

27 March 2020

Application of IFRS 9 in the light of the coronavirus uncertainty

A document responding to questions regarding the application of IFRS 9 *Financial Instruments* during this period of enhanced economic uncertainty arising from the covid-19 pandemic has been published today.

[Access IFRS 9 and covid-19—accounting for expected credit losses.](#)

The document is prepared for educational purposes, highlighting requirements within the Standard that are relevant for companies considering how the pandemic affects their accounting for expected credit losses (ECL). It does not change, remove nor add to, the requirements in IFRS 9 *Financial Instruments*. It is intended to support the consistent and robust application of IFRS 9.

IFRS 9 was developed in response to requests by the G20 and others to provide more forward-looking information about loan losses than the predecessor Standard and to give transparent and timely information about changes in credit risk.

The document acknowledges that estimating ECL on financial instruments is challenging in the current circumstances and highlights the importance of companies using all reasonable and supportable information available—historic, current and forward-looking to the extent possible—when determining whether lifetime losses should be recognised on loans and in measuring ECL.

The document reinforces that IFRS 9 does not provide bright lines nor a mechanistic approach in accounting for ECLs. Accordingly, companies may need to adjust their approaches to forecasting and determining when lifetime losses should be recognised to reflect the current environment.

The IFRS Foundation and the International Accounting Standards Board continue to work in close cooperation with regulators and others regarding the application of IFRS 9, and the document encourages companies to consider guidance provided by prudential and securities regulators.