Credit Thematic Reviews
Corporate Lending Business

Phase I

Credit underwriting standards and practices

Information Paper published in 2016:
https://www.mas.gov.sg/publications/monographs-or-information-paper/2016/thematic-review-of-credit-underwriting-standards-and-practices-of-corporate-lending-business

Phase II

Credit review standards and practices

Information Paper published in 2018:
https://www.mas.gov.sg/publications/monographs-or-information-paper/2018/thematic-review-of-credit-review-standards-and-practices-of-corporate-lending-business

Phase III

Collateral management standards and practices

Information Paper published in 2019:
https://www.mas.gov.sg/publications/monographs-or-information-paper/2019/thematic-review-of-collateral-management-standards-and-practices-of-corporate-lending-business

Collateral Management Standards and Practices

Governance

- Board and senior management **set business and risk management strategies**, which guide credit underwriting and collateral management policies and procedures (P&P).
- Banks develop **sound and comprehensive collateral management P&P** - including acceptance criteria and advance margins for permissible collateral, selection and review of valuers, and types and frequency of valuation.
- Functions responsible for collateral monitoring and management are **independent** of front office.

Portfolio Monitoring

- Banks have **timely, accurate and comprehensive information** on credit exposures and collateral portfolios to facilitate proactive and prompt credit risk monitoring and oversight.
- Banks ensure the **integrity of credit and collateral data** that form the basis for credit monitoring and decisions.
- Banks regularly **monitor and report** the composition of their collateral portfolios.
- Banks conduct **stress tests on collateral** to highlight vulnerabilities in their collateral portfolios.

Valuer Selection

- Collateral valuations are performed by **appraisers who are subject to the bank's due diligence** and regular re-assessments of their professionalism, expertise, track record and independence.
- Appraisers are **independent** of the business and front office to ensure objectivity of valuations provided.

Valuation Practices

- Collateral is **valued at net realisable value**, based on reasonable and prudent assumptions, and revalued regularly.
- Clear requirements on types of **acceptable valuation** are specified for initial valuation and subsequent updates.
- Banks adopt more stringent valuation requirements for collateral of **problem credits**, such as more frequent revaluation.
- Banks periodically backtest and assess the **reasonableness of haircuts** imposed on its collateral.