Guide to

Enhanced Competency Framework

on Credit Risk Management

Hong Kong Monetary Authority

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1 Introduction

1.1 Credit is one of the core business functions of most authorized institutions (AIs) and credit risk can arise throughout various dealings or lending activities with other counterparties. Therefore, an effective and comprehensive credit risk management system is important to the safety and soundness of AIs. In recent years, the importance of credit risk management has also been heightened by increasing cross-border business transactions, emerging market environment and customer expectations, and evolving international standards such as Basel III and IFRS[1] 9. While AIs have made various enhancements to their risk governance, risk management framework, internal controls, policies and procedures, it is also vital to ensure practitioners' competencies in performing their roles around credit initiation and appraisal, credit evaluation, approval and review, credit risk management and control.

1.2 To promote sound credit risk management practices and develop a talent pool for meeting the industry needs, there is a clear demand for building capacity in the banking industry. A structured development of required professional knowledge, job skills and ethical conduct around credit risk management is essential to achieve this objective.

1.3 Against this background, the HKMA, in collaboration with the Hong Kong Institute of Bankers (HKIB), has launched a module on credit risk management under the Enhanced Competency Framework (ECF) for banking practitioners. It aims to facilitate the practitioners to develop relevant skills and professional competencies more effectively and apply learning in their work as credit risk management professionals. In addition, it can allow practitioners to gain recognition of their professional experience and knowledge and get a stronger foothold in the banking sector. AIs will also be able to benefit from the improvement of skill match and availability of a more effective credit risk management workforce.

[1] International Financial Reporting Standards

2 Objectives

2.1 The Enhanced Competency Framework on Credit Risk Management (hereinafter referred to as "ECF-CRM") is a non-statutory framework which sets out the common core competences required of credit risk management practitioners in the Hong Kong banking industry. The objectives of the ECF-CRM are twofold:

(a) to develop a sustainable talent pool of credit risk management practitioners for the banking industry; and

(b) to raise and maintain the professional competence of credit risk management practitioners in the banking industry.

2.2 Although the ECF-CRM is not a mandatory licensing regime, AIs are encouraged to adopt it for purposes including but not limited to:

(a) using the ECF-CRM as a benchmark to determine the level of competence required and assess the ongoing competence of individual employees;

(b) supporting relevant employees to attend training programmes and examinations that meet the ECF-CRM benchmark;

(c) supporting the continuing professional development of individual employees; and

(d) promoting the ECF-CRM as an industry-recognised qualification including for recruitment purposes.

2.3 The design of the ECF-CRM comprises the following two elements:

- Competency standards

  These standards are derived from the job skills and competencies required for performing credit initiation, evaluation, approval and review, credit risk management and control in the credit function.

- Qualifications standards

  These standards are derived from market practices in qualifying credit risk management practitioners, including certifications recognised by AIs in Hong Kong, grandfathering and continuing professional development for the required qualifications.

3 Scope of application

3.1 The ECF-CRM is intended to develop credit risk management practitioners with an all-rounded competency framework. It covers technical skills, professional knowledge and conduct for essential job roles in the credit function that take up a majority of credit risk responsibility in the credit process. The ECF-CRM applies to staff performing credit initiation, evaluation, approval and monitoring of commercial credit business. Consumer lending (e.g. credit card and personal lending[2]) and some specialised functions, such as credit risk modelling, are not included.

3.2 In general, the ECF-CRM applies to **'Relevant Practitioners' (RPs)**, i.e. persons engaged by AIs undertaking commercial credit business for corporations ranging from large corporates to small and medium-sized enterprises 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 within the credit function:

	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 *(for reference only)*	Credit officer, associate/assistant credit initiation manager, relationship officer*	Credit acquisition officer, credit underwriter, credit analyst	Credit risk officer
Role Description *(Please refer to the key tasks specified in Annex 1 for the detailed definition of each role)*	• Assist in performing credit initiation of commercial lending within established policies • Assist in assessing borrowers' credit and financial information for preparing credit proposals • Assist in assessing borrowers' credit ratings • Assist in monitoring borrowers' accounts	• Assist in assessing borrowers' repayment ability after evaluation of various risks and suitability of credit package based on the credit proposals submitted by front office • Assist in conducting independent review of borrower's credit rating / loan classification • Assist in assessing quality of collateral and other types of risk mitigations and comforts • Assist in evaluating and approving loan application	• Assist in formulating and reviewing credit policies • Assist in monitoring credit accounts, credit risk, and preparing analytical reports to management • Assist in performing assessment and gap analysis according to regulatory and management requirements regarding calculations of risk indicators and portfolio performance indicators • Assist in performing analyses on credit limits and monitoring credit portfolios • Assist in handling the recovery and work-out of problem loans/deteriorating credit

[2] Personal lending includes consumer loans and mortgage loans to customers of consumer, wealth management or private banking business.

	Role 1 – Credit Initiation and Appraisal	**Role 2 – Credit Evaluation, Approval and Review**	**Role 3 – Credit Risk Management and Control**
	Professional Level (For staff taking up middle or senior positions in the credit function)		
Examples of functional title *(for reference only)*	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
Role Description *(Please refer to the key tasks specified in Annex 1 for the detailed definition of each role)*	• Solicit credit business following established policies and prepare credit proposal • Assess credit and financial strength of borrowers to determine creditworthiness and acceptable credit exposure levels for recommending credit approval and internal credit ratings • Conduct regular monitoring of borrowers' accounts	• Conduct independent assessment of credit and financial strength of borrowers to determine creditworthiness and acceptable credit exposure levels • Work with relationship managers in acquiring necessary information and completing credit assessment • Review quality of collateral and verify its values and other types of risk mitigations and comforts • Evaluate and approve loan application • Conduct independent review of borrowers' credit ratings/loan classification	• Formulate and review credit policies, procedures and methodologies to control credit risk • Monitor credit risk by using models or other tools • Seek to improve credit risk management and monitor performance indicators • Perform stress testing and portfolio analyses on credit portfolios • Handle the recovery and work-out of problem loans • Conduct post-approval credit monitoring (case specific) and ensure that loan portfolios and problem loans are appropriately mapped to the relevant loan classification

**Remarks: 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.*

3.3 The definition of RPs recognises differences among AIs in how credit risk management practitioners are assigned within their organisational structure (e.g. as a unit within the AI's credit risk management function). Functional roles rather than the functional titles of staff members should be essential in considering whether the definition of RPs is met. To facilitate the determination of whether a staff member falls under the scope of RPs, the key tasks of different job roles are specified in **Annex 1** as a reference.

3.4 The ECF-CRM does not capture staff performing the following functions:

a) Staff performing the credit initiation function for consumer, wealth management or private banking business (e.g. credit card and personal lending) and staff responsible for the related middle-office functions.

b) Staff in the treasury function who may deal with the credit risk monitoring of treasury related products (e.g. credit derivatives and asset-backed financing to financial institutions), including development / roll-out of methodologies for derivatives exposure calculations. To avoid possible overlapping with the ECF on Treasury Management, credit function related to treasury market activities will not be covered in the ECF-CRM.

c) Staff carrying out back office functions such as credit administration, checking of credit approval and documentation, lien perfection, loan disbursement, collateral valuation, maintenance of credit files and compilation of management information reports.

d) Staff in the credit function performing solely clerical and administrative duties or other incidental functions.

e) Staff performing minimal roles in the credit function.

f) Staff performing review, monitoring and provision of feedback for the enhancement of internal credit rating systems as part of their credit risk modelling function.

g) Staff performing legal, compliance, general risk management[3], or internal audit function for the entire organisation.

h) Senior management or credit committee members other than the manager or person-in-charge of credit department.

3.5 For the avoidance of doubt, a staff member is not required to work full time in credit risk management or perform all of the roles specified in Annex 1 in order to be classified as a RP. A principles-based approach can be adopted by AIs in determining whether a staff member with multiple job roles falls within the definition of 'Relevant Practitioners' for the ECF-CRM by assessing the significance of the credit risk management role performed by the staff member. AIs should be able to justify decisions made in this regard.

4 Competency standards

4.1 Competency standards are set at two levels:

[3] Risk management function for the entire organisation and is not related to credit risk management.

- Core level
  This level is applicable to entry-level and junior level staff in the credit function.

- Professional level
  This level is applicable to staff taking up middle or senior positions in the credit function.

4.2 The competency framework for the ECF-CRM with details on the key tasks, qualifications required and continuing professional development requirement for each job role of a RP is included in **Annex 2**.

5 Qualification standards and certification

5.1 Qualifications are set in accordance with the following two competency standards:

(a) Core Level
This level of qualification can be met by completing Module 1 to Module 3 of the training programme and having at least 1 year's relevant experience[4] in any of the functions as specified in Annex 1. RPs who have passed Financial Risk Manager (FRM) Part II are eligible for exemption on Module 1. 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 who are holders of other equivalent academic / professional qualification in accounting and financial statements analysis are eligible for exemption on Module 2.

(b) Professional Level
This level of qualification can be met by completing Module 4 or Module 5 of the training programme on top of the Core Level qualification and having at least 5 years' relevant experience[5] in any of the functions as specified in Annex 1.

[4] Generally, the ECF-CRM Administrator will consider whether the nature of work experience is substantially the same as those described in the credit risk management roles 1, 2 and 3 in Annex 1. Relevant work experience may be obtained from the banking industry and/or other related financial sectors.
[5] Please see footnote 4.

Details of the qualification requirements and the learning topics are set out in **Annex 3**.

5.2 Upon attaining the above qualifications and fulfilling the minimum relevant work experience requirement, RPs may apply to the ECF-CRM administrator, the HKIB, for certification as Associate Credit Risk Management Professional (ACRP), Certified Credit Risk Management Professional (Commercial Lending) (CCRP(CL)) or Certified Credit Risk Management Professional (Credit Portfolio Management) (CCRP(CPM)). The specific conditions for ECF-CRM certification are as follows:

(a) ACRP

Successful completion of the Core Level certification plus one-year relevant experience in any of the functions as specified in Annex 1; or grandfathered pursuant to paragraph 7.1(a). The one-year relevant work experience[6] required for ACRP certification should be accumulated within the three years immediately prior to the date of application for certification, but does not need to be continuous.

(b) CCRP(CL)

On top of the Core Level certification, successful completion of Module 4 of the Professional Level certification plus five-year relevant experience in any of the functions as specified in Annex 1; or grandfathered pursuant to paragraph 7.1(b). The five-year relevant work experience[7] required for CCRP(CL) certification should be accumulated within the ten 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 Module 5 of the Professional Level certification plus five-year relevant experience in any of the functions as specified in Annex 1; or grandfathered pursuant to paragraph 7.1(b). The five-year relevant work experience[8] required for CCRP(CPM) certification should be accumulated within the ten years immediately prior to the date of application for certification, but does not need to be continuous.

5.3 The ECF-CRM certification is subject to annual renewal by the HKIB together with the renewal of the certificate holder's membership of the HKIB. A RP is required to:

[6] Please see footnote 4.
[7] Please see footnote 4.
[8] Please see footnote 4.

(a) Complete the annual continuing professional development requirement; and

(b) Pay an annual certification fee to renew his/her ECF-CRM certificate.

5.4 The ECF-CRM is referenced to the Qualifications Framework ("QF"), with the Core Level and the Professional level training programmes mapped at QF Level 5 (i.e. equivalent to bachelor's degree level) and QF Level 6 (i.e. equivalent to master's degree level) respectively.

6 Training programmes and examinations

6.1 RPs can meet the ECF-CRM benchmark by:

(a) undertaking training programmes offered by the HKIB or accredited training programmes; and

(b) passing examinations.

6.2 The HKIB is the training programme and examination provider for the ECF-CRM qualifications.

7 Grandfathering

7.1 A RP may be grandfathered on a one-off basis based on his or her years of qualifying work experience and/or professional qualification. Such work experience need not be continuous. The detailed grandfathering requirements are as follows:

a) Core Level:
- Possessing at least 3 years of relevant work experience in any of the functions in credit initiation, evaluation, approval and review and/or credit risk management and control as specified in Annex 1; and
- Employed by an AI at the time of application.

b) Professional Level via Path (i) or Path (ii):

Path (i):
- Possessing at least 8 years of relevant work experience in any of the functions in credit initiation, evaluation, approval and review and/or credit risk

management and control, of which at least 5 years are gained from Professional Level job roles, as specified in Annex 1; and
- Employed by an AI at the time of application.

OR

Path (ii):
- Completion of HKIB's Postgraduate Diploma for Certified Banker (Credit Management Stream); and
- Possessing at least 3 years of relevant work experience in any of the functions in credit initiation, evaluation, approval and review and/or credit risk management and control as specified in Annex 1; and
- Employed by an AI at the time of application.

Relevant work experience may be obtained from the banking industry and/or other related financial sectors.

7.2 The majority of work experience gained from different job roles will affect the certification title (i.e. CCRP(CL) or CCRP(CPM)) upon grandfathering for Professional Level. RPs with a majority of work experience gained from Role 1 – Credit Initiation and Appraisal will be granted the CCRP(CL) certification, while RPs with a majority of experience gained from Role 2 – Credit Evaluation, Approval and Review and/or Role 3 – Credit Risk Management and Control will be granted the CCRP(CPM) certification.

7.3 RPs who have sufficient work experience in commercial lending (Role 1) and credit portfolio management (Role 2 and/or Role 3) can be granted both the CCRP(CL) and CCRP(CPM) certifications.

7.4 Existing RPs meeting the above criteria can submit their grandfathering applications to the HKIB, the administrator of the ECF-CRM, from 1 October 2019 to 30 September 2020. A one-off grandfathering fee will apply.

7.5 For other individuals performing the job roles outlined in paragraph 3.2 but not working in an AI or those staff of an AI as specified in paragraph 3.4(a) to (h) during the grandfathering period, they may submit their applications to the HKIB for grandfathering within three months from the date of joining the credit function of an AI and becoming a RP. However, they should have met all the applicable grandfathering criteria on or before 30 September 2020 as prescribed above.

7.6 Applications for grandfathering are handled and assessed by the HKIB. The HKIB may request the applicant to provide employment records or additional information to substantiate the application for grandfathering. Late application will not be accepted.

8 Continuing professional development ("CPD")

8.1 For both the Core Level and Professional Level qualifications, a minimum of 15 CPD hours is required for each calendar year (ending 31 December). Any excess CPD hours accumulated within a particular year cannot be carried forward to the following year.

8.2 Activities that qualify for CPD include:

(a) Attending seminars or courses provided by AIs, financial services regulators, professional bodies, academic and training institutions, external credit rating agencies and the HKIB;

(b) Sitting professional examinations;

(c) Attending e-learning (with assessment); and

(d) Delivering training and speeches.

8.3 Out of the 15 CPD hours, at least 5 CPD hours must be earned from activities related to topics of compliance, code of conduct, professional ethics or risk management.

8.4 CPD training topics should be related to banking and finance or the job function:

(a) compliance, code of conduct, professional ethics or risk management (e.g. topics related to jurisdiction, structure, collateral and regulatory changes)

(b) banking and financial knowledge

(c) economics

(d) accounting

(e) legal principles

(f) business and people management

(g) language and information technology

(h) subject areas covered in the HKIB's professional examinations

8.5 The annual CPD requirements are also applicable to RPs meeting the ECF-CRM benchmark through the grandfathering route.

8.6 The CPD requirements will be waived for the first calendar year (ending 31 December) of certification and grandfathering.

8.7 The lists of CPD activities and training topics are subject to the HKIB's review from time to time. For details, please refer to the HKIB's website (https://www.hkib.org/).

9 Maintenance of relevant records

9.1 AIs should keep proper training, examination, certification and CPD records of RPs for monitoring implementation of plan for developing staff competencies or for other talent management purposes. AIs are expected to support their staff to apply for grandfathering and certification. Regarding information related to a RP's previous employment(s), the current employer is encouraged to provide the necessary assistance to the RP in the latter's application for grandfathering or ECF certification (e.g. confirming whether such information is consistent with the curriculum vitae provided by the RP at the time of job application).

10 Administration of the ECF-CRM

10.1 The HKIB is the administrator of the ECF-CRM and will be tasked with certifying the qualification required under the ECF-CRM, ensuring that applicants are satisfactorily certified under the specified qualification requirements. The HKIB will also be administering the CPD requirements as set out under the ECF-CRM. For details, please refer to the HKIB's website (https://www.hkib.org/).

11 Accreditation

11.1 The ECF accreditation mechanism is established for interested AIs or education and training operators to have their learning programmes accredited as meeting the ECF standards (including but not limited to the QF Standards) of this ECF module.

11.2 The general criteria for ECF accreditation are as follows:

(a) The learning programme meeting the required standards of individual ECF

modules including programme objectives and learning outcomes, programme content and structure, and trainer qualifications and learning mode;

(b) Accreditation of the learning programme at corresponding QF Levels; and

(c) Endorsement by the ECF Steering Committee.

11.3 In order to satisfy criteria 11.2 (a) and (b) outlined above,

(a) For self-accrediting institutions (e.g. institutions funded by the University Grants Committee, including their continuing education arms) / institutions with Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) Programme Area Accreditation (PAA) status in related programme areas, they are required to: (i) complete internal quality assurance processes for meeting the relevant ECF standards and the corresponding QF Level and (ii) be assessed by HKCAAVQ as fulfilling the ECF training objectives; and

(b) For other institutions, they are required to complete the accreditation by HKCAAVQ to confirm that their learning programmes can meet the ECF training objectives and the corresponding QF Level.

11.4 HKCAAVQ will accept applications for ECF accreditation starting 1 April 2019.

11.5 Based on the relevant accreditation or assessment report submitted by the applicant, the ECF Steering Committee will confirm whether the training programme is or is not successful to qualify as an ECF accredited programme. The route for ECF accreditation mechanism is illustrated at **Annex 4**.

Annex 1 - ECF-CRM: Key roles and tasks for Relevant 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 titles *(for reference only)*	Credit officer, associate /assistant credit initiation manager, relationship officer	Credit acquisition officer, credit underwriter, credit analyst	Credit risk officer
Key tasks	<u>Support capturing of credit business from commercial / corporate clients</u> 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. 6. Assist in monitoring borrowers' accounts 7. Assist in assessing whether the terms and conditions of the credit facilities can meet the financing need of borrowers 8. Assist in assessing whether the covenants, conditions and triggers are sufficient and effective for ongoing monitoring 9. Assist in assessing factors related to risk-adjusted returns / costing assessment	<u>Credit risk management of commercial lending, corporate lending, trade finance and acceptances, commitments and guarantees, property mortgages, vehicle financing, etc.</u> 1. Assist in assessing and analysing collected information about prospective corporate clients, for example: • 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. • 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 selling the collateral, taking into account the type of collateral, economic situation, seniority of claim, etc. • 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. 3. Assist in assessing application of funds 4. Assist in assessing credit limit for approval 5. Assist in assessing factors related to risk-adjusted returns / costing assessment 6. Assist in setting credit covenants 7. Assist in following up with loan officers / account managers	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 performance indicators such as risk weighted assets, risk adjusted returns, regulatory and/ or economic capital requirements 6. Assist in general review of and providing feedback for enhancement of internal credit rating systems 7. Assist in handling the recovery and work-out of problem loans / deteriorating credit 8. Assist in performing stress testing analysis, scenario analysis, and other types of portfolio analysis 9. Assist in preparing analytical reports to management

	Role 1 – Credit Initiation and Appraisal	**Role 2 – Credit Evaluation, Approval and Review**	**Role 3 – Credit Risk Management and Control**
	Professional Level For staff taking up middle or senior positions in the credit function		
Examples of functional titles *(for reference only)*	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	<u>Capturing of credit business from commercial/corporate clients</u> 1. Solicit credit business following established policies and prepare credit proposal 2. Evaluate the borrowers' information relating to industry environment, revenue, financial condition, economic situation, legal situation, project evaluation, debt service capacity, etc. 3. Assess credit and financial strength of borrowers to determine creditworthiness and acceptable credit exposure levels for recommending credit approval and internal credit ratings 4. Assess borrowers' credit ratings and make appropriate recommendation 5. Assess other credit risk related information or documents such as the source of cash flows, repayment cash flow pattern, level of exposure, etc. 6. Conduct regular monitoring of borrowers' accounts 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	<u>Credit risk management of commercial lending, corporate lending, trade finance and acceptances, commitments and guarantees, property mortgages, vehicle financing, etc.</u> 1. Review and analyse collected information about prospective corporate clients, for example: - Industry environment, revenue, economic situation, financial condition, legal situation, project evaluation, debt service capacity, etc. 2. 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 the origin of the borrower, nature of borrower's business, etc. - 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. 3. Review application of funds 4. Review credit limit for approval	1. Formulate and review credit policies and procedures in accordance with market conditions, regulatory requirements and risk appetite of the AI 2. 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 3. 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 4. Review and monitor portfolio performance indicators such as risk weighted assets, risk adjusted returns, regulatory and/ or economic capital requirements 5. Monitor and review credit limits and capital allocation approved by the Board 6. Participate in credit product development and recommend credit risk control and mitigation measures 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

		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	appropriately mapped to the relevant loan classification

Annex 2 - ECF-CRM: Competency framework

	Role 1 – Credit Initiation and Appraisal	**Role 2 – Credit Evaluation, Approval and Review**	**Role 3 – Credit Risk Management and Control**
	Core Level		
Role description (Please refer to the key tasks specified in Annex 1 for the details of each role)	• Assist in performing credit initiation of commercial lending within established policies • Assist in assessing borrowers' credit and financial information for preparing credit proposals • Assist in assessing borrowers' credit ratings • Assist in monitoring borrowers' accounts	• Assist in assessing borrowers' repayment ability after evaluation of various risks and suitability of credit package based on the credit proposals submitted by front office • Assist in conducting independent review of credit rating / loan classification • Assist in assessing quality of collateral and other types of risk mitigations and comforts • Assist in evaluating and approving loan application	• Assist in formulating and reviewing credit policies • Assist in monitoring credit accounts, credit risk, and preparing analytical reports to management • Assist in performing assessment and gap analysis according to regulatory and management requirements regarding calculations of risk indicators and portfolio performance indicators • Assist in performing analyses on credit limits and monitoring credit portfolios • Assist in handling the recovery and work-out of problem loans/deteriorating credit
Qualification and experience for obtaining the Core Level certification	• Passing Module 1 to Module 3 of the ECF on CRM training programme: **Module 1 – Credit Risk Management and Key Regulations** **Module 2 – Fundamental Credit Risk Analysis** **Module 3 – Fundamentals of Bank Lending** • Having at least 1 year's relevant experience in any of the functions as specified in Annex 1		
Certification title	• Associate Credit Risk Management Professional (ACRP)		
Exemption	• Exemption on Module 1 will be granted for practitioners passing FRM Part II • Exemption on Module 2 will be granted for practitioners passing CFA Level I, Module A – Financial Reporting and Module B – Corporate Financing of the Qualification Programme of HKICPA, or holding other equivalent academic / professional qualification in accounting and financial statements analysis		
Grandfathering (on a one-off basis)	• Possessing at least 3 years of relevant work experience in any of the functions in credit initiation, evaluation, approval and review and/or credit risk management and control; and • Employed by an AI at the time of application.		
CPD requirements	• Minimum 15 CPD hours in each calendar year - qualified CPD activities include attending seminars or courses provided by AIs, financial services regulators, professional bodies and academic and training institutions, external credit rating agencies and the HKIB; attending e-learning; and delivering training and speeches - at least 5 CPD hours must be earned from activities related to topics of compliance, code of conduct, professional ethics or risk management		

	Role 1 – Credit Initiation and Appraisal	**Role 2 – Credit Evaluation, Approval and Review**	**Role 3 – Credit Risk Management and Control**
	Professional Level		
Role description (Please refer to the key tasks specified in Annex 1 for the details of each role)	• Solicit credit business following established policies and prepare credit proposal • Assess credit and financial strength of borrowers to determine creditworthiness and acceptable credit exposure levels for recommending credit approval and internal credit ratings • Conduct regular monitoring of borrowers' accounts	• Conduct independent assessment of credit and financial strength of borrowers to determine creditworthiness and acceptable credit exposure levels • Work with relationship managers in acquiring necessary information and completing credit assessment • Review quality of collateral and verify its values and other types of risk mitigations and comforts • Evaluate and approve loan application • Conduct independent review of credit ratings/loan classification	• Formulate and review credit policies, procedures and methodologies to control credit risk • Monitor credit risk by using models or other tools • Seek to improve credit risk management and monitor performance indicators • Perform stress testing and portfolio analyses on credit portfolios • Handle the recovery and work-out of problem loans • Conduct post-approval credit monitoring (case specific) and ensure that loan portfolios and problem loans are appropriately mapped to the relevant loan classification
Qualification and experience for obtaining the Professional Level certification and Certification title	**<u>Certified Credit Risk Management Professional (Commercial Lending) (CCRP(CL))</u>** • Passing Module 4 of the ECF on CRM training programme on top of the Core Level qualification: **Module 4 – Advanced Commercial Lending** • Having at least 5 years' relevant experience in any of the functions as specified in Annex 1 **OR** **<u>Certified Credit Risk Management Professional (Credit Portfolio Management) (CCRP(CPM))</u>** • Passing Module 5 of the ECF on CRM training programme on top of the Core Level qualification: **Module 5 – Advanced Credit Risk Management and Regulatory Requirements** • Having at least 5 years' relevant experience in any of the functions as specified in Annex 1		
Grandfathering (on a one-off basis)	<u>Path (i)</u> • Possessing at least 8 years of relevant work experience in any of the functions in credit initiation, evaluation, approval and review and/or credit risk management and control, of which at least 5 years are gained from Professional Level job roles; and • Employed by an AI at the time of application. **OR** <u>Path (ii)</u> • Completion of HKIB's Postgraduate Diploma for Certified Banker (Credit Management Stream); • Possessing at least 3 years of relevant work experience in any of the functions in credit initiation, evaluation, approval and review and credit risk management and control; and • Employed by an AI at the time of application.		
CPD requirements	• Minimum 15 CPD hours in each calendar year - qualified CPD activities include attending seminars or courses provided by AIs, financial services regulators, professional bodies and academic and training institutions, external credit rating agencies and the HKIB; attending e-learning; and delivering training and speeches - at least 5 CPD hours must be earned from activities related to topics of compliance, code of conduct, professional ethics or risk management		

Annex 3 - ECF-CRM: Learning outcomes and topics

I. Core Level (Benchmarked at QF Level 5)

1. Learning Outcomes

After completing Modules 1 to 3, participants will be able to:

- Apply financial and non-financial analysis to assess customer's financial needs and creditworthiness
- 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
- Calculate potential credit losses for determining eligibility and credit limits for lending
- Evaluate the analysis results and make appropriate recommendation on the customer's creditworthiness, repayment ability and risk level
- 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
- 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
- Examine the credit application in conformity with relevant policies, compliance and regulatory requirements
- Understand the fundamentals of monitoring credit assets portfolio and the recovery and work-out of problem loans

2. Learning Topics

Module 1 – Credit Risk Management and Key Regulations

- Monitoring of loan portfolio and early warning signals
- Understanding key credit risk quantitative indicators such as probability of default (PD), loss given default (LGD), exposure at default (EAD), etc.
- Understanding portfolio performance indicators such as risk weighted assets (RWA), risk adjusted returns, regulatory and/ or economic capital
- Understanding stress testing, scenario analyses, and other types of portfolio analyses

- Problem loan management and non-performing loans
- Overview of key credit risk regulations (Basel, HKMA – such as Supervisory Policy Manual modules CR-G-1 to CR-G-14, New Personal Lending Portfolio Circular, etc.)
- Overview of Loan Provisioning Process (IFRS 9)
- Understanding and use of credit bureau reports

Module 2 – Fundamental Credit Risk Analysis

- Key accounting concepts and rules relevant to lenders
- Interpretation and critical analysis of financial statements from a lender's perspective (income statement, balance sheet and statement of cash flows)
- Financial ratios analysis
- Cash budget analysis
- Analysis of budgets and pro forma statements
- Understanding of limitation of financial statements and creative accounting
- Quantitative analysis (e.g. liquidity ratios, profitability ratios, cash flow analysis)

Module 3 – Fundamentals of Bank Lending

- Code of conduct (professional integrity, conflicts of interest and confidentiality)
- Interview and communication techniques essential to bank lending
- Understanding of different business sectors
- Verification of customer information and evaluation of credit history (including consumer credit data review)
- Collateral valuation, documentation and credit risk mitigation
- Property lending
- Unsecured personal lending
- Understanding borrower needs and analysis of repayment ability (e.g. ratio and net-worth analysis and credit scoring application): nature of loan type, assessment criteria and considerations (e.g. credit scoring system in bank), and processes
- Lending to small and medium enterprises, large corporates, and listed companies
- Commercial lending products (e.g. equipment finance, trade finance, business property financing, business instalment loans, commercial overdrafts, invoice financing, taxi/public bus financing, vehicle loans, other commercial lending)
- Credit risk qualitative analysis (e.g. management, industry, SWOT analysis)
- Structuring of credit facility (type, amount, tenor, pricing, credit enhancement and

financial and non-financial covenants)

- Types, risks and valuation of collaterals and other risk mitigation measures
- SME Financing Guarantee Scheme and SME Loan Guarantee Scheme

II. Professional Level (Benchmarked at QF Level 6)

II.1 Commercial Lending Stream

1. Learning Outcomes

   After completing Module 4, participants will be able to:

   - Review the appropriateness of the industry and business risk assessment and approve credit application according to relevant policies, compliance and regulatory requirements
   - Formulate measures to monitor credit risk and optimise the quality of credit assets portfolio
   - Set up process to measure, control and manage potential credit risk exposures and identify early warning signals
   - Decide on application of risk assessment approach, risk monitoring, operation process and risk management process
   - Develop cross-border business strategies through understanding the cross-border lending practices and considerations

2. Learning Topics

   Module 4 – Advanced Commercial Lending

   - Industry/business risk assessment and peer analysis
   - Cross-border lending practices and considerations
   - Monitoring of commercial credit risk and identifying early warning signals
   - Handling of breach of repayment conditions or covenants
   - Handling the work-out of problem loans, restructuring, and monitoring of problem loans (including insolvency management and recovery management)
   - Key features and structures of syndicated loan facilities
   - Risks of syndicated lending
   - Loan consortium and different roles of banks
   - Assessment criteria of syndicated lending and process

- Pricing and strategic considerations of syndicated lending
- Project financing
- Bankroll takeovers and acquisitions or expansion projects
- Leveraged buyouts

II.2 Credit Portfolio Management Stream

1. Learning Outcomes

After completing Module 5, participants will be able to:

- Evaluate different risk mitigation alternatives and take appropriate measures to protect the interests of all the stakeholders
- Evaluate different approaches in credit strategy and their performance in order to align with the bank's overall strategies and policies
- Apply appropriate credit asset classification and risk rating approaches to ensure compliance with statutory requirements
- Analyse the risk factors of all lending products and evaluate the bank's capital allocation strategy under different regulatory requirements
- Develop guidelines for stakeholders to follow and to communicate the current global capital requirements on credit risk management
- Analyse the results of portfolio performance and stress testing for proposing the strategies to allocate credit assets of the bank

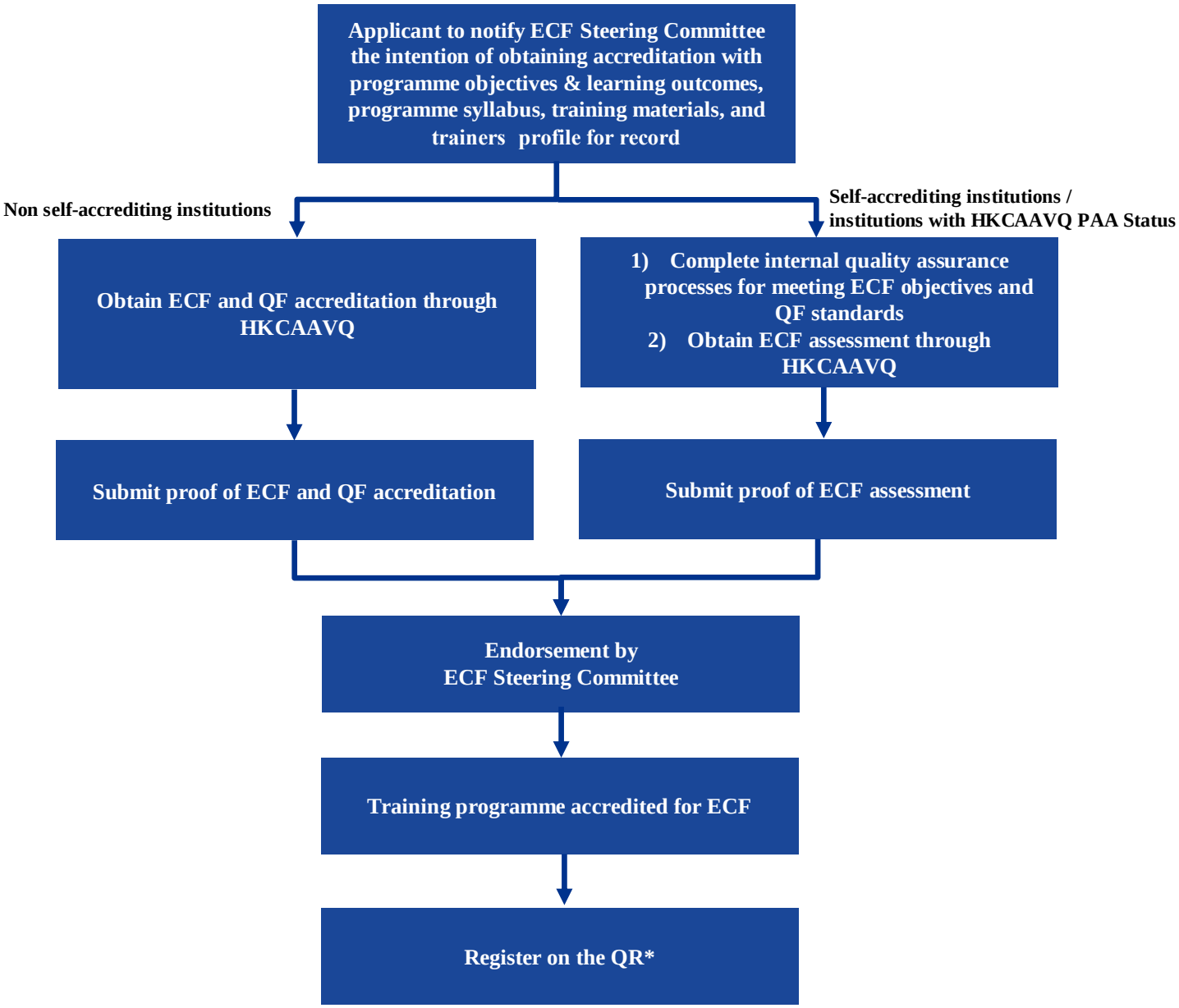
2. Learning Topics

Module 5 – Advanced Credit Risk Management and Regulatory Requirements

- Code of conduct (fundamental responsibilities, best practices, communications and disclosure)
- Basel III requirements, finalisation of Basel III and implications on bank lending business
- Standardised approach and internal-ratings based (IRB) approach for RWA calculation by asset class (e.g. sovereign exposures, bank exposures, corporate exposures, regulatory retail exposures, residential mortgage loans)
- PRC rules and regulations
- IFRS 9 expected credit loss and its impact on credit risk system data, capital and disclosures

- Portfolio monitoring approaches and key modelling assumptions – probability of default: segmentation, financial analysis, factor selection, historical data, scoring and calibration; and loss given default and exposure at default: historical data, collaterals, netting and off-balance sheet items
- Copulas and credit risk correlations
- Rating migration and credit portfolio risk
- Measurement of portfolio performance – risk-weighted assets, expected loss, provisioning and risk-adjusted returns, regulatory and/or economic capital requirements
- Stress testing, scenario analysis, stability analysis and sensitivity analysis
- Risk strategies for portfolio management
- Defining limit system and limit setting methodologies
- Post-approval credit monitoring

Annex 4 – Accreditation mechanism for the ECF-CRM



***Subject to re-accreditation/re-assessment by HKCAAVQ**