Lingnan 嶺南大學 University 香港 Hong Kong | Faculty of Business 嶺南大學商學院 | 會計學系 Department of Accountancy | 香港商學研究所 Hong Kong Institute of Business Studies

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ACADEMIC SEMINAR

Does the Shift to the Expected Credit Loss Model Affect Bank Loan Contracting? Evidence from IFRS 9 Adoption Worldwide

Effective January 2018, IFRS 9 sets a new accounting rule for credit impairment: the expected credit loss (ECL) model. We find that after adopting IFRS 9, banks tend to charge higher interest rates, they are more likely to require collateral, and they demand more covenants in their loan contracts. These effects are more pronounced for banks with less proactive pre-IFRS 9 loan loss provisioning and a higher risk of credit exposure. We also find that subsequent to IFRS 9, the bank core capital ratio and the total loan supply decrease and loan loss recognition timeliness improves. However, we find no evidence that IFRS 9 adoption influences borrowers' default risk. Overall, our results suggest that the shift to the ECL model imposes significant costs on bank lending, which are passed on, at least partially, to borrowers.

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Dr. WU Feng, Harry is a research assistant professor of the Department of Accountancy at Lingnan University. Before joining Lingnan University, Harry worked at University of Macau and Hong Kong Polytechnic University. He received his Ph.D. from University of Hawaii at Manoa and M.A. from Renmin University of China. Dr. Wu has several successful GRF grants and published in major accounting and finance journals including Review of Accounting Studies, Journal of Banking and Finance, Journal of Empirical Finance, and Journal of Financial Markets. His research interests include accounting disclosure, sustainability & environment, banking, and behavioral finance.

LINGNAN UNIVERSITY 香港嶺南大學香港商學研究所 HONG KONG INSTITUTE OF BUSINESS STUDIES HONG KONG

Date: 24 March 2021 (Wednesday)

Time: 15:00 – 16:30

Venue: Zoom meeting
Please join Zoom Meeting, ID: 920 4823 2957 (password: classroom)
link: https://lingnan.zoom.us/j/92048232957?pwd=NzN5ZytLNDFRQmJFZGVHSnI2cHdndz09

Language: English

*** All are Welcome ***

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