

The Taskforce on Disclosures about Expected Credit Losses

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More comprehensive and comparable - The way forward on expected credit loss disclosure

The Taskforce on Disclosures about Expected Credit Losses ('the DECL Taskforce') has today published guidance on what good IFRS 9 Expected Credit Loss accounting (ECL) disclosures look like. The guidance is aimed primarily at the biggest UK-headquartered banks and building societies, but is also likely to be relevant to a much wider group of preparers.

Since the beginning of 2018, banks and building societies preparing IFRS accounts ('banks') have been required to provide for credit losses using ECL rather than the now discredited incurred loss approach. This is a fundamental change, and the additional complexity and greater judgement involved as well as the lack of familiarity with the new concepts means that high quality, comparable disclosures are more essential than ever if users of financial reports are to be able to understand the ECL numbers.

In order to help guide ECL disclosure practice, the FCA, FRC and the PRA decided to set up a Taskforce of preparers and users and ask it to work together – under the leadership of Simon Samuels of Veritum Partners and David Joyce of Lloyds Banking Group - to describe what a comprehensive set of good ECL disclosures might look like. That work formed the basis of the Taskforce's first report, which was issued in November 2018. The regulators also asked the Taskforce to develop guidance and illustrative examples showing how the information described in the first report can be presented in a way that enhances comparability between banks. The second report, which is being published today, sets out that guidance and those illustrative examples.

The Taskforce's second report builds on the requirements in IFRS 7 *Financial Instruments: Disclosures* and the recommendations in the December 2015 report of the Enhanced Disclosure Task Force. It focuses mainly on disclosures that help users to understand the types and extent of credit risk exposure a bank has and how that risk has evolved; the forward-looking information about macro-economic conditions used in estimating ECL; and the sensitivity of ECL provisions to different macro-economic conditions.

Simon Samuels said:

"It is not easy to provide ECL disclosures that shed light on the things that users need to understand. Our report will help preparers focus their disclosures on the things that matter, and to do so at an appropriate level of granularity. Comparability from bank-to-

bank is also essential but not easily attained and our report will help preparers to find a way towards greater comparability in the way disclosures are presented.”

David Joyce said:

“Preparers want to help users understand their ECL numbers and the Taskforce’s report enables them to do that in a way that has the potential to be reasonably harmonised from bank-to-bank. The recommendations and guidance are stretching – I doubt that any institution will be able to adopt them in full immediately - but not unrealistic. Our report deserves to be read widely and I hope it will play a part in improving ECL disclosure practice generally.”

Notes for editors:

- 1 The Taskforce is sponsored by the FCA, the FRC and the PRA. Those regulators also appointed the members of the Taskforce and determined its terms of reference.
- 2 The Taskforce members involved in preparing this second report were:

David Joyce (Lloyds Banking Group) – Co-chair	Richard Lawrence (RBS)
Simon Samuels (Veritum Partners) – Co-chair	Chris Manners (Barclays)
Dave Bensley (Barclays)	Jason Napier (UBS)
Justin Bisseker (Schroders)	Sven Oestmann (Fidelity)
James Chappell (Blackrock)	Ben Perry (Nationwide Building Society)
Manus Costello (Autonomous)	Jonathan Pierce (Numis)
Conrad Dixon (HSBC)	Osman Sattar (S&P Global Ratings)
Elizabeth Fernando (USS)	Joerg Sponer (Capital Group)
Bridget Gandy (Eaglescott)	Brendan van der Hoek (Santander UK)
Chris Innes-Wilson (Standard Chartered Bank)	
- 3 The Taskforce secretariat is provided largely by the accountancy firms Deloitte, EY, KPMG and PwC.
- 4 All press enquiries should be directed to:
 - Simon Samuels, Veritum Partners and Taskforce co-chair, at simon.samuels@veritumpartners.com.
 - David Joyce, Lloyds Banking Group and Taskforce co-chair, at David.Joyce@finance.lloydsbanking.com.
- 5 A copy of the Taskforce’s second report can be found [here](#). (The second report incorporates the extant material from the first report, which has as a result in effect been withdrawn.) A copy of the letter the co-chairs sent to the Taskforce’s sponsors, announcing the report’s finalisation, can be found [here](#).