Customer Impairment

Customer Impairment is the name of a functionality that covers the impairment requirements of IAS 39 and IFRS 9 related to deals that show objective evidence of impairment.

It is in line with the requirements of IAS 39 or IFRS 9.

Customer Impairment can be implemented

- in combination with the user interface Customer Impairment Workbench or
- as an embedded module in FlexFinance product family, fed with relevant data from a source without using the Customer Impairment Workbench.

The output of Customer Impairment supports the treatment of lifetime expected credit losses in financial accounting related to the consideration of risk provision and unwinding.

It also supports reporting, disclosure and analysing functions by storing the calculation results in specific data marts.

During the process different scenarios can be considered, each taking into account an individual expectation about collateral recoveries as well as irregular and rule-based recoveries.

Please note: Estimated future recoveries, regardless if they are delivered from a third-party source or captured in the Customer Impairment Workbench, always reflect the expectation of the manager. This expectation does not depend on a specific GAAP, although different GAAPs might consider these expectations about recoveries in GAAP-specific accounting rules.

The Customer Impairment Workbench considers captured recovery information and scenarios equally for all configured GAAPs. In particular, it applies scenarios for IAS 39 as well as for IFRS, hence there is no obligation to capture more than 1 scenario. If the accounting rules engine is in use, specific accounting rules for different GAAPs will be taken into account.

From a GAAP perspective**, Customer Impairment** supports the following implementation scenarios:

- IAS 39 **or** IFRS 9 -> Fully supported.
- IAS 39 **and** IFRS 9 **parallel** -> Fully supported. But please note: Recovery information is GAAP neutral. Recovery information captured in the UI will be considered for all active GAAPs.

Depending on the result of the significance test, a distinction is made between two forms of risk provisioning at stage 3:

- IFRS 9 Lump Sum Specific Provision
- IFRS 9 Specific Provision

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