

Specification of Competency Standards
for the Banking Industry
Unit of Competency

Functional Area - 3a. Other Services on Enterprise Banking Credit Management (for Large Corporations)

(Key Function – 3a.1 Large Corporate Credit Acquisition)

Title	Structure loan hedging arrangement and relevant products
Code	109288L6
Range	Provision of customized financial arrangement related to configuration of loan hedging relevant products. This applies to loans offered to the more complex enterprise banking clients.
Level	6
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 concepts related to loan hedging arrangement and apply the knowledge to offset potential losses or gains that may be caused by a loan offered to large corporate clients; • Possess knowledge in complex corporate banking products and apply the knowledge to evaluate and compare the pros and cons of different types of financial instruments including stocks, insurance, forward contracts, options, swaps, future contracts and derivative products, etc.; • Comprehend the common market practices and identify the new developments of hedging arrangement and relevant complex products, as well as current financial services development. <p>2. Applications</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Assess risk level of credit facility offered to clients in consideration of the loan structure plus the financial and business information of the clients; • Take position in financial markets to offset and balance against the risks adopted by the loan offer; • Utilize financial instruments to offset risks effectively by strictly observing the bank's risk management policies and structuring special features for the loan tailored to clients; • Establish the documentation between the borrowers and the bank to set out the economic terms of the hedging transaction prior to the financing transaction (e.g. right to sell client's loan obligations); • Design loan hedging structure to reduce the undesired risks by matching the cash flows or periodic repayment of the loan arrangement. <p>3. Professional Behaviour and Attitude</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Measure the risk of unpaid loan owing by clients and sell the obligations at a fairly calculated discount rate in the market based on the economic terms of the confirmation; • Monitor the bank's loan portfolio and asset position to improve financial stability and solvency.
Assessment Criteria	<p>The integral outcome requirements of this UoC are:</p> <ul style="list-style-type: none"> • Structuring proposals on loan hedging arrangement such as a swap in the context of a loan agreement in order to managing the different types of risks including interest rate risk, currency risk and client's insolvency risks, etc.

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Remark	
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