

## Programme/Module Outline (Revised)

**Programme Title:** Postgraduate Certificate in Credit Portfolio Management for ECF on Credit Risk Management (CRM)

**Module Title:** Advanced Credit Risk Management and Regulatory Requirements (M5)

**QF Level:** 6

**QF Credit:** 30 (21 contact hours, 276 self-study hours and 3 examination hours)

**Teaching/Training** Training Class

**Activities:**

**Pre-requisite:** Professional Certificate for ECF on Credit Risk Management (CRM)

**Remark:**

### Programme/Module Objective

This programme/module 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 essential middle or senior level of job roles in the credit function that take up a majority of credit risk responsibility in the credit process, including credit evaluation, approval and review; credit risk management and control.

### Programme/Module Intended Learning Outcomes (PILOs/MILOs) & Unit of Competencies

#### (UoCs)

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

PILO/MILO 1:	Evaluate different risk mitigation alternatives and take appropriate measures to protect the interests of all the stakeholders	BCCMCR601A BCCMCS601A
PILO/MILO 2:	Evaluate different approaches in credit strategy and their performance in order to align with the bank's overall strategies and policies	BCCMCP502A BCCMCP501A 107362L6
PILO/MILO 3:	Apply appropriate credit asset classification and risk rating approaches to ensure compliance with statutory requirements	107371L6
PILO/MILO 4:	Analyse the risk factors of all lending products and evaluate the bank's capital allocation strategy under different regulatory requirements	
PILO/MILO 5:	Develop guidelines for stakeholders to follow and to communicate the current global capital requirements on credit risk management	
PILO/MILO 6:	Analyse the results of portfolio performance and stress testing for proposing the strategies to allocate credit assets of the bank	

## Assessment Activity

Type of Assessment Activity	PILO/MILO	Weighting (%)
Case Study (Individual written report)	PILO/MILO 1-6	40
Case Study (On-site Examination)	PILO/MILO 1-6	60

### Examination Format and Duration

Part 1: Individual Written Report (40%)

- Time allowed: 6 weeks
- Passing rate: 50%
- Format: Take home assignment

Part 2: On-site Examination (60%)

- Time allowed: 3 hours
- Passing rate: 50%
- Format: Open book examination

Candidates must submit an Individual Written Report, attend the On-Site Examination and pass both assessments.

### Syllabus

<b>Chapter 1: Code of Conduct</b>	
1	- Regulatory requirements on code of conduct
2	- Best practice of code of conduct
<b>Chapter 2: Implication of Basel III Regulatory Requirements on Credit Risk Management</b>	
1	- Implication of regulatory requirements on credit related RWA and capital requirements
2	- Strategic decision on selection of standardised approach and IRB approach for RWA calculation
3	- Optimisation of return to bank by best efficient use of capital
4	- Continuous monitoring of risk-return performance and capital requirements
5	- Continuous monitoring of model risk parameters, model accuracy and refinement
<b>Chapter 3: Implication of PRC Regulatory Requirements on Credit Risk Management</b>	
1	- Overview of impact of the PRC economy and regulatory requirements
2	- Strategic considerations to manage the impact of the PRC regulatory requirements
<b>Chapter 4: Implications of IFRS 9 on Credit Risk Management</b>	
1	- Overview of impact of IFRS 9 requirements
2	- Strategic considerations to manage the impact of IFRS 9 requirements on credit risk management process
3	- Strategic considerations to manage the impact of IFRS 9 requirements on credit risk management system

<b>Chapter 5: Corporate Governance Structure on Credit Risk Management</b>	
1	- Board supervision
2	- Senior management oversight
3	- Committee structure
4	- Credit risk organisation - Three lines defence
<b>Chapter 6: Credit Risk Management - Overall Control Framework from Senior Management Perspective by Integrated Use of New and Traditional Risk Parameters</b>	
1	- Credit risk appetite
2	- Credit risk culture
3	- Credit risk policy
4	- Credit risk strategy and planning
5	- Credit portfolio design and selection
6	- Optimisation of credit capital use
7	- Credit authority system
8	- Credit risk grading system
9	- Credit limit system and limit setting methodologies
<b>Chapter 7: Credit Portfolio Management</b>	
1	- Portfolio performance measurement
2	- Portfolio review and monitoring
3	- Stress testing and scenario analysis
4	- Portfolio adjustment and strategy
<b>Chapter 8: Country Credit Risk</b>	
1	- Definition
2	- Supervisory approach
3	- Country risk management
4	- Country risk provisioning

## Recommended Readings

### Essential Readings:

1. HKIB Training Materials – Advanced Credit Risk Management and Regulatory Requirements

### Supplementary Readings:

1. Joseph, C. (2013). Advanced Credit Risk Analysis and Management. (1st ed.). Wiley.
2. Cossin, D. (2007). Advanced Credit Risk Analysis: Financial Approaches and Mathematical Models to Assess, Price, and Manage Credit Risk. Wiley.
3. HKIB e-learning: Credit Risk Mitigation – Netting

### Further Readings:

1. Deventer, D. R. V. (2004). Advanced Financial Risk Management: Tools and Techniques for Integrated Credit Risk and Interest Rate Risk Managements. (1st ed.). Wiley.
2. Pykhtin, M. (2005). Counterparty Credit Risk Modelling: Risk Management Pricing and Regulation. Risk Books.

### Appendix: UoC mapping (Total 28 Credits)

PILO/MILO	UoC	Level	Credit	UoC Title	Integral Outcome Requirement
<p>1. Evaluate different risk mitigation alternatives and take appropriate measures to protect the interests of all the stakeholders</p> <p>2. Evaluate different approaches in credit strategy and their performance in order to align with the bank's overall strategies and policies</p> <p>3. Apply appropriate credit asset classification and risk rating approaches to ensure compliance with statutory requirements</p>	BCCMCR601A	6	5	Formulate the overall credit risk management policy in corporate and commercial banking	<p>-Provision of a written statement of the bank's credit risk strategy and policy based on research on future economic development and strategies of the bank in order to strike a balance between profitability and risks control. Moreover, the strategy should be able to comply with regulatory requirements.</p> <p>-Provision of recommendations on revising credit strategy of the bank based on analysis of market environment, strategic direction of the bank and changes in regulation, etc.</p>
<p>4. Analyze the risk factors of all lending products and evaluate the bank's capital allocation strategy under different regulatory requirements</p> <p>5. Develop guidelines for stakeholders to follow and to communicate the current global capital requirements on credit risk management</p>	BCCMCS601A	6	5	Analyze the performance of credit system	<p>-Evaluation on the credit system of the bank in order to provide recommendation on improving the credit processes. These should be based on analyses on data related to the credit system and the strategy of the bank.</p> <p>-Reporting the findings on credit system evaluation to management and relevant parties by evaluating their information needs and design the report format / template accordingly.</p>
<p>6. Analyze the results of portfolio performance and stress testing for proposing the strategies to allocate credit assets of the bank</p>	BCCMCP502A	5	4	Conduct stress testing and analyze the results	<p>-Development of stress test which specify the methodology, analysis framework and execution plan. These should be based on analysis on issues faced by the bank, strategies of the bank and existing performance of the portfolio.</p> <p>-Recommendation on contingency plan/ risk management measures for the portfolio based on the analysis on the findings of different stress tests.</p>

	BCCMCP501A	5	4	Develop risk mitigation strategies for the credit portfolio	<p>-Development of risk mitigation strategies to maintain an optimal risk level for the bank's credit portfolio. These should be supported by analysis on the economic and regulatory development, as well as the risks exposure of the current portfolio.</p> <p>-Managing the implementation of the various mitigation strategies to ensure the intended results can be realized and provide suggestions on enhancement if necessary.</p>
	107362L6	6	5	Formulate the overall credit strategy for retail banking	-Formulation of overall credit strategy in retail banking for the whole bank. The strategy should be based on research on future economic development and strategies of the bank in order to strike a balance between profitability and risks control. Moreover, the strategy should be able to comply to regulatory requirements.
	107371L6	6	5	Manage the quality of the bank's credit assets, conduct regular analysis on credit assets portfolio and identify risk, if any	-Allocation of credit assets of the bank so that it is able to balance between risks and profitability. The decision should be supported by drawing conclusion from incomplete information