



External Relations Department

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State Bank of Pakistan (SBP) issues final instructions for implementation of International Financial Reporting Standard, IFRS-9, in the Banking Sector

SBP has issued final instructions on IFRS 9 for ensuring smooth and consistent implementation of the Standard in the banking industry, with revised implementation timelines. For banks having asset size of PKR 500 billion or above, as per their Annual Financial Statements, as of December 31, 2021, and for all the Development Finance Institutions (DFIs), SBP has set the revised implementation date as January 1, 2023. Whereas, for all other banks and Microfinance Banks (MFBs), SBP has revised the implementation date of IFRS 9 as January 1, 2024. Earlier, for the implementation of IFRS-9 by banks, SBP had set a deadline of January 1, 2022, which has now been revised on the request of banks that are facing challenges in the implementation of the new standard.

SBP has been consulting with the banking industry since early 2018 for the adoption of IFRS 9 in Pakistan. IFRS 9 is a Global Standard issued by the International Accounting Standards Board (IASB). The Standard lays out the accounting treatment of classification, measurement of financial instruments and impairment of financial assets. With the implementation of IFRS 9, the existing provisioning requirement, following incurred loss approach, will be replaced by Expected Credit Loss Provisions that will be based on expected losses on performing as well as non-performing portfolio. This approach is forward looking and effectively measures the loan loss provisions based on credit risk models. For details: <https://www.sbp.org.pk/bprd/2022/C3.htm>
