

Guidelines of Certification Application for ECF on Credit Risk Management (ECF-CRM)

Introduction

This document is developed to provide more specific guidelines for the Certification application of the **Enhanced Competency Framework for Credit Risk Management (ECF-CRM)**. It includes the information related to (A) Eligibility Criteria, (B) Application Procedure and (C) Recertification Arrangement for the application(s) of the following professional qualifications:

Core Level

- Associate Credit Risk Management Professional (ACRP)

Professional Level

- 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

The ECF-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-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”.

¹ An institution authorised 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.

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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 <i>(for reference only)</i> | Credit officer, associate/assistant credit initiation manager, relationship officer ² | Credit acquisition officer, credit underwriter, credit analyst | Credit risk officer |
| Key tasks | <p><u>Support capturing of credit business from commercial / corporate clients</u></p> <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. | <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"> 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 | <ol style="list-style-type: none"> 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 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 |

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-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-CRM.

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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 |
|--|--|--|--|
| | <p>6. Assist in monitoring borrowers' accounts</p> <p>7. Assist in assessing whether the terms and conditions of the credit facilities can meet the financing need of borrowers</p> <p>8. Assist in assessing whether the covenants, conditions and triggers are sufficient and effective for ongoing monitoring</p> <p>9. Assist in assessing factors related to risk-adjusted returns / costing assessment</p> | <p>selling the collateral, taking into account the type of collateral, economic situation, seniority of claim, etc.</p> <ul style="list-style-type: none"> • 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. <p>3. Assist in assessing application of funds</p> <p>4. Assist in assessing credit limit for approval</p> <p>5. Assist in assessing factors related to risk-adjusted returns / costing assessment</p> <p>6. Assist in setting credit covenants</p> <p>7. Assist in following up with loan officers / account managers</p> | <p>performance indicators such as risk weighted assets, risk adjusted returns, regulatory and/or economic capital requirements</p> <p>6. Assist in general review of and providing feedback for enhancement of internal credit rating systems</p> <p>7. Assist in handling the recovery and work-out of problem loans / deteriorating credit</p> <p>8. Assist in performing stress testing analysis, scenario analysis, and other types of portfolio analysis</p> <p>9. Assist in preparing analytical reports to management</p> |

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Key Roles and Tasks for Core and Professional Level CRM Practitioners

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|---|--|--|---|
| | 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 pattern, level of exposure, etc. Conduct regular | <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. Individual assessment may be necessary for particular borrowers depending on | <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 allocation approved by the Board Participate in credit product development and recommend credit risk |

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Key Roles and Tasks for Core and Professional Level CRM Practitioners

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|---|--|---|
| <p>monitoring of borrowers' accounts</p> <ol style="list-style-type: none"> 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>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>control and mitigation measures</p> <ol style="list-style-type: none"> 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 |

Please refer to HKMA's 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 Modules 1 – 3 training programmes and passed the examinations for the Professional Certificate for ECF-CRM plus 1 year of relevant work experience within 3 years immediately prior to the date of application for certification, but does not need to be continuous.

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

- **M1: RPs who have passed Financial Risk Manager (FRM) Part II;**
- **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) or holders of other equivalent academic / professional qualification in accounting and financial statements analysis.**

(b) CCRP(CL):

- On top of the Core Level certification, successful completion of Module 4 of the Professional Level certification, plus 5 years of relevant work experience within 10 years immediately prior to the date of application for certification, but does not need to be continuous.

(c) CCRP(CPM):

- On top of the Core Level certification, successful completion of Modules 5 of the Professional Level certification, plus 5 years of relevant work experience within 10 years immediately prior to the date of application for certification, but does not need to be continuous.

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B. Application Procedure

1. Please follow the application procedure as below:

- (a) Complete the relevant Certification Application Form for ECF-CRM with all necessary fields filled in, including applicant's signature and HR endorsement in relevant sections.
 - For Core Level: CRM-G-023
 - For Professional Level: CRM-G-025
- (b) Obtain endorsement from the Human Resources Department (HR) of the concerned Authorized Institution(s) with signature of Head of HR or equivalent and company chop on the HR Verification Annex of the above Application Form. **Applications can only be accepted with HR endorsement included.**
- (c) Applicants are required to fill in **ONE** set of HR Verification Annex form for **EACH** relevant position/functional title in the application.

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

If required, the HKIB may request applicants to provide employment records or additional information to substantiate their applications.

- (d) Read the [Privacy Policy Statement](#) set out on the HKIB's website before submitting applications.
- (e) Send the completed Application Forms with HR department's endorsement, relevant supporting documents (e.g. certified true copy of your HKID/Passport and copies of the examination result(s)) and payment evidence to the HKIB.

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2. Fee Payable

- A **Non-refundable fee** is required for **ACRP/CCRP(CL)/CCRP(CPM)** certification application.
- For details, please refer to the Fee Table of the respective ECF which is available on the HKIB's website.

3. Payment Method

- (a) Paid by Employer.
- (b) A crossed cheque or e-cheque made payable to **"The Hong Kong Institute of Bankers"**.
(Post dated cheques will not be accepted.)
- (c) Credit card (Visa or Mastercard).

4. Submission of Application

Please complete and submit the **SIGNED** application form together with the required documents via email to cert.gf@hkib.org or by post/in person to The Hong Kong Institute of Bankers (HKIB) at the following address:

"Certification Application for ECF-CRM"

Department of Professional Assessment and 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.

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5. Approval and Election

- (a) The certification processing time, including the election process done by the HKIB committee members, will require **approximately 2 months**. If grandfathering is also applied together with certification by using the combined application form, the processing time will be **approximately 3 months**.

- (b) Upon the successful completion of the certification process, **ACRP/CCRP(CL)/CCRP(CPM)** holders will be registered as **Certified Individuals (CI)** and be included in a public register on the HKIB's website. The HKIB will also grant the holder a professional membership. **ACRP/CCRP(CL)/CCRP(CPM)** holders are then entitled to print the Professional Qualification on their business cards and curriculum vitae to signify their professional excellence.

- (c) Besides, the professional qualification holders' names will also be presented on the HKIB website and published in the Institute's journal "Banking Today" and Annual Report.

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C. Recertification Arrangement

1. Subject to the HKIB membership governance, if the applicant wants to maintain his/her **ACRP/CCRP(CL)/CCRP(CPM)** professional qualification, he/she is required to renew his/her certification annually and maintain a valid membership status with the HKIB. The applicant must also be an RP who has met the annual **Continuing Professional Development (CPD)** requirements and pay the recertification fee.
2. **ACRP/CCRP(CL)/CCRP(CPM)** holders are bound by the prevailing rules and regulations of the HKIB as stipulated in the HKIB Members' Handbook. **ACRP/CCRP(CL)/CCRP(CPM)** holders are required to notify the HKIB of any material changes in their applications for recertification, including their contact details. The 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, holders of **ACRP** or **CCRP(CL)/CCRP(CPM)** are required to undertake a minimum of **15 CPD hours** each calendar year (ending 31 December) for the highest professional qualification 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. RPs are required to self-declare their CPD compliance to the HKIB at the time of recertification. Documentary evidence should be kept for random audit by the HKIB. The minimum 15 CPD hours requirements will be subject to periodic review in light of the latest developments in the banking sector. For details, please refer to the HKIB's website (<https://www.hkib.org>).
5. The recertification of **ACRP/CCRP(CL)/CCRP(CPM)** 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.
6. The annual CPD requirements are applicable to RPs who gained the designation by Trainings and Examination or Grandfathering.

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7. The CPD requirements are waived in the first calendar year (**ending 31 December**) of certification.

For the avoidance of doubt, RPs who are captured under multiple ECFs are only required to fulfil the CPD hours for one of his/her certifications per year (i.e. whichever is greater).

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