

## Module Outline

<b>Programme Title:</b>	Professional Certificate for ECF on Credit Risk Management (CRM)
<b>Module Title:</b>	Credit Risk Management and Key Regulations (M1)
<b>Credit:</b>	15 (21 contact hours, 127 self-study hours and 2 examination hours)
<b>Teaching/Training Activities:</b>	Training Class
<b>Pre-requisite:</b>	N.A.
<b>Remark:</b>	Exemption will be granted for practitioners passing FRM Part II

### Programme Objective

This programme has been developed with the aim to nurture a sustainable talent pool of credit risk management practitioners in the banking industry. Candidates will acquire technical skills, professional knowledge and conduct for entry-level and junior level of job roles in the credit function that take up a majority of credit risk responsibility in the credit process including credit initiation, evaluation, approval and monitoring of commercial credit business.

### Programme Intended Learning Outcomes (PILOs) for M1, M2 and M3

Upon completion of the Programme, learners should be able to:

PILO 1:	Apply financial and non-financial analysis to assess customer's financial needs and credit worthiness
PILO 2:	Analyse information about customer's financial strength (customer's background, occupation/industry, income/revenue, financial condition/economic situation/legal situation, project evaluation, debt service capacity, credit history, etc.) and review the credit rating of the customer
PILO 3:	Calculate potential credit losses for determining eligibility and credit limits for lending
PILO 4:	Evaluate the analysis results and make appropriate recommendation on the customer's credit worthiness, repayment ability and risk level
PILO 5:	Develop the 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
PILO 6:	Determine the arrangement of credit facility such as access to funds, terms for the operating account etc. in order to minimise risks to the bank
PILO 7:	Examine the credit application in conformity of relevant policies, compliance and regulatory requirements
PILO 8:	Understand the fundamentals of monitoring credit assets portfolio and the recovery and work-out of problem loans

## Module Objective

This module aims to provide candidates with the fundamental knowledge of the credit risk management framework and also the key regulations. It helps candidates assess the credit risk and apply related strategies to monitor the bank's credit portfolio and minimise the risks.

## Module Intended Learning Outcomes (MILOs) & Units of Competencies (UoCs)

Upon completion of the Module 1, learners should be able to:

MILO 1:	Apply risk mitigation strategies for the credit portfolio	BCCMCP401A
MILO 2:	Monitor credit assets portfolio and the recovery and work-out of the problem loans	BCCMCP501A
MILO 3:	Assess various credit risk indicators, portfolio performance indicators and credit risk regulations in order to develop strategies to minimise risks in the bank's credit portfolio	BCCMCP502A
MILO 4:	Examine the credit application in conformity of relevant policies compliance and regulatory requirements	BCCMML502A
MILO 5:	Conduct the stress testing and analyse the results to identify the vulnerability of different segments of loan portfolio	BCCOCD502A

## Assessment Activity

Type of Assessment Activity	PILO/MILO	Weighting (%)
Examination	MILO 1-5	100

## Examination Format and Duration

Time allowed: 2 hours

The examination consists of: 60-70 Multiple Choice Questions

Examination passing rate: 60%

## Syllabus

<b>Chapter 1: Basics of Credit Risk Management</b>	
1	- Overview of credit risk management
2	- Importance of credit risk management to bank management
3	- Cornerstones of credit risk management
<b>Chapter 2: Credit Risk Management Structure – A Systematic Control Framework</b>	
1	- Credit risk appetite
2	- Credit policies
3	- Credit risk strategy and planning
4	- Credit portfolio design and selection
5	- Credit authority system
6	- Credit risk grading system

<b>Chapter 3: Credit Risk Management Process</b>	
1	- Credit risk analysis and initiation
2	- Credit approval
3	- Credit documentation and condition fulfilment
4	- Credit monitoring
5	- Non-performing credit recovery and management
6	- Retail Credit Processes
<b>Chapter 4: Credit Risk Management Culture and People</b>	
1	- Credit culture
2	- Code of conduct
3	- Way to build and maintain credit culture
4	- Attributes of credit skills for credit managers
5	- Way to build credit skills and code of conduct for credit managers
<b>Chapter 5: Credit Risk Portfolio Management and Control</b>	
1	- Credit portfolio management
2	- Credit early warning system
3	- Credit risk stress testing and scenario analysis
4	- Credit MIS and data
5	- Credit system
<b>Chapter 6: Counterparty Credit Risk</b>	
1	- Definition
2	- Exposure of CCR
3	- Market risk element of CCR pre-settlement risk and its contingency nature
4	- CCR limits and exposure booking
5	- Risk management for CCR exposure
6	- General risk mitigation skills for CCR exposure
<b>Chapter 7: Basel Regulatory Requirements on Credit Risk Management</b>	
1	- Overall framework of Basel capital accords
2	- Three approaches for credit risk RWA
3	- Probability of default (PD)
4	- Loss given default (LGD)
5	- Exposure at Default (EAD)
6	- Credit RWA, regulatory capital and economic capital
7	- Model validation
<b>Chapter 8: HKMA Regulatory Requirements on Credit Risk Management</b>	
1	- Overall regulatory requirements on credit risk management
2	- Large exposure on Credit Risk Management
3	- Connected lending
<b>Chapter 9: Provisioning Requirements</b>	
1	- Regulatory requirements on provisioning

2	- The provisioning requirements under the framework of IFRS
3	- Three approaches under IFRS 9
4	- Some major implementation issues

## Recommended Readings

### Essential Readings:

1. HKIB Study Guide – Credit Risk Management and Key Regulations

### Supplementary Readings

1. Basel III Framework : The Butterfly Effect, Deloitte, 2015
2. Ben, H. & Colin H. (2018). Ashurst Banking Regulation. Hong Kong. Global Legal Insights Group.
3. Hong Kong Monetary Authority. (1999). Guidelines on Loan Classification and Provisioning. (8<sup>th</sup> ed).
4. Hong Kong Monetary Authority. Guidelines on Loan Classification System.
5. The Hong Kong Institute of Banker. (2012). Credit risk Management. John Wiley & Sons Singapore Pte Ltd.
6. The Hong Kong Institute of Bankers. (2012). Bank Lending. John Wiley & Sons Singapore Pte Ltd.

### Further Readings

1. Basel Committee on Banking Supervision. (2014). The Standardised Approach for Measuring Counterparty credit Risk Exposures.
2. Ernest & Young. (2014). Impairment of financial instruments under IFRS 9.
3. Hong Kong Government. The Personal Data (Privacy) Ordinance (PDPO) in Hong Kong.