MODULE SPECIFICATIONS

Bank Business Credit Practices (BBC)

Level of Study: Specialist (Level 2) — Specialised Module
Effective date: 1 May 2024
Version: 2.2
Revision of module specifications format

A. Module Aim

The Bank Business Credit Practices (BBC) module provides a comprehensive insight into the business credit risk environment and explores how appropriate lending solutions are tailored to satisfy customer needs. It considers how lending propositions are risk evaluated, mitigated, and documented. It further illustrates how loan portfolios are managed, including the rehabilitation and recovery of impaired loans.

B. Learning Outcomes (LO)

Upon completion of this module, candidates will be able to:

LO1	Provide an overview of the business credit risk function of a bank.
LO2	Demonstrate how qualitative analysis is undertaken to assess risk factors in key industry types.
LO3	Illustrate how qualitative analysis is performed to identify business risk factors.
LO4	Highlight how financial statements can be used to quantitatively analyse the creditworthiness of a borrower.
LO5	Comprehend how cash flow risk analysis is applied to determine the debt servicing capacity of borrowers.
LO6	Outline how consolidated and group financial statements are applied in quantitative risk analysis.
LO7	Demonstrate the relevance of financial reporting and its impact on quantitative financial risk assessment.
LO8	Explain the use of financial forecasting techniques and practice in quantitative credit risk assessment.
LO9	Demonstrate the objectives and processes applied in loan structuring.
LO10	Relate the rationale for the use of covenants in loan documentation.
LO11	Explain how the design of loan agreement terms and conditions govern the utilisation of loan facilities.
LO12	Outline the different processes available for creating security over properties.
LO13	Outline the process of creating security over a range of other common non-property assets.
LO14	Explain the law governing the use of guarantees and other documents as credit support instruments.
LO15	Explain the objectives, scope, and monitoring tools available for effective loan management.
LO16	Recapitulate the range of options available for a successful loan rehabilitation or loan recovery strategy and the process of their implementation, including the various types of legal remedies available.
LO17	Describe the key features and rationale of the Basel II and Basel III Accords.

AICB
ASIAN INSTITUTE OF CHARTERED BANKERS

C. Mode of Delivery

This module is offered as Module by Intake. Candidates must enrol within a specific deadline and attempt the exam within a pre-determined period.

D. Learning Method

A combination of methods can be adopted that includes but not limited to:

- Workshops (compulsory/optional)
- Discussions
- Seminars
- Self-study
- Moodle (Learning Management System)

E. Qualification and Module Time Limits

The qualification and module time limit for this module is as below:

Qualification Time Limit	Module Time Limit
24 months	12 months

For an extension of qualification and module time limit, please refer to the AICB Membership and Qualification Regulations (Membership and Qualifications Regulations).

F. Deferments and Online Exam Rescheduling

Module deferment applies to this module. Module Deferment means candidates defer the whole module which includes the workshop (if applicable), assignment, and examination to the next available intake.

Candidates may apply to defer their online examination and re-book the examination based on extenuating circumstances grounds as stipulated in the regulations. Effective 13th July 2024, candidates may reschedule the online examination booking up to a maximum of three (3) times per module registration.

Please refer to AICB Membership and Qualification Regulations (Membership and Qualifications Regulations) for more information on module/workshop deferment.

G. Assessment

Examination (Pearson-Vue Online)	MCQ	Written	Assignment
Duration	3 hours		
Format	80 questions • 60 independent MCQs, and • 20 scenario-based MCQs		

H. Grade Band

The grading below is applicable for this module:

Grade Band	Marks (%)
Distinction	80 to 100
Pass	60 to 79
Fail	0 to 59

I. Module Outline

#	Learning topics	Learning outcomes (LO)	Assessment criteria
1	An overview of the business lending process 1.1 The credit risk function 1.2 The importance of purpose 1.3 Facts verification 1.4 Understanding facilities structure 1.5 Canons of good lending 1.6 Identification of legal borrower and credit bases 1.7 Purpose of credit risk analysis process 1.8 Credit risk analysis and its components	LO1 — Provide an overview of the business credit risk function of a bank.	1. Explain the responsibilities of the credit risk function employing the canons of good lending. 2. Illustrate an understanding of the credit risk analysis process, including facilities structuring and the role of credit bases.
2	Industry risk 2.1 Types of industries 2.2 Industry risk identification 2.3 The economic, industry, and product life cycles	LO2 — Demonstrate how qualitative analysis is undertaken to assess risk factors in key industry types.	1. Identify the key industry risk characteristics. 2. Illustrate the scope and components of Industry Risk Analysis. 3. Explain the different types of credit risks existing in

#	Learning topics	Learning outcomes (LO)	Assessment criteria
			the macro environment and mitigation strategies. 4. Apply Michael Porter's five competitive forces and generic strategies. 5. Use SWOT as a tool for credit risk assessment. 6. Analyse the socio-economic risk using the PESTELE Framework and ESG Principles. 7. Explain how economic, industry and product life cycles can impact business performance.
3	Business risk 3.1 General characteristics of a business 3.2 Risk assessment using the asset conversion cycle framework 3.3 Management analysis 3.4 Other business risks	LO3 — Illustrate how qualitative analysis is performed to identify business risk factors.	1. Elaborate on the objectives and strategies of a business operation. 2. Analyse the risks residing in each phase of the asset conversion cycle and how they are mitigated. 3. Recognise the attributes required of good management practices, including corporate governance. 4. Explain other business risks.
4	Financial statement analysis 4.1 Accounting practices 4.2 Accounting policies 4.3 Components of annual reports 4.4 Fundamentals of statement of financial position 4.5 Fundamentals of statement of comprehensive income 4.6 Financial statement analysis 4.7 Characteristics of good financial analysis 4.8 Financial analysis techniques	LO4 — Highlight how financial statements can be used to quantitatively analyse the creditworthiness of a borrower.	1. Explain the accounting doctrines, accounting principles and policies used in financial accounting. 2. Explain the scope of financial statement analysis for credit risk assessment. 3. Apply key financial tools such as ratios and breakeven analysis to analyse, interpret and explain the financial statement results. 4. Describe the characteristics and techniques of sound

#	Learning topics	Learning outcomes (LO)	Assessment criteria
	4.9 Pre-requisites to financial statement analysis 4.10 Financing needs 4.11 Critical assessment of the content of audited financial statements 4.12 Use of ratios in analysing audited financial statements 4.13 Limitations of financial ratios 4.14 Critical principles in the use of ratios 4.15 Practical aspects of the statement of financial position analysis (analysis of the financial position) 4.16 Practical aspects of income statement analysis 4.17 Breakeven analysis 4.18 Limitations of financial statements 4.19 Creative accounting 4.20 Asset quality and collateral risk		financial risk analysis to include the operating and capital investment cycles. 5. Describe the common methods of creative accounting manipulation indulged in by companies. 6. Discuss the limitations of financial ratios, breakeven analysis and financial statements. 7. Illustrate the steps involved in undertaking an asset liquidation analysis.
5	Cash flow analysis 5.1 Analysing cash flows 5.2 Cash flow ratios and analysis 5.3 Practical aspects of cash flow statement analysis 5.4 Limitations of cash flow statement	LO5 — Comprehend how cash flow risk analysis is applied to determine the debt servicing capacity of borrowers.	1. Prepare and analyse a cash flow summary. 2. Explain the components of activities in the cash flow statement, including the generation and application of cash. 3. Compute and analyse the cash flow ratios. 4. Illustrate the practical aspects of cash flow statement analysis. 5. Recognise the limitations of cash flow statements.
6	Consolidated and group financial statements 6.1 General principles involved in consolidated financial statements	LO6 — Outline how consolidated and group financial statements are applied in quantitative risk analysis.	1. Explain the procedures and policies used for preparing consolidated accounts. 2. Describe the general principles involved in

#	Learning topics	Learning outcomes (LO)	Assessment criteria
	6.2 Basic consolidation of group accounts 6.3 Associate companies and investments 6.4 Analysis of consolidated financial statements 6.5 Main issues in consolidation for review 6.6 Checklist for review of consolidated financial statements		consolidated financial accounts. 3. Determine the main issues in consolidation. 4. Undertake adjustments during consolidation. 5. Analyse and review consolidated financial accounts.
7	Financial reporting and accounting standards 7.1 Misrepresentation in the financial reports 7.2 Company management and conflict of interest 7.3 Accounting standards and their effects 7.4 Why creative accounting occurs 7.5 MFRS requirements and creative accounting 7.6 International accounting scandals 7.7 Related party transactions and disclosure 7.8 Analysing operating segments – MFRS 8	LO7 — Demonstrate the relevance of financial reporting and its impact on quantitative financial risk assessment.	1. Explain Malaysian accounting standards, their relevance, reporting requirements and effects including the penalties for non-compliance. 2. Describe financial reporting and its importance to the company's stakeholders, including related party transactions. 3. Describe how subjective nature of some standards give rise to creative accounting practices and their potential impact.
8	Financial forecasting and modelling 8.1 Financial forecasting and its uses 8.2 Forecasting future business performance for credit risk assessment 8.3 Statistical methods for financial forecasting 8.4 Developing and projecting the trend of sales revenue using time series analysis 8.5 Developing and projecting trends using moving averages	LO8 — Explain the use of financial forecasting techniques and practice in quantitative credit risk assessment.	1. Demonstrate the process of developing financial forecasts. 2. Discuss common forecasting techniques. 3. Apply stress testing techniques of financial forecast. 4. Explain financial modelling and its uses.

#	Learning topics	Learning outcomes (LO)	Assessment criteria
	8.6 Sustainable growth of a company 8.7 Working capital investment growth – working capital forecast 8.8 Stress testing of financial forecasts 8.9 Construction of financial models as tools for quantitative risk assessment		
9	Loan structuring 9.1 Objectives of credit facilities structuring 9.2 Key credit risk issues in facilities structuring 9.3 Process of credit facilities structuring 9.4 Determining business funding requirements 9.5 Operating cycle: Basis for short-term borrowing needs of the business 9.6 Types of short-term credit facilities 9.7 Distinction between cash flow and profit projection 9.8 Uses of cash flow projection 9.9 Capital investment cycle: Basis for long-term borrowing needs of the business 9.10 Structuring long-term credit facilities 9.11 Financing infrastructure projects 9.12 Construction and property-based financing 9.13 Transactional (or contract-based) financing 9.14 Seasonal financing 9.15 Syndicated loans 9.16 Credit structure and product risk	LO9 — Demonstrate the objectives and processes applied in loan structuring.	1. Identify the most appropriate credit facility in a given situation. 2. Describe the key risk issues in loan structuring for short and long-term financing. 3. Distinguish the different types of financing needs. 4. Determine the working capital requirements and the associated underlying risks. 5. Identify and analyse the key credit risk issues in different financing situations. 6. Assess debt servicing capacity using cash flow projections. 7. Outline the factors affecting pricing of loan facilities.

#	Learning topics	Learning outcomes (LO)	Assessment criteria
	9.17 Factors affecting the pricing of loan facilities		
10	Covenants in loan documentation 10.1 The loan agreement 10.2 Drafting appropriate covenants for the loan agreement 10.3 Magnitude of credit risk and scope of the covenants 10.4 Types of covenants 10.5 Events of default 10.6 Cross-default / Cross-acceleration provisions	LO10 — Relate the rationale for the use of covenants in loan documentation.	1. Describe the different types of covenants, their objectives, nature, and appropriateness. 2. Explain negative pledge, events of default and cross default / cross-acceleration provisions, including their uses. 3. Elaborate on monitoring the compliance of covenants.
11	Loan agreement 11.1 Segregation of roles within the bank 11.2 The bank solicitors' role 11.3 The bank's letter of offer 11.4 The loan agreement and its content 11.5 Conditions precedent and their fulfilment 11.6 Event of default 11.7 Descriptions and terms of facilities 11.8 Security requirements 11.9 Legal jurisdiction	LO11 — Explain how the design of loan agreement terms and conditions govern the utilisation of loan facilities.	1. Explain the contents of the loan agreement and the bank solicitors' role in its formulation. 2. Illustrate the terms and conditions of a letter of offer. 3. Differentiate conditions precedents, conditions of drawdown and continuing conditions and their implications.
12	Property security and documentation 12.1 Property as security 12.2 Alienation of land 12.3 Importance of land registration 12.4 Dealings over land: Transfer, charge, assignment and lien 12.5 Types of charges 12.6 Land search 12.7 Bankruptcy search 12.8 Company search 12.9 Documentation of a charge	LO12 — Outline the different processes available for creating security over properties.	1. Explain the various types of searches. 2. Describe the scope of land law and associated documentation procedures. 3. Describe the legal documentation process in creating security of tangible properties. 4. Identify the differences between a charge, an assignment, and a lien. 5. Identify the risk issues in taking property security.

#	Learning topics	Learning outcomes (LO)	Assessment criteria
	12.10 Documentation of a charge under a term loan for the purchase of the shop-office 12.11 Documentation and procedure for the purchase of residential property or shop office directly from the developer 12.12 Documentation process 12.13 Enforcement of a charge 12.14 Documentation of the deed of assignment 12.15 Procedures to reduce risk in an assignment		6. Understand the legal documentation issues in taking property security.
13	Non-property-based forms of security 13.1 Debenture 13.2 Fixed deposit 13.3 Shares and unit trust 13.4 Letter of credit 13.5 Standby letter of credit 13.6 Life assurance as a credit enhancement and support 13.7 Tangible goods as security 13.8 Assignment of contract proceeds and receivables 13.9 Canons of good banking security	LO13 — Outline the process of creating security over a range of other common non-property assets.	1. Explain the law, including UCP 600 and documentation procedures for securing a debenture over fixed and floating assets, fixed deposit, shares, unit trusts and tangible goods and their enforcement, attributes, and drawbacks. 2. Describe life assurance as an instrument of credit enhancement and support together with the inherent practical problems associated with its use. 3. Comprehend the attributes and canons constituting good banking security.
14	Credit support and documentation 14.1 Guarantee 14.2 Indemnity 14.3 Letter of undertaking 14.4 Letters of comfort 14.5 Letter of awareness 14.6 Debt subordination	LO14 — Explain the law governing the use of guarantees and other documents as credit support instruments.	1. Describe the different types of guarantees and indemnities, their documentation, effectiveness, and enforceability. 2. Distinguish the purpose, effectiveness, strength of

#	Learning topics	Learning outcomes (LO)	Assessment criteria
			letters of undertaking, comfort, awareness, and debt subordination agreement as credit support instruments.
15	Loan management 15.1 Sources of information 15.2 Early warning signs 15.3 Components of loan management process in credit risk management 15.4 Communication with the borrower 15.5 Monitoring facilities utilisation with internal reports 15.6 Monitoring with independent external information 15.7 Annual review of the borrower's credit facilities 15.8 Site visits 15.9 Account management – periodic review 15.10 Classification of impaired loans and financing 15.11 Possible delinquent loan situation	LO15 — Explain the objectives, scope, and monitoring tools available for effective loan management.	1. Describe the sources of information, including the bank's internal account activity reports and their uses. 2. Recognise how to respond to early warning signals by evaluating and selecting the appropriate options. 3. Demonstrate the benefits of a site visit. 4. Appreciate the purpose of regular account documentation and collateral reviews. 5. Outline the objectives of account monitoring to minimise delinquencies and loss losses.
16	Loan rehabilitation and recovery 16.1 Why rehabilitate an impaired loan 16.2 Alternatives to loan recall 16.3 Loan rescheduling 16.4 Loan refinancing 16.5 Loan restructuring 16.6 Business recovery 16.7 Corporate restructuring 16.8 Financial restructuring 16.9 Monitoring a rehabilitated loan 16.10 Workout process 16.11 Workout framework in a multi-lender situation	LO16 — Recapitulate the range of options available for a successful loan rehabilitation or loan recovery strategy and the process of their implementation including the various types of legal remedies available.	1. Differentiate between loan rescheduling, refinancing and corporate and financial restructuring, including monitoring compliance with the terms of the rehabilitated loan. 2. Determine the pre-requisites for business recovery and the options available in the loan recovery process. 3. Describe the workout framework in a multi-lender situation.

#	Learning topics	Learning outcomes (LO)	Assessment criteria
	16.12 Loan recovery function 16.13 Common causes of business failure 16.14 Covid-19 pandemic		4. Examine the litigation process and modes of execution in loan recovery. 5. Identify the common causes of business failure.
17	BASEL framework and risk grade 17.1 Basel framework 17.2 Credit risk and Basel II Accord 17.3 Risk grading and expected loss 17.4 Pillars of Basel II and their principles 17.5 Basel II approaches to operational risk 17.6 Shortcomings of Basel II and the Introduction of Basel III	LO17 — Describe the key features and rationale of the Basel II and Basel III Accords.	1. Describe the approaches to capital computation under Basel II and Basel III. 2. Explain the purpose of liquidity and leverage ratios.

Note: This document contains information that is deemed accurate and valid as of the date of publication.