The IMF and its two Middle East regional capacity development centers conclude a seminar on "International Financial Reporting Standard 9 (IFRS 9) Implementation and Key Supervisory Issues"

The International Monetary Fund's Middle East Center for Economics and Finance (CEF) and the Middle East Regional Technical Assistance Center (METAC), concluded a joint seminar on "**International Financial Reporting Standard 9 (IFRS 9) Implementation and Key Supervisory Issues"**, in Kuwait City during April 22-25, 2019. The workshop attracted 38 senior bank supervisors from 12 Arab League countries.

The implementation of IFRS 9 addresses shortcomings identified during the global financial crisis of 2008. Several countires in the METAC and CEF region have implemented IFRS 9, to improve financial sector soundness and stability. The improvements introduced by IFRS 9 include a new model for classification and measurement of financial assets and liabilities, a single forward-looking 'expected credit loss' (ECL) impairment model, and a substantially-reformed approach to hedge accounting. Enhanced credit risk management policies and practices are needed to address the new ECL approach and, in particular, banks need to carefully monitor whether a "significant increase in credit risk" has occurred since this will require a movement from Stage 1, measured at 12-month ECL, to Stages 2 or 3, measured at lifetime ECL. There are also important implications for calculating regulatory loan loss provisions, general provisions, and special provisions for risk-based capital purposes.

The seminar covered conceptual issues and practical challenges in implementing IFRS 9, which where organized by thematic topic and included: (i) classification and measurement of financial instruments under the prior standard, International Accounting Standard No. 39 (IAS 39), and IFRS 9, (ii) the movement from the IAS 39 incurred loss model for provisioning to the new IFRS 9 ECL model, (iii) interrelationships between ECL loan loss provisions and regulatory general and specific provisions, (iv) an introduction to derecognition and hedge accounting rules, along with new international auditing requirements, (v) Basel Committee on Banking Supervision guidance on credit risk and accounting for expected credit loss and related capital rules, and Pillar 3 reporting issues, (vi) Financial Stability Board guidance on enhanced risk disclosures, and (vii) supervisory concerns about IFRS 9 treatment of accrual of interest on nonperforming loans.

Participants in the seminar received extensive information about IFRS 9 and supervisory guidance, shared their countries' experiences, worked on case studies, and performed a role play exercise to enhance their practical knowledge of IFRS 9 and related key supervisory issues.