

Specification of Competency Standards
for the Banking Industry
Unit of Competency

Functional Area - 3. General Enterprise Banking Credit Management
 (Key Function – 3.1 Credit Strategies, Policies and Procedures Development)

Title	Determine criteria in loan approval
Code	109249L6
Range	Development of criteria in loan approval which is coping with the well-defined credit culture of the bank and guiding lending activities. This applies to the approval requirements established for all kinds of commercial loans of the bank.
Level	6
Credit	4 (For Reference Only)
Competency	<p>Performance Requirements</p> <p>1. Knowledge in the Subject Area</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Demonstrate knowledge in economic analysis by conducting research on trends and development in the global economy and regional markets in order to anticipate the outlook of the economy and banking industry; • Possess knowledge in credit management and apply the knowledge to evaluate different approaches in credit strategy and their performance under different scenarios for the purpose of choosing an appropriate one which is aligned with the bank's overall strategies. <p>2. Applications</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Conduct research on borrowers' behaviour in order to identify factors which can predict risks of default; • Develop risk tolerance level for the whole portfolio or different segment by specifying how much and what types of risk the bank agrees to undertake; • Specify portfolio limits for maximum exposures by geographical location, industry, types of borrower, product types, etc. in order to guide against over-extension of credit to interrelated groups; • Conduct analysis on the bank's strategic objectives, past performance of different types of credit asset, the bank's ability in absorbing loss, return level, etc. for determining the risk tolerance level; • Identify factors that may affect repayment ability of applicants, e.g. age of business owners, keymen or guarantors, business history, financial strength, cash flow projection, business forecast, other bank's relationship, income, credit history, purpose of loan, existing financial commitments and calculate their impact on the delinquency for different types of loan. <p>3. Professional Behaviour and Attitude</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Develop different methods (e.g. matrix) for scoring different information in the application; • Determine the threshold of credit score for different types of products to provide guidelines for determining who can obtain the credit; • Develop lending criteria for each product based on the bank's credit risk management and overall business strategic directions.

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Assessment Criteria	The integral outcome requirements of this UoC are: <ul style="list-style-type: none">• Development of an appropriate set of lending criteria and scoring method which can strike a balance between risk and return to the banks. These should be supported by data from research on economic development, trends in banking industry and estimation on debtors' default probability.
Remark	