

MEDIA RELEASE



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/08/2020

Madrid, 03 April 2020

IOSCO Statement on Application of Accounting Standards during the COVID-19 Outbreak

The International Organization of Securities Commissions (IOSCO) is the leading international policy forum for securities regulators and is recognised as the global standard setter for securities regulation. The organisation's membership regulates more than 95% of the world's securities markets and is responsible for the oversight of capital markets and the application and enforcement of accounting standards. In light of current uncertainty resulting from the COVID-19 outbreak, we remain fully committed to the development, consistent application and enforcement of high-quality accounting standards which are of critical importance to the proper functioning of the capital markets—especially in times of uncertainty.

IOSCO objectives include protecting investors, maintaining fair, efficient and transparent markets and seeking to address systemic risks. The application of accounting standards must result in issuers providing clear, reliable, transparent and useful information to allow investors to make informed investment decisions.

The responsibility for developing and maintaining high quality standards resides with the International Accounting Standards Board (IASB), and we welcome their recent educational materials that address the application of accounting for expected credit losses (ECL) in accordance with IFRS 9 Financial Instruments during the period of economic uncertainty arising from the COVID-19 outbreak. IOSCO notes that the related IASB release and educational materials do not change, remove nor add to the requirements in IFRS 9.

High quality financial reporting requires the application of professional judgment to an issuer's particular circumstances. Proper application of professional judgment requires appropriate

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skills, experience and internal controls. In particular, IFRS 9 does not set bright lines and should not be applied in a mechanistic manner. IFRS 9 provides a principles-based framework for applying professional judgment in evaluating forward-looking scenarios when estimating expected credit losses related to financial instruments measured at amortised costs or fair value through Other Comprehensive Income.

In response to the COVID-19 pandemic, a number of governments, authorities and regulators across the globe have adopted relief programmes aimed at financial institutions, businesses and households resulting in increased liquidity, debt payment holidays, moratoriums on repayment of loans and mortgages, loan guarantees and other support measures. Issuers will need to consider, as well, the positive impacts of such measures in the credit risk over the expected life of the instruments and use forward-looking information such as long-term economic forecasts supported by the best available information.

Issuers should evaluate the implications of these government-backed relief programs and economic forecasts when assessing whether there is a significant increase in credit risk (SICR). These circumstances may have a temporary impact on borrower's liquidity or more significantly on the credit risk over the expected life of the financial instrument and thus affect the SICR's assessment and the measurement of the expected credit losses.

The related financial instruments principles-based disclosure requirements in IFRS Standards (i.e. IFRS 7, IAS 1) should result in disclosure that considers the impact of these important emerging issues.

Issuers should include robust disclosures of material information that can provide much needed transparency to users of financial statements. Such disclosure considerations should include how issuers have taken into account the various issues discussed above in determining their ECL approach.

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These considerations are relevant for a wide range of issuers that extend credit and are subject to IFRS 9 impairment requirements, encompassing banks, non-bank financial institutions and other entities that have provided loans and/or credit. IOSCO supports the IASB and the IFRS 9 education materials.

We also support a coordinated approach to the oversight of global markets, particularly in light of the COVID-19 outbreak. Accordingly, we have been closely engaged with the IASB and other regulators regarding the application of IFRS 9 in this context and we welcome the media releases and educational materials of these institutions as well as the expressions of support for the consistent and robust application of IFRS 9. Finally, we confirm our support for coordinated implementation of the standards produced by independent standards setters and for the cooperative enforcement of those standards.

NOTES TO THE EDITORS

About IOSCO

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Korea, Malaysia, Mexico, Ontario, Pakistan, Portugal, Quebec, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, and the United States of America (both the U.S. Commodity Futures Trading Commission and U.S. Securities and Exchange Commission). The Chair of the European Securities and Markets Authority and the Chair of IOSCO's Affiliate Members Consultative Committee are also observers.

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3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 11 of the G20 members. Dr. Obaid Al Zaabi, Chief Executive Officer, Securities and Commodities Authority, United Arab Emirates, is the Chair of the GEM Committee. The committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, among others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.
4. IOSCO aims through its permanent structures:
 - to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
 - to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
 - to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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