

Module Outline

Programme Title: Professional Certificate for ECF on Credit Risk Management (CRM)

Module Title: Fundamentals of Bank Lending (M3)

Credit: 30 (15 contact hours, 282 self-study hours and 3 examination hours)

Teaching/Training Training Class

Activities:

Pre-requisite: M1 and M2 of the programme, or equivalent

Remark:

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
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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 Learning Outcomes (MILOs) & Units of Competencies (UoCs)

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

MILO 1:	Identify the financing needs of clients	BCCMCA501A
MILO 2:	Conduct risk assessment and evaluate the performance of credit acquisition on commercial lending and make appropriate recommendation for approval	BCCMCA502A BCCMCA503A 107305L5
MILO 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	BCCMCO504A BCCMCP504A BCSDL501A
MILO 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	BCSRBP503A
MILO 5:	Develop collaterals' valuation process for ongoing monitoring	
MILO 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	

Assessment Activity

Type of Assessment Activity	PILO/MILO	Weighting (%)
Examination	MILO 1-6	100

Examination Format and Duration

Time allowed: 3 hours

The examination consists of: 40-50 Multiple Choice Questions and 2-3 Essay Type Questions

Examination passing rate: 60%

Syllabus

Chapter 1: Code of Ethics in Bank Lending Businesses	
1	- Overview of code of conduct
2	- Main attributes of generic code of ethics and conduct required for professional bankers
Chapter 2: Corporate Lending Business Process – Credit Initiation	
1	- Understanding of customer’s profiles and needs
2	- Assessment of customer’s management and owner’s integrity and capabilities
3	- Assessment of customer’s business model
4	- Assessment of customer’s financial strength
5	- Assessment of customer’s industrial trend
6	- Assessment of customer’s repayment ability and risk articulation
7	- Verification of repayment abilities and current financial health through internal and external sources
8	- Considerations of use of security as risk mitigation
9	- Assessment of customer facility for credit enhancement
10	- Proposition of credit grading
Chapter 3: Corporate Lending Business Process – Credit Review and Approval Process	
1	- Importance of a bank lending policy
2	- Elements of a good lending policy
3	- Credit granting process
4	- Independent credit review to detect warning signals
Chapter 4: Corporate Lending Business Process – Credit Documentation and Drawdown	
1	- Importance of Proper and Standard Documentation
2	- Differences among Facility Letter, Simple Loan Agreement and Comprehensive Loan Agreement
3	- Terms in a Comprehensive Loan Agreement
Chapter 5: Corporate Lending Business Process – Continuous Post Approval Credit Review	
1	- Regular credit review system
2	- Thematic-based portfolio credit review
Chapter 6: Corporate Lending Business Process – Problem Loan Management	
1	- Early warning system (Identification of Weak Credits)
2	- Recovery strategy and executions
3	- Regulator’s requirements on the provisioning
Chapter 7: Retail Lending Business Process	

1	- Introduction
2	- Initiation, verification and approval process
3	- Credit Scorecard
4	- Documentation process
5	- Post approval review process
6	- Problem loan management
Chapter 8: Lending Considerations for Main Kinds of Corporate Lending Products	
1	- Differences between corporate and commercial banking
2	- Trade-related corporate and commercial lending products and services
3	- Non-trade related corporate and commercial lending products and services
Chapter 9: Lending Considerations for Special Products – Property Lending	
1	- Residential Property financing
2	- Commercial Property Financing
3	- Construction Financing
Chapter 10: Lending Considerations for Special Products – SME Financing Schemes	
1	- SME funding situation in Hong Kong
2	- SME Loan Guarantee Scheme
3	- SME Financing Guarantee Scheme
4	- Commercial Credit Reference Agency
Chapter 11: Lending Considerations for Special Products – Taxi, Public Bus, Vehicle, Equipment Financing	
1	- Description of products
2	- Major considerations – Primary Source of Repayment
3	- Major considerations – Secondary Source of Repayment
4	- Additional Credit Evaluation Considerations

Recommended Readings

Essential Readings:

1. HKIB Study Guide – Fundamentals of Bank Lending

Supplementary Readings

1. Golin, J. & Delhaise P. (2013). The Banks Credit Analysis Handbook: A Guideline for Analyst, Bankers and Investors. Chichester, United Kingdom: John Wiley & Sons Ltd.
2. HKIB Study Guide. (2019). Credit Risk Management and Key Regulations.
3. HKIB Study Guide. (2019). Fundamental Credit Risk Analysis.
4. James, W. (2007). Credit Analysis and Commercial Lending, Foreign Languages Press

Further Readings

1. Ciby J. (2013). *Advance Credit Risk Analysis and Management*. New York: John Wiley & Sons Ltd.
2. HKMA. (2011) "General principles of credit risk management", Supervisory Policy Manual, version 1-19.01.01
3. HKMA. (2016) 'Credit Risk Transfer Activities', Supervisory Policy Manual, version 1-30.06.06
4. HKMA. (2016) "HKMA Administrative Circular No 1/2016 Code of Conduct".
5. Rose, P S & Hudgins, S C. (2013) *Bank Management and Financial Services*. (9th ed). New York: Irwin/McGraw-Hill.
6. Schilit H. (2002) *Financial Shenanigans*, 2nd ed, New York: McGraw-Hill