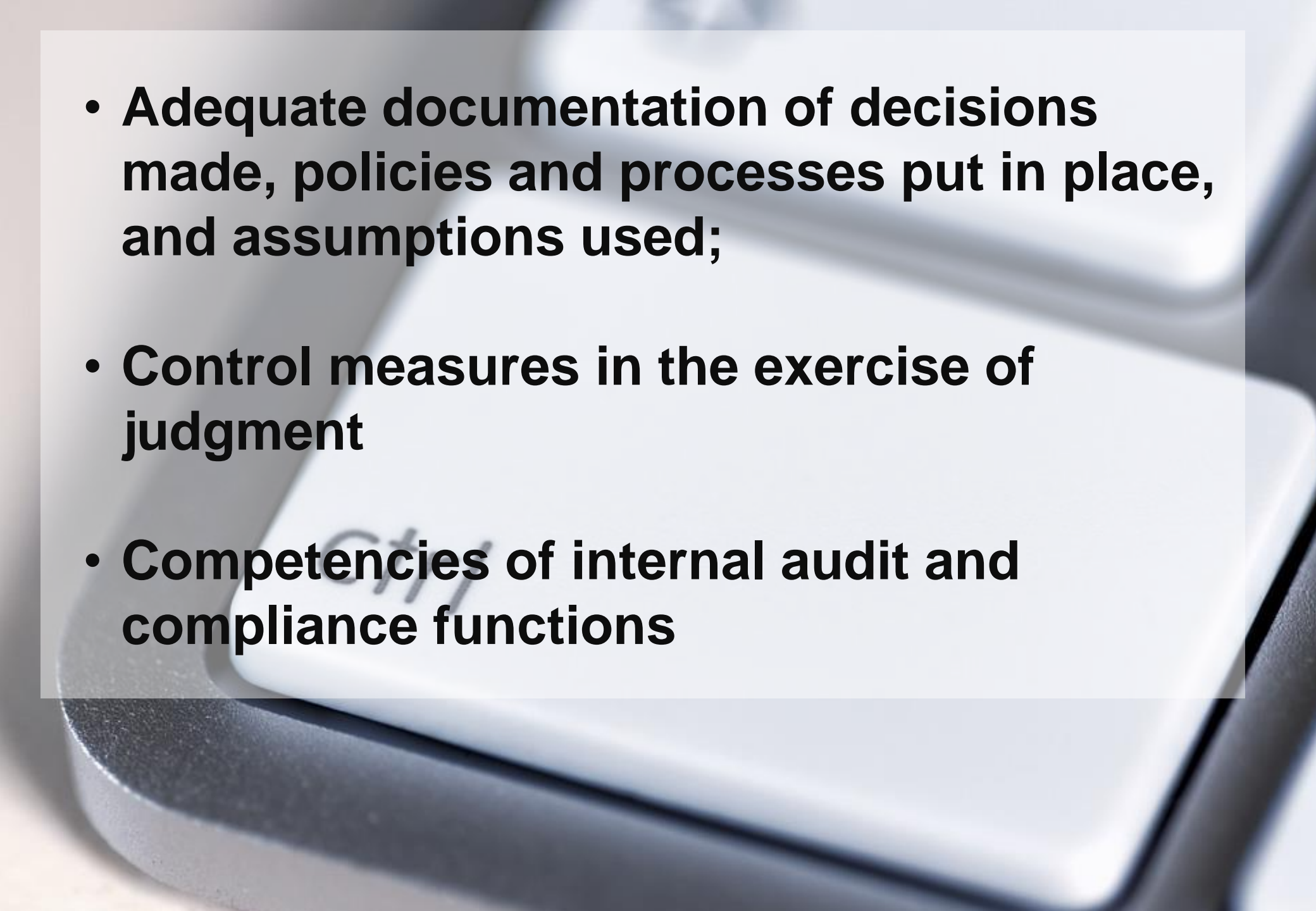
IFRS 9 and Circular No. 855

- Circular No. 855 adopted the “expected loss” concept.
- Under Circular No. 855, all FIs are expected to develop a sound loan loss methodology that can reasonably estimate provisions for loans and other credit accommodations and risk assets in a timely manner



ONE SIZE
DOESN'T
FIT ALL

No undue
cost and
effort

- 
- **Adequate documentation of decisions made, policies and processes put in place, and assumptions used;**
 - **Control measures in the exercise of judgment**
 - **Competencies of internal audit and compliance functions**



Use of Sound Judgment

- Take into account business and economic environment
- Eliminate or mitigate biases

THANK YOU!



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