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	Develop internal rating system for the bank
Code	109252L5
Range	Development of borrower categorization of the bank in order to guide lending activities. This applies to borrowers for different kinds of products and segment.
Level	5
Credit	4 （For Reference Only）
Competency	Performance Requirements 1. Knowledge in the Subject Area Be able to: • Demonstrate professional knowledge across different areas of credit management in order to evaluate the risk levels of different borrowers; • Understand the credit strategies of the bank and based on it to develop a most appropriate rating system which is coping with the bank's strategic direction. 2. Applications Be able to: • Develop criteria in grading loans by analysing current credit profile of the bank, historical records of loan repayment and market best practice etc.; • Develop internal rating system based on the results of analysis on the nature, size and complexity of the lending activities of the bank; • Assign credit risk rating based on the credit worthiness of borrowers' / guarantors' financial strength and the value of collateral, etc.; • Identify risk factors of different types of customers based on the bank's experience and the market intelligence. 3. Professional Behaviour and Attitude Be able to: • Develop a monitoring system to facilitate tracking of migration of individual loans through different credit ratings; • Develop an early warning system for identifying problem loans.
Assessment Criteria	The integral outcome requirements of this UoC are: • Development on internal rating system for classifying different borrowers. These should be based on analysis on the lending activities of the bank, past record of loan repayment by different profiles of borrowers and current market practice etc.; • Development of suitable measures to monitor and maintain the implementation of the internal rating system.
Remark	