

Specification of Competency Standards
for the Banking Industry
Unit of Competency

Functional Area - 4. Risk Management
(Key Function – 4.3 Risk Control and Mitigation)

Title	Set risk appetite for the bank
Code	109304L6
Range	Establishment of the risk tolerance level for different businesses / operations areas of the bank. This applies to different types of risks faced by the bank.
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 the macro-economic environment and regulatory requirements and apply the knowledge to forecast the development of the banking industry and the risks associated; • Possess specialized knowledge across different areas of banking risk management in order to develop an appropriate risk orientation of the bank; • Master the technical knowhow of strategic management and apply the knowledge to evaluate the suitability of different approaches in formulating risk strategy against the unique situation of the bank. <p>2. Applications</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Conduct research on all relevant risks of the bank, including quantifiable and less quantifiable and assess their financial and non-financial implications on the bank's business; • Conduct periodic review on external environment (e.g. level of competition, market conditions) and react promptly to the changing environment; • Evaluate the bank's current risk position and the impacts on the position by setting different levels of risk appetite; • Determine the overall cap on the aggregate level of risk exposures which the bank is able and willing to take; • Formulate individual risk limits for different types of risks by analysing the operations, financial strength, strategic objectives and regulatory requirements of the bank. <p>3. Professional Behaviour and Attitude</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Determine the risk tolerance level of the bank to specify which level of risks is acceptable; • Determine risk mitigation measures for the bank by defining the scope of measures and actions that the bank can undertake in response to excessive risk exposures.
Assessment Criteria	<p>The integral outcome requirements of this UoC are:</p> <ul style="list-style-type: none"> • Establishment of risk appetite of the bank based on the consolidated findings captured from different research conducted on macro-economic environment, development of banking industry and unique situations of the bank.
Remark	