Credit Risk Assurance Framework

Credit Risk Framework | Global

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Contents

1. Purpose

This Credit Risk Assurance Framework establishes how the Company obtains independent, second-line assurance over the management of credit risk across the full credit lifecycle: origination, assessment, approval, documentation and settlement, ongoing monitoring, collections and hardship, restructuring, provisioning and write-off. It defines the objectives, independence requirements, methodologies, sampling standards, rating scale, remediation disciplines and reporting arrangements of the Credit Risk Assurance function.

The Basel Committee's Principles for the Management of Credit Risk require that banks operate a system of independent, ongoing assessment of credit risk management processes, with the results communicated directly to the Board and senior management, and that internal credit reviews be conducted by individuals independent of the business function. This Framework gives effect to those expectations at the second line, complementing but not replacing the periodic independent review performed by Internal Audit as the third line under the Three Lines Model.

The Framework exists so that the Board Risk Committee, senior management and, where required, the Company's prudential regulator receive timely, evidence-based conclusions on whether credit is being originated and managed in accordance with approved policy, the Risk Appetite Statement and applicable regulatory obligations, and so that weaknesses are identified, rated, remediated and verified before they crystallise as credit losses. Reliable assurance also protects the integrity of the inputs on which capital measurement under the Basel Framework and ECL measurement under IFRS 9 depend. This Framework has been approved by the Board Risk Committee and is owned by the Chief Risk Officer.

2. Scope

This Framework applies to the Company and all of its controlled entities, and to all credit exposures on and off balance sheet, including retail, small business, commercial and institutional lending, trade and receivables finance, guarantees, undrawn commitments and counterparty credit exposures.

It covers all origination channels, including proprietary, digital, broker, agent and other third-party introduced business, and all stages of the credit lifecycle from application through to final discharge or write-off. Credit processes performed by outsourced or third-party service providers are within scope and must be tested with the same rigour as in-house processes, consistent with the Company's third-party risk management obligations and supervisory expectations for operational resilience.

The Framework governs the activities of the second-line Credit Risk Assurance function. First-line quality control performed by business and credit operations teams (such as pre-settlement checking) is not governed by this Framework but is subject to testing under it. The work of Internal Audit is governed by the

Internal Audit Policy; the interaction between the second and third lines is addressed in the Reporting, Escalation and Interaction with Internal Audit section of this Framework. Nothing in this Framework limits the authority of Internal Audit to audit any credit process or the Credit Risk Assurance function itself.

First-line quality control is established under the Credit Risk Management Policy and the Retail Credit Policy, not under this Framework; the Head of Credit must maintain, for each material credit process, a documented routine stating its owner, frequency, coverage, output and reporting line. This Framework relies on that control and must never substitute for it: where testing finds it absent, undocumented or ineffective, the Head of Credit Risk Assurance must raise a finding rated at least High and the Chief Risk Officer must obtain a remediation plan within [10] business days and report it to the Board Risk Committee at its next scheduled meeting.

This Framework must be read with the Credit Risk Management Policy, the Retail Credit Policy, the Risk Appetite Statement, the Delegated Credit Authority Framework, the Provisioning Policy, the Valuations Policy and the Company's enterprise Risk Management Framework.

Jurisdictional application. This Framework states international best practice drawn from the Basel Framework, Basel Committee guidance, IFRS and related international standards. The Company must map the requirements of this Framework to the law and regulatory requirements of each jurisdiction in which it operates, including local prudential standards, consumer credit and responsible lending law, and breach reporting obligations. Where the law of a jurisdiction imposes a stricter or additional requirement, local law prevails and must be applied.

3. Definitions

Term	Definition
Credit Risk Assurance	Independent second-line review and testing of the design and operation of credit risk management across the credit lifecycle, performed by personnel with no role in credit origination or approval.
Credit Risk Assurance function	The second-line team within the Risk function, reporting to the Chief Risk Officer, that executes this Framework.
Hindsight review	A post-decision review of an individual credit file assessing the quality of origination, approval, documentation and ongoing management against policy, procedure and applicable regulatory requirements.
Delegated Credit Authority (DCA)	A written authority, conferred under the Board-endorsed delegations framework, permitting a named individual, committee or approved automated decisioning

	system to approve credit exposures up to specified limits and within specified conditions, recorded in the delegated credit authority register and monitored under that framework.
Policy Exception	An approved decision that departs from one or more requirements of an applicable policy, standard or lending criterion, granted under the documented exception governance process and recorded in the exceptions register.
Override	A decision by an authorised person to depart from, set aside or reverse the outcome produced by a scorecard, internal rating model, decision engine, policy rule or automated system control, whether that outcome is an approval, a decline, a rating, a price, a limit or a workflow block, supported by documented rationale.
Serviceability	A borrower's assessed capacity to meet the repayments on a proposed credit facility, together with all existing financial commitments and reasonable living expenses, from verified income and without substantial hardship over the life of the facility, tested at the applicable assessment buffer or sensitised rate.
Risk rating	The internal grade assigned to a counterparty or facility that expresses its probability of default and, where applicable, expected loss severity.
Ratings migration	Movement of exposures between risk rating grades over time, used to test whether ratings are assigned and refreshed accurately.
Collateral data integrity	The completeness, accuracy and currency of recorded security data, including valuations, registrations, insurance and loan-to-valuation ratios.
Finding	A documented control weakness, non-compliance, error, breach or improvement opportunity identified through an audit, assurance or testing activity, rated for severity and recorded in the relevant findings register with an accountable owner and an agreed remediation due date.
Remediation action	A specific, owned and dated action agreed to correct a finding and prevent

	recurrence, tracked to verified closure.
Annual Assurance Plan	The risk-based programme of assurance activity for the financial year approved by the Board Risk Committee under the Annual Assurance Plan section of this Framework.
Three Lines of Defence	The Company's risk governance model allocating accountability across three lines: business and support units that own and manage risk and its controls (first line); the risk and compliance functions that set frameworks and provide independent oversight and challenge (second line); and Internal Audit, which provides independent assurance over both (third line).
Expected Credit Loss (ECL)	The probability-weighted estimate of credit losses on a financial instrument determined under IFRS 9, measured as the present value of expected cash shortfalls discounted at the original effective interest rate, on a 12-month basis for Stage 1 exposures and a lifetime basis for Stage 2 and Stage 3 exposures.
Non-Performing Exposure	An exposure that is in default, more than 90 days past due, or otherwise assessed as unlikely to be repaid in full without realisation of collateral, classified consistent with the Basel Committee's harmonised definitions on the prudential treatment of problem assets and forbearance.
Forborne Exposure	An exposure in respect of which the Company has granted a concession on terms it would not otherwise consider, or which has been refinanced, because the borrower is experiencing or is about to experience financial difficulty, identified and classified consistent with the BCBS harmonised definition of forbearance.
Large Exposure	An aggregate exposure to a counterparty, or to a group of connected counterparties, that equals or exceeds 10 per cent of the Company's Tier 1 Capital, measured in accordance with the Basel Framework large exposures standard (LEX).

End of preview

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Bracketed prompts such as [30 days] mark the points where your own thresholds, committee names and local regulatory references are inserted.

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