

Guidelines for ECF on Credit Risk Management (CRM) Certification

Introduction

This document is developed to provide more specific guidelines for the application of the ECF on CRM Certification. It includes the information related to (A) Eligibility Criteria, (B) Application Procedure and (C) Recertification Arrangement for the application(s) of the following designations:

- Associate Credit Risk Management Professional (ACRP);
- Certified Credit Risk Management Professional (Commercial Lending) (CCRP(CL));
- Certified Credit Risk Management Professional (Credit Portfolio Management) (CCRP(CPM)).

A. Eligibility Criteria

1. Relevant Practitioners (RPs)

The Enhanced Competency Framework (ECF) on Credit Risk Management (CRM) is targeted at “Relevant Practitioners (RPs)”, engaged by an **Authorized Institution (AI)**¹ undertaking commercial credit business for corporations in a variety of industry sectors including financial institutions (e.g. banks, licensed corporations, brokerage firms, etc.). The ECF on CRM covers RPs located in the Hong Kong office of an AI and performing the credit function in both the front office and middle office in Hong Kong, regardless of the booking location, up to the person-in-charge of credit department. Specifically, it is aimed at RPs performing the following job roles listed in the table “Key Roles and Tasks for Core and Professional Level CRM Practitioners”.

	Role 1 – Credit Initiation and Appraisal	Role 2 – Credit Evaluation, Approval and Review	Role 3 – Credit Risk Management and Control
	Core Level (For entry-level and junior level staff in the credit function)		
Examples of functional title (for reference only)	Credit officer, associate/assistant credit initiation manager, relationship officer ²	Credit acquisition officer, credit underwriter, credit analyst	Credit risk officer
Key tasks	<u>Support capturing of credit business from commercial / corporate clients</u>	<u>Credit risk management of commercial lending, corporate lending, trade finance and</u>	1. Assist in formulating and reviewing credit policies, procedures and

¹ An institution authorized under the Banking Ordinance to carry on the business of taking deposits. Hong Kong maintains a Three-tier Banking System, which comprises banks, restricted license banks and deposit-taking companies. Authorized institutions are supervised by the HKMA.

² Relationship officers / relationship managers, regardless of which department they belong to, performing commercial credit business (e.g. soliciting credit business, preparing credit proposals and monitoring borrowers’ accounts) are captured under the ECF on CRM. However, if relationship officers / relationship managers are only responsible for soliciting credit business (e.g. marketing, selling and explaining features of credit products) without performing other tasks under the credit initiation function (e.g. preparing credit proposals), they are not captured under the ECF on CRM.



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	<ol style="list-style-type: none"> 1. Assist in performing credit initiation of commercial lending within established policies 2. Assist in assessing borrowers' credit and financial information for preparing credit proposals 3. Assist in evaluating the borrowers' information relating to industry environment, revenue, financial condition, economic situation, legal situation, project evaluation, debt service capacity, etc. 4. Assist in assessing borrowers' credit ratings 5. Assist in assessing other credit risk related information or documents such as the source of cash flows, repayment cash flow pattern, level of exposure, etc. 6. Assist in monitoring borrowers' accounts 7. Assist in assessing whether the terms and conditions of the credit facilities can meet the financing need of borrowers 8. Assist in assessing whether the covenants, conditions and triggers are sufficient and effective for ongoing monitoring 9. Assist in assessing factors related to risk-adjusted returns / costing assessment 	<p><u>acceptances, commitments and guarantees, property mortgages, vehicle financing, etc.</u></p> <ol style="list-style-type: none"> 1. Assist in assessing and analysing collected information about prospective corporate clients, for example: <ul style="list-style-type: none"> • Industry environment, revenue, financial condition, economic situation, legal situation, project evaluation, debt service capacity, etc. 2. Assist in assessing the credit and financial strength of the corporate borrowers to determine clients' creditworthiness and acceptable levels of credit exposure in accordance with credit policies and relevant regulations. <ul style="list-style-type: none"> • Assist in assessing corporate borrowers' credit ratings (e.g. based on internal or external ratings) / loan classification • Assist in assessing quality of collateral and verifying its values as well as cost of selling the collateral, taking into account the type of collateral, economic situation, seniority of claim, etc. • Assist in assessing other types of risk mitigations and comforts • Assist in assessing other credit risk related information or documents such as the source of cash flows, repayment cash flow pattern, level of exposure, etc. 3. Assist in assessing application of funds 4. Assist in assessing credit limit for approval 5. Assist in assessing factors related to risk-adjusted 	<p>methodologies</p> <ol style="list-style-type: none"> 2. Assist in monitoring accounts on a day-to-day basis to identify changes in clients' financial condition and capacity to repay the outstanding debts 3. Assist in performing analysis on credit limits and monitoring credit portfolios 4. Assist in performing assessment and gap analysis according to regulatory and management requirements regarding calculations of risk indicators such as probability of default, loss given default, exposure at default, etc. 5. Assist in performing assessment and gap analysis according to regulatory and management requirements regarding calculations of portfolio performance indicators such as risk weighted assets, risk adjusted returns, regulatory and/or economic capital requirements 6. Assist in general review of and providing feedback for enhancement of internal credit rating systems 7. Assist in handling the recovery and work-out of problem loans / deteriorating credit 8. Assist in performing stress testing analysis, scenario analysis, and other types of portfolio analysis 9. Assist in preparing
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		<p>returns / costing assessment</p> <p>6. Assist in setting credit covenants</p> <p>7. Assist in following up with loan officers / account managers</p>	analytical reports to management
Professional Level (For staff taking up middle or senior positions in the credit function)			
Examples of functional title <i>(for reference only)</i>	Credit manager, credit initiation manager, relationship manager	Credit acquisition manager, credit underwriting manager, senior credit analyst, credit approval manager	Credit risk management manager, credit portfolio manager
Key tasks	<p><u>Capturing of credit business from commercial/corporate clients</u></p> <ol style="list-style-type: none"> Solicit credit business following established policies and prepare credit proposal Evaluate the borrowers' information relating to industry environment, revenue, financial condition, economic situation, legal situation, project evaluation, debt service capacity, etc. Assess credit and financial strength of borrowers to determine creditworthiness and acceptable credit exposure levels for recommending credit approval and internal credit ratings Assess borrowers' credit ratings and make appropriate recommendation Assess other credit risk related information or documents such as the source of cash flows, repayment cash flow 	<p><u>Credit risk management of commercial lending, corporate lending, trade finance and acceptances, commitments and guarantees, property mortgages, vehicle financing, etc.</u></p> <ol style="list-style-type: none"> Review and analyse collected information about prospective corporate clients, for example: <ul style="list-style-type: none"> Industry environment, revenue, economic situation, financial condition, legal situation, project evaluation, debt service capacity, etc. Review credit ratings / loan classification for corporate lending and assess the credit and financial strength of the corporate borrowers to determine clients' creditworthiness and acceptable levels of credit exposure in accordance with credit policies and relevant regulations. Standardised approval and review process may be established by sub-segments such as industry, company revenue size, loan to value ratios, etc. 	<ol style="list-style-type: none"> Formulate and review credit policies and procedures in accordance with market conditions, regulatory requirements and risk appetite of the AI Carry out strategy laid down by the Board and establish procedures to identify, quantify, monitor and control the credit risk inherent in the AI's activity and at the level of both the overall portfolio and individual borrowers Perform stress testing analysis, scenario analysis, and other types of portfolio analysis on the credit risk portfolios and prepare analysis and recommendation report to management Review and monitor portfolio performance indicators such as risk weighted assets, risk adjusted returns, regulatory and/ or economic capital requirements Monitor and review credit limits and capital



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	<p>pattern, level of exposure, etc.</p> <ol style="list-style-type: none"> 6. Conduct regular monitoring of borrowers' accounts 7. Assess whether the terms and conditions of the credit facilities can meet the financing need of borrowers 8. Assess whether the covenants, conditions and triggers are sufficient and effective for ongoing monitoring 9. Assess the applicability of the products / services initiated 	<p>Individual assessment may be necessary for particular borrowers depending on the origin of the borrower, nature of borrower's business, etc.</p> <ul style="list-style-type: none"> • Review corporate borrowers' credit ratings (e.g. based on internal or external ratings) • Review quality of collateral and verify its values as well as cost of selling the collateral, taking into account the type of collateral, economic situation, seniority of claim, etc. • Review other types of risk mitigations and comforts • Review other credit risk related information or documents such as the source of cash flows, repayment cash flow pattern, level of exposure, etc. <ol style="list-style-type: none"> 3. Review application of funds 4. Review credit limit for approval 5. Review credit pricing 6. Set credit covenants 7. Follow up with loan officers / account managers for extra information or documents, or to discuss specific issues in the approval process 8. Document necessary credit files and complete loan application 9. Ensure that credit approvals are granted according to authority structure 10. Review credit terms 11. Review the applicability of the products / services initiated 	<p>allocation approved by the Board</p> <ol style="list-style-type: none"> 6. Participate in credit product development and recommend credit risk control and mitigation measures 7. Regularly review, monitor and provide feedback for enhancement of internal credit rating systems 8. Support restructuring of problem loans and monitor their performances 9. Oversee the collection process of large non-performing loans and determine the level of provisions for problem accounts 10. Review exception reports and ensure that loan portfolio is properly classified and problem loans are appropriately mapped to the relevant loan classification
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Please refer to HKMA circular on "[Guide to Enhanced Competency Framework on Credit Risk Management](#)" dated 29 March 2019 for more details.



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2. Other Certification Requirements

(a) ACRP:

- Completed Module 1 – 3 trainings and passed the examinations for the Professional Certificate for ECF on Credit Risk Management (CRM) plus 1 year’s relevant work experience within 3 years immediately prior to the date of application for certification, but does not need to be continuous; or
- Grandfathered for ECF on CRM (Core Level)

Note: For M1 and M2, exemption can be applied as per requirement listed below:

- **M1: RPs who have passed Financial Risk Manager (FRM) Part I;**
- **M2: RPs who have passed Chartered Financial Analyst (CFA) Level I or Module A – Financial Reporting and Module B – Corporate Financing of the Qualification Programme of the Hong Kong Institute of Certified Public Accountants (HKICPA)**

(b) CCRP(CL):

- On top of the attainment in ECF on CRM (Core Level) or Credit Portfolio Management for ECF on CRM (Professional Level), completed Module 4 training and passed the examination for the Postgraduate Certificate in Commercial Lending for ECF on Credit Risk Management (CRM) plus 5 year’s relevant work experience within 10 years immediately prior to the date of application for certification, but does not need to be continuous; or
- Grandfathered in Commercial Lending for ECF on CRM (Professional Level)

(c) CCRP(CPM):

- On top of the attainment of the ECF on CRM (Core Level) or Commercial Lending for ECF on CRM (Professional Level), completed Module 5 training and passed the examination for the Postgraduate Certificate in Credit Portfolio Management for ECF on Credit Risk Management (CRM) plus 5 year’s relevant work experience within 10 years immediately prior to the date of application for certification, but does not need to be continuous; or
- Grandfathered in Credit Portfolio Management for ECF on CRM (Professional Level)



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B. Application Procedure

Please follow the application procedure as below:

1. Complete the relevant Grandfathering and/or Certification Application Form for ECF on CRM with all necessary fields filled in, including applicant's signature.
 - For Core Level: CRM-G-009
 - For Professional Level: CRM-G-010

Note: Applicant is encouraged to apply for Grandfathering and Certification at one time by using the above document. Please also read the Guidelines for ECF on CRM Grandfathering if Grandfathering and Certification are applied at same time.

2. Obtain the endorsement from Human Resources Department (HR) of the concerned Authorized Institution(s) by obtaining his/her signature and company chop on the Annex of the Grandfathering and/or Certification Application Form – HR Department Verification Form on Key Roles/ Responsibilities for CRM Practitioners.

Applicant is required to fill in **ONE** completed HR Verification Form for **EACH** relevant position/ functional title in the application.

Als are expected to support their staff to apply for grandfathering and certification. Regarding information related to a Relevant Practitioner's previous employment(s), the current employer is encouraged to provide necessary assistance to Relevant Practitioners in the latter's applications for grandfathering or ECF certification (e.g. confirming whether such information is consistent with the curriculum vitae provided by the Relevant Practitioner at the time of job application).

If required, the HKIB may request the applicant to provide employment records or additional information to substantiate the application for grandfathering.

3. Read [Policy of Personal Data Protection](#) set out on HKIB website before submitting application.
4. Send the completed Application Form with HR department's endorsement, relevant supporting documents (e.g. certified true copies of your HKID / Passport, copies of your examination result



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or grandfathered approval letter for relevant Certificate for ECF on CRM), cheque/ payment evidence to HKIB within the required time frame.

(a) Time frame for submitting ACRP/CCRP(CL)/CCRP(CPM) Certification application

Pathway	Application Deadline
Completed the Core/ Professional Level of the ECF on CRM training modules; passed the examinations and fulfilled the required work experience	12 years of completion period to attend the training, pass the examination and fulfill the required work experience from the year in which the first module was completed. <i>After the application deadline, individuals who do not submit their ACRP/CCRP(CL)/CCRP(CPM) application must retake and pass the corresponding level examinations to recommence the eligibility to apply for ACRP/CCRP(CL) /CCRP(CPM) designation.</i>
Grandfathered based on the required work experience and qualification	3 months after issuance of the Grandfathering Approval Letter <i>After the application deadline, the grandfathered status is invalid for applying the ACRP/CCRP(CL)/CCRP(CPM) certification.</i>

(b) Fee Payable

For each of the ACRP/CCRP(CL)/CCRP(CPM) certification application (**valid until 31 Dec 2019**):

1st year certification:

- Not currently a HKIB member: HK\$1,600
- Current HKIB Student member: HK\$1,600
- Current HKIB Ordinary member: HK\$550
- Current HKIB Professional member: Waived
- Current HKIB Senior member: HK\$1,400

Annual Renewal:

- Certification: HK\$1,600
- Reinstatement fee of default member: HK\$2,000

Note: Please note that the certification fee is non-refundable.



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(c) *Payment Method*

- Paid by Employer
- A crossed cheque or e-cheque made payable to “The Hong Kong Institute of Bankers”. Postdated cheques will not be accepted.
- Credit card (Visa or Mastercard)

(d) *Submission*

Please complete and submit the **SIGNED** application form together with the required documents by post/ in person to The Hong Kong Institute of Bankers (HKIB) at the following address:

“Application for ECF on CRM Grandfathering/ Certification”

The Hong Kong Institute of Bankers
3/F Guangdong Investment Tower,
148 Connaught Road, Central, Hong Kong

Note: Please ensure sufficient postage is provided when sending out the required documents.

(e) *Approval and Election*

The certification processing time, including the election process done by HKIB committee members, will require around **60 days**. If grandfathering is also applied together with certification by using the combined application form, the processing time will be around **120 days**.

Upon the successful completion of the certification process, ACRP/CCRP(CL)/CCRP(CPM) holders will be registered as Certified Individuals (CI) and included in a public register on HKIB website. HKIB will also grant the holder a professional membership. ACRP/CCRP(CL)/CCRP(CPM) designation holders are then entitled to print the designation on their business card and curriculum vitae which signifies their professional excellence.

Besides, the designation holders’ names will also be presented on HKIB website and published on the Institute’s journal “Banking Today” and Annual Report.



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C. Recertification Arrangement

1. Subject to HKIB membership governance, if the applicant wants to apply for and maintain his / her ACRP/CCRP(CL)/CCRP(CPM) designation, he/she is required to maintain a valid membership status with HKIB. And the applicant must also be the Relevant Practitioner who has met the annual continuing professional development (CPD) requirement and pay the annual renewal of certificate fee.
2. ACRP/CCRP(CL)/CCRP(CPM) holders would be bound by the prevailing rules and regulations of HKIB. They are abided by HKIB's rules and regulations in HKIB [Members' Handbook](#). ACRP/CCRP(CL)/CCRP(CPM) holders are required to notify HKIB of any material changes to responses to any of the questions in application of the certification, including their contact details. HKIB may investigate the statements ACRP/CCRP(CL)/CCRP(CPM) holders have made with respect to their applications, and that they may be subject to disciplinary actions for any misrepresentation (whether fraudulent and otherwise) in their applications.
3. To maintain ongoing professionalism and standards, both ACRP and CCRP(CL)/CCRP(CPM) holders are required to undertake a minimum of **15 CPD hours** each calendar year (ending 31 December) for the highest designation only. At least **5 CPD hours** must be earned from activities related to topics of compliance, code of conduct, professional ethics or risk management. Any excess CPD hours accumulated within a particular year cannot be carried forward to the following year.
4. The renewal of ACRP/CCRP(CL)/CCRP(CPM) certification is subject to fulfilment of the annual CPD requirements starting from the calendar year (**from 1 January to 31 December**) following the year of certification.
5. The annual CPD requirements are also applicable to Relevant Practitioners meeting the ECF on CRM benchmark through the grandfathering route.
6. The CPD requirements will be waived for the first calendar year (**ending 31 December**) of certification and grandfathering.

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