International Association of Credit Portfolio Managers

IACPM Research 2024

Concentration Limit Frameworks and Linkages to Risk Appetite

Concentration Risk Management Remains a Top Priority for CPM

Post-COVID credit risk considerations and emerging risks such as climate and ESG reshape the financial landscape and intensify limit framework reviews.

IACPM

Executive Summary

- The International Association of Credit Portfolio Managers (IACPM) recently conducted its *2024 Concentration Limit Frameworks Survey*. The Survey explores current practices in creating and structuring limit frameworks across various asset classes and jurisdictions, including governance, oversight, and enforcement processes. It also looks at Risk Appetite Frameworks (RAFs) and existing linkages between both frameworks.
- **RAFs and concentration limit frameworks are of high priority** among IACPM members and the industry generally. Survey results demonstrate the continuing enhancement of existing frameworks to account for evolving financial landscapes and to incorporate emerging risks. Survey data maintains that **there is no "one size fits all"** as the appropriate framework ties to firms' nature, areas of expertise, portfolio composition, geography, and culture. Nevertheless, we do see a focus on areas of common and sound practices with varied implementation approaches to meet the risk management needs of the specific firm.
- **Credit Portfolio Management's (CPM's) role** in carrying out firms' risk appetite mandates continues to develop and expand. Concentration management remains one of CPM's top priorities.
- RAFs are a core component of risk assessment, risk measurement, and risk management within financial institutions and, as such, **strengthen risk monitoring**. RAFs' main objective at firms globally is to provide **guidance on strategic long-term business planning**, thereby providing an enterprise level risk strategy within which firms develop their concentration limit frameworks.
- For a majority of firms, limits are reviewed and approved by the Board as part of a formal Risk Appetite setting process and provided to the lines of business and the risk teams for further implementation. Limits are generally set as **single limit frameworks across all credit books** and are often supported by industry sector limits for the core line of business.
- Regardless of the limit type, most firms report their limits to be **hard limits reflecting a formal credit policy**. Some institutions, mostly larger firms in Europe, set **strategic limits** above or below these formal limits for specific business reasons. These strategic limits can be employed for specific business goals and to drive initiatives, such as supporting the energy transition to achieve banks' net zero targets and are approved by the board on a case-by-case basis.
- When developing frameworks, firms **utilize a range of risk metrics and measurements** to communicate the Risk Appetite (RA) and set limits, with many using more than one. While all firms use concentration limits and targeted capital ratios, regional differences are seen in the use of other risk metrics. For example, economic capital is more regularly used in EMEA, while maximum loss threshold ranks higher in the Americas, and earning volatility thresholds ranks higher compared with other regions at firms in APAC.
- To prevent breaches, firms employ **early warning indicators** such as watch lists and establish sub-limits for higher-risk exposures, emerging risks, high growth segments, and strategic initiatives, but also in response to requests from regulators, including following US and EU leveraged lending guidelines.

- **In the event of a breach**, policies and practices are tailored to the specific type of breach, the nature and liquidity of the underlying assets, and the breach's significance. Remediation plans are typically developed and implemented by the Business Unit or Portfolio Management Group. These plans may involve business line discussions, escalation to the risk committee, discussions with clients, loan sales, and various risk mitigation transactions such as credit default swaps (CDS), credit risk insurance (CPRI), and significant risk transfer (SRT). Notably, risk mitigation transactions are still more prevalent in Europe and the APAC region.
- A mix of qualitative and quantitative measures are utilized in firms' **Climate & ESG RAS**. Some firms are employing a combination of detailed and high-level measures, but most focus on high-level quantitative or qualitative measures. Regional variations in approaches exist and are likely a reflection of differences in existing climate and ESG regulations and taxonomies to date.
- **Carbon emission limits**, either at global and/or at portfolio level, have been established at close to half of participating firms, almost all by firms domiciled in EMEA and APAC. Firms domiciled in the Americas are generally still evaluating the setting of carbon limits. A similar trend can be observed for the setting of limits for **climate transition risk, climate physical risk, and other environmental risks**, which a majority of firms in EMEA and APAC have either already set or are planning to set within the next two years. Two-thirds of firms in the Americas are planning to set these limits within three to five years.
- **Commercial real estate (CRE) limit frameworks** globally saw changes over the past two years caused by anticipated credit risk deterioration in the CRE sector post Covid. In addition, three-quarters of firms in EMEA have already changed or are planning to change their CRE framework over the next 12 months due to physical climate risk considerations. Implemented or planned changes include an increase in sector granularity.
- Firms continue to focus on the measurement and management of **non-financial risks, including cyber, climate & ESG risks** as methodologies are improving and additional data becomes available. Continuing progress in the field of **AI, generative AI, and advanced analytics** promises the availability of a range of advanced tools with many upsides but also the need for scrutiny and careful consideration of potential pitfalls.

> ***"The risk environment in which banks operate has evolved substantially in recent years. Structural shifts and external shocks have made risk assessments more complex. The risks facing banks are affected by geopolitical risks, changes in supply chains, inflation, macroeconomic uncertainty, climate change, nature degradation and digitalisation. And this may not even be an exhaustive list of such novel risks."***
>
> Keynote speech by Claudia Buch, Chair of the Supervisory Board of the ECB, at the 2024 Annual ECB Banking Supervision Research Conference https://www.bankingsupervision.europa.eu/press/speeches/date/2024/html/ssm.sp240611~a153d00f3a.en.html)

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Introduction

The International Association of Credit Portfolio Managers (IACPM) recently conducted its 2024 Concentration Limit Frameworks Survey. The Survey explored evolving practices in the creation and structuring of limit frameworks across multiple asset classes and jurisdictions, as well as processes for governance, oversight, and enforcement of these frameworks, and their refinement over time. The Survey also looked at Risk Appetite Frameworks (RAFs) and the existing linkages between both frameworks.

> ***"As business activities (e.g., Capital Markets) become more complex, the limits become more granular."***
> Survey Respondent

Globally, 61 IACPM member firms participated, including 49 banks, nine development banks/export credit agencies, two insurance companies and one re-insurer. More than half of the participating banks have a total balance sheet size above US$ 500 billion. In preparing this white paper, the IACPM team conducted a number of interviews with participating firms to gather valuable insights into the survey findings.

Results of the *IACPM 2024 Concentration Limit Frameworks Survey* reflect current global practices and provide the basis for further discussions and research work on how frameworks are developed, implemented, and refined in practice. Results enable firms to compare and benchmark their practices against those of other leading financial institutions.

Risk Appetite and concentration limits frameworks, their definition, implementation, and use within firms, remain a high priority among IACPM members and the industry broadly. Survey results demonstrate the continuing evolution and optimization of existing frameworks.

Survey data maintains that there is no "one size fits all" as the appropriate framework ties to the nature of the firm, its lines of business, its portfolio and geography, and its culture. In addition, regulation has an impact and is reflecting both specific concentration guidance in some jurisdictions as well as firms' ongoing assessments of the business and strategic effects of regulatory and economic changes as well as Climate & ESG implications on lower credit quality, more volatile, and/or longer-lived assets. Nevertheless, we do see a focus on areas of common and sound practices, although implementation approaches differ to meet the risk management needs of the specific firm.

RAFs are a core component of risk assessment, risk measurement and risk management within financial institutions and, as such, strengthen risk monitoring. RAFs' main objective at firms globally is to provide guidance on strategic long-term business planning, thereby providing an enterprise level risk strategy within which firms develop their concentration limit frameworks.

Concentration limit frameworks are an important front-end portfolio governance tool to direct and manage credit origination into the portfolio. As such, IACPM member firms have long been focused on the adoption and implementation of frameworks that are both actionable and able to be assessed quantitatively and/or qualitatively depending on the risk. Like prior IACPM research on the topic, the IACPM 2024 Concentration Limit Frameworks Survey shows that, in large part, existing frameworks are meeting challenges and proving sound amid the ongoing geopolitical and economic uncertainties.

Institutions consistently reassess their practices to address emerging issues such as climate risk, concerns within the commercial real estate sector, and the bank failures in Spring 2023, to evaluate evolving industry sector correlations, for example relating to new renewable energy technologies, and to account for regulatory updates, including the implementation of final Basel III.

Background and Context

RAFs are a unified framework to assess different risk types and strengthen risk monitoring. As observed in past IACPM surveys and mentioned above, RAFs' main objective at firms globally is to provide guidance on strategic long-term business planning. At one quarter of participating firms, RAFs also support the assessment of risk and return trade-offs.

In addition, RAFs provide an enterprise level risk strategy within which firms develop their concentration limit framework. At the start of each planning cycle, close to 100% of participating firms issue a risk appetite statement including guidance on concentrations either for the whole firm or as a separate risk appetite statement for each business unit.

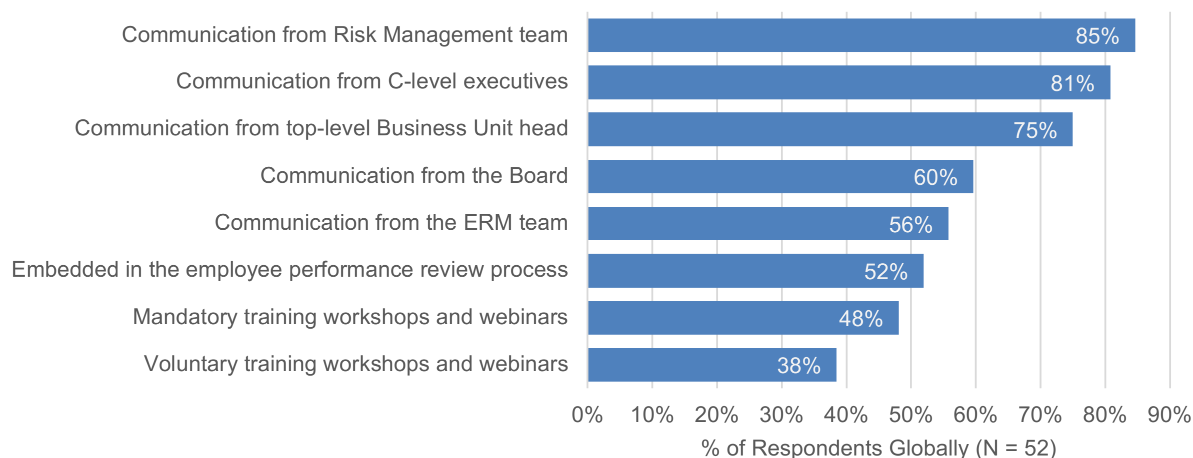
> ***"The Risk Appetite Statement documents are the Board-authorized Risk Appetite Expressions, from which Senior Management establishes Board limits as an interpretation of the levels of risk appetite metrics consistent with those Expressions."***
>
> Survey Respondent

> ***"Risk limits defined in specific committees are automatically considered as part of the RAF (e.g., the risk limit on China is part of the RAF, the risk limit on shipping exposures is part of the RAF, etc.)."***
>
> Survey Respondent

Furthermore, a large majority of respondents report that their concentration risk management frameworks intuitively connect with the firm's overall risk appetite, either by embedding risk limits within overall RAFs (more common at larger firms) or by keeping RAFs and limit frameworks interconnected (more common at smaller firms).

Practitioners agree that a strong risk culture supports the effective implementation and adaptation of RAFs. To promote a strong risk culture, communication from risk management teams, C-level executives and top-level business unit heads is believed to be key and is widely utilized.

Figure 1
Approaches Taken to Promote Strong Risk Cultures in Support of Risk Appetite Frameworks

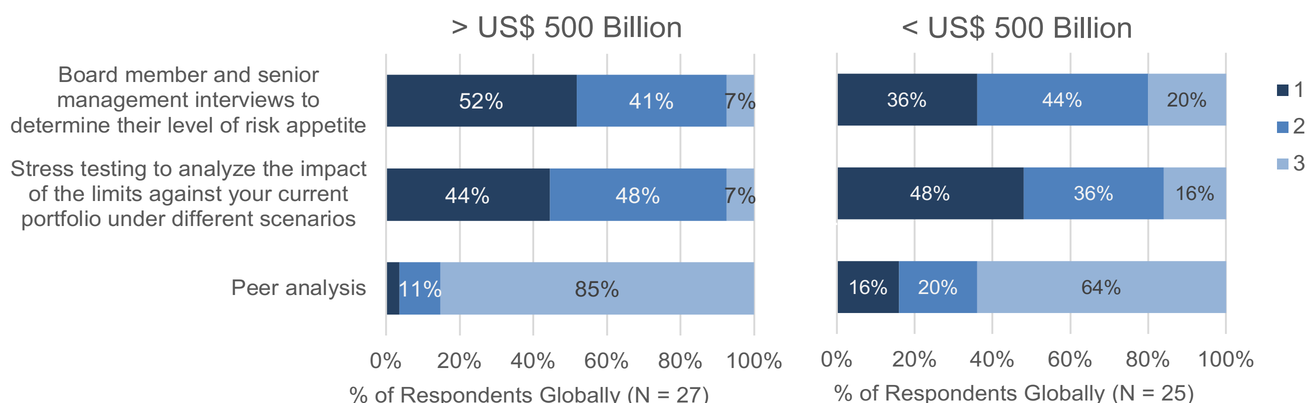


Establishing Limit Frameworks

For a majority of firms, the Board reviews and approves limits as part of a formal Risk Appetite setting process. These limits are provided to the lines of business and the risk teams for further implementation. At a smaller number of firms, an independent risk function establishes the limit framework for capital, exposure, etc. At some firms, the Line of Business develops its own limit framework from the point of business promotion. Although in such cases these limits are set somewhat independently, they are typically connected back to a board approved firm-wide Risk Appetite Framework.

When designing limit frameworks, firms cite interviews with board members and senior management to determine risk appetite levels (favored by larger firms), stress testing to analyze the potential impact of limits on current portfolios under different scenarios (favored by smaller firms), as well as peer analysis on best practices to inform limit setting processes.

Figure 2
Actions Taken when Designing Limit Frameworks - by Responding Firms' Asset Size
(ranked from 1 most important to 3 least important)



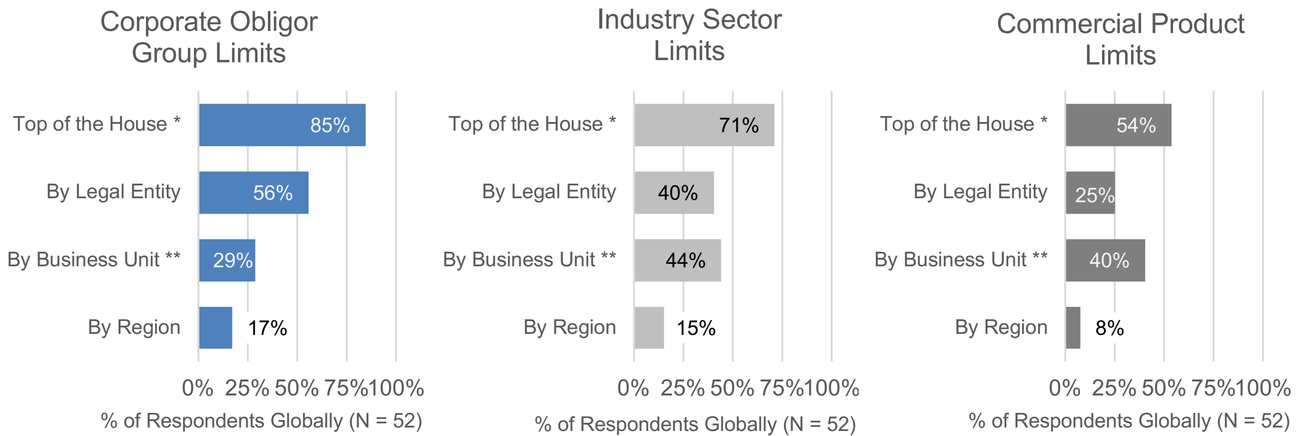
The optimal expression of Risk Appetite in metrics and limits is a challenge for many when developing Risk Appetite frameworks. Once developed, the integration into strategic plans and the effective cascading across the organization to influence business decisions can be equally challenging.

Actual limits are set at various levels of the organization, which for over half of all respondents includes limits set and monitored at the Top of the House at the ultimate global parent level and across most credit books.

Exposure limits are most often set as single limit frameworks across all credit books for corporate obligors and FI groups, sovereign counterparties, and industry sectors. Other types of limits set and monitored by survey participants include core line of business (e.g., loan book for banking or credit investment book for insurance), commercial real estate (CRE), leveraged lending, counterparty credit, underwriting, project finance, treasury investment book, available for sale loan book, credit trading book, and settlement risk.

In the event of conflicting limits at different levels, such as enterprise vs. line of business or type of limit, such as obligor/country etc., most firms require exposures to meet limits that exist at all levels. At a small minority of firms (14%), one limit supersedes all others. For example, single name concentration limits could supersede a regional limit. Another example might be top of house limits that supersede business unit limits, which in turn supersede legal entity limits.

Figure 3
Levels for Setting and Monitoring Limits Frameworks

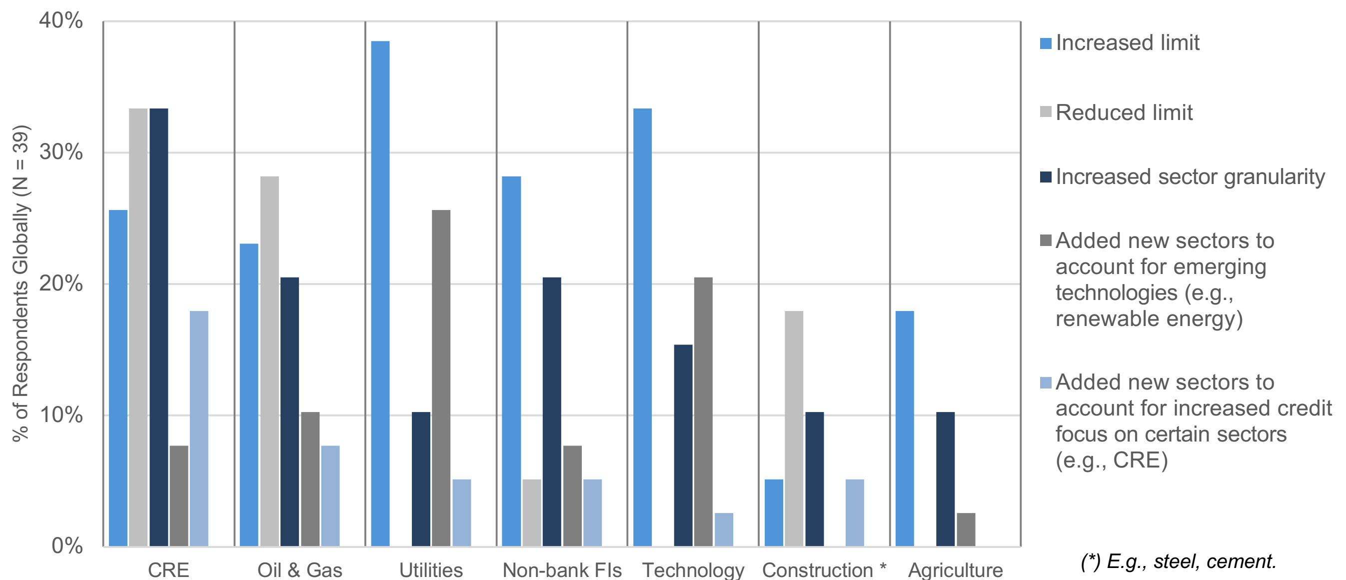


(*) At the ultimate global parent level and set across all credit books. | (**) E.g., Global Banking, Middle Market, Private Banking.

Once developed, limit frameworks are communicated to the business line through a combination of varying channels, most often including committees and senior management. Frameworks are typically revisited at least annually, in some cases depending on the type of limit. As expected, significant portfolio changes can trigger more frequent framework reviews.

Over the past two years, several industry sector limits have been adjusted by participating firms with applicable limit frameworks. Increases in sector limits were reported for industries such as utilities, technology, and non-bank financial institutions. Conversely, participants indicated reduced limits for CRE, oil & gas, and the construction sector. For CRE, participants reported not only a reduction in limits but also an implementation of increased sector granularity.

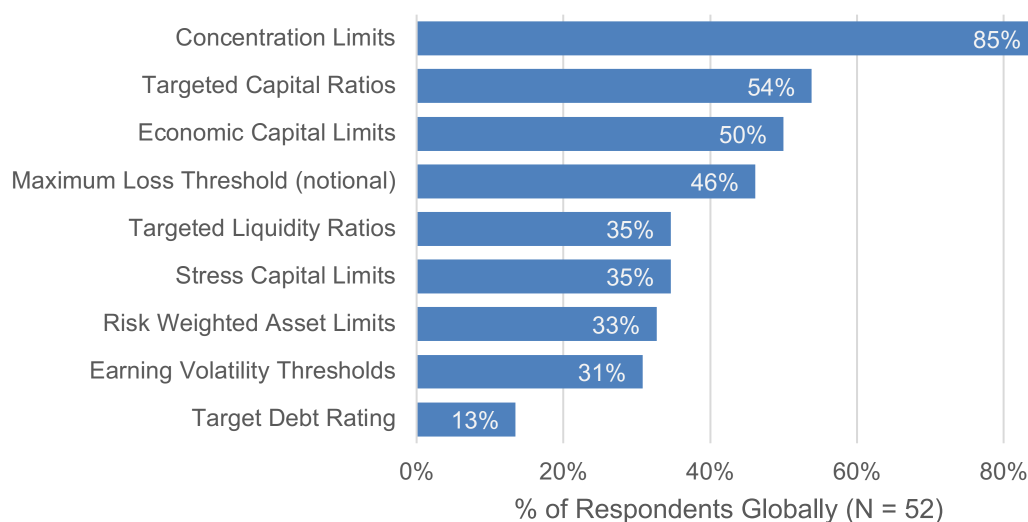
Figure 4
Changes to Industry Sector Limits Over the Past Two Years



Implementation, Metrics, and Measurement

When developing the limit framework, firms employ a range of risk measurement/metric approaches to communicate RA and set limits, with many using more than one. While all firms use Concentration Limits and Targeted Capital Ratios to communicate RA, regional differences are seen in the use of other risk metrics. For example, Maximum Loss Threshold (notional), which used to be the most used risk metric globally, now ranks in the top 3 only for firms in the Americas. Similarly, Economic Capital Limits, which used to rank highly at firms globally, have been cited only by firms domiciled in EMEA as one of the top three quantitative measures to communicate RA. Notably, for firms in APAC, Earning Volatility Thresholds are one of the preferred metrics.

Figure 5
Primary Language of Risk Used to Communicate Risk Appetite

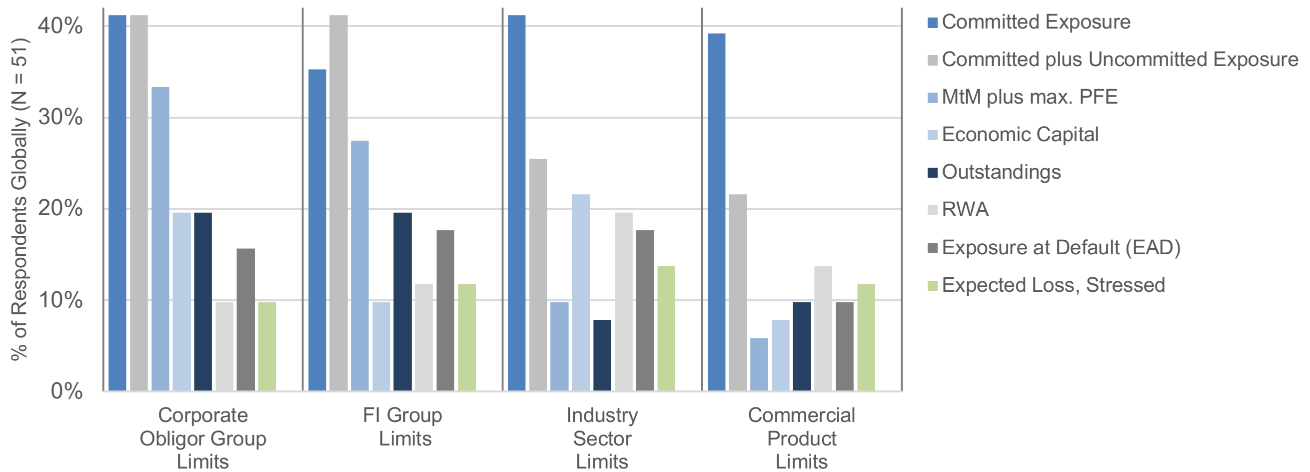


Committed exposure, in some cases aggregated with uncommitted exposure, remains the most common metric used for limit setting and monitoring, regardless of category. The most used capital measures are Stress Capital or Stress Loss, Risk Weighted Assets (RWA), and Economic Capital, while Exposure at Default, Expected Loss, and Stressed Expected Loss are the most frequently used Counterparty Measures for limit setting.

When aggregating limits across different credit books, survey respondents use an average of three to four exposure metrics.

Limits for risk appetite monitoring are transitioning to a capital-based approach."
Survey Respondent

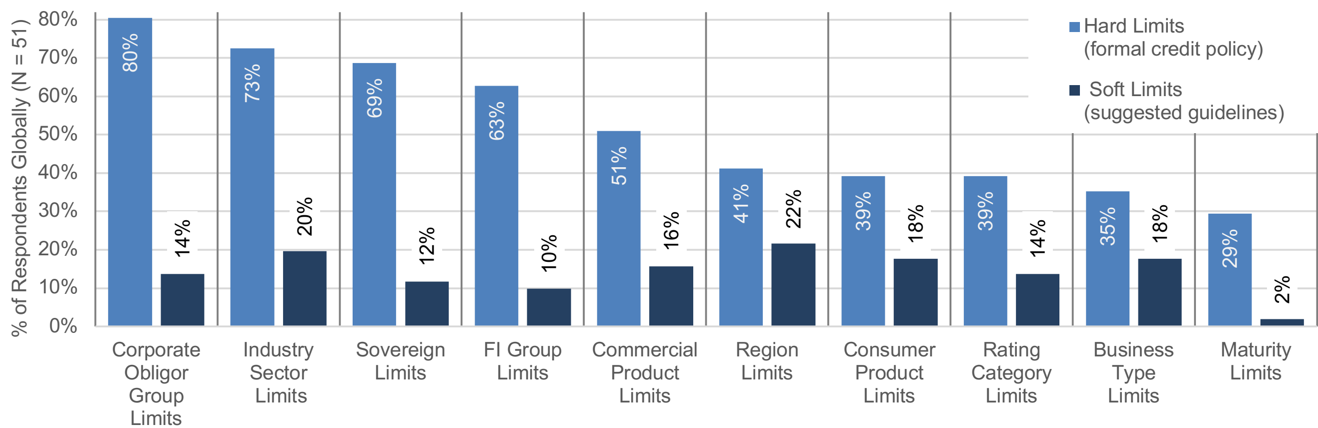
Figure 6
Exposure Metrics for Setting and Monitoring Limits



Several indirect exposures are included in limit calculations, most often without applying any formal haircut or alternative treatment. Among these types of exposures are bridge loans, off balance sheet exposures, such as loans sold with recourse, lending to finance companies, CLOs and BDCs, as well as contingent exposures such as completion guarantees for project finance and real estate.

Asked if limits reflect a formal credit policy (hard limits) requiring a mitigation or reduction plan when breached or viewed as suggested guidelines (soft limits) which require only a discussion with the CRO/ Senior Management but not necessarily a mitigation action, the majority of firms reported that their limits are hard limits and reflect a formal credit policy, regardless of limit type.

Figure 7
Treatment of Limits as Formal Credit Policies (Hard) or Suggested Guidelines (Soft)



Strategic limits for specific business reasons above or below formal credit policy limits are also in place and are more frequently used at larger firms in EMEA. Comments about the usage of the higher strategic limits focused on business goals where exposures may exceed the obligor limit for a client group on a case-by-case basis, subject to board approvals, to drive specific initiatives such as the energy transition where they can refer to net zero targets (i.e., forward-looking commitments).

Governance

As outlined above, most limits are viewed as hard limits reflecting a formal credit policy and requiring a mitigation or reduction plan when breached. Watch lists are still widely used as early warning indicators and are closely monitored by firms globally. These are most often supplemented by delinquency measures as well as expert opinions (e.g., input from Risk and Relationship Managers) to avoid limit breaches. One survey respondent described their bank using a dashboard that flashes when exposures are within 10% of a set limit.

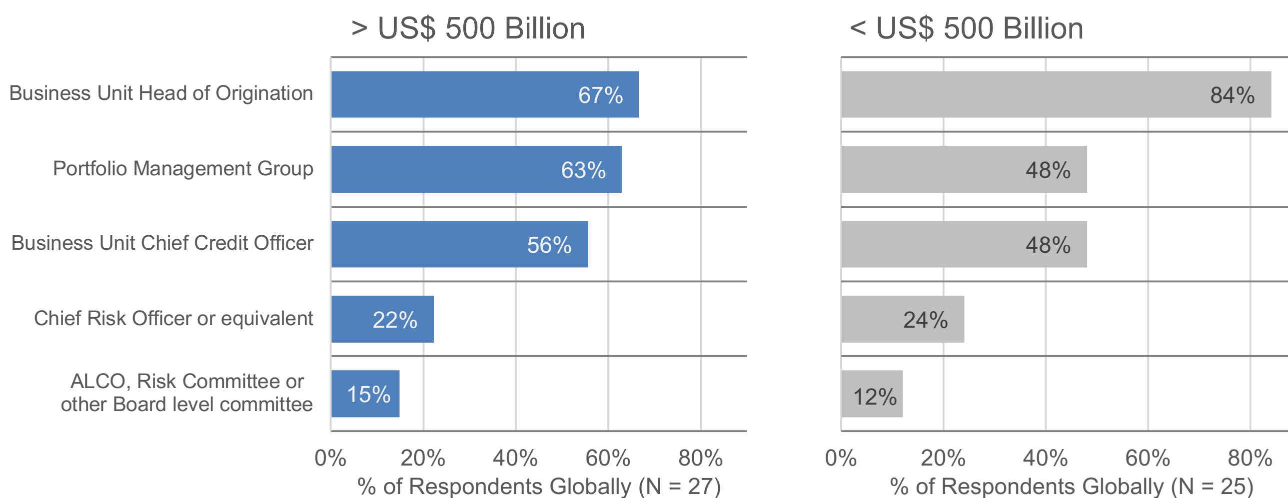
In addition to early warning indicators employed by firms to avoid breaches, firms set sub-limits for riskier exposures/emerging risks, high growth segments, and strategic initiatives, but also in response to requests from regulators. One-third of respondents observed an increase in the granularity of risk-sensitive limits, e.g., on leveraged lending following US and EU regulatory guidelines, and to monitor ESG-related performance and risks.

> ***"We set sub-limits on a more frequent basis versus our sector limits as a means to tactically monitor areas in which we see enhanced risk emerging, regulatory pressure or strategic initiative monitoring."***
> Survey Respondent

In the event of a limit breach, firms noted a range of policies and practices, reflecting differences in whether the breach was passive, such as those caused by an obligor downgrade or currency devaluation, or the result of a new/pending transaction, as well as breach severity, asset type and liquidity.

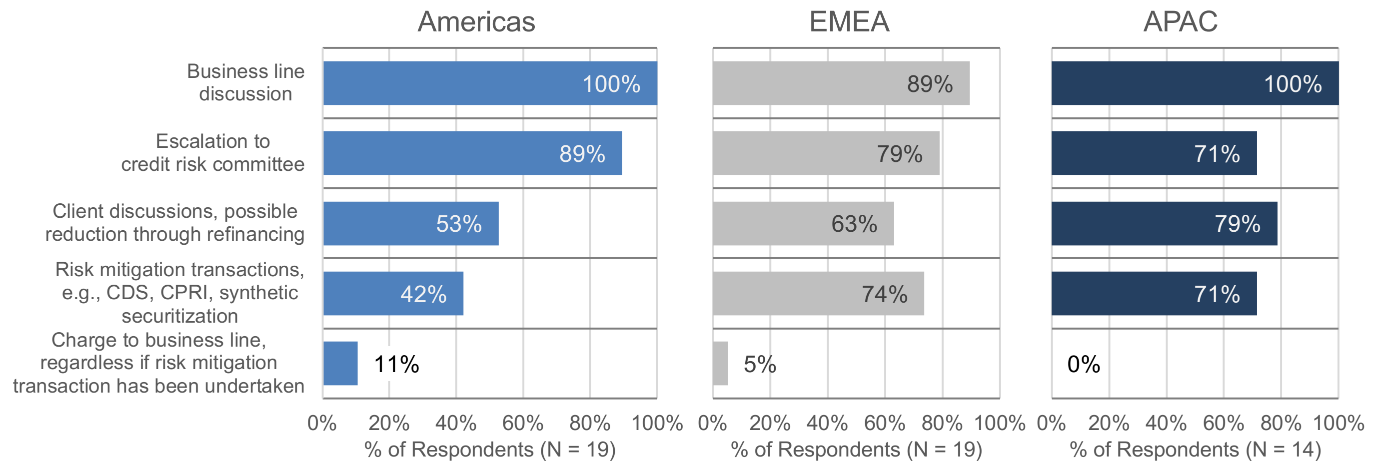
Remedy plans for overages are in general developed and implemented by the Business Unit, Chief Credit Officer, or the Portfolio Management Group.

Figure 8
Responsibility for Development and Implementation of Remedy Plans in the Event of Limit Breaches - By Responding Firms' Asset Size



Remedy plans may involve business line discussions, escalation to the risk committee, client negotiations, loan sales, and risk mitigation transactions such as credit default swaps (CDS), credit risk insurance (CPRI), significant risk transfer (SRT), which are still more prevalent in Europe and Asia-Pacific (APAC).

Figure 9
Strategies Employed to Decrease Risk in Case of an Approaching or Actual Limit Breach - By Responding Firms' Region of Domicile



The decision to execute remedy plans typically lies with the Chief Risk Officer, Business Unit Head of Origination, or committees such as ALCO, the Risk Committee or another board level committee. At many firms, multiple approvals are required.

Role of Credit Portfolio Management

Credit Portfolio Management's (CPM's) role in carrying out firms' Risk Appetite mandates has continued to develop and expand. Concentration management remains one of CPM's top priorities.

To achieve portfolio objectives, including expanding lending capacity, mitigating concentrations, and reducing capital requirements, CPM uses a range of origination-based strategies (front-end) and risk mitigation tools (back-end). Front-end tools include concentration and capital limits as well as risk/return assessments. Back-end tools include market tools, such as loan sales, credit risk insurance, funded and unfunded (synthetic) securitizations, and credit default swaps (CDS).

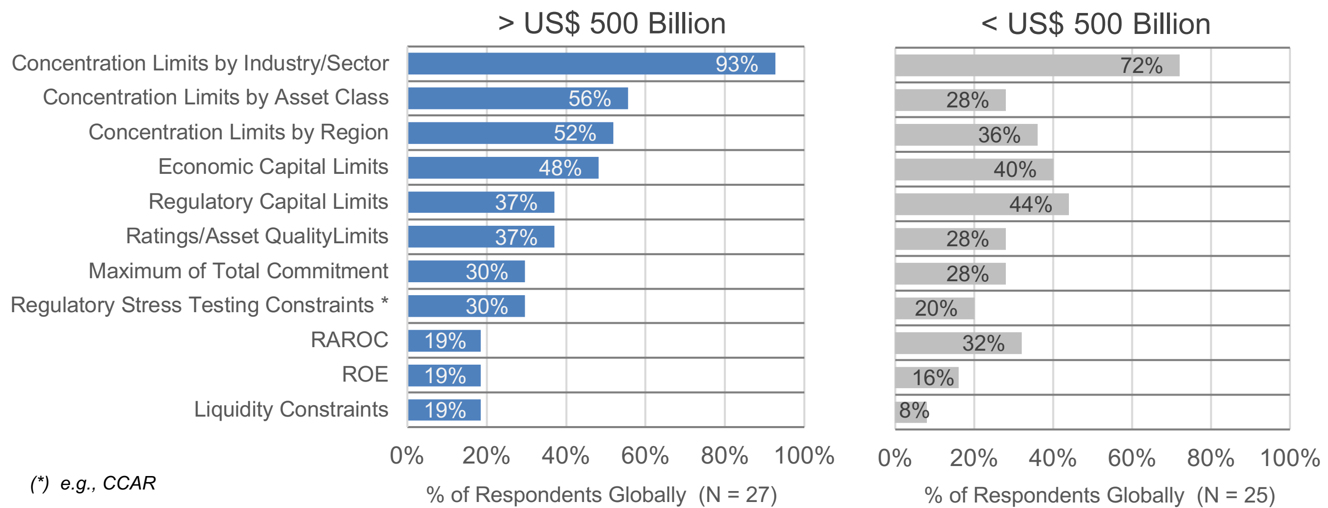
Synthetic securitizations, which traditionally have been viewed as a tool for reducing capital requirements, are more and more frequently referred to as risk-sharing tools to not only manage capital but also (or instead) to mitigate concentrations and prevent limit breaches. One bank described synthetic securitizations as the key de-risking tool.

The COVID-19 credit crisis highlighted hidden sector correlations and, combined with increasing climate risk and ESG concerns and related regulatory requirements, heightened the focus on innovative data sources, including the need for forward-looking information, analytics and actions related to industry sector limits and correlations, especially for sectors expected to be affected by the energy transition.

As such, concentration limits set for industry sectors are by far the most important target for the management of credit portfolios, followed by concentration limits set for specific asset classes and/or regions.

> ***"... the end goal of limits is to ensure the company achieves the financial performance measures, such as return on capital, with acceptable asset quality metrics."***
>
> Survey Respondent

Figure 10
Most Important Targets for the Management of Credit Portfolios - By Responding Firms' Asset Size



Evolving Themes

Climate & ESG considerations, concerns around CRE and firms' increased focus on liquidity management prompted by the banking crisis in early 2023 have inspired framework reviews and, in some cases, changes to limit structures, governance processes and limit granularity.

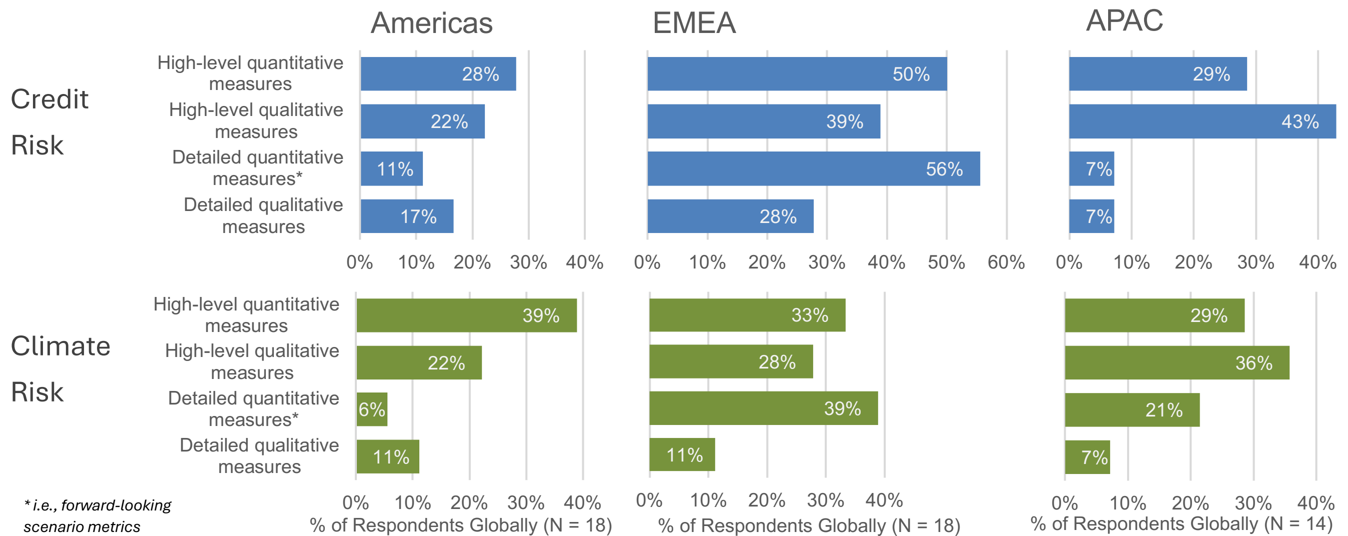
> ***"... we are currently overhauling our RAS, in part to more granularly depict the firm's appetite."***
> Survey Respondent

Climate and ESG

Climate & ESG risks are generally considered as part of the overall framework. Standards as well as best practices are still being established as banks embrace the evolving risks. To date, firms are using a mix of qualitative and quantitative measures for their Climate & ESG RAS which can differ by risk type. Some firms are employing a combination of detailed and high-level measures, but most focus on high-level quantitative or qualitative measures.

Regional variations in approaches exist and are likely a reflection of differences in the progress of climate and ESG regulations and taxonomies to date. For example, detailed quantitative measures are used at many firms in EMEA, while only one out of ten firms in the other regions indicate using these measures.

Figure 11
Qualitative and Quantitative Measures for Climate & ESG RAS by Risk Type - By Responding Firms' Region of Domicile

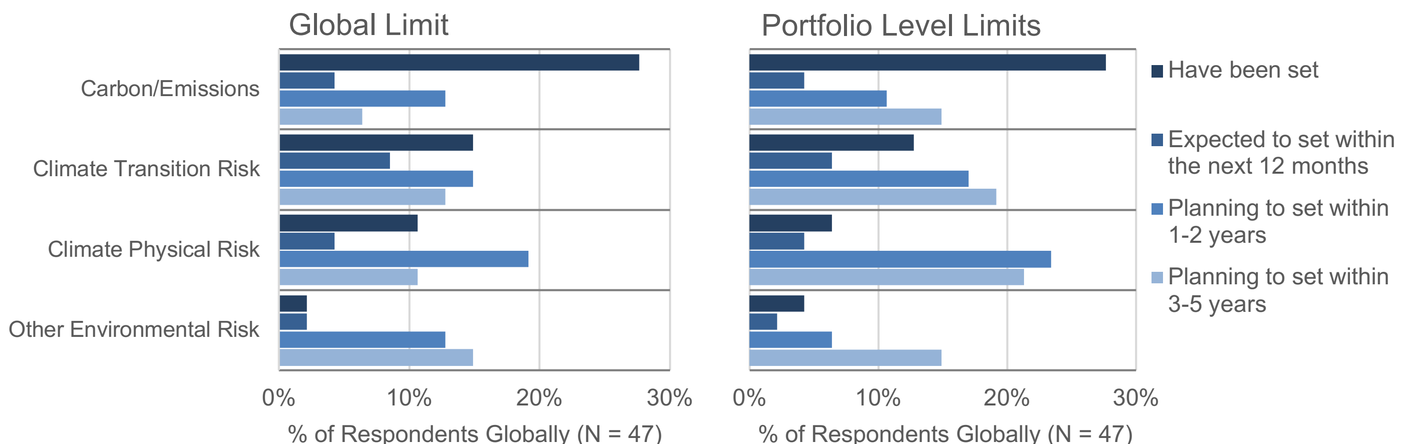


> ***"Conversation is ongoing. … We have invested in 3rd party applications to measure emissions within the portfolio, and we routinely report our exposure relative to industries that we've determined to have elevated Climate Transition Risk."***
>
> Survey Respondent domiciled in the Americas

Regional differences can also be seen with respect to setting Carbon Emission Limits/Targets. While limits, either at global and/or portfolio level, have been established at close to half of participating firms globally, almost all of them have been set by firms domiciled in EMEA and APAC. Firms domiciled in the Americas are generally still evaluating the setting of carbon limits.

A similar trend can be observed for the setting of limits for Climate Transition, Climate Physical and other environmental risks, which a majority of firms in EMEA and APAC have either already set or are planning to set within the next two years, while two-thirds of firms in the Americas are planning to set these limits within three to five years.

Figure 12
Firms' Progress in Setting Emission Targets as well as Limits for Climate and ESG Risks

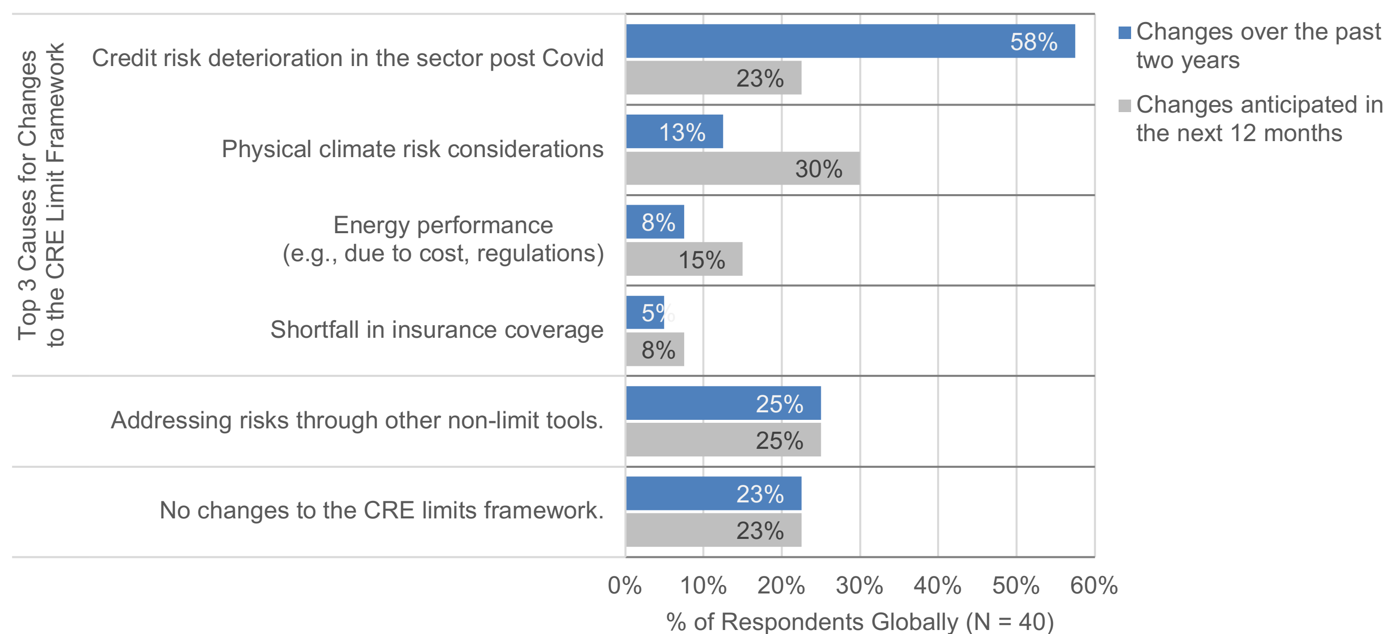


Commercial Real Estate

Most limit frameworks already include specific limits for CRE. Firms in the Americas typically aggregate CRE limits across the firm and are more likely to include sub-limits for higher-risk categories such as regional concentrations and higher risk property types (e.g., office and retail) in their CRE frameworks. Firms in EMEA, while also mostly aggregating CRE limits across the firm, more often set limits that are specific to business units. Firms in APAC, like their American peers, typically aggregate CRE limits across the firm. But unlike their global peers, more than half set sub-limits for high-volatility Real Estate, such as land development and construction.

Expected credit risk deterioration in parts of the CRE sector increased globally post COVID-19, especially for office space, and triggered reviews of the CRE limit framework at many institutions. In addition, physical climate risk considerations caused three-quarters of firms in EMEA to change or plan to change their CRE framework. Those framework changes include implementing increased sector granularity, which was reported by one-third of participating firms.

Figure 13
Top 3 Reasons for Changes to the CRE Limit Framework



Liquidity Management

Most respondents (some 90%) reported that the banking crisis in early 2023 increased their firm's focus on liquidity management (including loan/deposit ratio and funding considerations). Firms reviewed their internal liquidity management processes and increased the interaction between CPM and Treasury.

Challenges Looking Forward

Survey participants identified several emerging risks with the potential to materially affect credit portfolios. On top of minds are geopolitical tensions and their impact on global supply chains and the real economy. Monetary policies and the previously mentioned real estate downturn (commercial and residential), but also the impacts of climate and environmental risks, are among other emerging risks that are closely monitored.

> ***"The identification of new/emerging risks is the result of the annual risk identification and risk materiality assessment process."***
> Survey Respondent

One survey respondent highlighted emerging technologies, particularly generative AI, as having the potential to materially impact credit portfolios.

As final Basel III implementation progresses, possible changes to risk appetite and concentration limit frameworks need to be considered, especially at larger firms in EMEA and the Americas. However, as one survey respondent remarks, Basel III rules are more likely to impact limit values themselves, while wider frameworks remain fit for purpose.

Conclusion and next steps

The Survey demonstrated that financial institutions are continuing to enhance their already highly developed risk appetite and concentration limit frameworks. These frameworks are effectively integrated in firms' strategic planning but also day-to-day decision making, using front-end tools and increasingly also a variety of back-end market-tools to achieve credit portfolio objectives.

While a number of risk considerations and priorities are consistent across the industry, firms' approaches and frameworks can differ along several important dimensions, reflecting the specific culture and size of the firm, the nature of its assets, lines of business, and the liquidity of the portfolio.

Credit Portfolio Managers will continue to proactively utilize available tools and established practices to identify emerging risks to their credit portfolios as well as potential correlations and concentrations within their credit portfolios. Practices employed include but are not limited to the use of scenario analysis, stress testing, early warning indicators, risk materiality assessment processes, and regular risk committee discussions. One firm mentioned scanning the environment to form an internal outlook on emerging risks (or potential opportunities) and identify possible 'dark clouds' or risk scenarios that may cause more adverse outcomes than expected.

Newer and continuously increasing risks such as cyber, climate and other non-financial risks are the focus of further work for IACPM member firms and the overall financial service industry. The incorporation of forward-looking metrics will be crucial to further enhance the measurement and management of these risks due to the lack of historical data.

Firms are strategically advancing their efforts to automate select risk measurement processes by leveraging Artificial Intelligence (AI) technologies, including Natural Language Processing (NLP) and Generative AI. Senior management increasingly supports exploring AI solutions to optimize processes, enabling efficient handling of large volumes of structured and unstructured data. Which is critical for computing forward-looking metrics and will allow credit analysts to focus on more complex risk management tasks.

As firms identify high-ROI use cases, they must also cautiously navigate potential pitfalls. While recognizing the significant benefits of AI in automation and efficiency, U.S. Treasury Secretary Janet Yellen emphasized during her June 2024 remarks at the Financial Stability Oversight Council and Brookings Institution AI conference that AI-related risks have moved towards the top of the regulatory council's agenda.

"Specific vulnerabilities may arise from the complexity and opacity of AI models, inadequate risk management frameworks to account for AI risks and interconnections that emerge as many market participants rely on the same data and models."

Remarks by Secretary of the Treasury Janet L. Yellen at the Financial Stability Oversight Council Conference on Artificial Intelligence and Financial Stability, June 6, 2024, https://home.treasury.gov/news/press-releases/jy2395

"We should think about all the risks of doing something new, but we should also ask ourselves: what is the risk of not doing something? Because sometimes the risk of inaction is greater than the risk of action, but the way to go forward has to be responsible."

Fed's chief innovation officer, Sunayna Tuteja, speaking at a conference in Chicago on June 25, 2024
Source: https://www.risk.net/risk-management/7959632/us-fed-reveals-its-five-use-cases-for-generative-ai

Appendix: Demographic Information

Figure 14
Firms Participating in the Survey by Approximate Total Balance Sheet Assets (N = 52)

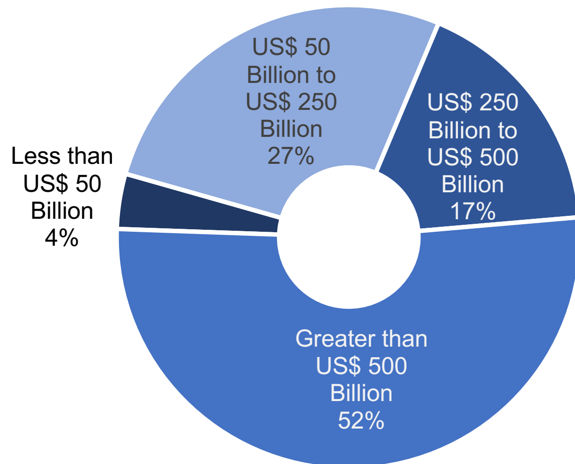
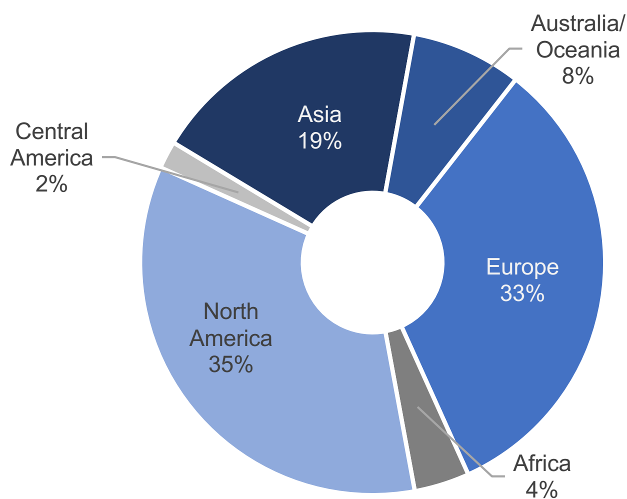


Figure 15
Firms Participating in the Survey by Region of Domicile (N = 52)



IACPM

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About the IACPM

The IACPM is an industry association established to further the practice of credit exposure management by providing a forum for its members to exchange ideas. Membership in the IACPM is open to all financial institutions worldwide that manage portfolios of corporate loans, bonds or similar credit sensitive financial instruments.

The Association represents its members before regulators around the world, holds bi-annual conferences and regional meetings, conducts research on the credit portfolio management field, and works with other organizations on issues of mutual interest relating to the measurement and management of portfolio risk.

Currently, there are 145 financial institutions worldwide that are members of the IACPM. These institutions are based in 32 countries and include many of the world's largest commercial wholesale banks, investment banks and insurance companies, as well as funds/asset managers and development banks and export credit agencies.

Today credit and market conditions, and new regulations, are transforming the financial services industry. The discipline of credit portfolio management is evolving within firms to include the measurement and management of credit risk at the enterprise level, in addition to execution of risk mitigation strategies in credit markets. CPM has increasing linkages with: front-end credit originators; the setting of risk appetite and limit structures; funding and liquidity for the firm; data and analytics; and the measurement and management of ESG and climate risk. CPM is also expanding coverage of credit assets beyond investment grade and leveraged to include middle market and retail, as well as in some cases bonds and other credit-sensitive instruments.

The IACPM brings together a unique community of credit risk and portfolio managers and provides the platform to identify and address the critical issues for CPM today.

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