

Contents

1	Introduction	1
	Credit Control/Strategy: a Subject for Recession Only?	1
	Credit/Lending: Part of a Greater Whole	2
	Credit Control Defined in its Different Aspects	3
	Management Attitudes and Culture Rule All	8
	Credit Control Covers More than Just Lending	9

PART I ANALYSIS, PRESENTATION AND THE DECISION

2	Analysis	13
	The Type of Analysis	13
	Who Does the Analysis?	26
3	Presentation	36
	Distinguish Between Presentation and Analysis	36
	Combine the Two, or Separate Them?	37
	Standard Format, or Presenter's Choice?	41
4	Who Makes the Decision?	46
	Introduction	46
	Assessing the Advantages and Disadvantages	46
	Fitting the Authority to the Bank	54
	Summary and Comment	60
5	Putting the Parts into a Coherent Whole	64
	Introductory Comment	64
	Some Permanent Dos and Don'ts	64
	Fitting Training to the Structure	68
	Putting the Parts Together	70
	Some Specific Features to Consider	74
6	Credit in Treasury and Capital Market Products	77
	Introduction	77
	What Should Treasury Credit Cover?	79
	Some Other Features	83

PART II MONITORING

7	Monitoring Each Loan	91
	Introductory Comment	91
	The Structure of Monitoring	91
	Fitting in with Other Responsibilities	99
	Justifying the Cost	101
8	Monitoring the Portfolio	103
	The Overall Approach	103
	The Overall Quality of the Portfolio	103
	Different Forms of Concentration	109
	Monitoring the Level of Problem Loans	113
9	Monitoring Treasury Products	115
	Definition	115
	Establishing a Basis for Comparison	115
	Setting Limits and Keeping within Them	119
	Statistical, Trader's Approach, or Realistic?	122
	Getting Market Knowledge to the Credit Specialist	124

PART III STRUCTURE AND DOCUMENTATION

10	The Structure of the Facility	127
	Introductory Comment	127
	Key Features of a Facility	127
	Protection within the Structure	134
11	Documentation	146
	For Lending	146
	Specific Items	148
	Documentation for Swaps and Other Instruments	156
	Third-Party Documentation	158

PART IV DAMAGE LIMITATION

12	Managing the Internal Process	161
	Recognising the Problem	161
	Deciding Who Should Follow Problems	162
	Policy of No Surprises	168

13	Dealing with the Borrower or Counterparty	174
	Introduction	174
	Managing the Management	174
	The Nature of the Problem	179
14	Dealing with Other Banks	189
	Deciding the Roles	189
	If You Want to Take the Lead	193
	Outside the Committee What Role is There?	197
	Views Required – Whether Passive or Active	201

PART V THE OTHER FACTORS

15	Training	207
	The Essence of Credit Training	207
	The Recipients of Credit Training	207
16	Credit and Marketing	216
	Should be Linked	216
17	Computers and Credit	223
	The Role of Computers	223
	Control of Usage	223
	Monitoring	224
	The Dangers of the Computer	228
18	Pricing and Return on Equity	231
	Pricing as a Defence against Bad Decisions	231
	Different Ways of Assessing Capital and Returns	235
	<i>Index</i>	242