

Level 3 Credit Risk Management Indicative content

Whilst not exhaustive this document provides an illustration of topics and themes in this unit.

NOTE: *When completing CICM assignment units it is not intended that learners include **ALL** the suggested areas below, rather, they are intended as guidance on the type of content you may study and include.*

CICM assignments require a high level of personal application. Therefore, when completing them careful consideration needs to be given to the relevance within your organisation, industry and your specific role.

1.1	<p>External business environment, including economic change and financial risk. The end-to-end customer journey and processes to resolve credit management and debt collection issues Overall customer portfolio, including propensity to default / bad debt risk ratio. Individual customer risk, including over-indebtedness, slow payment, bad debt and abscondment. Risk of fraud including cyber security and money laundering. Repercussions of non-compliance toward legal and regulatory obligations.</p>
2.1	<p>Applicable legislation and regulation, e.g.</p> <ul style="list-style-type: none"> • GDPR /data protection including profiling • Consumer Credit Act. • Anti-harassment laws. • Credit card regulation (e.g., PCI/DSS) • Basel IV. • Financial Conduct Authority including TCF and Consumer Duty. • Sarbanes Oxley. • Sector/regulatory requirements. • Professional standards. • Guidance for the fair treatment of customers and support of those in vulnerable circumstances. • External credit risk audits.
2.2	<p>Organisational requirements, policies and procedures which provide the framework for assessing credit risk, e.g.,</p> <ul style="list-style-type: none"> • Organisational risk strategy. • Organisational 'values' • Professional and organisational standards. • Credit policy. • Risk policy. • Vulnerability frameworks. • Compliance framework. • Scorecard metrics, including behavioural scoring and cohort analysis. • Internal credit risk audits. • Departmental procedures for managing credit risk including segregation of duties and referral process.
2.3	<p>The systems, tools and practices for identifying and assessing credit including specialist digital tools and searches, such as digital technology and data analytics, and their secure and ethical use. Systems to identify and assess risk, e.g., order control systems; automated</p>

	<p>allocation and reconciliation; interface with third party systems (e.g., credit bureau); credit reference agency use of big data (public / private / derived data); robotic automation.</p> <p>Tools to identify and assess risk, e.g., credit limits; credit risk categories; payment terms; methods of payment; risk-reward ratio; score-card algorithms, programs and cut-off score; judgmental decision making.</p> <p>Practices to identify and assess risk, e.g., digital technology, data analytics, risk assessment automation, governance of use including security features and ethical application.</p>
3.1	<p>How the credit management / debt recovery / enforcement role interacts with other areas of the business in relation to credit risk, for example:</p> <p>Internal stakeholders e.g., Sales and marketing teams; customer relationship/customer service agents; finance department; logistics; objectives of Board; own team including risk analysis, new business, credit admin and control.</p> <p>External stakeholders e.g., Credit bureau/credit reference agency; Financial Conduct Authority; customer; guarantor; credit circle; credit organisation; bank; credit insurer.</p>
3.2	<p>How to balance different stakeholder requirements when managing credit risk, for example:</p> <p>Applicable stakeholder requirements, for example:</p> <p>Financial requirements of organisation – cash flow (gearing), profit, bad debt provisioning, restrictions of insurer, team targets/Key Performance Indicators and reporting.</p> <p>Customer focused objectives – customer experience, quality control, codes of practice (e.g., Credit Services Association, guide to credit scoring).</p> <p>Sales objectives – marketing drives, target audience, risk/reward balance.</p> <p>Logistics – shipping (inco) terms, documentation, and insurance.</p> <p>Credit team – risk analyst parameters, new business take up rates and timing, credit control view, Quality Assurance.</p>
4.1	<ul style="list-style-type: none"> • Credit risk analysis and assessment of customer application. • justification of use of additional information to aid assessment process. • how to obtain and assess additional financial and non-financial information. • assessment review of existing customers using historical and behavioural data including cohort analysis. • how to monitor customer account trends to identify emerging risks. • how to identify high risk accounts and the strategies that can be applied to resolve high risk account issues. • engagement with stakeholders on accounts, for example to resolve issues, leverage payment, support business growth. • how to use questioning techniques to acquire information from customers to understand the customer’s financial situation or specialist needs/requirements and develop acceptable solutions. • adherence to risk assessment protocols, including legal and regulatory requirements, organisational policies and procedures. • how to follow a risk aware, inquiring and future focused ethos. • how to assist with the reporting of credit checks and credit limits.
4.2	<ul style="list-style-type: none"> • Examples of accounts that have been assessed for creditworthiness and affordability. • evidence-based decisions on credit and debit cases, based on customer risk

	<p>analysis.</p> <ul style="list-style-type: none"> • negotiation of fair outcomes to reach mutually acceptable solutions. • verbal and written communication with own team and other stakeholders, adapting communication style as appropriate. • recommendations and decisions on credit lines, limits, terms and methods, and re-negotiated repayments. • selection of risk categories; decisions, referrals or recommendations made and the reason behind them. • how to use legal, regulatory and organisational in the analysis and decision making process.
4.3	<ul style="list-style-type: none"> • Evidence of how complaint cases are handled. • how to identify, defuse and resolve issues which have multiple strands or involve sensitive situations. • how internal process of customer complaint resolution, re-negotiation, referral and escalation policies are followed. • selection of credit management or debt collection strategies to resolve complaints concerning credit decisions. • adherence to appropriate external requirements e.g., FCA/credit scoring guidelines and best practice. • GDPR auto-profiling and Subject Access Rights. • how support and influencing techniques are used, for example in identifying and handling vulnerability. • how to take ownership through to resolution. • how to interpret and apply the legal and regulatory framework to resolve issues. • how to monitor complaints trends to identify emerging risks.
5.1	<ul style="list-style-type: none"> • Evidenced assessment of individual targets and results, in relation to credit/debt risk and team performance KPIs. • how management information tools are used to prioritise high risk accounts and plan workload. • ethical and secure use of a range of systems, tools and processes including digital technology and data analytics to deliver services to customers. • how management information ensures compliance with risk and collections policies, regulatory requirements and performance measures. • reflective consideration of personal skills and abilities in assessing and managing credit risk, e.g., taking ownership of specific changes through to implementation. • keeping up to date with relevant changes. • supporting others in their development through mentoring/coaching; resilience and enthusiasm and staying positive when under pressure.
5.2	<ul style="list-style-type: none"> • Review of personal and business working practices to identify changes (e.g., in approach, attitude, skills, abilities, confidence and outcomes) • assessment of the reasons for change. • performance results based on financial and qualitative targets, e.g., sustainable repayment and customer retention. • mapped evolution of changes, linked to development of credit risk skills. • use of feedback, consistent decision-making and interpretation of policies, to identify areas for personal and team development. • use of professional standards to improve own working practices and those of

	others.
5.3	<ul style="list-style-type: none"> • Plan of action in recognised structure. • plan addresses identified gaps in personal skills and abilities in credit risk work. • actions linked to feedback which identifies areas for personal development. • plan constructed with clear measures to reflect ways it will improve performance. • building capability through ownership of own development. • identifying opportunities to improve personal working practices using SMART goals.

Assessment Assignment