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EUROSYSTEM

PRESS RELEASE

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Banks in the euro area are progressing in implementing IFRS 9 accounting standard

- Thematic review on IFRS 9 implementation analyses state of implementation at banks across the euro area
- Results of the thematic review were considered in the Supervisory Review and Evaluation Process (SREP) 2017
- Assessment provides an overview of key conclusions and supervisory expectations regarding implementation of IFRS 9

Banks in the euro area are working intensively to implement a new accounting standard that was introduced in the aftermath of the financial crisis. Under the International Financial Reporting Standard (IFRS) 9, which enters into force on 1 January 2018, financial institutions must recognise loan losses earlier than previously. The European Central Bank (ECB) publishes today the findings of a thematic review on IFRS 9 which, as part of its supervisory priorities, assessed the preparedness of institutions for implementing the standard. The report also outlines key supervisory expectations for the ongoing implementation and application of IFRS 9.

The International Financial Reporting Standards are set by the International Accounting Standards Board. The supervisory expectations considered in the ECB thematic review are consistent with the international best practices and supervisory guidance issued by the Basel Committee on Banking Supervision and the European Banking Authority.

In early 2017, the thematic review conducted by the Single Supervisory Mechanism helped identify banks with clear delays in the implementation process. Supervisors informed significant institutions (SIs) whose preparedness was lagging behind their peers as of the first quarter of 2017 and successfully urged them to accelerate their efforts, which included them allocating more of their resources to this project. For SIs, the findings of the thematic review were considered in the context of the Supervisory Review and Evaluation Process (SREP) 2017 as part of the governance and risk management assessment component. For less significant institutions (LSIs), the findings of the review are taken into account by the national competent authorities that are the direct supervisors of these institutions.

Based on information reported by banks under direct ECB supervision that were better prepared in the first quarter of 2017 to implement IFRS 9 (and thus provided the most reliable data), the fully loaded average negative impact on the regulatory Common Equity Tier 1 (CET1) ratio is estimated to be 40 basis points. From the data reported by the LSIs that were better prepared in the first quarter of 2017, the fully loaded average negative impact on the regulatory CET1 ratio is estimated to be 59 basis points.

This thematic review is a further step towards the consistent implementation of the IFRS 9 standard across banks in the euro area. The report is published on the ECB Banking Supervision website.

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