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# Provisioning Guidelines for Credit Unions

Anna Marie Finnegan

# Background

- Provisioning Guidelines for Credit Unions (the Guidelines) were issued in April 2018.
- Purpose of the Guidelines is to support credit unions in developing and implementing an appropriate provisioning framework.
- Appropriate provisioning framework is essential for:
  - The recognition of loan losses as early as possible;
  - The adoption of a conservative and comparable approach to the measurement and recognition of provisions; and
  - Appropriate disclosures to support members' understanding of the performance of the loan book.
- Guidelines are applicable for all credit unions.



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# Financial Reporting Standard 102 (FRS 102)

- Accounting standard applicable to credit unions – has applied since financial year-end 2016.
- FRS 102 adopts an incurred loss approach to provisioning.
- Section 11 outlines requirements in relation to provisioning.
- Objective evidence of impairment required to recognise a provision.
- Examples provided in FRS 102 of objective evidence of impairment include:
  - (i) financial difficulty of borrower;
  - (ii) breach of contract.
- Guidelines do not replace or over-ride the requirements of FRS 102.



# Overview of Guidelines

- Guidelines cover a number of areas including:
  - Responsibilities in the Credit Union for Provisioning;
  - Provisioning Policy;
  - Guidelines for Assessing Impairment;
  - Guidelines for Calculating Impairment Provisions; and
  - Central Bank Supervisory Expectations.

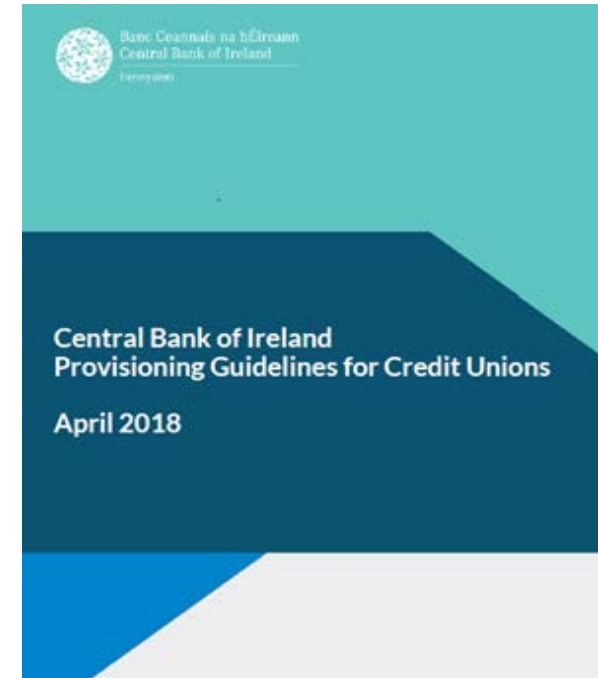


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# Overview of Guidelines

- Guidelines have been incorporated into the Lending Chapter of the Credit Union Handbook- Chapter 13A.
- Specific queries on the Guidelines can be sent to [rcu@centralbank.ie](mailto:rcu@centralbank.ie)- please include 'Provisioning Guidelines' in subject header.



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