LIBF Level 3 Certificate in SME
Lending and Alternative Data (CSME)

Qualification specification

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Purpose of the qualification

Why study the LIBF Level 3 Certificate in SME Lending and Alternative Data (CSME)?

The Certificate in SME Lending and Alternative Data (CSME) provides you, as a lending relationship manager, credit officer or small business customer adviser with a thorough understanding of lending procedures to small and medium sized enterprises (SMEs); the types and use of alternative data and the practices and legislation affecting lending.

CSME develops the appropriate technical knowledge and skills required to enable you to apply that knowledge to situations within the workplace. This globally relevant qualification provides a core understanding of the principles of SME lending, applying these techniques in both developed and developing market contexts and the roles and responsibilities that underpin small business lending. It also focuses on how alternative data can be applied to SME lending, examines the use of credit scoring and the use of alternative data in both product design and the automation of the credit decision. In addition to this core knowledge, CSME helps you to develop a basic understanding of loan monitoring and control. The qualification also develops an understanding of contemporary business lending topics and explains how digital disruption and innovation can be transformational in the SME lending arena, ensuring that students have relevant and up-to-date knowledge for the industry.

Objective

CSME develops your understanding of the main principles associated with lending to SME's in a global context and your ability to apply these principles in relevant case study scenarios.

Key content areas

Listed below are some of the main content areas that are covered within this qualification:

- The principles and importance of SME lending and the credit cycle
- Assessing the opportunity and identifying borrowing causes
- Assessing business, industry and management risk
- Analysing business financial statements
- Analysing ownership
- Analysing cash flow and projections

- Use and verification of information sources

- Structuring the loan

- Identifying alternative lending techniques and how they are used in SME lending

- Digitisation in lending

- Different types of data and their use in lending programmes

- The use of credit scoring in SME decision making processes

- The advantages of using alternative lending techniques and how this may impact on internal and external stakeholders

- Examples of alternative lending products in use around the world

Qualification learning outcomes

On completing the following units, you will:

Unit 1: SME Lending and Alternative Data (SLEN)	
LO1	Understand the SME market and how alternative data is having a transformative effect
LO2	Understand and assess an SMEs reasons for borrowing
LO3	Understand and assess the principle risks for SME lending
LO4	Understand and apply alternative data and lending techniques
LO5	Understand and explain the use and verification of data sources
LO6	Understand and assess SME's financial statements
LO7	Understand and assess cash flow and projections
LO8	Understand loan structuring and alternative lending solutions
Unit 2: Providing Solutions to SME Customers (PSSC)	
LO1	Be able to evaluate and offer solutions to business banking customers

Key skills developed

The qualification will encourage you to:

1. Gain a sound understanding of the lending process to provide solutions to SME customers

2. Develop knowledge of alternative lending techniques and how these can be deployed

3. Demonstrate numeracy skills, including the ability to interpret financial ratios and numerical data

4. Use appropriate data and information from a range of sources to make financial decisions and recommendations

5. Gain an understanding of how lending techniques can be adapted to meet the needs of the market environment

6. Increase your ability to work and learn independently

Entry requirements

There are no specified entry requirements. However, you need to be satisfied of your ability to study in English at this level.

Recognition of prior learning

The London Institute of Banking & Finance recognises prior learning in different forms. Potentially this means that you may not be required to register for every unit. Details of how to apply for recognition of prior learning are available on our website.

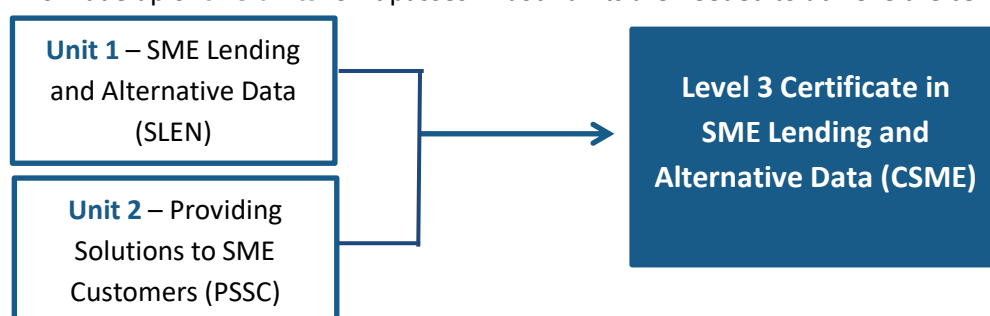## Progression and preparation for further study

Although not a requirement for registration on to other qualifications offered by The London Institute of Banking & Finance, if you have successfully completed the CSME qualification, you will have developed an appropriate foundation to support your progression to study another of our banking qualifications. For more information, please visit our website.

Preparation for employment

This qualification develops knowledge and understanding of the business lending sector and equips you with foundation alternative lending knowledge.

Structure

CSME is made up of **two units**. Unit passes in both units are needed to achieve the certificate:

Unit 1 – SME Lending and Alternative Data (SLEN)

Unit 2 – Providing Solutions to SME Customers (PSSC)

Level 3 Certificate in SME Lending and Alternative Data (CSME)

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The detailed unit syllabuses are available in Appendix 1 and 2 of this document and the latest versions are always available through our course website.

Total Qualification Time (TQT)

Total Qualification Time (TQT) is a prediction of the <u>total</u> time a student with no prior knowledge might need to complete the qualification.

TQT consists of two elements, Guided Learning (GL) and all other hours:

- GL is time spent studying under the immediate guidance or supervision of a teacher.
- All other hours include hours spent unsupervised in research, learning, e-learning, e-assessment, completing coursework, exam preparation, and formal assessments.

CSME is primarily considered a self-directed study qualification.

Guided Learning Hours	2 hours
Other hours	138 hours
Total Qualification Time	140 hours

Learning resources

You will be provided with the following learning resources:

- online access via MyLIBF - www.myLIBF.com to learning materials and to *KnowledgeBank* (virtual library);
- unit syllabuses;
- specimen paper;
- student handbook; and,
- an ask the expert forum.

What to do before the assessment

Examinations are sat electronically at any one of the Pearson VUE test venues worldwide. You must be registered to sit an examination at a test venue of your choosing (subject to demand / availability). This is managed by you, so it is important that you plan for your examination within the permitted time frame.

It is recommended that you book your exam three weeks in advance of the date you wish to sit. However, subject to availability, an examination can be booked as little as two working days in advance. Examinations can be booked via the Pearson VUE website or by phone.

To prepare for the assessment you should make use of all learning resources as part of your revision for the exam.

Assessment

The unit is assessed through a single three-hour examination consisting of a combination of multiple choice questions (Unit 1) and case study exercises (Unit 2). A total of 70 marks are available in the examination where you will be assessed on all areas of the syllabus. The pass mark for each Unit is 60%. A pass in both units is required to achieve the certificate.

Qualification grading

The overall qualification will be graded Pass, Merit or Distinction. You must achieve a mark of 60% overall.

The qualification grade boundaries are as follows:

Grade	mark
Pass	60%
Merit	70%
Distinction	80%

Re-sit attempts

You can resit the units in accordance with the published The London Institute of Banking & Finance policies. Full terms and conditions are available on our website.

Appendix 1 – Unit 1 – SME Lending and Alternative Data (SLEN)

Appendix 1 provides a description of Unit 1 (SLEN) and syllabus which includes the learning outcomes, assessment criteria and indicative content for the unit.

Unit description

This unit explains how alternative lending practices can be applied, examining the methodologies and advantages for lenders and ultimately, the SME. It examines the different and diverse sources of data that may be applied and the use of different scoring methodologies in the overall lending process.

Learners will gain an appreciation of how these techniques can be harnessed and used to augment traditional lending practices and products. The Unit considers how new methodologies may impact on internal and external stakeholders and showcases how a number of alternative lending methodologies are successfully being used around the world.

Unit profile

Unit title	Unit 1: SME Lending and Alternative Data (SLEN)
Unit level	3
Unit credit value	11
Typical study hours	110

Unit 1 assessment methodology

    i.   The assessment of Unit 1 will have one component:

        a.   50 multiple-choice questions.

        b.   The examination will be worth a total of 50 marks.

    ii.   The unit pass mark is 60% and you must achieve the minimum pass mark for the unit.

Unit 1 Learning Outcomes / assessment criteria

Learning Outcome (LO)	Assessment Criteria (AC)
The learner when awarded credit for this unit will:	Assessment of the LOs will require a leaner to demonstrate that they can:
LO1: Understand the SME market and how alternative data is having a transformative effect.	AC1.1 Explain the characteristics and types of SMEs and their importance to banks and the wider economy AC1.2 Identify alternative sources of finance and explain appropriate finance options AC1.3 Explain new risk management approaches in the SME market and the principles of risk management AC1.4 Identify the stages of the credit assessment process and explain SME portfolio risk AC1.5 Explain the source, use, and benefits of alternative data sources
LO2: Understand and assess an SMEs reasons for borrowing.	AC2.1 Identify the main reasons SMEs seek finance AC2.2 Apply a structured approach to lending and assess the viability of the request AC2.3 Explain the importance of borrower commitment and assess other routes to finance the proposition AC2.4 Identify the steps in the lending checklist AC2.5 Identify the lending life cycle
LO3: Understand and assess the principle risks for SME lending.	AC3.1 Identify and assess industry, business and management risks
LO4: Understand and apply alternative data and lending techniques.	AC4.1 Define and apply alternative lending techniques AC4.2 Identify alternative data sources and explain their use in the lending process and scoring methodologies AC4.3 Explain the advantages of using alternative lending techniques AC4.4 Explain how alternative data and lending techniques will impact internal stakeholders and external regulators AC4.5 Explain alternative lending products and their application to meet physical and digital business needs
LO5: Understand and explain the use and verification of data sources.	AC5.1 Explain financial and non-financial information sources AC5.2 Understand and apply alternative credit score approaches

Learning Outcome (LO) The learner when awarded credit for this unit will:	Assessment Criteria (AC) Assessment of the LOs will require a leaner to demonstrate that they can:
LO6: Understand and assess SME's financial statements	AC6.1 Calculate SME cash flow and income statements AC6.2 Understand and assess SME balance sheets using key accounting ratios AC6.3 Calculate and assess key accounting ratios AC6.4 Apply approaches where reliable financial information is unavailable
LO7: Understand and assess cash flow and projections	AC7.1 Understand working capital and the operating cycle AC7.2 Explain factors affecting the cash position of an SME, payback periods and debt servicing AC7.3 Explain budgets and projection evaluation
LO8: Understand loan structuring and alternative lending solutions	AC8.1 Understand key requirements in loan structuring and assess appropriate forms of collateral/security AC8.2 Understand how to manage on-going risks AC8.3 Explain pricing and risk v reward

Unit 1 Indicative Content	
LO1:	**Understand the SME market and how alternative data is having a transformative effect**
AC1.1	Explain the characteristics and types of SMEs and their importance to banks and the wider economy • SMEs and their characteristics and how these differ by region • Types of borrowing entities: sole trader; partnerships; family groups; co-operatives; franchises; limited liability and risks associated with them • SMEs and how they contribute to economic growth • SMEs and how they create value to the banking industry • The changing profile of SMEs eg the gig economy and ecommerce • The role of the Central Bank and Regulator in the use of alternative data at both macro and micro levels. • New approaches in the supervision and regulation of risk and credit rating models.
AC1.2	Identify alternative sources of finance and explain appropriate finance options • Alternative sources of finance: crowdfunding; equity finance and new players like fintech companies • Appropriate finance options
AC1.3	Explain new risk management approaches in the SME market and the principles of risk management • Types of risks • Modern risk management principles
AC1.4	Identify the stages of the credit assessment process and explain SME portfolio risk • Overview of the credit cycle/process • Loan portfolio management • Monitoring, control and managing problem loans and risks
AC1.5	Explain the source, use, and benefits of alternative data sources • Sources of alternative data • Use and application of alternative data • Benefits of alternative data in the local context • How digital technology is impacting on the types and availability of alternative data sources
LO2:	**Understand and assess an SMEs reasons for borrowing**
AC2.1	Identify the main reasons SMEs seek finance • Working capital problems • Business expansion • Diversification and economies of scale • Refinance
AC2.2	Apply a structured approach to lending and assess the viability of the request

	Unit 1 Indicative Content
	• Assessing the need - is it enough?
	• Structured approaches to lending (RIOTARS and other methods 5Cs, PARTs)
	• Managing the risk
AC2.3	Explain the importance of borrower commitment and assess other routes to finance the proposition • 'Stake in the game' • Other routes to finance the proposition
AC2.4	Identify the steps in the lending checklist • Bank policies • Due diligence • Ethical standards and ESG • Lines of defence • Alternative data
AC2.5	Identify the lending life cycle • Explain the stages of the lending life cycle • Explain how lending opportunities develop through the cycle • Match the type of the facility to the appropriate need
LO3:	**Understand and assess the principal risks for SME lending**
AC3.1	Identify and assess industry, business and management risks Sources of information and how to assess information relating to: • Industry/sector risks of the SME including the impact of new technology • The SME business and drivers including the market, product, service and competition • The SME management, skills and experience and risk appetite • SME ownership and succession planning; improving the financial literacy of business owners • Women owned businesses
LO4:	**Understand and apply alternative data and lending techniques**
AC4.1	Define and apply alternative lending techniques • Alternative lending techniques • How they are used by lenders and their customers • The main principles of using alternative lending techniques • How alternative lending techniques complement existing (traditional) lending approaches
AC4.2	Identify alternative data sources and explain their use in the lending process and scoring methodologies • Sources of alternative data (eg utilities, payroll, rental income, tax, social media) • How they can be used as lending proxies for unsecured SME lending • Scoring methodologies

	• The importance of third-party partnerships
AC4.3	Explain the advantages of using alternative lending techniques
	• The advantages and risks of using alternative lending techniques
	• Rule based lending
	• Using credit pre-approvals
	• The role of pricing
	• Controlling the lending post disbursement
AC4.4	Explain how alternative data and lending techniques will impact internal stakeholders and external regulators
	• The issues to be addressed with internal stakeholders and external regulators
AC4.5	Explain alternative lending products and their application to meet physical and digital business needs
	• The development of supply chain finance
	• Supply chain finance loans/ alternative working capital
	• Digital or analogue delivery
	• Agile approaches in assessing alternative lending needs
LO5:	**Understand and explain the use and verification of data sources**
AC5.1	Explain financial and non-financial information sources
	• Financial information sources noting varying degree of availability in some regions
	- Income statement
	- Cash flow statement and balance sheet verification
	- Credit bureaus
	- Common problems
	• Non-financial
	- Supplier and customer feedback
	- Community reputation
	- Internal controls and legal documentation and their validity
	- Recognising fraudulent documentation and illegal activities
AC5.2	Understand and apply data approaches
	• Regional methods
	• Account conduct
	• Supplier (Payables) Volumes, Customer (Receivables) Volumes
	• How new tech can address lending needs and the information gap
	• Utilities, payroll, rental information and taxes,
LO6:	**Understand and assess SME's financial statements**
AC6.1	Calculate SME cash flow and income statements
	• Cash flow statements and their use
	• Calculate operating and financing cash flows

	• Calculate investment cash flow
	• Income statement analysis
	• Identify manipulation methods and calculate adjustments
AC6.2	Understand and assess SME balance sheets using key accounting ratios
	• Balance sheet analysis
	• Debt and equity differences explained for SMEs
AC6.3	Calculate and assess key accounting ratios
	• The five key ratios
	• Assess what they mean
	• Ratio dynamics
AC6.4	Apply approaches where reliable financial information is unavailable
	• Approaches without reliable financial information
	• Construction and testing
LO7	**Understand and assess cash flow and projections**
AC7.1	Understand the significance of working capital
	• Working capital and 'days on hand'
	• Cash Cycle
	• Trade cycle
AC7.2	Explain factors affecting the cash position of an SME, payback periods and debt servicing
	• Factors affecting cash
	• Identify projection versus reality.
	• Determining payback periods
	• Free cash flow and determining cash available for debt service
AC7.3	Explain budgets and projection evaluation
	• Identify key budgets and projection components
	• Assess realistic outcomes
	• The 'hockey stick' result
LO8	**Understand loan structuring and alternative lending solutions**
AC8.1	Understand key requirements in loan structuring and assess appropriate forms of collateral/security
	• Identify the borrower - where to lend
	• Facilities: options available
	• Collateral: appropriate collateral/security (MAST)
	• Repayment structure and timings: link to business cycle;
	• Lender and borrower risk versus reward
	• Documentation, conditions, due diligence
AC8.2	Understand how to manage on-going risks
	• Types and management of ongoing and future risks
	• Managing risks with security and documentation

Unit 1 Indicative Content		
	• Explain positive and negative customer covenants	
AC8.3	Explain pricing and risk v reward	
	• Pricing the facility	
	• Risk v Reward	
	• Acceptable banking practice	

Appendix 2 – Unit 2 – Providing Solutions to SME Customers (PSSC)

Appendix 2 provides a description of Unit 2 (PSSC) and syllabus which includes the learning outcomes, assessment criteria and indicative content for the unit.

Unit profile

Unit title	Unit 2: Providing Solutions to SME Customers (PSSC)
Unit level	3
Unit credit value	3
Typical study hours	30

Unit 2 assessment methodology

i.   The assessment of PSSC will have one component:

   a.   An electronic assessment with four cases studies, each with 5 linked multiple-choice questions.

   b.   This component is worth 20 marks.

ii.   The unit pass mark is 60% and you must achieve the minimum pass mark for the unit.

Unit 2 Indicative content/assessment criteria

Learning Outcome (LO)	Assessment Criteria (AC)
The learner when awarded credit for this unit will:	Assessment of the LOs will require a leaner to demonstrate that they can:
LO1: Be able to evaluate and offer solutions to business banking customers.	Follow the processes and procedures in order to arrive at a fully considered lending decision and understand the main processes for monitoring, control and recovery of debt, taking into account: • The global principles of lending to SME customers • Use of the available information and alternative data to support the risk analysis • Identification of the borrowing entity and application of an appropriate structured solution • Apply methods to control and mitigate risks throughout the term of the facility granted • Identify early warning signals that may indicate a deteriorating credit. • Evaluate the efficiency of asset and receivables collection patterns in accordance with organisational procedures. • Formulate debt recovery plans based on credit risk analyses and reports.