

Specification of Competency Standards
for the Banking Industry
Unit of Competency

Functional Area - 3. General Enterprise Banking Credit Management
(Key Function – 3.3 Portfolio Management)

Title	Develop risk mitigation strategies for the credit portfolio
Code	109266L5
Range	Developing strategies to minimize risks in the bank's credit portfolio. This applies to different kinds of assets in the bank's credit portfolio.
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"> • Demonstrate professional knowledge in credit risk management in order to maintain an optimal risk level for credit portfolio; • Demonstrate professional knowledge in credit management by utilizing different tools (e.g. setting exposure limits, credit derivative) in managing credit risk and their performance in different economic scenarios; • Understand the impacts on business environment caused by the changing external factors and apply the knowledge to evaluate current and future economic outlook and regulatory development for the purpose of developing suitable strategies in risk mitigation. <p>2. Applications</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Evaluate the credit strategies and existing risks exposure of the bank in order to construct a suitable risk management approach; • Conduct analysis on the trends on risk level of the credit portfolio in order to identify critical factors which can affect the risk level; • Construct strategies in diversifying concentration risk, e.g. reducing exposures to particular type of loan, broaden customer base, altering product mix, industry etc.; • Formulate measures to protect the bank from undue risk exposure by employing suitable techniques, e.g. asset sales, securitization, credit derivatives, etc.; • Develop policies and procedures for applying different types of credit mitigation techniques; • Develop guidelines and standards on reporting to management when the aggregate exposure is approaching or exceeding portfolio limits. <p>3. Professional Behaviour and Attitude</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Manage the activities of credit risk mitigation strategies to ensure they are applied at the right time and used for their purported purposes; • Conduct regular review on the results of the mitigation instruments and provide suggestions on necessary changes.
Assessment Criteria	<p>The integral outcome requirements of this UoC are:</p> <ul style="list-style-type: none"> • 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;

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	<ul style="list-style-type: none">Managing the implementation of the various mitigation strategies to ensure the intended results can be realized and provide suggestions on enhancement if necessary.
Remark	