Talking points for podcast 102

What should we expect from the Post-Implementation Review of IFRS 9?

The IASB is required to conduct a post-implementation review (PIR) of each new IFRS Standard or major amendment to a Standard. A PIR normally begins after the new requirements have been applied internationally for two years, which is generally about 30–36 months after the effective date. Its purpose is to understand if standard-setting is required.

For IFRS 9, the IASB decided it would begin by examining only the classification and measurement requirements, and not the impairment or hedge accounting requirements. The IASB will be conducting outreach in the first half of 2021, targeting a Request for Views in Q3 2021.

A PIR has two phases:

- First phase: an initial assessment that draws on the broad network of IFRS Standards-related bodies to determine appropriate scope for review. Expected first half 2021.
- Second phase: IASB considers all information received, presents findings and sets out steps it plans to take.

The IASB has decided to approach the PIR of IFRS 9 in phases, reflecting that IFRS 9 was issued in phases. It is too early to gather enough information for the other phases.

Insurers applying the temporary exemption from IFRS 9 will not be able to provide feedback on their experience applying the classification and measurement requirements of IFRS 9. However as this temporary exemption expires before any possible amendments from the PIR, we do not expect the PIR to be disruptive to insurers' implementation processes.

Key things we're interested in for the PIR because we have seen a lot of questions are:

1. Overall how the Solely Payments of Principal and Interest test is applied, eg for green loans

2. Contractually-linked products, for example in a structure where there are predefined rules specifying how payout of the cash flows from the underlying assets is prioritised between the different classes or 'tranches' of instruments

3. Non recourse loans, in particular, how much risk is needed for an instrument to fail SPPI.

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