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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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=NzN5ZytLNDFRQmJFZGVHSmI2cHdnzd09
Language: English

*** All are Welcome ***

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Due date: 25 March 2021