



CERTIFIED CREDIT PROFESSIONAL (CCP)

FINANCIAL SYSTEM AND PRINCIPLES OF CREDIT

STUDY MATERIAL

Author: P. S. Subramaniam

Important Note to CCP Examination Candidates:

Please use the relevant set of study materials in your preparation for the CCP Examinations as indicated in the table below:

Examination	Applicable Set of Study Materials
Paper 1	Financial System and Principles of Credit
Paper 2	Consumer Credit
Paper 3	Business Credit
Paper 4	<input type="checkbox"/> Financial System and Principles of Credit <input type="checkbox"/> Consumer Credit
Paper 5	<input type="checkbox"/> Financial System and Principles of Credit <input type="checkbox"/> Business Credit

 **Candidates are advised to regularly log in to the IBBM website, www.ibbm.org.my for updates to their study materials** 

First Edition May 2004
Revised August 2004 (v1), Revised April 2005 (v2)

© 2004, 2005 Institut Bank-Bank Malaysia

No part of this publication may be reproduced or transmitted in any material form or by any means, including photocopying and recording, or stored in any medium by electronic means and whether or not transiently or incidentally to some other use of this publication, without the written permission of the copyright holder. Written permission must also be obtained before any part of this publication is stored in a retrieval system of any nature. Application for such permission should be addressed to Institut Bank-Bank Malaysia.

Published by

Institut Bank-Bank Malaysia

Wisma IBI, 5 Jalan Semantan

Damansara Heights, 50490 Kuala Lumpur

Tel: 03-20956833 (General),

03-20938803 (Qualifications), 03-20958922 (CPD)

Fax: 03-20952322 (General), 03-20957822 (CPD)

Website: www.ibbm.org.my E-mail: ibbm@ibbm.org.my

The development and production cost for
this Study Material is subsidised by the
Staff Training Fund

C O N T E N T S

Chapter 1 The Malaysian Financial System

- The banking system
- The functions and responsibilities of monetary and non-monetary institutions
- The functions and responsibilities of non-bank financial intermediaries
- Other institutions or bodies

Chapter 2 Credit and Economic Growth

- Definition of credit
- Role of credit in economic growth
- Credit and money supply
- Credit and inflation
- Credit and stability of financial institutions
- Credit crunch and its consequences

Chapter 3 Banking and Financial Institutions Act (BAFIA) 1989

- Provisions relevant to credit under the BAFIA

Chapter 4 Bank Negara Malaysia Guidelines

- Knowledge of procedures and the limitations and restrictions of activities involved in processing and approval of credit and monitoring implementation credit

Chapter 5 Exchange Control Notices (ECM)

- ECM 1 – Definitions
- ECM 2 – Dealings in gold and foreign currency
- ECM 3 – External Accounts
- ECM 4 – General Payments
- ECM 6 – Credit facilities to non-residents
- ECM 7 – Foreign currency accounts
- ECM 8 – Domestic credit facilities to non-resident controlled companies (NRCC)
- ECM 9 – Investment abroad
- ECM 10 – Foreign currency credit facilities and ringgit credit facilities from non-residents
- ECM 12 – Securities

Chapter 6 Foreign Investment Committee (FIC) Guidelines

- Objectives and rationale for FIC guidelines
- Present guidelines
- Revised guideline with effect from 25 April 2001
- Others
- Implications of contravention

Chapter 7 Principles of Lending

- What is credit?
- The credit process cycle
- Credit officers' role
- Fundamental credit principles
- Fundamental credit risk management principles

Chapter 8 Types of Risks and Risk Mitigation

- Credit risk
- Market risk
- Operational risk
- Funding risk

Chapter 9 Types of Borrowers

- Types of borrowers
- Personal
- Sole proprietor
- Partnership
- Company
- Co-operative societies
- Societies and clubs
- Government corporations and agencies

Chapter 10 Basic Credit Factors

- 5 'C's of credit
- Other credit factors

Chapter 11 Securities

- Types and forms of securities
- Secured and unsecured lending
- Features and attributes of a good security
- Forms of taking securities
- Security instruments
- Principal and subsidiary instruments
- Stamping

Chapter 12 Credit Support

- Guarantees
- Indemnity
- Insurance policies
- Undertakings
- Statutory declarations

Chapter 13 Pricing

- Types of credit
- Considerations in loan pricing
- Methods of loan pricing
- Concept of cost of funds
- BLR computation
- Basis of interest computation
- Other charges (fee and commission)

Chapter 14 Islamic Banking

- Islamic banking principles
- Differences between conventional and Islamic banking systems

Sample Multiple-Choice Questions

CCP Paper 1 – Financial System and Principles of Credit

While every effort has been taken to ensure the contents in this pilot edition were accurate at the time of going to press, the Institute apologises for any inadvertent errors or omissions therein. Any updates or amendments will be announced in the Institute's newsletter and on its website.

In preparing this material, the writer has in certain instances made references to the works of other authors and publishers, for which our writer has gratefully acknowledged. In the event that we have inadvertently omitted the names of those whom we should give credits, we offer our apology. Do contact the Institute and let us know as such.