

Investment Platform > Product Sourcing

Title	Make decision on the counter-party trading exposure limit
Code	106814L6
Range	Formulating exposure limit for counter-party trading. This applies to trading activities with external product providers across different types of investment products (e.g. OTC derivatives markets, forward contracts) for private banking clients.
Level	6
Credit	5 (for reference only)
Competency	<p>Performance Requirements</p> <ol style="list-style-type: none"> 1. Demonstrate specialized knowledge in managing product risks <p>Be able to:</p> <ul style="list-style-type: none"> • Demonstrate specialized knowledge in risk management in order to identify, assess and control counter-party risks exposed to the private banking business • Conduct a comprehensive evaluation on the risk management policies of the bank in order to develop policies / guidelines in accordance with the bank's overall strategy 2. Set the credit-related counter-party trading limits <p>Be able to:</p> <ul style="list-style-type: none"> • Evaluate critically the product providers and the trading activities with them, identify possible risks (e.g. pre-settlement risks, settlement risk, default risk) and the risk indicators • Conduct research on the normal business threshold for key risk measures in order to set the baseline • Compare different models in risk calculation and select the most appropriate methods in setting the risk limits • Develop the framework to specify the acceptable risk limits for each risk measure with a view to balance business opportunities and risk exposure under different market conditions • Develop policies regarding violation, exception reporting and documentation 3. Develop policies in counterparty assessment / approval <p>Be able to:</p> <ul style="list-style-type: none"> • Develop control processes for counterparty and trading limits and undertake appropriate risk management strategies (e.g. collateral posting agreement, insurance, etc.) if necessary • Evaluate reports to analyze irregularities / exceptions identified and carry out measures to minimize the impacts • Conduct research to review the limit framework on a regular basis and carry out refinement, if necessary
Assessment Criteria	<p>The integral outcome requirements of this UoC are:</p> <ul style="list-style-type: none"> • Development of counter-party trading limits and the associated policies. These should be based on analysis of the bank's credit management policies, evaluation on the possible risks, etc.
Remark	