



# CERTIFIED CREDIT PROFESSIONAL (CCP)

## FINANCIAL SYSTEM AND PRINCIPLES OF CREDIT

STUDY MATERIAL

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### 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](http://www.ibbm.org.my) for updates to their study materials** 

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

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Published by

**Institut Bank-Bank Malaysia**

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Damansara Heights, 50490 Kuala Lumpur

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

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

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# C O N T E N T S

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## **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.

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