

Module Outline

ECF on Credit Risk Management (CRM)

Module 3 “Fundamentals of Bank Lending”

Benchmarked HKQF Level:	5
No. of Credits:	30
Total Notional Learning Hours:	300
<i>a) Class contact hours:</i>	15 hours (3-hour per session x 5)
<i>b) Self-study hours:</i>	282 hours
<i>c) Assessment hours:</i>	3 hours
Pre-requisite:	Complete Module 1 and Module 2 of ECF-CRM, or equivalent

Module Objective

This module aims to provide candidates with the knowledge of bank lending business process and skills of conducting risk assessment lending products, make appropriate recommendation for credit facilities based on customer needs and strengths. It will also help candidates to better monitor the collaterals as well as credit performance of the clients in order to minimise the bank's credit risk.

Module Intended Outcomes (MIOs) & Units of Competencies (UoCs)

Upon completion of the Module 3, learners should be able to:

MIOs	Intended Outcomes / Competence	*Unit of Competencies (UoCs)
MIO-1	Identify the financing needs of clients	109169L5
MIO-2	Conduct risk assessment and evaluate the performance of credit acquisition on commercial lending and make appropriate recommendation for approval	109194L6 109257L5 109258L5 109260L5
MIO-3	Determine the arrangement of credit facility to minimise risks to the bank and structure credit facilities according to borrowing needs, business cycle and credit strength of the clients	109269L5 109292L5 109504L5
MIO-4	Present the customised credit solutions and facilities proposal to the clients by providing consultative advice on the lending product alternatives and related credit risk based on their financing needs	
MIO-5	Develop collaterals' valuation process for ongoing monitoring	
MIO-6	Develop terms and conditions of credit facility such as application of the appropriate contractual interest rates based on internal policies, payment period and payment	

	options, etc. according to customer's needs and results of risk assessments	
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**Note: For the details of the UoCs, please refer to the Specification of Competency Standards (SCS) of [Retail Banking](#) and [Corporate & Commercial Banking](#) which were developed by HKCAAVQ.*

Assessment

Examination duration:	3 hours
Examination format:	50 Multiple Choice Questions and 2 out of 3 Essay Type Questions
Pass mark:	60%

Syllabus

Chapter 1: Code of Ethics in Bank Lending Businesses	
1.1	Overview of code of conduct
1.1.1	- Importance and sources of Code of Ethics and Conduct in the bank lending business
1.1.2	- Differences between a Code of Ethics and Code of Conduct
1.2	Main attributes of generic Code of Ethics and Conduct required for professional bankers
1.2.1	- Main attributes of a generic Code of Ethics for professional bankers
1.2.2	- Main attributes of a generic Code of Conduct for professional bankers
1.3	Measures in monitoring and maintaining the ethical behaviour of banks' staff
Chapter 2: Corporate Lending Business Process – Credit Initiation	
2.1	Understanding of customer's profiles and needs
2.1.1	- Purpose of the credit
2.1.2	- Interview
2.1.3	- Site visit
2.2	Assessment of a customer's management, owner's integrity and capabilities
2.3	Assessment of customer's business models
2.3.1	- Business models of borrowers
2.3.2	- SWOT analysis
2.4	Assessment of customer's financial strength
2.4.1	- Balance sheet
2.4.2	- Profit and loss account
2.4.3	- Cash flow statement
2.4.4	- Other aspects of financial analysis
2.4.5	- Financial shenanigans
2.5	Assessment of a customer's industry trend

2.5.1	- General environment
2.5.2	- Industry analysis
2.5.3	- Five Competitive Forces Model
2.5.4	- Credit quality capped by industry risk
2.6	Assessment of a customer's repayment ability and risk articulation
2.6.1	- Business risk
2.6.2	- Credit risk
2.6.3	- Market risk
2.6.4	- Operational risk
2.6.5	- Legal and regulatory risk
2.6.6	- Reputation risk
2.6.7	- Climate risk
2.6.8	- Sources of repayment
2.7	Verification of repayment abilities and current financial health through internal and external sources
2.7.1	- Internal sources
2.7.2	- External sources
2.8	Consideration of use of security as risk mitigation
2.9	Assessment of customer facility for credit enhancement
2.10	Proposition of credit grading
Chapter 3: Corporate Lending Business Process – Credit Review and Approval Process	
3.1	Importance of a bank lending policy
3.2	Elements of a good lending policy
3.3	Credit granting process
3.4	Electronic Credit Approval System
3.5	Independent credit review to detect warning signals
Chapter 4: Corporate Lending Business Process – Credit Documentation and Drawdown	
4.1	Importance of proper and standard documentation
4.2	Differences among facility letter, simple loan agreement and comprehensive loan agreement
4.3	Terms in a comprehensive loan agreement
Chapter 5: Corporate Lending Business Process – Continuous Post Approval Credit Review	

5.1	Regular credit review system
5.2	Thematic-based portfolio credit review
Chapter 6: Corporate Lending Business Process – Problem Loan Management	
6.1	Early warning system (identification of weak credits)
6.1.1	- Stress testing
6.1.2	- Risk triggers
6.1.3	- Risk covenants
6.1.4	- Early alert review process
6.2	Recovery strategy and executions
6.2.1	- Approaches to recover
6.2.2	- Collection agencies
6.3	Regulator's requirements on provisioning
Chapter 7: Retail Lending Business Process	
7.1	Introduction
7.1.1	- Retail lending business common characteristics
7.1.2	- Credit cycle framework
7.1.3	- Risk associated with retail lending
7.1.4	- Retail lending risk appetite statement
7.2	Initiation, verification and approval process
7.2.1	- Approach to credit approval
7.2.2	- Evaluating credit worthiness
7.2.3	- Establishing a credit approval process
7.2.4	- Borrower credit worthiness
7.3	Credit scorecard
7.3.1	- Credit scoring
7.3.2	- Credit scoring usage
7.3.3	- Credit scorecard by product in credit risk management cycle
7.4	Documentation process
7.5	Post approval review process
7.5.1	- Post-screening process
7.5.2	- Portfolio quality management

7.5.3	- Portfolio quality management report
7.5.4	- Managing retail accounts
7.6	Problem loan management
7.7	Virtual Banks
7.8	Final Reports on Focused Review on Incentive Systems of Front Offices in Retail Banks
Chapter 8: Lending Considerations for Main Kinds of Corporate Lending Products	
8.1	Differences between corporate and commercial banking
8.2	Trade-related corporate and commercial lending products and services
8.3	Non-trade related corporate and commercial lending products and services
Chapter 9: Lending Considerations for Special Products – Property Lending	
9.1	Residential property financing
9.2	Commercial property financing
9.3	Construction financing
Chapter 10: Lending Considerations for Special Products – SME Financing Schemes	
10.1	SME funding situation in Hong Kong
10.2	SME Loan Guarantee Scheme
10.3	SME Financing Guarantee Scheme
10.3.1	- Objective and guarantee coverage
10.3.2	- Special concessionary measures
10.3.3	- Eligibility
10.3.4	- Type and use of loans
10.3.5	- Maximum facility amount, maximum guarantee period and maximum interest rate
10.3.6	- Guarantee fee
10.3.7	- The SME Financing Guarantee Scheme since 2018
10.4	Commercial credit reference agency
Chapter 11: Lending Considerations for Special Products – Taxi, Public Bus, Vehicle, Equipment Financing	
11.1	Description of products
11.1.1	- Loan purpose
11.1.2	- Credit facility / loan tenor / financing percentage
11.1.3	- Interest rate
11.1.4	- Collateral / security

11.2	Major considerations – primary source of repayment
11.2.1	- Income evaluation
11.3	Major considerations – secondary source of repayment
11.3.1	- Collateral – current market price
11.3.2	- Inspection and condition of the collateral
11.4	Additional credit evaluation considerations
11.5	The Dedicated 100% Loan Guarantee Schemes (DLGS) for e-taxi
Chapter 12: Latest Regulatory Updates	
12.1	Cross-boundary credit and financing
12.1.1	Introduction to cross-boundary credit and financing
12.1.2	Features of cross-boundary credit and financing
12.1.3	Structure of cross-boundary credit and financing
12.2	Cross-boundary credit and financing between Hong Kong and the Mainland
12.2.1	Lending to offshore/onshore companies in China
12.2.2	Mutual Financial Market Access Schemes
12.2.3	Developments in financial cooperation between Hong Kong and the Mainland in 2024
12.3	The latest support of SMEs
12.3.1	Supporting the financing needs of SME
12.3.2	Enhancing the bargaining power of SMEs
12.3.3	Strengthening Communication
12.4	Hong Kong approaches to corporate difficulties
12.4.1	Hong Kong banks deal with declining collateral values
12.4.2	“Hong Kong Approach to Corporate Difficulties” guidelines

Recommended Readings

Essential Readings:

1. HKIB Study Guide of ECF-CRM Module 3: Fundamentals of Bank Lending. (2025).

Supplementary Readings

1. HKIB Study Guide of ECF-CRM Module 1: Credit Risk Management and Key Regulations. (2025).
2. HKIB Study Guide of ECF-CRM Module 2: Fundamental Credit Risk Analysis. (2025).

Further Readings

1. Hong Kong Monetary Authority. (2016) Supervisory Policy Manual – Credit Risk Transfer Activities.
(<https://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CR-G-12.pdf>)
2. Hong Kong Monetary Authority. (2016). Supervisory Policy Manual – Code of Conduct.
(<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2022/20221209e1a1.pdf>)
3. Schilit H. (2018) Financial Shenanigans: How to Detect Accounting Gimmicks & Fraud in Financial Reports. (3rd ed). McGraw-Hill