

Specification of Competency Standards
for the Banking Industry
Unit of Competency

Functional Area - 4. Risk Management
(Key Function – 4.1 Risk Identification and Assessment)

Title	Construct measurement models / framework on banking risks
Code	109294L7
Range	Development of quantitative models in order to measure and predict the risks exposure of the banks. This applies to models measuring different types of risks faced by the bank.
Level	7
Credit	5 (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 specialized knowledge in quantitative research and statistical analysis in order to construct models to assess the bank's risk exposure in different areas and the bank's sustainability under the risk exposed; • Possess knowledge in existing theories and concepts of risk management and conduct empirical research to forecast or review the bank's risk exposure in different areas. (e.g. market risk, credit risk, operation risk, etc.). <p>2. Applications</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Conduct research on global and local macro-economic environment in order to forecast the trends in banking industry; • Conduct comprehensive analysis on the bank's different performance data, as well as macro-economic indicators in order to identify factors which are significantly correlated to the bank's risk levels; • Identify critical factors which will have significant impacts on the bank's businesses by consolidating and analysing findings of different research; • Measure the sensitivity of earnings and capital to the changes in different risk factors to determine risks that have high impact on the bank; • Construct risk assessment models for the bank by conducting quantitative and qualitative analyses to identify risk factors and their respective weighting; • Prepare proper documentation including specify the research methods, assumptions and probability distribution weaknesses and limitation, etc. of the risk assessment models. <p>3. Professional Behaviour and Attitude</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Conduct validation studies to ensure the validity and reliability of the models; • Design suitable data collection methods and model monitoring mechanisms in order to track and measure the different variables in the risk assessment models; • Provide a quantified estimation on the risk exposure, volatility and probability of risk occurrences by analysing results of the statistical survey.
Assessment Criteria	<p>The integral outcome requirements of this UoC are:</p> <ul style="list-style-type: none"> • Construction of original risk assessment models or re-development of risk assessment models which can accurately predict the risks exposures of the bank considering the latest industry trend and internal strategies;

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	<ul style="list-style-type: none">• The risk assessment models are built on the basis of consolidated findings from different researches, such as global and local macro-economic development, strategies and risk factors of the bank, etc.
Remark	