



EDBS/KH/C/46/2015  
15<sup>th</sup> November 2015

**The Chief Executive Officer**  
All Banks and Financing Companies  
Manama  
Kingdom of Bahrain

Dear Sir,

**IFRS 9: Quantitative Impact Assessment (QIA)**

The Central Bank of Bahrain (the 'CBB') wishes to assess the impact of the introduction of IFRS 9 as well as the preparedness of banks and financing companies in order to meet the effective implementation date of 1<sup>st</sup> January 2018 of this new accounting standard.

IFRS 9 brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The implementation of IFRS 9 requires major changes in the way banks and financing companies assess impairments. The implementation of a forward looking expected credit loss model will lead to a more timely recognition of loan losses. This new standard is applicable to all financial instruments subject to impairment accounting and will have an impact on the financial statements produced and published by banks and financing companies.

The CBB is requesting banks and financing companies to undertake a quantitative impact assessment (QIA) of IFRS 9 which should be reviewed by their external auditor. The QIA should focus on the financial impact of the impairment components of IFRS 9 including the impact on the regulatory capital as a result of any additional provisioning requirements. The QIA may be extended to assess the financial impact of other components of IFRS 9 (such as hedge accounting). The CBB also require banks to assess the required system and policy changes as a result of the IFRS implementation.

In addition banks and financing companies should provide a detailed timetable of their implementation plan towards adopting IFRS 9.

Banks and financing companies must submit the results of the QIA and their implementation plan by no later than 29<sup>th</sup> February 2016 to their supervisory point of contact at the CBB.

Yours faithfully,

  
**Khalid Hamad**