

Specification of Competency Standards
for the Banking Industry
Unit of Competency

Functional Area - 2. General Enterprise Banking Operations and Support
(Key Function – 2.6 Trade Finance Transactions Processing)

Title	Make decision on approval or rejection on trade finance application
Code	109222L5
Range	Provision of application assessment and approval services related to trade finance. This applies to DC of different types such as back-to-back DC, revolving documentary credit, stand-by letter of credit, transferable credit, etc.
Level	5
Credit	4 (For Reference Only)
Competency	<p>Performance Requirements</p> <p>1. Knowledge in the Subject Area</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Understand different theories and concepts related to trade finance and apply the knowledge to estimate the potential risks of each application; • Possess trade finance product knowledge and based on that to analyse clients' application and trade finance products information in order to ensure appropriateness of different financing alternatives. <p>2. Applications</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Estimate the degree of risk borne by the applicants (i.e. importers) by evaluating the sales contract, commercial conditions, political risks, etc.; • Estimate risks of non-payment by evaluating the credit rating of clients based on the past client – bank experience; • Evaluate risks taken by bank in issuing letter of credit or the magnitude of potential risk of fraud in documentary credit; • Determine required collateral from importer e.g. cash deposit, property, stocks and assess its value; • Assess the situation in involved foreign markets in order to confirm another bank's letter of credit and analyse the risks; • Determine maximum amount of bank's obligation based on results of document evaluation and recommend loan approval or rejection decision with justifications; • Develop terms and conditions for payment (e.g. conditions signifying the shipment of goods and payment, presentation documents); • Determine details of the DC (e.g. expiration rate / definite maturity, payment terms, fee, withdrawal charge, interest rate, etc.) according to the sale contract between buyer and seller, results of risk assessment and bank's guidelines, etc. <p>3. Professional Behaviour and Attitude</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Determine the pricing margin according to the cost estimation and risk assessment; • Evaluate the relevant regulations and international standards in order to develop appropriate terms and conditions; • Process the task of assessing applications with an aim at addressing genuine needs of clients and provide sound solutions; • Demonstrate professionalism by applying impartial and unbiased judgment throughout the client assessment process.

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Assessment Criteria	The integral outcome requirements of this UoC are: <ul style="list-style-type: none">• Decision on trade finance application of which specifies the terms and conditions for approval or justification for failure;• The approval or rejection decision is made based on the analysis of the risks of the applicants and the expected return of the deal.
Remark	