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IFRS 9

EXECUTIVE SUMMARY

ACHIEVE IFRS COMPLIANCE WITH EASE

A new paradigm for implementing IFRS solutions

ADOPTING IFRS 9 WITH EASE

A Brief Story About IFRS 9 Compliance

IFRS 9 - FINANCIAL INSTRUMENTS

The IFRS 9 project was implemented in 2018 to address the limitations of the previous standard, IAS 39, such as inconsistency, complexity, and the use of derogations. The objective of IFRS 9 is to improve the classification and measurement of financial instruments, providing relevant and useful information for assessing the amounts, timing, and uncertainty of an entity's future cash flows.

This new standard introduces a more simplified approach to the measurement and classification of financial instruments, as well as to asset impairment and hedge accounting. One of its key innovations is the principle of expected credit loss (ECL) accounting, which requires banks to estimate potential future losses on all financial assets at the time of acquisition and set aside provisions accordingly.

IFRS 9 introduces a three-stage model for impairment:

- Stage 1 assets must contain provisions for 12 months of estimated losses and have no credit degradation.
- Stage 2 assets must have lifetime provisions if "significant degradation" has occurred.
- Stage 3 assets must contain lifetime provisions as well as a reduction in estimated interest payments.

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Hamilton Engine in Achieving Core Principles

Classification: Using the integrated Random Forest classifier, Hamilton Engine is able to classify financial instruments based solely on the characteristics of payments of principal and interest (SPPI) and the associated business model.

Measurement: Hamilton Engine also incorporates the development of impairment provision stages into its algorithm, aligning with IFRS 9's expected credit loss model.

"The rationale for IFRS 9 was to enhance the accounting and reporting on financial assets and liabilities to provide investors with better information. This postimplementation review is a reflective exercise for us to understand whether the objectives of the Standard have been met. I would like to call on our stakeholders around the world to participate in this evaluation." - Andreas Barckow, Chair of the IASB

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Key Benefits Supporting Hamilton Engine

1 Non-disruptive approach

Minimal to zero changes to existing business processes, aiming to reduce the impact of IFRS 9 and enable easy compliance.

3 Easy to implement

All components are fully configurable, with implementation typically completed within 3 to 9 months, including all IFRS 9 quantitative disclosure requirements. The solution is ready to go live as soon as the business data is prepared.

5 It is a one stop solution for IFRS 9, 15, 16, 17

In addition to being adaptable to any future requirements, the system also accommodates any future accounting automation needs.

2 Being SAP Premium Certified

Our unique accounting and compliance add-on integrates seamlessly with your existing SAP ecosystem—no additional software, hardware, system upgrades, or extra investment required.

4 Hamilton is convenient

Easy to use and navigate; natively integrated with SAP ECC or SAP S/4HANA, making integration with your existing G/L and A/P accounts seamless.

6 Total cost of ownership (TCO)

Arguably the most cost-effective IFRS 9 solution on the market.

7 It is a complete IFRS 9 solution

Supports classification based solely on payments of principal and interest (SPPI) and business model. Also supports loss provision measurement using a forward-looking expected loss model, with consideration of the three-stage impairment process.

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Consequences of Non-Compliance

01 Non-compliance may lead to problems during company audits.

02 The ability to secure credit lines and attract investors will be slim to none.

03 Delaying could result in the need to apply the retrospective approach, which is both complex and costly.

04 Implementation is a time-consuming exercise.

05 Outdated key performance indicators.

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