

## 2-day Credit Risk Management Course/Workshop

### **Overview and objective of this Course/workshop**

Good business cannot operate on cash alone. There is a limit to that. Thus, doing business on credit basis is not an option but the way to move organisation's bottom-lines. There are also many organizations that fold up because of uncollectible credit sales. How do credit sales become bad and have to be written off? The main cause of bad credit is that people do not know much about the risks in the credit. Even if they do know they may not be able to understand credit risk management in the greater detail, to enable them to apply such knowledge so that they know how to recognize and manage their credit risk.

This Course aims to bring the knowledge of credit processes, and also the fundamentals and tools to manage credit risks in any organisation or in any industry, because as long as an organisation grant credit to its buyers or trade on credit basis, the danger of credit risk looms.

### **Target audience**

- Credit Officers, Marketing Executives, and Credit Managers
- Operations Managers
- Recovery officers / managers
- Internal Auditors
- Risk Officers / managers
- Compliance officers / managers
- Credit Controllers
- Chief Operating Officers
- Board of directors
- Academicians and college/university lecturers
- Fund Managers
- Investors

## **The module or course content**

### **MODULE 1:**

#### **LENDING CONCEPTS AND CREDIT MANAGEMENT**

- How investors, lenders and creditors assess and evaluate credit values, strengths, capacities, or other credit worthiness of their customers/debtors.
- Invoking the 7 Cs or 9Ms of lending.
- Dynamics in risk management and risk management fundamentals.
- What risk is, risk cause & effect, risk likelihood, risk impact, risk controls for inherent risks, risk mitigants for residual risks.

### **MODULE 2:**

#### **INSIGHT INTO CREDIT RISK**

- Issues and concerns: the kinds of risks in credit.
- Who owns the risk?
- Governance issues in credit risk.
- Marketers, processors, approvers, administrators of credits to 'live' the 4 elements of personal and corporate governance.
- Credit risk treatment and using the 6 options to manage residual credit risk

### **MODULE 3:**

#### **KNOW YOUR FACTS AND NUMBERS**

- Where and how can credit risks originate, and of what magnitude?
- Identify your 'high' risk credit products/services
- Various types of risk can emanate in these 6 stages of credit activity and operation
  - (i) Processing and marketing stage
  - (ii) Approving stage
  - (iii) Conveyancing stage
  - (iv) Disbursement and administration stage
  - (v) Collection, monitoring and follow-up stage
  - (vi) Litigation and write-off stage
- 3rd party risk: Risks from your key suppliers and service providers
  - (i) Conveyancing lawyer panel
  - (ii) Litigation lawyer panel
  - (iii) Valuer panel
  - (iv) Auditors/accountant services

- (v) Outsourced marketers/sales agents

#### **MODULE 4:**

##### **OTHER RISK ISSUES SURROUNDING CREDIT MANAGEMENT**

- Knowing other risk issues that are equally relevant to lenders, creditors, investors.
- Strategic risk: Poor judgement, business & investment decision/direction, business concentration and focus areas/locations/regions, exposure/commitment.
- Operational risk: BCP issues, AML/ATF, people, process, systems, environment.
- Market & treasury risk: The ‘LICCES’ factor, pricing, funding.
- Systems risk: outage, downtime, system incapability, ineffective CRM.
- Other risk areas (legal, reputation, social, political, country, macro economic).

#### **MODULE 5:**

##### **GETTING THE BASIC RIGHT: IMPORTANCE OF GOOD CREDIT**

###### **PRACTICES AND SOUND CREDIT CULTURE**

- What is one of the building blocks of good credit risk management?
- Sound credit culture and best practices are the foundation of effective credit risk management
- Evolving and developing the culture
- Nurturing and improving the culture

#### **MODULE 6:**

##### **FRAMEWORK FOR LENDING AND CREDIT PROCESS MANAGEMENT**

- Applying the 7 process-steps.
  - (i) Credit policy, strategy, infrastructure
  - (ii) Credit marketing, booking, processing, approval
  - (iii) Credit control: monitor, exposure, concentration, caps
  - (iv) Credit portfolios and loan/advance/facility mixes
  - (v) Credit audit, reviews
  - (vi) Recognising tell-tale signs, problems and taking remedial actions
  - (vii) Credit collection, follow-up, recovery and litigation infrastructure structure
- Documentation of the process-steps

#### **MODULE 7.**

##### **CONSEQUENCES OF POOR OR LACK OF CREDIT RISK MANAGEMENT**

- Effects of Weaknesses in Credit Risk Management:
- What can happen if an organisation lacked, or has inadequate or ineffective, credit risk management.

## **MODULE 8:**

### **7 BUILDING BLOCKS FOR CREDIT RISK MANAGEMENT**

- Implementing the 7 cornerstones or building blocks
  - (i) *Philosophy & Policy:* Credit risk management philosophy & Credit risk management policy
  - (ii) *Framework:* Credit risk management framework to identify, assess, evaluate/measure, control/treat, monitor, report and follow-up on the inherent and residual risks
  - (iii) *Environment/culture:* Credit culture and good practices for conducive credit operations
  - (iv) *Role:* Clear defined roles of every one involved
  - (v) *Resources:* Good exposures, awareness, training on credit risk management
  - (vi) *System.....monitoring/report:* Useful credit risk reports, reviews, monitoring, follow up, and generating useful credit risk reports for board and management guidance & decision-making
  - (vii) Credit risk framework review: Managing change, continuous Improvement, best practices, peer-reviews

## **MODULE 9:**

### **TOOLS TO MANAGE CREDIT RISK**

- Controls: directive, preventive, detective, corrective, compensating.
- Committee and governance: the 4 elements of personal and corporate governance, credit committee of board and management.
- Empowerment and clear roles: segregation of function, frontline marketer, processor, approver, disburser, monitor, administrator, follow-up, litigation.
- Documents: Credit manuals, SOPs.
- Guidelines: Regulatory guidelines, threshold limits, caps, best practices.
- Mitigants: Minimising and reducing the negative risk impacts.
- Techniques: Credit ratings, stress testing, scenario planning, What-ifs.

## **MODULE 10:**

## **MEASURING CREDIT RISK**

- PD: probability of default, LGD: loss given default, ED: exposure at default
- Expected loss, Unexpected loss
- Reserves, and economic capital

## **MODULE 11:**

### **GOOD CREDIT RISK MANAGEMENT PRACTICES**

- Good filing and documentation, perfect conveyancing, effective litigation and recovery structure
- Credit risk ratings
- Pricing to reflect credit risk severity
- Addressing credit concentrations and portfolio-exposures
- Linking Loan Origination with credit risk mgt framework/process
- Scenario analysis & planning, stress testing
- Applying active portfolio management
- Resources and infrastructure for litigation and recoveries

## **MODULE 12:**

### **CREDIT RATINGS AS RISK MANAGEMENT TOOL**

- Inhouse (internal) credit ratings models
- Outsourced (external) credit ratings by ratings agencies
- Credit default co-relation to credit ratings
- Credit risk migration analysis and credit management

## **MODULE 13:**

### **MANAGING THE CSFs**

- What are the critical success factors for effective credit risk management?
- Establishing KPIs and other indicators to measure credit risk management's performance and success story

### **Management book:**

All participants will get a copy of the book "Managing Credit, Finance, Services, and Debts" written by Dr J. E. Ruin (the speaker).

### **Method of teaching/presentation:**

**1. Materials:**

Notes, Bullet point presentation. Essays. Flip chart discussion and group learning, brainstorming among groups.

**2. Delivery:**

Power Point. OHP and laptop. Flipchart. Group discussions and team dynamics/games.

**4. Management books:**

Distribution of management book to each participant. This book was written by Dr J. E. Ruin.

Title of the book is:

*“Managing Services, Finance, Credit, and Debts”.*

**1. Co-facilitator : Dr Joseph Eby Ruin.**

**Knowledgeable personnel in managing and auditing lending, loans, accounts/debts recovery and credit operations in his 30 years of full time jobs with 6 different banks and 6 other non-banking organizations, as follows:**

- **Bank Officer of a local Malaysian bank.**
- **Branch Accountant of a vehicle marketing/distribution company.**
- **Regional officer of an international bank operating in Malaysia.**
- **Branch Manager of a local Malaysian bank.**
- **Accounts Relationship Manager of a local Malaysian bank.**
- **Chief Auditor of a local Malaysian bank.**
- **General Manager of a large Malaysian bank.**
- **Chief Risk Officer of a large top 10 Malaysian bank.**

He retired from full-time employment in April 2007 upon reaching the working retirement age of 55 years.

He is now the Principal and Proprietor of RiskFirst Consultancy & Training Services. Prior to setting up his own mgt and training consultancy firm, he was the Executive Vice President or CRO (Chief Risk Officer) and Head of Risk Management Division of a Malaysian commercial bank.

Dr J. E. Ruin had also held the post of Head of Internal Audit Division/ Secretary of board's Audit Committee in the corporations he joined prior to his career in banking.

Since 1996, Dr Ruin has been invited by event or conference organisers to speak and deliver

his various corporate governance/audit and risk management papers at public conferences in Malaysia, as well as outside Malaysia like in Mumbai India, Sydney Australia, Beijing and Shanghai China, Bali and Jakarta Indonesia, Nairobi Kenya, Seoul Korea, Bangkok and Khon Kaen Thailand, Mauritius, Brunei, Melbourne and Sydney Australia, Phnom Penh Cambodia, Manila Philippines, Kursk Russia, Brunei and in Kuala Lumpur Malaysia and Singapore.

He has written 19 management books that are on sale at local Malaysian bookshops; focusing mainly on audit, banking/finance, corporate governance, controls, people and customer services, and risk management.

He was elected the Regional Director of PRMIA, KL Malaysia Chapter in November 2007.

For details of these past local and overseas seminars/conferences, please refer to the website at **[www.riskfirstconsult.com](http://www.riskfirstconsult.com)**

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**Who need to attend:**

- All company employees, including senior management and Board-members.
- Supervisors, and officers/managers at branches and regions; as well as at Head Office of the following:  
Firms/companies/organizations, business(profit-based) and non-business (non-profit) institutions, manufacturing companies, service industry companies, government agencies, government departments, statutory bodies, as well as non-profit organizations, utility companies like water and electricity suppliers, telecommunications, oil and gas industries, banking and financial institutions, insurances, natural resources management like forestry and logging, mining and mineral resources, transport and shipping, bulk and facility management like ports, harbours, airports, warehousing, bunkering, off shore suppliers, plantations and estate management.
- College and university students, lecturers, academicians, school management.
- Any other member of the public or employees of organisations who is interested to understand and know more about money, banking, finance, and the services and products that financial institutions avail.

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**Duration of workshop/seminar:**

2 full days.

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**For any enquiries please contact:**

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