

Careers in Credit and Banking

AIM of this presentation

- To define the Credit Research, Market & the services.
- Provide an idea of its size and recent growth
- Examine the career opportunities in the Credit Research industry
- Describe the competitive landscape and the ways to reach there.
- Introduce CCRA Certification program as a gateway to careers in Credit Research and Ratings

Definition of Credit Research and Analysis

- Credit Research and Analysis
 - Research to assess the overall credit quality for Investments into its fixed income related instruments
- Fixed Income is an Investment that has an up-front capital Investment and pays interest on a regular basis
- Credit research, usually includes credit analysis, fixed income valuation, credit rating. Credit assessment, formulating credit strategy and credit enhancement

Fixed Income - Products

- Common financial instruments:
 - Bonds/Debentures
 - Certificates of Deposit, Fixed deposits
 - Money Markets Instruments (short term)
 - Loans (including foreign currency loans)
 - Others

As we understand.....

- Credit Analyst's has to look at all risk factors for a company unlike equity analysts and are more concerned with Downside vs. Upside
 - Credit Analysts can be a any qualified person MBAs, CFA Charterholders, Chartered accountants, Cost accountants, Management graduates or any credentialed professional money manager equipped with appropriate credit knowledge
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Client Segments

- Credit Research roles are targeted at any part of a business where there is a need for new capital for e.g. for SME's, large corporates, private companies, special purpose vehicles, individuals, NBFC's
- The roles could be targeted for independent analysis like a credit rating analyst, Credit strategy, credit structuring or a portfolio analyst for a buy side/sell side firm

Equity is over played

- There are only 51 stocks in the world that are rated by more than 50 sell-side equity research analysts. Of these, 49 are in India. The only 2 stocks outside India are Apple and Intel. (MS Report).
- Equity Research per se has bulk supply and few jobs which are inverse compared to the total capital out in the world

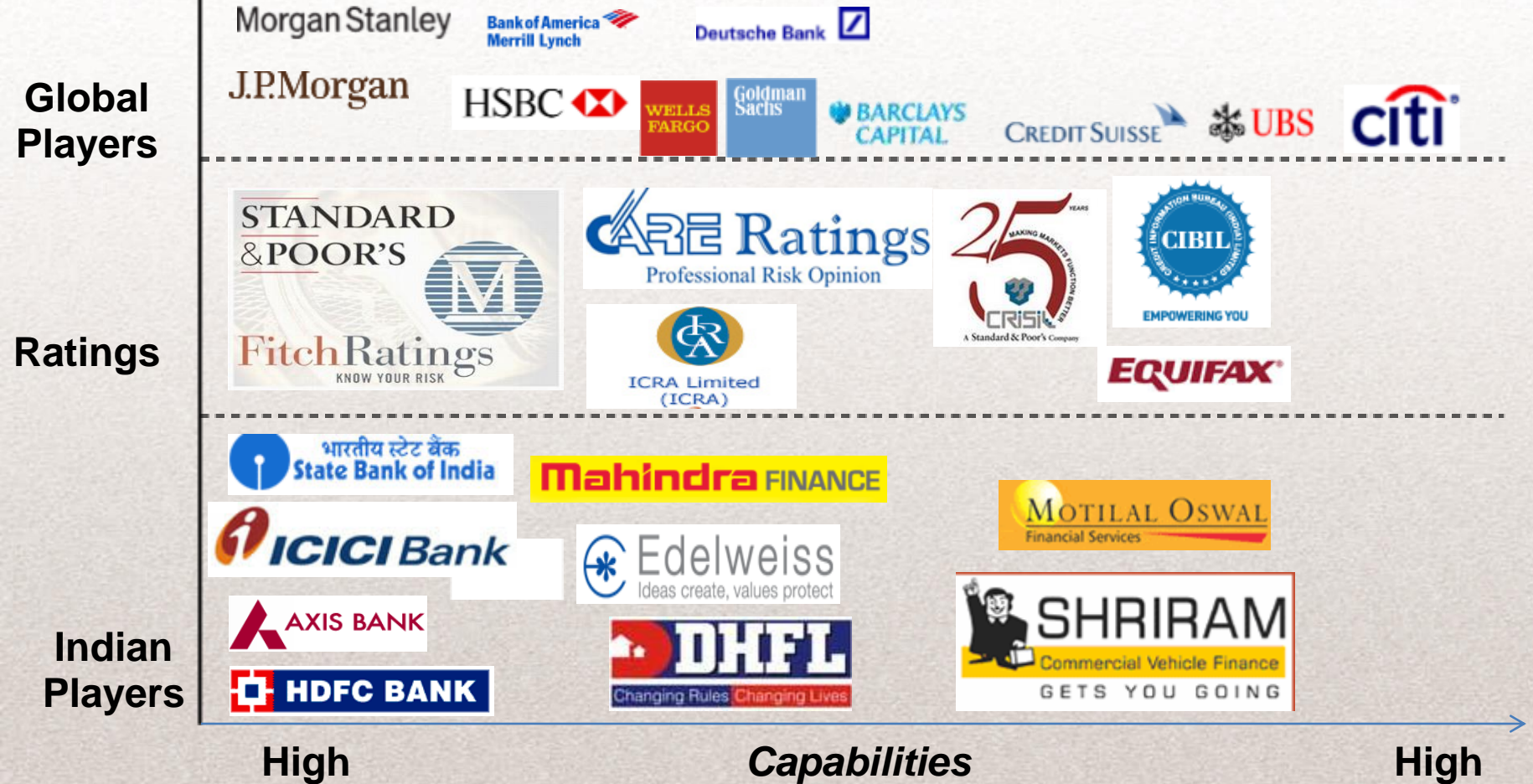
Market Structure/size

- Bond markets (incl. IRD) - \$600 TN (ISDA – Jan 15)
- Equity market size globally - ~\$60 TN
- Mutual Fund Industry – 75% Debt AUM (~INR 20 TN)
- Insurance Industry – 80% Debt AUM ((~INR 40 TN))
- Globally equity is only about 10-20% of the total capital available while the debt remains 80-90%.

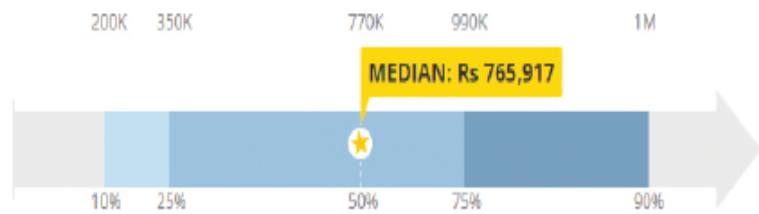
Market Players for Credit

- Credit Rating and Credit Information Agencies
- Banks/NBFC - Fixed income trading desks, Research – Retail and institutional Loans, Other Credit products
- Insurance – Life and Non life Debt Products , ALM
- Mutual Funds – Debt AUM Management
- Banks – Treasury dept. Buying and selling G-Sec
- Investment Banking, Loan Syndication, M&A Fund Raising
- KPO's – Tracking international Bond markets
- Big 4 Accounting Firms Due Diligence/Fin Tech Firms

CCRA Competitive Landscape – Select names

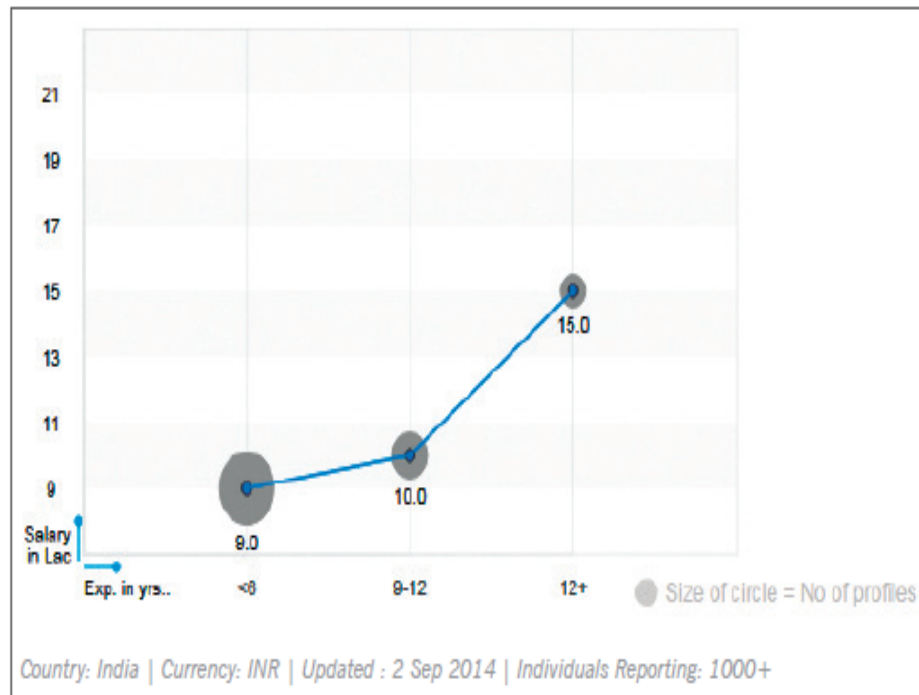


Credit Officer/Manager/Analyst Salary Scale (Indicative)



	National Salary Data (?)	Rs 0	Rs 600K	Rs 1.2M	Rs 1.8M
Salary	Rs 202,735 - Rs 1,396,654				
Bonus	Rs 4,200 - Rs 400,000				
Total Pay (?)	Rs 271,169 - Rs 1,520,752				

Country: India | Currency: INR | Updated : 2 Sep 2014 | Individuals Reporting: 1000+



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Source: www.payscale.com/www.naukri.com (Salary for the experienced candidates may vary on the basis of firm/location/business)

Recent Regulatory updates: +ve

- NSE/BSE Launched its Debt trading segment recently and trying to promote it, other key exchanges are planning as well
- SEBI recently mandated Corporate bond database for all bond issuances along with allowing FII's to invest in selected bond markets
- There are New AIF regulations allowing Debt Hedge funds to invest in Indian markets along with regulations for Infrastructure funds etc.
- RBI Announced/approved CDS Guidelines in 2012 and all regulators, including PFRDA, IRDA, SEBI etc. Allowed mutual funds to trade in the same
- RBI is actively changing competitive landscape for debt/debentures etc. with changing guidelines, rules
- 20+ corporates applied for banking license and that will open up banking jobs in 2014/beyond plus Nationalized banks are expanding, 11 payment banks approved, more to come..

Mandatory Capacity Building

- In reference to Reserve Bank of India's letter DBR.No.BP.BC.4/21.03.009/2016-17 dated August 11, 2016 addressed to all commercial banks and all Indian financial institutions, a high-level "Committee on Capacity Building" has been set up by RBI under the chairmanship of Shri G. Gopalakrishnan, **it has been recommended that the Banks should identify specialized areas for certification of the staff manning key responsibilities.**
- The Reserve Bank of India had requested IBA to identify in consultation with RBI, a list of courses and certification that will meet the certification requirements in Credit Management & Risk Management
- **The Certified Credit Research Analyst (CCRA) certification offered jointly by AIWMI and NISM has been recommended/Mandated by IBA in this regard as one of the premier most professional certification for Credit, Treasury and Risk Professionals.**
- **Existing Bankers in Credit needs to complete the certification by March 2018 and All new joiners need to have it from April 2018**

Role of a Credit Analyst

- Long Hours (less hours than Investment Banking)
- Life will revolve around companies
- A lot of phone time / meetings with clients, other banks, lawyers, & internal colleagues
- Credit analysis
 - Financial Statement Analysis / Modeling and Industry Studies
- Must know your clients better than the competition
 - Investor Calls / Presentations
 - Company press releases as well as reports in the media
 - 10-Ks, transcripts, sell-side research etc.,
- Broad product experience / limited understanding of each product
- Competitive / High Pressure Environment
 - Can be said about any position at a bank. Especially front office but also middle and back.

Student Profile : Banks/ NBFC's

- **Deutche Bank**
- **Bank of America**
- **Dubai Islamic Bank**
- **FirstRand Bank**
- **Citibank**
- **HSBC Bank**
- **Indusind Bank**
- **ICICI Bank**
- **HDFC Bank**
- **YES Bank**
- **Axis Bank**
- **Kotak Bank**
- **Standard Chartered Bank**
- **Mahindra Finance**

- **SBI**
- **Bank of India**
- **IDBI Bank**
- **Bank of India**
- **Union Bank of India**
- **Canara Bank**
- **Vijaya Bank**
- **Allahabad Bank**
- **Bank of Baroda**
- **Federal Bank**
- **SVC Bank**
- **KarurVaishya Bank**
- **Saraswat Bank**
- **CityUnion Bank**

Student Profile : MF/Brojer/IT/Big4/Rating

HDFC AMC
UTI AMC
ICICI Prudential AMC
HSBC AMC
ICICI Prudential
Quantum
Birla Sun life Insurance
Canara HSBC OBC Life
Fidelity Inv
Goldman Sachs

CRISIL
CARE
ICRA
S& P Capital IQ

Deloitte
KPMG
PWC
E&Y

Infosys
Accenture
CMC

States Street Syntel
Globop
Reval Analytics
WNS Global
XL Dynamics
SG Analytics
Genpact

HDFC Securities
Religare Securities
ICICI Securities
Angel Broking
Karvy

Student Profile : Broking/ Mfg/Others

- **Starbulls Wealth**
- **AK Capital**
- **XL Dynamics**
- **Credila**
- **Darashaw Co.**
- **UTI**
- **India Infoline**
- **Jardine Llyods**

- **Morgan Stanley**
 - **J P Morgan**
 - **Stratos**
 - **IMC**
 - **Jindal Steel & Power**
 - **Wockhardt**
 - **Alfalaval Mfg**
 - **Epic Research- KPO**
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Certified Credit Research Analyst (CCRATM) Program

- Advanced international professional certification for credit research, strategy and ratings professional, developed by industry experts.
- Has corporate acceptance
- Global, regional and local education component
- A program developed by highly qualified academics & practitioners; skillfully combines both theory & practice

Strengths of CCRATM Program

- Ensures an in-depth knowledge of Credit Research, Strategy, Rating, Structuring etc
- Focuses on Credit Analysis as a niche
- Provides access to rating methodologies, industry practices, from global financial institutions
- Teaches sophisticated techniques & takes a holistic approach to a Credit Ratings, Analysis, Research and Trading
- International Best Practices

CCRATM Aspirants Profiles

Candidates aspiring for a career in the following domains should pursue CCRATM program:

- Academics
- Banks
- Credit Analysis
- Credit Ratings
- Commercial and Retail Finance
- Economic Research
- Fixed Income Trading
- Fund Management
- Investment Banking
- Private Equity
- Main Banking as well as Private Banking
- Portfolio Management and Treasury

CCRATM Examination Structure

- **Regular Mode:** A candidate needs to appear for both Level 1 & Level 2 exams
 - Eligibility: A graduate from any stream (Undergraduate Students can register for exams but would be awarded the final certificate after graduation.)
- **Expert Mode:** A candidate needs to appear only for the Level 2 exam.
 - Eligibility For CCRA: CA/ FRM/ CIIA/**CAIIB** / CS/ ICWA/ CIWM/PRM/ **CFA Level 2 passed candidate (USA)** / Any other course approved by board.

CCRATM Examination Structure

- **Level 1 Exam – MCQ based**
 - Knowledge and understanding
 - Problem solving
 - 40 one mark and 40 two mark questions
- **Level 2 Exam – Case study based MCQ**
 - Problem solving
 - Evaluation and judgement skills
 - 50 one mark and 35 two mark questions (seven case studies of five question each)

CCRATM Examination Structure

Examination : Daily Computer based testing at Pearsonvue across 180 countries

- | Common | Exam hours | No. of papers |
|-----------|------------|---------------------------|
| • Level 1 | 2 | 1 - MCQ |
| • Level 2 | <u>3</u> | <u>1 – Case Study/MCQ</u> |
| | 5 | 2 |
- Passing Score - 60% without negative marking

CCRATM Course Content – Level 1

Module 1: Financial Statement Analysis

- **Introduction: Role of Financial Statements, Relevance of Notes, Nuances of Accounting: Inventories, Depreciation, EPS, Intangible Assets, Ratio Analysis, Financial Modelling and Covenant Testing, Nuances of Leases, Hire Purchase, Pension Liabilities and Classification of Investments in Financial Assets, Red Flags, GAAP & IFRS – Similarities & Differences, Case Studies**

Module 2: Credit Specific Analysis – Banker’s and Analyst perspective

- **Liquidity Analysis, Stress Testing, Comparison: Sector versus Global, Liquidation Scenario and Event, M&A/LBO, Banker's Angle to Credit Analysis, Bank CMA Format and Credit Policy Formulation, Preparation of Credit Proposal and Credit Appraisal, Capital Budgeting Methods, Loan/Bond, Behavioral Aspects of Credit officer, Pre-sanction Methodologies and Analysis, Know your Customer (KYC) requirements, ESG Analysis for Loans/Bonds, Case studies**

Module 3: Understanding of Loans and Bonds

- **Loan documentation, Covenants analysis and Trends, Loan/Bond Pricing, Spreads and Curves, Credit Default Swap (CDS), Seniority Ranking, Rich Cheap Analysis, Bond Valuation Measures Including, Swaps, OAS, YTW, YTM, Risk Mitigation using derivatives like swaps, FRA, caps and floors, Forex Hedge, Case studies**

CCRATM Course Content – Level 2

Module 1: Credit Rating – Internal and External

- Basics of Credit Rating, Credit Risk Management, 5C Credit Model, Analytical Framework For Credit Analysis, Industry Risk, Business Risk, Financial Risk, Dealing With Intricacies Of Credit Rating, Management Risk, Project Risk, Ratings Methodology For Manufacturing Companies, Ratings For Financial Institutions And Banks, Sovereign Ratings, Internal Rating models (Basel), and Case studies

Module 2: Credit Strategy and Portfolio Management

- Understanding Yield Curves, Trading on Interest Rate Risks, Understanding Credit Spreads, Trading on Credit Spreads, Other Concepts on Credit Risk, Predicting the Market, Introduction to Distressed Debt, Understanding Systemic Risk, Credit Analysis in a Multi Asset Class portfolio, Trading Strategies for Emerging Markets and Case studies

Module 3: Credit Monitoring, NPA Management, Enhancement and Securitization

- Credit Monitoring and Identification of Early Warning Signals, Credit Enhancement and Structures, Rating of Asset Backed and Mortgage Backed Securitization Transactions, Stressed Asset Management – Warning signs, Process and Monitoring for Recovery, CDR Mechanism, Pricing/ valuation of NPA's and Asset backed/Mortgage backed Securities, Case studies

Module 4: Credit Risk Models and Regulations

- CRA Regulations and Debt Guidelines, Credit Risk Models & Miscellaneous including Regression/Time series for interest rate modeling, Merton and other Model, and Case studies

Module 5: Understanding and analysis of Corporate Banking Facilities and other financing forms

- Understanding Types of Corporate Banking Facilities, Assessment of Working Capital Finance, Analyze Treasuries and other corporate papers, Nuances of Credit Analysis from NBFC Perspective, Private Banking perspective, ARC Perspective, Priority Sector/Agri Lending - Analysis and Peculiarities, Analysis for Loan against property, Analysis for Loan against Securities, Other Common Financing structures, Consortium lending, Green bonds, Case studies

Curriculum Books

- Curriculum Textbooks are included in the course registration and are available in printed and E-book format
 - Taxmann Publications ([Level 1](#), [Level 2](#)) - Printed
 - Vitalsource Bookshelf ([Level 1](#), [Level 2](#)) – E-book

International Best Practices

The study material of CCRATM also contains content reproduced with permission from:

- Asian Development Bank (ADB)
- Asia Securities Industry and Financial Markets Association (ASIFMA)
- Aswath Damodaran
- Bank of International Settlements (BIS)
- CreditSights Inc
- Equator Principles Association
- Experian
- Fixed Income, Money Markets & Derivatives Association of India (FIMMDA)
- India Ratings (subsidiary of Fitch Ratings) and Fitch Ratings
- International Association of Credit Portfolio Managers (IACPM)
- Loan Market Association (LMA)
- Moody's Investor Services
- National Institute of Securities Markets (NISM)
- Standard & Poor's Financial Services
- Swiss Financial Analysts Association
- The Climate Bond Initiative
- World Bank

Pathway to CCRATM Certification

The pre-requisites for this program include:

- Bachelor's degree or equivalent qualification from an accredited college or university/Institute.
- Candidates appearing for the Undergraduate/equivalent qualification examination and those who have completed degree requirements and are awaiting results can also apply. Such candidates will be allowed to join the program but final certification would be awarded subject to the completion of the bachelor's degree.

Pathway to CCRATM Certification

- Candidates can register via self study mode or under the guidance of [approved training providers](#)
- **Recommended Average Study:** Approximately average 120 hours of self-study or training is required to clear the exams. The Number of average hours of study may vary based on your understanding and background.

NISM - National Institute of Securities Markets (An education Initiative by SEBI)

- National Institute of Securities Markets (NISM) is a society and public trust, established by the Securities and Exchange Board of India (SEBI), the regulator for securities markets in India, to improve the quality of the securities and financial markets through sustained capacity building and knowledge dissemination initiatives

NISM - National Institute of Securities Markets (An education Initiative by SEBI)

The activities at NISM are carried out through the following Schools of Excellence:

- School for Securities Education (SSE)
- School for Securities Information and Research (SSIR)
- School for Investor Education and Financial Literacy (SIEFL)
- School for Regulatory Studies and Supervision (SRSS)
- School for Certification of Intermediaries (SCI)
- School for Corporate Governance (SCG)
- National Centre for Financial Education (NCFE).

Conclusion

- Credit Research Analysis will always be a critical function for financial institutions and will serve important role in economy.
- The market is growing with the entry of various institutions & products. Credit Analysis in this scenario provides a true differentiator and sustainable competitive advantage.

Queries

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<http://ccraprogram.wordpress.com>

More info on

www.aiwmindia.com

Thank You

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