

**The London Institute
of Banking & Finance**

Commercial and Corporate Financial Services



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MODULE SPECIFICATION

| | | |
|---|---|------------|
| 1. Title | Commercial and Corporate Financial Services | |
| 2. Start date | 2016 | |
| 3. Level of module | Level 5 FHEQ | |
| 4. Number of credits | 30 Credits | ECTS Value |
| | | 15 |
| 5. Status | An optional module within the: <ul style="list-style-type: none"> • Professional Diploma in Banking Practice and Management • BSc (Hons) in Banking Practice and Management (full- and part-time) | |
| 6. Recommended prior modules | <ul style="list-style-type: none"> • Business Lending (part-time only) • Organisational Management in Financial Services • Financial Services: The Commercial Environment | |
| 7. Programmes of study to which module contributes | <ul style="list-style-type: none"> • Professional Diploma in Banking Practice and Management • BSc (Hons) in Banking Practice and Management (full- and part-time) | |
| 8. Campus / Partner | N / A | |

9. Syllabus overview

This module is aimed at students either dealing with commercial and corporate customers at present or who are likely to do so in the future.

Individual financial institutions can differ in how they structure their retail and business areas. Some include sole traders, partnerships and even small to medium business enterprises in their retail operations, and restrict corporate operations to large companies above a certain size. This module includes commercial and corporate customers regardless of their size or structure, although most of the emphasis and learning is directed to corporate entities, including limited companies and limited liability partnerships. Many financial institutions also segment their customer base, with larger businesses being dealt with by specialist relationship managers, and these types of segmentation policies are addressed and discussed within this module.

The module has been designed to provide the student with an understanding of and an ability to analyse the detailed relationship between a financial institution and its commercial and corporate customers, including both legal and practical aspects of the relationships. It focuses in detail on the critically important area of sustainable lending; analysing lending propositions and structuring suitable solutions. This also covers the taking of appropriate security, monitoring and controlling ongoing risks in the relationship, key terms and conditions implicit in lending, and a thorough understanding of the impact of insolvency. The module also considers the broader spectrum of other general and more specialised commercial and corporate banking services and products, and their relevance to meeting different customers' needs.

Through the assessment, students will have the opportunity to demonstrate not only their grasp of the principles and technical knowledge required for effective customer relationship management and commercial and corporate lending, but also their ability to apply this knowledge and understanding in practical terms to meeting specific customer requirements. They will have the opportunity to compare and contrast options available and show that they can present the advantages and disadvantages of different solutions effectively to customers.

10. Intended subject specific learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module, students will be able to:

- a) evaluate the legal and practical principles of effective commercial and corporate customer management;
 - b) assess business lending propositions using techniques of credit risk assessment in order to reach and justify lending decisions, including: the use of industry analysis, management and financial assessment, security and conditions attaching to agreements to lend;
 - c) consider the methods of effective credit monitoring, control and recovery and demonstrate when to apply them;
 - d) explain the key features of services relevant to a customer's situation and make appropriate recommendations in specific cases;
 - e) discuss the general principles of security, and define and demonstrate the legal and practical implications of different types of security; and
 - f) discuss the general principles of insolvency, and define and demonstrate the legal and practical implications of insolvency.
- Professional Diploma in Banking Practice and Management (part-time): A3–A7.
 - BSc (Hons) in Banking Practice and Management (full-time): A2, A3 and A4.

11. Intended generic learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module, students will be able to demonstrate achievement of the following generic learning outcomes:

1. Ability to learn through reflection on practice and experience.
2. Ability to undertake detailed research on a particular area and work with complex material.
3. Ability to analyse problems, identify appropriate solutions and make decisions.
4. Ability to work and study independently and utilise resources effectively.
5. Ability to communicate effectively in a manner appropriate to the context and audience.

These intended generic learning outcomes contribute to the generic programme learning outcomes set out in section B–D of the programme specification.

12. Learning and teaching

A. Learning hours

For a module of study worth 30 credits, the total expected study hours are 300 (ie ten hours per credit). The contact hours will depend upon the student's mode of study.

B. Tuition support

Distance learning

Distance learning allows students to study independently within a clear framework, but at a pace that suits their personal circumstances and study needs. Over their course of study (24 weeks), students will be provided with comprehensive learning materials, study guides and will be assigned to a subject specialist academic tutor to support their studies. Distance learners will have regular contact with their Academic Tutor and further practical support is available from The London Institute of Banking & Finance Student Services.

Flexible learning

Flexible learning allows distance learners to opt for three face-to-face workshops of approximately six hours each, evenly spread at appointed dates in each session (24 weeks).

Dispersed campuses

Dispersed campus students will have regular face-to-face sessions over each session of study. The timing will depend upon local timetabling arrangements (eg via evening classes).

Full-time students

Full-time students will study on a semester basis supported by their module lecturer. The weekly timetable will be advised at the start of the programme.

C. Learning materials and learning outcomes

The learning and teaching strategy is designed to ensure that the students achieve the learning outcomes by the end of the module. The learning and teaching methods include formal lecture and tutorial (full-time), online learning support from an appointed lecturer (distance / flexible learning), private study of text and other supporting materials, a formal assignment, informal exercises (both individual and group-based), and pooling of experience and knowledge through class / forum and individual discussion. The assessment strategy is designed to achieve a balance between testing the student's skills of knowledge recall and understanding, and those of research and application.

D. Reading

Students will be provided with a core text, as detailed below, but will also be expected to read and research the recommended reading on the course website. Lecturers may also recommend additional reading throughout the module.

Essential reading

Dennant, T. and Raby, P. (2013) *Corporate financial services*. Canterbury: *ifs School of Finance*.

Each student will have access to the Virtual Learning Environment (VLE) and to *KnowledgeBank* learning resources (an electronic library service). A list of further readings relating to the syllabus and summative assignment can be found on the VLE.

It should be noted that due to the rapidly changing environment that encapsulates the financial services sector, the reading list above is indicative only. It is subject to review and update at the discretion of the module team. An up-to-date reading list is published in the student study guide issued at the commencement of the module.

13. Assessment

| Component | Duration / length | Weighting |
|--|---|-----------|
| Component 1 Summative assignment | 3,000 to 4,000 words including quotations and in-text citations | 50% |
| Component 2 Examination | 2 hours (plus 15 minutes' preparation time) | 50% |

Component 1: Summative assignment

This component will contribute 50% of the overall assessment and will be based upon the submission of one assignment at the end of the course but prior to the examination. The assignment will include questions that require students to typically explore and compare the technical aspects of an issue or topic or to apply their understanding to, for example, solve a problem or provide a recommended solution for a customer. Students will be expected to collect information, undertake research, etc, and the assignment will allow the opportunity to reflect on or analyse comparative perspectives, eg different cultures, countries, organisations, etc. Feedback will be provided on this component.

Component 2: Examination

Examination questions will be practical, application-based and be focused at an operational level. According to the nature of the subject matter, a variety of question styles and approaches will be included in the examination. Questions might be based on case study materials and require a discursive answer, a business report or a series of shorter answers. Students will typically be required to explore and compare the technical aspects of an issue or topic or to apply their understanding to, for example, solve a problem or provide a recommended solution for a customer. Feedback will be provided on this component.

The question paper will be structured as follows:

- **Section A:** one compulsory 20-mark question, which will be based on a scenario and relate to the lending cycle (initial proposition, ongoing monitoring / control or recovery of monies advanced), and
- **Section B:** two 15-mark questions from a choice of three, which could be drawn from any part of the syllabus.

The pass mark for this component is 40%.

Time allowed: 2 hours (plus 15 minutes' preparation time).

A scientific calculator may be used but it must not be programmable, nor have a wireless-communications capability, nor be capable of storing textual information. It must also not require a mains electricity supply. Calculators with any further functions are not allowed in the examination room.

At regular intervals during the course of study, students will be expected to submit short formative assignments. These assignments will take the form of developmental learning activities towards the assessed assignments and unseen examination components and will be integrated within the study plan. They will provide students both with opportunities to reinforce their learning as they progress through the course of study and the opportunity to prepare for both the summative assignment and unseen examination.

Whilst these formative assignments will not contribute to the overall assessment, students are strongly advised to take the opportunity to complete them, as feedback will be provided from their lecturer on their progress through the course of study.

Students should be aware of the regulations governing the award of credit and the arrangements for compensation, condonement and the capping of marks. Students should also be aware of the regulations relating to the resitting of assessment components and / or the retaking of modules. This information is contained within The London Institute of Banking & Finance's General and Academic Regulations for Students sections 7, 8 and 9.

Module Grading

A student's module performance grade is determined by their overall weighted average percentage score in accordance with the following:

| | | | |
|-------------|-----|---|------|
| Pass | 40% | - | 59% |
| Merit | 60% | - | 69% |
| Distinction | 70% | - | 100% |

14. Syllabus

1. Banker–customer relationship

This section of the syllabus is designed to provide students with essential foundation knowledge. The basic concepts contained in this section are fundamental legal principles, which students will need during their study of the subsequent sections of this module. In relation to the banker–customer relationship, the aspects of the law detailed below will form the syllabus:

- basic contract law;
- implied and contractual relationships;
- effects and extent of exclusion clauses (relates to liability);
- definition of a customer: duty of care and core account services; and
- conduct: the lending code and knowledge of the BCOB; responsible lending; treating customers fairly.

2. Understanding businesses

This section covers the principal elements crucial in the understanding of businesses. It examines the non-financial elements of a business, such as assessing the management skills of the business, the implications of the business structure chosen and the sector within which the business operates. The segmentation policies of financial service providers are explored in some detail.

a) Types of business customer and liability

- Key differentials between types of business structure: the liability of the entities and individuals involved.
- Comparisons between sole traders, partners, LLPs, limited companies, directors and shareholders.

b) Industry sector

- Assessing the risk profile of a particular sector / industry; retailing, service industries, wholesaling, manufacturing, property (investment and construction), farming, professionals and franchising.
- Evaluating the position of the customer within a sector / industry.

c) Assessing management skills of business customers

Making a structured assessment of the quality and competence of the management of a business, a key influence on the ability of a business to perform successfully, including:

- leadership;
- management structure;
- management teamwork;
- business planning for long-term sustainable growth;
- management succession;
- marketing skills;
- operations skills;
- financial skills;
- integrity and reputation; and
- management competence.

3. Financial assessment of a business lending proposition

This section of the syllabus is designed to allow students to develop their ability to understand and interpret financial statements and evaluate trends in financial ratios. This can indicate the health of a business, how cash is generated and how it can meet its debt servicing obligations, enabling the bank to build a risk profile. Students will be able to critically evaluate business projections, including budgets and cash flow statements, and to complete sensitivity analyses in order to produce a reasoned assessment of the business and its ability to repay bank debt. It covers the following issues:

- understand financial statements;
- ratio analysis; safety liquidity profitability model, importance of trend analysis and key investment ratios, eg ROCE and ROI;
- cash flow analysis; cash generation, important concepts, eg EBITDA and debt servicing, cash flow statements and forecasting and funds flow statements and their use; and
- projections and budgets; basic assumptions and sense check.

4. Security

This section of the syllabus enables students to understand the strengths and weaknesses of different types of security, how it can be valued, and its suitability as a secondary source of repayment. It also focuses upon the realisation of security, the issues, effects and problems associated with each type of security. (*Note:* Detailed procedures for perfecting security will not be covered or be required in the assessment). It covers the following issues:

- forms and types of security; nature, legal effect / implications and use and enforcement of each;
- attributes of good security;
- assets as security; land and buildings, life policies, stocks and shares, chattels and company assets, eg stock and debtors;
- valuation of security and lending margins;
- realisation;
- default (breach of covenants will be covered under terms and conditions of lending);
- effect of realising the different securities; and
- problems on realisation, eg undue influence and equitable interest.

5. Terms and conditions of lending

This section of the syllabus focuses upon the identification and evaluation of suitable terms and conditions for lending and how these are incorporated in the appropriate documentation. It also examines the purpose, rationale behind and implications for both the lender and borrower of such terms and conditions. It covers the following issues:

- balancing risk and reward;
- pricing – both interest rate margin and fees;
- covenants that may attach to the lending, including actions on breach. long-run implications of the terms of a loan; and
- implications of taking no action on breach.

6. Structuring, presenting and assessing a lending application

This section of the syllabus is concerned with how to package a lending application in a suitable manner, using a suitable model and covering all relevant elements associated with that lend. It emphasises that different industry sectors, borrowers and types of customer all carry different risks that need to be analysed carefully. In particular, businesses run according to different operating models and the borrowing requirements and sustainability of the various business models pose different risk-related issues for the lender. It covers the following issues:

- models available, eg RIOTARS; and
- the borrowing requirements, credit risks and sustainability of differing types of business, including the following sectors:
 - retailing;
 - service industries;
 - wholesaling;
 - manufacturing;
 - property (investment and construction);
 - farming;
 - professionals; and
 - franchising.

7. Credit monitoring, control and recovery

This section of the module focuses firstly on the monitoring and control that is necessary to ensure that there are no adverse trends in the performance of a business that would impact on its risk profile and thus ability to service its debt. It considers and evaluates the monitoring and control procedures that are part of business management and how those procedures can be utilised to monitor the health of an advance. This requires an understanding of management accounts, budgets, forecasts and variance analysis. Students will be made aware of the warning signals that can indicate that business performance may be going awry. Secondly, this section considers the actions a bank may decide to take when the risk profile of the business deteriorates and what the alternative strategies may be for both the bank and the business. It covers the following issues:

- credit monitoring across a lending portfolio;
- monitoring and control procedures and how these can be utilised to monitor the health of an advance;
- management accounts, budgets, forecasts and variance analysis;
- warning signals;
- actions a bank may take when business performance deteriorates, including use of specialist departments and turnaround executives; and
- alternative strategies for the bank and the business (practical aspects).

8. Insolvency

This section of the syllabus explores the different insolvency regimes affecting sole traders, partnerships, limited liability partnerships and limited companies; and the implications for lenders and customers alike. It covers the following issues:

- core concepts of insolvency;
- regimes; personal, corporate and alternatives; and
- who's who of insolvency:
 - order of priority / licensing of practitioners.
 - implications, including impact on security.
 - outcomes, including disqualification of directors.

9. Services relevant to business customers

This section of the syllabus highlights that the provision of relevant services in a timely manner is a crucial issue in the relationship between the financial service provider and commercial and corporate customers. Some of the services covered are common to any relationship between such a provider and its customer, such as current account provision. Other services are indicative of this unique relationship, such as factoring and international trade finance. This section of the syllabus highlights where these services are relevant and the best way in which they can be introduced to commercial and corporate customers. It covers the following issues:

- lending – overdraft and term;
- outline of insurances;
- asset based lending - factoring / invoice discounting;
- asset finance;
- outline of international trade finance;
- interest rate management (to include swaps); and
- foreign exchange risk management.