

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) commenced the post implementation review of SLFRS 9 Financial instruments with the engagement of key stakeholders. CA Sri Lanka has adopted the full version of SLFRS 9 in 2014 with an effective date of financial periods beginning on or after 01st January 2018.

Consequently, CA Sri Lanka organised a series of training programmes and workshops to raise awareness and also provide application level training on the adoption of SLFRS 9.



A resource person makes a point at a workshop organized by CA Sri Lanka for stakeholders on SLFRS 9

In early April 2019, CA Sri Lanka represented the meeting organised for the bankers with Hon. Prime Minister Ranil Wickremesinghe on the impact of lending to the SME sector which was one of the subject areas. The Institute also contributed to compile a report on Reduction in Market Interest Rates and Enhancing Lending to the SMEs together with the representatives of bankers and the Central Bank of Sri Lanka. At the meeting with Hon. Prime Minister, it was agreed to assess the impact to the Financial Services Industry due to the SLFRS 9, Basel III and Regulatory Changes.

Accordingly, CA Sri Lanka conducted a post implementation review of SLFRS 9 with series of forums with the CEOs and the representatives of Sri Lanka Banks' Association, Finance Houses Association of Sri Lanka, and Leasing Association of Sri Lanka. Further, a separate discussion was held with the panel of auditors. In addition, written comments were obtained from the financial services industry as well as Chartered Accountants in Public Practice.



A round table discussion in progress on the SLFRS 9



CA Sri Lanka gathered further observations and comments with regard to practical concerns encountered with the financial services industry in relation to the SLFRS 9, Basel III and other related regulations issued by Central Bank of Sri Lanka from all stakeholders. Subsequent to the forums, discussions and written submissions; the technical committee of CA Sri Lanka developed a draft report with the insights on the way forward. CA Sri Lanka submitted this draft report to the Central Bank of Sri Lanka for further consideration on the areas that are under their purview. CA Sri Lanka intends to issue additional interpretation guidance on the SLFRS 9 in due course.



A discussion between CA Sri Lanka officials and stakeholders on the SLFRS 9

This draft report includes areas such as Temporary Overdrafts (TD); Non-Performing Loans; restructured and

rescheduled loans; exposures denominated in foreign currencies; □ threshold of the SME loans and consideration on registered partner organisations; impact on the capital adequacy, profitability and other operational matters and special concessions on the industries which are affected due to the prevailing conditions in the country.

In response to the global financial crisis in 2008, this standard emerged, and it prudently replaces the existing Incurred Loss Model with a forward-looking Expected Credit Loss model (ECL) which considers historic, current and forward-looking data which is in line with the recognition of revenue. Accordingly, the financial services industry is required to establish a robust credit risk management framework within their enterprises which enables them to absorb any external intrusions.