BANK OF MAURITIUS

Guideline on Credit Impairment Measurement

and

Income Recognition

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(Amended June 2005)
(Amended April 2016)

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1.0 Introduction

Consistent with the requirements of International Accounting Standards and International Financial Reporting Standards, this Guideline sets out the conceptual framework for credit impairment measurement and income recognition as it applies to financial institutions in Mauritius.

The Guideline outlines prudential processes to identify weaknesses in credits granted, outlining benchmarks for identifying and providing for anticipated credit losses in a timely fashion.

The objective of this Guideline is to bring about a balance between the application of international accounting norms and prudential norms respecting credit impairment measurement and income recognition with a view to ensuring that financial institutions have adequate processes for determining allowance for credit losses, in a timely manner, and the carrying amounts of credit portfolio recoverable values.

The Guideline is not intended to deal with each and every provision of the current accounting standard pertaining to impairment and uncollectibility of financial assets, that is IAS 39 “Financial Instruments: Recognition and Measurement” or any subsequent International Financial Reporting Standard, in replacement of IAS 39. Financial institutions are advised to refer directly to the Standard for complete treatment of the subject. However, financial institutions are henceforth required to take on board the prudential norm on credit classification and credit impairment measurement in the preparation of their financial statements as described under section 8.

2.0 Authority

This guideline is issued by the Bank of Mauritius (hereinafter referred to as the Bank) under the authority of Section 50 of the Bank of Mauritius Act 2004 and Section 100 of the Banking Act 2004.

3.0 Scope of Application

The Guideline is issued to all deposit-taking financial institutions hereinafter referred to as financial institutions.

4.0 Effective Date

The Guideline shall take effect as from 1 July 2016.

5.0 Interpretation

In this Guideline,

"allowance for credit losses" is a ***cumulative account*** maintained by a financial institution, representing the estimated credit-related losses existing in its entire portfolio of on and off-balance sheet items, in accordance with this Guideline. For credit and finance leases, it represents the excess of the recorded investment in them over their estimated realisable value. In the balance sheet of a financial institution, the allowance is (i) deducted from the applicable asset for balance sheet items, and (ii) included in the liabilities for off-balance sheet items.

"carrying value" of a credit asset or group of credit assets is its (their) recorded investment less related allowances for credit losses and write-offs.

"credit" means loans and advances by whatever instrument granted and includes customers' lines of credit, overdrafts, bills purchased and discounted, bills receivable, and finance leases.

"effective interest rate" means the contractual interest rate on a loan adjusted for (i) fees and related costs recognised as an adjustment of yield on the loan and (ii) any discount or premium on the loan.

"foreclosed loan" means assets acquired in full or partial settlement of a loan through realisation of collateral or repossession of leased property.

"independent appraiser" means an appraiser who

- is a Chartered Valuation Surveyor certified by the Mauritius Institute of Surveyors, or equivalent as approved by the Bank, or a surveyor certified by an appropriate foreign authority for appraisal of a property located in a foreign country;
- has no direct or indirect financial interest in the property being appraised, or in the transaction involving the financial institution in respect of that property; and
- has no credit granting or investment decision-making authority within the financial institution.

"large credit" is a credit of

- Rs 10 million or over for a financial institution that has a capital base ***in excess of*** Rs 750 million or equivalent if the amount is stated in U.S dollars,
- Rs 5 million or over for a financial institution that has a capital base ***of less than*** Rs 750 million or equivalent if the amount is stated in U.S dollars.

'loan' should be interpreted in the broader sense of 'credit'. It is a financial asset of a financial institution resulting from commitment of the borrower to repay the amount borrowed on a specified date or dates, or on demand, usually with interest. Loans include:

- consumer instalment and credit card loans;
- residential mortgages;
- non-personal loans, such as commercial mortgages and loans to businesses, financial institutions, government and its agencies;
- loan substitutes, such as debentures that are, in substance, loans; and
- direct financing leases and other financing arrangements that are, in substance, loans.

"impaired" asset, under the Prudential Norms, means an asset where, in the case of a loan, instalments of principal and/or interest are due and remain unpaid for 90 days or more, or such unpaid amount has been capitalized, refinanced or rolled-over; and in case of an overdraft

- the advance exceeds the customer's approved limit continuously for 90 days or more;
- the customer's approved limit has expired for 90 days or more;
- interest on the advance is due and remains unpaid for 90 days or more; or
- the account has been dormant for 90 days or more and deposits are insufficient to cover the interest capitalized during the period. For this purpose, dormant accounts include accounts, which have only a few transactions of insignificant amounts.

"provision for credit losses" is an ***expense account for credit related losses recognised during the year***, based on a financial institution's estimate of such losses in respect of on and off-balance sheet items that are assessed to be impaired during the year, in accordance with this Guideline.

"past due" loans are loans where payment of principal or interest is contractually due but remains unpaid.

"restructured loan" means a loan whose underlying terms and conditions have been reviewed by a financial institution and which constitutes a concession granted to a borrower for economic or legal reasons related to his financial condition. Alterations may involve but are not limited to:

(i) Variation in the interest rate applicable to the loan;

(ii) Modification of the repayment period or deferral of repayments of principal or interest;

(iii) Forgiveness of a portion of principal or previously accrued interest; and

(iv) Acceptance of assets in settlement of a proportion of the loan that has a book value higher than the estimated net proceeds from the sale of the assets.

"specific provision" is a provision for losses in respect of individual credits that is required to reduce their book values to estimated realizable values, in accordance with this Guideline. Specific provision in respect of off-balance sheet items is a provision for losses identified with particular off-balance sheet items.

6.0 Impairment Recognition and Measurement Policy

A financial institution must implement an effective credit risk management and control policy, supplemented by effective credit impairment recognition and measurement policy. The policies must be supported by appropriate accounting and documentation processes, information systems, and internal controls to ensure their integrity.

6.1 Formulation of Policy

The recognition and valuation of credit instruments, individually or in groups, will involve implementation of appropriate rules for the purpose, and the exercise of prudential judgment by management of a financial institution. In formulating and implementing its loan impairment recognition and measurement policy, the institution must:

- establish properly documented analytical framework and procedures for assessing loan quality applied no less frequently than quarterly or a shorter interval, if warranted, to ensure the adequacy of allowance for credit losses;

- ensure that all estimates of cash flows in realisation of loans assessed individually, are reasonable, based on supportable assumptions, and backed by effective internal controls, including a second review of estimates on large credits, and supported by proper documentation;

- for loans assessed on a 'portfolio' basis, ensure that it has in place a rational process for aggregating loans in the portfolio into individual groups having similar characteristics, and the application of effective methodology for determining loss estimates;

- establish a program of periodic monitoring and analysis of collateral taken in loans to ensure that their appraised values and estimated realisation values in the event of loan foreclosure, are realistic and supported by proper documentation;

- employ suitably qualified staff to assess the loan recovery prospects and subsequent follow-up, with appropriate segregation of duties between those responsible for original analysis and approval of credit and the ones engaged in impairment assessment and follow-up; and

- ensure that all analytical work carried out, methodology applied and any changes thereto, and management's judgment exercised, are properly documented and duly validated by signatures of individuals responsible.

6.2 Role of the Board of Directors

Taking account of the factors listed in paragraph 6.1, the board of directors of a financial institution must:

- approve credit risk management policy, including steps for credit impairment recognition and measurement policy, the associated internal controls, documentation processes, and information systems;

- require management to review at least once a year the policies and the associated controls and systems and report on their effectiveness;

- ensure through audit and inspection, adherence to the policies; and

- review, either itself or through a board committee, valuations of all impaired credits of the size that could individually affect adversely the financial well-being of the financial institution.

In the case of the branch operation of a foreign bank, the above responsibilities of the board shall devolve on the head office and/or on the local advisory board.

6.3 Credit Impairment Provisions

At its Balance Sheet date, the financial institution must compute credit impairment provisions in terms of both the relevant Accounting Standard and the Prudential Provisioning Norm prescribed by the Bank.

Where credit provisions computed in terms of Accounting Standard are different from those computed under Prudential Provisioning Norm, the financial institution will be required to adhere to the following requirements:

- If the specific provision computed in terms of Prudential Provisioning Norm is higher than the specific provision computed in terms of Accounting Standard, the difference shall be accounted as General Provision, through an appropriation of distributable reserves.

- If the specific provision computed in terms of Accounting Standard is higher than the specific provision computed in terms of Prudential Provisioning Norm, then the entire specific provision computed under the Accounting Standard shall be treated as an expense in the Profit and Loss Account.

7.0 Credit Impairment Measurement and Income Recognition

7.1 Application of Accounting Norms in assessing Credit Impairment

As of date, IAS 39 is applied in the assessment of credit impairment in so far as accounting requirements are concerned.

Paragraph 58 of the Standard states the following:

> *"An entity shall assess at each balance sheet date whether there is any objective evidence that a financial asset or group of assets is impaired. If any such evidence exists, the entity shall apply paragraph 63 (for financial assets carried at amortised cost), paragraph 66 (for financial assets carried at cost) or paragraph 67 (for available-for-sale financial assets) to determine the amount of any impairment loss."*

The two operative concepts in the above paragraph are to have 'objective' evidence that an asset may be impaired, and to determine the amount of any impairment loss.

7.2 'Objective' evidence

'Objective' evidence provides the trigger point for launching an investigation into the impairment of the financial asset to assess the degree of its impairment. The Standard lists the following items of 'objective' evidence:

- "significant financial difficulty of the borrower;
- an actual breach of contract, such as a default or delinquency in interest or principal payments;
- granting by the lender to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, of a concession that the lender would not otherwise consider;
- a high probability of bankruptcy or other financial reorganisation of the issuer;
- recognition of an impairment loss on that asset in a prior financial reporting period;
- the disappearance of an active market for that financial asset due to financial difficulties; or
- a historical pattern of collections of accounts receivable that indicates that the entire face amount of a portfolio of accounts receivable will not be collected."

It should be underlined that according to the above criteria, when a borrower misses a contractual instalment payment on interest or principal, his loan is forthwith

designated for an **assessment** of the degree of impairment. This assessment must be completed within 60 days of the first indication of impairment.

Additional sources of evidence of impairment that should merit investigation and assessment, include:

- Funds obtained under the loan agreement were not used for the purpose for which they were loaned;

- The project financed by the loan has become non-viable e.g. a failing restaurant;

- The borrower is about to default and the lender advances it funds to meet its current payment obligations;

- The borrower belongs to a group of entities that has credits outstanding from the financial institution or other financial institutions and one or more members of the group have defaulted;

- The borrower is engaged in a large number of undertakings leading to over-extension of its resources. It has begun shifting support from one undertaking to another, which may lead to potential delinquency of the loan under review;

- In case of an overdraft, further elements to be considered are the expiry of the approved overdraft limit, and the customer exceeding the approved limit frequently;

- The underlying collateral, which was heavily relied upon in granting the loan, has lost value significantly; and

- There is a loss of confidence in the borrower's integrity.

7.3 Estimation of Recoverable Value

Estimated recoverable value of loans shall be determined either individually or on a 'portfolio' basis. All credits designated for assessment of impairment, using the tests outlined in Paragraph 7.2, shall be assessed individually for estimation of recoverable amounts. All other credits shall be assessed on a "Portfolio" basis.

7.3.1 Individually Assessed Credits

The estimation of recoverable amount of individually assessed credits shall be carried out in the context of broad principles enunciated in paragraph 63 of IAS 39. Future cash flows on credit shall be based on reliable evidence for determining amounts recoverable. The estimation process shall be based on the following factors:

- Assessment of the financial condition of the borrower and the group to which it belongs;

- Assessment of the debt service capacity of the borrower (adequate generation of cash flow) to discharge its contractual obligations on a continuing basis;

- evaluation of any up-to-date business plan of the borrower;

- Regularity of the borrower's past payment record;

- Lender's confidence in the integrity of the borrower;

- In case of a loan to a related party, an evaluation of all factors impinging on the timely recovery of the loan, including seriousness of efforts made by the financial institution for the recovery;

- In case of a foreign borrower, an assessment of all practical aspects of achieving recovery, including the legal enforceability of loan and related instruments;

- Evaluation of the continued viability of the project financed by the loan;

- Current economic and other conditions, including emerging trends, affecting the industry sector relevant to the borrower;

- Evaluation of country risk applicable to the loan project;

- Length of timeframe for achieving recovery; longer the time period, lesser is the certainty of obtaining recovery;

- Any down-grade of the borrower's credit rating by a reputable rating system or agency;

- Further default occurring in a restructured loan;

- Assessment of value of any personal guarantee of the borrower or guarantee of another party;

- Assessment of the net realisable value of the collateral for the loan.

In assessing future cash flows emanating from an impaired loan, it is not necessary that several of the above factors must be present before it is judged that the flows will be substantially reduced or non-existent. A single factor, such as vulnerable financial condition of the borrower, may justify making an appropriate provision for the loan.

A critical element in the estimation of future cash flows in respect of large credits to businesses that are past due 180 days or more is the existence of a reliable business plan, with attributes outlined in paragraph 7.3.1.1 below. Similarly, large credits to retail clients must be supported by a reliable repayment plan, as outlined in paragraph 7.3.1.2. Retail credits that are not large must also be supported by a repayment plan, which may not be as formal as for large credits. Future cash flows not supported by an acceptable business plan or a repayment plan shall be construed as unrealistic and inappropriate for determining the recoverable value of a credit. In such a case, the

recoverable value of the credit shall be limited to the net realisable value of any collateral securing the credit. For business credits other than large credits, it would be appropriate to accept a less formal business plan, but which provides a reasonable indication of cash flows to be generated by the borrower to honour his credit obligations.

In case of a large overdraft facility (meeting the definition of 'large credit'), if a client's approved limit has expired or does not exist or if it does exist, the client has exceeded it by 10 per cent continuously for a period of 30 days and the excess has not been approved by the financial institution's board of directors or a designated board committee, the excess amount shall be viewed as unrecoverable for the purposes of assessing credit impairment and making a provision for credit losses. In the calculation of the excess amount, any deposit of the customer held by the financial institution may be netted off, providing that it is legally permissible and there is a formal agreement with the customer permitting such offset. Any approval of the excess by the board or board committee shall require effective application of prudential assessment criteria as if the overdraft was a new loan. Any such assessment shall be properly documented. Financial institutions must also rigorously monitor overdraft facilities that do not meet the definition of 'large credit' and establish appropriate criteria for assessing impairment and making a provision for credit losses.

In determining the net realisable value of loans, it would be appropriate to first calculate the difference between the carrying amount of the loan and present value of expected future cash flows as required by IAS 39 and then deduct the discounted net realisable value of the collateral. The ultimate amount will determine the provision for credit losses, to be charged to profit and loss.

All work done, accounting for the applicable criteria in paragraph 7.3.1, in the estimation of the recoverable amount of an individual loan, including judgments made by management, shall be properly documented and validated.

7.3.1.1 Business Plan

An important element in the calculation of the recoverable amount of an impaired large credit to a business customer is the existence of its up-to-date business plan. Reliance placed on the plan will depend on several factors, including whether the plan

- is prepared in a professional manner;
- is sufficiently comprehensive to cover all essential elements;
- uses realistic assumptions;
- uses market and other projections that are soundly based and reasonable;
- envisages use of qualified management resources for implementation of the plan; and
- clearly outlines a realistic strategy for achieving the plan's objectives.

In their regular audit of impaired loans of a financial institution, the auditors must review the adequacy of a borrower's approaches to developing its business plan and

the plan's scope, as contained in the financial institution's files, to ensure that it provides a reasonable basis for loan recovery and that the extent of the impairment has accordingly been fairly recognised in the books of the financial institution.

7.3.1.2 Repayment Plan of a Personal Loan

The repayment plan in respect of an impaired personal loan mentioned in paragraph 7.3.1, must have adequate attributes to demonstrate its soundness. These will include:

- the borrower's analysis of the causes of loan impairment and specific changes envisaged to make the loan performing again;
- delinquencies of any previous credits of the financial institution or any other financial institution to the borrower and an explanation of why the circumstances surrounding those delinquencies do not apply to the present credit;
- a clear identification of sources of funds, which will generate sufficient flows on a continuing basis to honour the loan obligations;
- control of the borrower over such sources and identification of risks that might impair their availability; and
- other information supporting the *bona fides* of the borrower.

7.3.1.3 Collateral

Another important factor in the calculation of the credit loss provision is the value of collateral. The following pre-conditions must be met in determining the appraised value of collateral:

- Appraised value of collateral is based on a conservative view of current market prices, suitably discounted for price volatility and the lack of ready market for assets. All realisation costs, including legal costs, must be taken into account.
- Realisable value of collateral, in the case of a large credit, is supported by a written opinion of an independent qualified appraiser. Management of the financial institution must ensure that the appraisal is reasonably comprehensive, up-to-date and based on assumptions acceptable to it. If the Bank deems it necessary, it may require the financial institution to have the appraisal carried out, at its expense, by another independent appraiser. In the case of all other credits, the financial institution can have recourse to an in-house qualified appraiser for the determination of the realisable value of collateral.
- For any loans past due 540 days or more, proper legal action in the court for the realisation of collateral has been commenced.

The past experience with foreclosed loans indicates that the net realisable value of collateral has not generally exceeded 50 per cent of its appraised value. Unless the financial institution presents reasons to the contrary acceptable to the Bank, the value to be considered in determining the recoverable amount of an impaired loan shall not exceed 50 per cent of the appraised value of collateral, discounted to its present value using the loan's effective interest rate. In case the loan is overdue by 360 days and proper legal action in court for realisation of the collateral has not commenced, the limit shall be 40 per cent. The above limit will not apply to collateral of liquid assets.

Where a financial institution is convinced that it is not going to recover the outstanding amount of the loan, in part or in full, it must take steps to write-off the unrecoverable amount.

7.3.2 'Portfolio' Assessed Loans

Loans that have not been individually assessed for impairment, will be assessed on a 'portfolio' basis. Although there is no current evidence that loans in the 'portfolio' are impaired, past loan loss experience indicates that some of them will become impaired over time.

'Portfolio' loans will be divided into groups with similar characteristics and loss attributes, and evaluated for impairment. In determining provision for credit losses for the groups, factors such as past loan loss experience and current economic and other relevant conditions, including known adverse economic conditions likely to affect sectoral financial performance, will be taken into account.

Provision for credit losses on such loans may be assessed using cash flow process envisaged in IAS 39, applying weighted average of effective interest rates. The Bank has not been able to identify any convincing reasons that the use of a more direct approach of applying past loan loss experience adjusted for current economic and credit conditions in Mauritius, will produce results materially different from those attained in the discounted cash flow approach. The Guideline requires that all loans, regardless of size, meeting the criteria of objective evidence of impairment outlined in paragraph 7.2, will be assessed individually for impairment loss.

Financial institutions shall classify loans in the 'portfolio' into groups with similar credit risk characteristics, for calculating credit loss provisions. They may use the discounted cash flow approach or the more direct approach mentioned above in assessing the loan loss provisions. However, unless a financial institution makes a case acceptable to the Bank that its loan loss experience has been different, the percentage of loan loss provision to aggregate amount of loans in the entire 'portfolio' shall be no less than 1 per cent. If a loan is supported by a collateral of liquid assets, the amount of the liquid collateral will be offset against the amount of the loan for 'portfolio' based provisioning. The requirement of the 1 per cent shall not apply to credits extended directly to the Government of Mauritius or to public sector enterprises backed by Government of Mauritius guarantees.

The credit impairment provision for the 'portfolio' will be charged to profit and loss for the year in accordance with paragraph 63 of IAS 39.

In addition to the Minimum Portfolio Provision of 1% on standard credits, banks shall make additional portfolio provision, as a "Macroprudential Policy Measure", for Segment A exposures, in a phased manner as detailed below, with a view to ensuring early provisioning against future credit losses due to rising corporate indebtedness and impaired loans in some key sectors of the economy:

Additional Portfolio Provision

	Effective Date	
	1 July 2014	**1 July 2015**
Housing	0.5%	0.5%
Commercial, Residential and Land Parceling (Classified under Construction Sector)	0.5%	1.0%
Tourism sector	0.5%	1.0%
Personal sector	0.5%	1.0%

7.4 General Provision

IAS 30 (paragraph 44) sets out the circumstances under which a general provision may be established. It states that "Any amounts set aside in respect of losses on loans and advances in addition to those losses that have been specifically identified or potential losses which experience indicates are present in the portfolio of loans and advances should be accounted for as appropriations of retained earnings." The general provision is over and above the provision made on loans assessed individually, or on a 'portfolio' basis where judgment is made on the basis of past experience. General Provision will also include the excess provision calculated under Prudential Norm over Accounting Norm.

In line with IAS 30, the Guideline envisages the establishment of a general provision to ensure the adequacy of the overall allowance for credit losses. It will be designed to cover potential losses that are not captured in the allowances for individually assessed loans and 'portfolio' loans. Factors in support of a general provision are normally future-oriented and may include:

- potential financial crises giving rise to credit losses that were not previously anticipated;

- emerging changes in lending policies of the financial institution, its loan review system, ability and depth of its credit department, estimation of risks, and quality of oversight exercised by the board of directors;

- further changes in general economic and business conditions, recent loan loss experience, trends in credit quality and credit concentrations;

- changes in competition faced by the financial institution and legal and regulatory requirements; and

- emerging changes in the risk profile of the overall credit portfolio.

Management of a financial institution shall exercise its best prudential judgment in the light of the above factors to determine the amount of the general provision. The provision so determined shall be established as an appropriation of retained earnings of the financial institution.

7.5 Income Recognition

Financial institutions may accrue income on the present value of the recoverable amount of an individually assessed impaired loan, using the effective interest rate. However, appropriate adjustments shall be made if at the next review of the loan, it is determined that cash flows will not be in accord with the flows originally estimated.

8.0 Application of Prudential Norms in Credit Classification and Provision for Credit Losses

All credits must be assessed from the standpoint of the degree of risk presented by individual item and/or on a portfolio basis and the likelihood of orderly payments by the borrower. An unimpaired and uncriticised credit is categorised as Standard.

However, if a facility extended to a borrower is classified as impaired under the Prudential Norms, all other loans extended to the same borrower or to any group related to the latter, shall be classified as impaired.

Financial institutions shall, generally, stand guided by the following with regard to classification and assessment of credit impairment:

Classified Credits	Specific Provisioning Requirement
(i) Sub-standard Credit Credit that is currently performing but has weaknesses that throw doubt on the customer's ability to comply with the terms and conditions of the credit, may warrant to be classified as sub-standard. ***However, when it is impaired and is past due between 90 and 180 days, it must, as a minimum, be classified as sub-standard.***	20 per cent of (outstanding amount of credit less any net realizable value of applicable collateral[1])
(ii) Doubtful Credit Credit that is not in arrears or in arrears for less than 180 days, but has weaknesses that make collection in full highly improbable, may warrant to be classified as doubtful. ***However, when it is impaired and is past due for a period exceeding 180 days but less than one year, it must, as a minimum, be classified as doubtful.***	50 per cent of (outstanding amount of credit less any net realizable value of applicable collateral)
(iii) Loss Credit classified as loss and uncollectible although there may be some salvage or recovery value of security available. Such credit should not be kept on the books of the financial institution for the reason that there might be some recoveries in the long term. ***An impaired credit that is past due in excess of a year, must be classified as loss.***	100 per cent of (outstanding amount of credit less any net realizable value of applicable collateral)

[1]Collateral is computed on the basis of section 7.3.1.3 of the Guideline

9.0 Restructured Loans

A loan restructuring process shall involve the determination of a new loan value, taking on board all concessions granted. The new loan value shall be determined by calculating the amount of net cash flows receivable under the modified terms of the loan, discounted at the effective interest rate inherent in the loan prior to the restructuring exercise. The difference between the value of the loan prior to restructuring and the valuation so determined, shall be recognized as a charge to the income statement of the financial institution in the period in which the loan is restructured, with a corresponding credit to the allowance for credit losses account.

In the event an allowance for credit losses had already been established in respect of the restructured loan reflecting its classification, the credit to the above-mentioned allowance account shall take into account the balance already in existence. Any excess needed will be charged to the income statement of the financial institution with

a corresponding credit to the allowance account. The financial institution has a duty to ensure that there continues to be an adequate balance in the allowance account as a result of the restructuring exercise and the subsequent classification of the restructured loan.

Where the restructuring occurs prior to the classification of a loan as impaired, the restructured loan shall be classified as impaired when, in the aggregate, the period of time the loan is in arrears before restructuring and after restructuring is 90 days or more.

Where the restructuring occurs after a loan has been classified as impaired, the restructured loan shall continue to be classified as impaired until repayments have been received by the financial institution, in amount and in such stipulated time, for a continuous period of six months, strictly in accordance with the terms and conditions of the restructured loan.

Where a loan has been restructured more than once, the restructured loan shall continue to be classified as impaired until repayments have been received by the financial institution, in amount and in such stipulated time, for a continuous period of nine months, ***at a minimum***, strictly in accordance with the terms and conditions of the restructured loan.

10.0 Role of External Auditors

Financial institutions shall require their auditors to attest to the adequacy of processes used in determining credit loss allowances and the adequacy of total allowances in compliance with the Guideline on Credit Impairment Measurement and Income Recognition. Any deficiencies in the allowance or the processes used shall be duly recorded in the auditors' 'opinion' or management letter, depending on their materiality.

11.0 Returns

The Bank may require such data from financial institutions as it deems fit to ensure compliance with the requirements of the Guideline.

Bank of Mauritius
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