

## Guidelines for ECF on Credit Risk Management (CRM) Grandfathering

### Introduction

This document is developed to provide more specific guidelines for the application of the ECF on CRM Grandfathering at Core or Professional Level. It includes the information related to (A) Eligibility Criteria, (B) Application Procedure and (C) Recertification Arrangement.

### 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)**<sup>1</sup> 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
	<b>Core Level</b> (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 <sup>2</sup>	Credit acquisition officer, credit underwriter, credit analyst	Credit risk officer
Key tasks	<u>Support capturing of credit business from commercial / corporate clients</u> 1. Assist in performing credit initiation of commercial lending within established	<u>Credit risk management of commercial lending, corporate lending, trade finance and acceptances, commitments and guarantees, property mortgages, vehicle financing, etc.</u> 1. Assist in assessing and	1. Assist in formulating and reviewing credit policies, procedures and methodologies 2. Assist in monitoring accounts on a day-to-day basis to identify changes

<sup>1</sup> 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.

<sup>2</sup> 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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	<p>policies</p> <ol style="list-style-type: none"> <li>2. Assist in assessing borrowers' credit and financial information for preparing credit proposals</li> <li>3. Assist in evaluating the borrowers' information relating to industry environment, revenue, financial condition, economic situation, legal situation, project evaluation, debt service capacity, etc.</li> <li>4. Assist in assessing borrowers' credit ratings</li> <li>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.</li> <li>6. Assist in monitoring borrowers' accounts</li> <li>7. Assist in assessing whether the terms and conditions of the credit facilities can meet the financing need of borrowers</li> <li>8. Assist in assessing whether the covenants, conditions and triggers are sufficient and effective for ongoing monitoring</li> <li>9. Assist in assessing factors related to risk-adjusted returns / costing assessment</li> </ol>	<p>analysing collected information about prospective corporate clients, for example:</p> <ul style="list-style-type: none"> <li>• Industry environment, revenue, financial condition, economic situation, legal situation, project evaluation, debt service capacity, etc.</li> </ul> <ol style="list-style-type: none"> <li>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"> <li>• Assist in assessing corporate borrowers' credit ratings (e.g. based on internal or external ratings) / loan classification</li> <li>• 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.</li> <li>• Assist in assessing other types of risk mitigations and comforts</li> <li>• 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.</li> </ul> </li> <li>3. Assist in assessing application of funds</li> <li>4. Assist in assessing credit limit for approval</li> <li>5. Assist in assessing factors related to risk-adjusted returns / costing assessment</li> <li>6. Assist in setting credit covenants</li> <li>7. Assist in following up with loan officers / account managers</li> </ol>	<p>in clients' financial condition and capacity to repay the outstanding debts</p> <ol style="list-style-type: none"> <li>3. Assist in performing analysis on credit limits and monitoring credit portfolios</li> <li>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.</li> <li>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</li> <li>6. Assist in general review of and providing feedback for enhancement of internal credit rating systems</li> <li>7. Assist in handling the recovery and work-out of problem loans / deteriorating credit</li> <li>8. Assist in performing stress testing analysis, scenario analysis, and other types of portfolio analysis</li> <li>9. Assist in preparing analytical reports to management</li> </ol>
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	Professional Level (For staff taking up middle or senior positions in the credit function)		
Examples of functional title (for reference only)	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"> <li>1. Solicit credit business following established policies and prepare credit proposal</li> <li>2. Evaluate the borrowers' information relating to industry environment, revenue, financial condition, economic situation, legal situation, project evaluation, debt service capacity, etc.</li> <li>3. Assess credit and financial strength of borrowers to determine creditworthiness and acceptable credit exposure levels for recommending credit approval and internal credit ratings</li> <li>4. Assess borrowers' credit ratings and make appropriate recommendation</li> <li>5. Assess other credit risk related information or documents such as the source of cash flows, repayment cash flow pattern, level of exposure, etc.</li> <li>6. Conduct regular monitoring of borrowers' accounts</li> <li>7. Assess whether the terms and conditions of the credit facilities can meet the financing need of borrowers</li> <li>8. Assess whether the covenants, conditions</li> </ol>	<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"> <li>1. Review and analyse collected information about prospective corporate clients, for example: <ul style="list-style-type: none"> <li>• Industry environment, revenue, economic situation, financial condition, legal situation, project evaluation, debt service capacity, etc.</li> </ul> </li> <li>2. 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. Individual assessment may be necessary for particular borrowers depending on the origin of the borrower, nature of borrower's business, etc. <ul style="list-style-type: none"> <li>• Review corporate borrowers' credit ratings (e.g. based on internal or external ratings)</li> <li>• Review quality of collateral and verify its values as well as</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Formulate and review credit policies and procedures in accordance with market conditions, regulatory requirements and risk appetite of the AI</li> <li>2. 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</li> <li>3. 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</li> <li>4. Review and monitor portfolio performance indicators such as risk weighted assets, risk adjusted returns, regulatory and/or economic capital requirements</li> <li>5. Monitor and review credit limits and capital allocation approved by the Board</li> <li>6. Participate in credit product development and recommend credit risk control and mitigation measures</li> <li>7. Regularly review, monitor and provide feedback for enhancement of internal credit rating systems</li> <li>8. Support restructuring of</li> </ol>

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	<p>and triggers are sufficient and effective for ongoing monitoring</p> <p>9. Assess the applicability of the products / services initiated</p>	<p>cost of selling the collateral, taking into account the type of collateral, economic situation, seniority of claim, etc.</p> <ul style="list-style-type: none"> <li>• Review other types of risk mitigations and comforts</li> <li>• Review other credit risk related information or documents such as the source of cash flows, repayment cash flow pattern, level of exposure, etc.</li> </ul> <p>3. Review application of funds</p> <p>4. Review credit limit for approval</p> <p>5. Review credit pricing</p> <p>6. Set credit covenants</p> <p>7. Follow up with loan officers / account managers for extra information or documents, or to discuss specific issues in the approval process</p> <p>8. Document necessary credit files and complete loan application</p> <p>9. Ensure that credit approvals are granted according to authority structure</p> <p>10. Review credit terms</p> <p>11. Review the applicability of the products / services initiated</p>	<p>problem loans and monitor their performances</p> <p>9. Oversee the collection process of large non-performing loans and determine the level of provisions for problem accounts</p> <p>10. Review exception reports and ensure that loan portfolio is properly classified and problem loans are appropriately mapped to the relevant loan classification</p>
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The following categories of staff **do not** fall within the definition of Relevant Practitioner (RP):

- (i). Staff performing the credit initiation function for consumer, wealth management or private banking business (e.g. credit card and personal lending<sup>3</sup>) and staff responsible for the related middle-office functions.
- (ii). Staff in the treasury function who may deal with the credit risk monitoring of treasury related products (e.g. credit derivatives and asset-backed financing to financial institutions), including development / roll-out of methodologies for derivatives exposure calculations. To avoid possible overlapping with the Enhanced Competency Framework (ECF) on Treasury Management (TM), credit function related to treasury market activities will not be covered in the ECF on CRM.

<sup>3</sup> Personal lending includes consumer loans and mortgage loans to customers of consumer, wealth management or private banking business.

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- (iii). Staff carrying out back office functions such as credit administration, checking of credit approval and documentation, lien perfection, loan disbursement, collateral valuation, maintenance of credit files and compilation of management information reports.
- (iv). Staff in the credit function performing solely clerical and administrative duties or other incidental functions.
- (v). Staff performing minimal roles in the credit function.
- (vi). Staff performing review, monitoring and provision of feedback for the enhancement of internal credit rating systems as part of their credit risk modelling function.
- (vii). Staff performing legal, compliance, general risk management<sup>4</sup>, or internal audit function for the entire organisation.
- (viii). Senior management or credit committee members other than the manager or person-in-charge of credit department.

For the avoidance of doubt, a staff member is not required to work full time in credit risk management or perform all of the roles specified above in order to be classified as a RP. A principles-based approach can be adopted by AIs in determining whether a staff member with multiple job roles falls within the definition of 'Relevant Practitioners' for the ECF on CRM by assessing the significance of the credit risk management role performed by the staff member. AIs should be able to justify decisions made in this regard. For details of the respective roles, please refer to the HKMA circular on "[Guide to Enhanced Competency Framework on Credit Risk Management](#)" dated 29 March 2019.

## 2. Grandfathering Requirements

### Core Level

- A RP employed by an AI at the time of application; and
- Possessing at least 3 years of relevant work experience\* in any of the functions in credit initiation, evaluation, approval and review and/or credit risk management and control as specified in the HKMA circular on "[Guide to Enhanced Competency Framework on Credit Risk Management](#)".

### Professional Level via Path (i) or Path (ii)

#### Path (i):

- A RP employed by an AI at the time of application; and
- Possessing at least 8 years of relevant work experience\* in any of the functions in

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<sup>4</sup> Risk management function for the entire organisation and is not related to credit risk management

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credit initiation, evaluation, approval and review and/or credit risk management and control, of which at least 5 years are gained from Professional Level job roles, as specified in the HKMA circular on "[Guide to Enhanced Competency Framework on Credit Risk Management](#)".

OR

Path (ii):

- A RP employed by an AI at the time of application;
- Completion of the HKIB's Postgraduate Diploma in Credit Management for Certified Banker; and
- Possessing at least 3 years of relevant work experience\* in any of the functions in credit initiation, evaluation, approval and review and/or credit risk management and control as specified in the HKMA circular on "[Guide to Enhanced Competency Framework on Credit Risk Management](#)".

*\*Relevant work experience may be obtained from the banking industry and/or other related financial sectors.*

**Upon grandfathering for Core Level**, RPs who have sufficient work experience gained from Role 1 – Credit Initiation and Appraisal, Role 2 – Credit Evaluation, Approval and Review and/or Role 3 – Credit Risk Management and Control can apply for the Associate Credit Risk Management Professional (ACRP) certification.

**Upon grandfathering for Professional Level**, RPs with a majority of work experience gained from Role 1 can apply for the grandfathering in Commercial Lending for Professional Level, while RPs with a majority of work experience gained from Role 2 and/or Role 3 can apply for the grandfathering in Credit Portfolio Management for Professional Level. RPs who have sufficient work experience in commercial lending (Role 1) and credit portfolio management (Role 2 and/or Role 3) can apply for both the CCRP(CL) and CCRP(CPM) certifications.

Any other individuals performing the job roles as specified but not working in an AI or those specified in paragraph 2(i) to (viii) of an AI during the grandfathering application period may submit their applications to the HKIB for grandfathering within 3 months from the date of joining the credit functions of an AI and becoming a RP. However, they should have met all the applicable grandfathering criteria **on or before 30 September 2020** as prescribed above.



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### B. Application for Grandfathering

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 Certification 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. Application is only accepted with HR verification.

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



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examination result 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 Grandfathering application**

HKIB will accept application for grandfathering by current Relevant Practitioners of AIs from **1 October 2019**. Completed application with all required supporting documents must be submitted to HKIB office. The deadline for application will be **30 September 2020**. Late submission, application with incomplete information and applications by fax/ email will NOT be accepted.

**(b) Fee Payable**

An application fee of HKD1,050 is required for each grandfathering application or **HKD1,550** for two grandfathering applications (e.g. grandfathering applications for both CCRP(CL) and CCRP(CPM)).

**(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**

It is expected to take **60 days** for HKIB to process grandfathering applications under normal circumstance. If certification is also applied together with grandfathering by using the combined application form, the processing time will be around **120 days**.



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Once grandfathering has been granted, the Relevant Practitioner will be notified via mail and an approval letter will be posted to the applicant.

***Note: The approval of grandfathering is subject to the final decision of the HKIB.***

Please refer to the respective Grandfathering and/or Certification Application Form for details and read the Policy of Personal Data Protection set out on HKIB website before application.

### C. Requirement for ACRP/CCRP(CL)/CCRP(CPM) Certification

Upon confirmation from the HKIB that a one-off grandfathering has been granted, the Relevant Practitioner may complete and submit the respective Application Form for each Certification for the Associate Credit Risk Management Professional (ACRP), Certified Credit Risk Management Professional (Commercial Lending) (CCRP(CL)) or Certified Credit Risk Management Professional (Credit Portfolio Management) (CCRP(CPM)) **within 3 months** after issuance of the relevant grandfathering approval letter.

For details, applicants can refer to the Guidelines for ECF on CRM Certification (CRM-G-008).

### D. Appeal Arrangement

HKIB will appoint a Grandfathering of ECF on CRM Appeal Committee as necessary, to handle the appeal of grandfathering applications. The appeal mechanism applies if a formal written notice of appeal, specifying the ground, is sent to the HKIB by the grandfathering applicant whose application has been declined by the HKIB. There will be an administrative fee for appeal application.

#### 1. Grandfathering Appeal Procedure

Candidates may request in writing for any appeal against their grandfathering result **within 1 month** after the issuance of grandfathering declination letter. An administrative fee would be applied. Late appeal application will not be accepted.

The appellant may be asked to attend the appeal hearing by the Appeal Committee, or provide extra supporting documents if the Committee has any question they wish to ask the appellant. The Appeal Committee meeting will be conducted as required. The Appeal Committee shall decide to either accept the appeal or decline the appeal.



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It is expected to take **90 days** for HKIB to process grandfathering appeal application under normal circumstance. The appellant will be notified of the decision by the Appeal Committee in writing and a document will be signed by General Manager of HKIB as record. Candidates will be informed of their appeal results by post and / or email and with written notice for approved case.

### 2. Fee Payable

An administrative fee of HKD1,000 is required for the appeal application.

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