

Risk Management and Audit > Credit Risk Management

Title	Determine procedures in credit approval
Code	106705L5
Range	Specification of bank-wide procedures for different kinds of credit products. It applies to approval on granting of new credits, extensions of existing credits and approving exceptions, etc.
Level	5
Credit	5 (for reference only)
Competency	<p>Performance Requirements</p> <ol style="list-style-type: none"> 1. Demonstrate professional knowledge in bank lending <p>Be able to:</p> <ul style="list-style-type: none"> • Understand theories and concepts related to bank lending in order to evaluate the eligibility of applicants • Evaluate the credit strategies of the bank in order to select the most appropriate methods in loan approval • Evaluate and compare the features of different loan products offered by the bank in order to develop standards in judging clients' suitability • Demonstrate proficient knowledge in regulatory requirements related to risk management in order to develop procedures in credit approval 2. Set out procedures and criteria in granting credits <p>Be able to:</p> <ul style="list-style-type: none"> • Define the process for granting credit, e.g. conducting analysis on borrower, loan purpose, structure of credit facility, source of repayment, etc. • Develop standards for analysis related to the credit-granting process to ensure the quality and comprehensiveness of credit analysis • Define documentation and information required from applicants for the credit approval process • Establish reporting system for approval of exceptions and specify information to be submitted for management to review the cases • Conduct independent audits on the credit approval function to review effectiveness of the procedures and make necessary enhancement 3. Delegate credit authority <p>Be able to:</p> <ul style="list-style-type: none"> • Establish the responsibilities of different parties (e.g. Credit Committee, individual credit officer) involved in the lending process • Ensure appropriate delegation by considering credit experience and expertise of each individual • Conduct regular review on credit authority delegation and make necessary enhancement to ensure it remains appropriate to current economic conditions and the bank's strategies
Assessment Criteria	<p>The integral outcome requirements of this UoC are:</p> <ul style="list-style-type: none"> • Development of procedures on credit approval with detailed specification of requirements and roles of each procedural step. These are supported by analysis on the features of loan products and credit strategies of the bank. • Recommendation of enhancements on credit approval procedures based on analysis on existing performance, the changing economic conditions and bank's strategies.
Remark	