

Investment Platform > Product Development and Launching

Title	Evaluate product risk and assign risk rating
Code	106810L5
Range	Assigning risk ratings to products. This applies to different kinds of investment products developed by the bank or external product providers which are targeted to private banking clients.
Level	5
Credit	4 (for reference only)
Competency	<p>Performance Requirements</p> <ol style="list-style-type: none"> <li>1. Demonstrate professional understanding in investment products                             <p>Be able to:</p> <ul style="list-style-type: none"> <li>• Evaluate different concepts and theories in investment in order to understand the structure and risks of investment products</li> <li>• Understand steps in developing risk and return profiles (e.g. clarification criteria such as investment, complexity, liquidity, vehicle risk ,time horizon, diversification, etc.)</li> <li>• Assign appropriate product risk ratings based on the bank’s existing risk rating methodology</li> </ul> </li> <li>2. Conduct product due diligence                             <p>Be able to:</p> <ul style="list-style-type: none"> <li>• Develop a thorough understanding of the structure of investment products by considering factors that may impact on the risk and return profiles (e.g. nature of underlying investments, level of risks, situation of product issuers, fees, relative performance, liquidity, lock-in periods, termination conditions, etc.)</li> <li>• Identify key risks (e.g. liquidity risk, interest rate risk) associated with the investment products and assess their implications on different categories of clients during different market conditions</li> </ul> </li> <li>3. Assign product risk ratings                             <p>Be able to:</p> <ul style="list-style-type: none"> <li>• Evaluate the risk return profile of the investment products against client's characteristics and decide whether the risk exposures of products are suitable for the category / portfolio of clients</li> <li>• Assign the risk rating in accordance with the methodology adopted by the bank</li> <li>• Specify the rationale of why the products are considered suitable for different risk categories of clients</li> <li>• Obtain approval from senior management and document the records</li> <li>• Communicate the ratings to ensure clients are provided with relevant and timely information</li> <li>• Monitor the latest market development and determine whether the product risk rating should be reviewed</li> </ul> </li> </ol>
Assessment Criteria	<p>The integral outcome requirements of this UoC are:</p> <ul style="list-style-type: none"> <li>• Defining product risk rating to ensure suitability of investment recommendations to private banking clients. This should be based on analysis on product features, client categorization and market conditions, etc.</li> </ul>
Remark	