

# International Benchmarking Analysis of FRM and ERP Designations

## Updated UK NARIC Executive Summary

Submitted to the Global Association of Risk Professionals (GARP) by UK NARIC

The National Recognition Information Centre for the United Kingdom

The national agency responsible for providing information and expert opinion on  
qualifications and skills worldwide

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## Context

UK NARIC has been commissioned by Global Association of Risk Association (GARP) to undertake two independent benchmarking projects, evaluating the comparability of the Energy Risk Professional (ERP) and the Financial Risk Manager (FRM), which are professional designations in the field of risk management. The first project, completed in December 2016, benchmarked the FRM to the UK Regulated Qualifications Framework (RQF) in the UK. The second project, completed in October 2017, firstly compared the ERP designation against the RQF in the UK and also evaluated the comparability of both the FRM and ERP designations in the context of selected international education systems. In May 2018 UK NARIC, undertook an additional benchmarking analysis of the FRM and ERP in the context of the US education system.

## Benchmarking the FRM to the RQF (December 2016)

### Methodology

In benchmarking the FRM, UK NARIC employed a well-established methodology, based upon the key principles of credential evaluation. This approach firstly involved reviewing the FRM core components, including duration, entrance requirements, mode of learning, content, learning outcomes, assessment and associated outcomes.

A high level comparison of the FRM Program content was conducted against a selected UK recognised Master's degree in financial risk management whilst the comparison of learning outcomes and assessment focused on comparing FRM learning objectives to the RQF level descriptors. A review of GARP quality assurance processes supported the comparative analysis, focusing on the processes used for qualification and assessment development, assessment administration, and standard setting.

### Key Findings

In conclusion, comparison against RQF level descriptors revealed comparability with RQF Level 7 overall. In particular, the FRM learning objectives demonstrate coverage of following broader skills, expected of RQF Level 7 qualification holders:

- Using specialised skills and knowledge
- Undertaking critical analysis and evaluation of key information, concepts and methodologies
- Developing understanding of the latest trends and developments in the field
- Conceptualising and addressing problematic situations that involve many interacting factors.

FRM assessment allows scope for evaluating a wide range of content and skills from across the FRM curricula. Reflecting the learning objectives, the FRM exams test specialised knowledge and understanding as well as higher order thinking skills. Scenario based questions are designed to include complex problems that may be encountered by financial risk managers in industry. Applied questions assessing cumulative knowledge and skills

acquired from across the FRM curriculum in the Part II exam in particular reflect the scope and level of demand, indicative of RQF Level 7 qualifications.

The comparison of FRM content identified similar coverage of key topic areas also included in a recognised UK Master's degree in Financial Risk Management, recognised at Level 7 of the Framework of Higher Education Qualifications (FHEQ).

The quality assurance processes used to develop FRM curricula and exams were reviewed and found to be robust, facilitating the continued rigour of assessment and relevance of the FRM Program. Curriculum development processes draw heavily on Job-Task-Analysis, which ensures that FRM qualification design incorporates the practical skills and competencies required by the financial risk management industry.

Well-defined processes are in place for item and test development, engaging expert opinion and practitioners to ensure overall validity of the practice-based Part I and Part II exams. Furthermore, standard setting procedures enable consistency in the level of performance required to pass from one exam session to the next. Finally, the conduct of the exams is supported by clear and comprehensive guidelines.

## **Benchmarking the ERP to the RQF**

### Methodology

The first stage comprised a review of the ERP in terms of its core components including duration, entry requirements, programme structure and content, mode of learning, assessment, learning outcomes, associated outcomes and quality assurance. Following the review, the ERP was comparatively analysed against RQF Level descriptors both in terms of its learning outcomes and assessment, ERP curriculum content was also reviewed against a similarly focused Master's degree in Energy Studies with Finance.

### Key Findings

The study found the ERP to be comparable overall with RQF Level 7, with similarities observed in the development of highly specialised body of knowledge and the ability to conceptualise and address complex problems with many interacting factors. As with the FRM, the ERP aims to develop knowledge and understanding of current issues at the forefront of the industry, informed by readings from texts selected by leading practitioners in the field of energy risk. The ERP assessment mirrors that of the FRM, and involves solving complex problems from across the course of study in Parts I and II. A comparative analysis of skills assessed in sample Part I and Part II exams, both four hour multiple choice assessments, supports the overall comparison of the ERP to RQF Level 7.

GARP quality assurance processes, reviewed for the FRM as part of the 2016 study, and examined for the ERP within the scope of the 2017 study, were found to be robust and fit-for-purpose. The development of the FRM and ERP is led by industry experts and informed by job task analysis, facilitating the relevance of the respective curricula to risk management industry needs. Exam development and pass mark setting are conducted using well-developed processes which ensure the maintenance of standards candidates are expected

to meet in attaining the respective designations. The ERP, as with the FRM, is offered in partnership with Master's degree programmes at a number of nationally recognised higher education institutions.

## ERP and FRM in the European Context

To understand the FRM and ERP in the European context, it is necessary to refer to the *Report Referencing Qualifications Frameworks of the United Kingdom to the European Qualifications Framework (EQF)*<sup>1</sup>. As part of this exercise, the predecessor of the current RQF, the Qualifications and Credit Framework<sup>2</sup> (QCF) was referenced to the EQF. Based on the findings of the report, Level 7 on the previous QCF compares to EQF Level 7.

## International Benchmarking Analysis

### Methodology

The scope of the international analysis included comparisons against education systems in Australia, Canada, India, Hong Kong, Singapore, South Africa and the US for both the FRM and ERP, Taiwan for the FRM and the UAE for the ERP. The methodology drew on the established comparisons for the ERP and FRM against the RQF, and using the UK NARIC Band Framework<sup>3</sup> as an initial point of reference, determines suitable comparators in the selected international systems. Australia, Ontario in Canada, Hong Kong, South Africa and the UAE have well-established national qualification frameworks in place, which provide a hierarchical structure of national qualification outcomes ranging from school level to postgraduate (doctoral) level awards. As such, framework level descriptors served as the principal reference points when comparing the ERP and the FRM learning objectives, and similarly focused qualifications were used as a basis for comparing content as an indicator of depth and breadth of coverage.

In the absence of national qualification frameworks in Singapore, Taiwan and the US, the approach involved comparing against national qualification standards, using qualifications in related subjects and their core components as reference points. In India, comparisons were drawn with national qualification as well as qualification framework levels, to the National Skills Qualifications Framework (NSQF), acknowledging that the NSQF is not yet fully implemented on a country-wide basis.

### Key Findings

In comparison with international qualification frameworks, both the ERP and FRM demonstrate similarities with many of the skills and competencies specified for postgraduate level of training and study specified in the level descriptors. These skills include the development of a specialised level of knowledge, identifying and applying advanced techniques and methodologies, data interpretation and undertaking critical analysis and

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<sup>1</sup> Scottish Qualifications and Credit Framework Partnership, 2010. Report Referencing Qualifications Frameworks of the United Kingdom to the European Qualifications Framework (EQF). [online]

<sup>2</sup> The eight level QCF was replaced by the RQF from 2015 onwards. Each of the eight levels on the RQF relate directly to the eight levels on the previous QCF.

<sup>3</sup> The UK NARIC Band Framework is a hierarchical set of outcomes, with 16 Bands, designed to provide maximum differentiation and detail in comparing qualifications.

evaluation. Furthermore, the ERP and FRM share a focus on developing advanced level problem solving skills – a competency typically included under application and / or autonomy across international framework level descriptors at postgraduate level.

Whilst acknowledging the similarities, it was observed that qualification framework descriptors at postgraduate level typically include a broader range of transferrable skills whereas the FRM and ERP learning objectives are mainly focussed on developing skills within specific topic areas. For instance, the ability to communicate specialist information to different audiences was identified as a key skill across the majority of national frameworks reviewed in this study. In the FRM and ERP by contrast, communication is not made explicit in the objectives or formally assessed, although it is apparent that GARP Members are expected to communicate clearly on behalf of their firm according to the GARP Code of Conduct, knowledge and understanding of which is assessed in the FRM and ERP exams.

Undertaking independent research and developing research methodologies, which typically comprise postgraduate level skills in the international sample, do not form part of the ERP and FRM assessment. As competency based awards, the FRM and ERP objectives indicate a stronger focus on developing the competencies and level of aptitude required of energy risk and financial risk managers in industry. Nevertheless, understanding and the application of industry related risk management tools and quantitative methods developed in the FRM and ERP can prepare and consolidate the candidates' ability to undertake research in industry related settings.

In terms of professional outcomes, the ability to operate autonomously in professional capacity is a theme shared by level descriptors at postgraduate level. The level of autonomy exercised by ERP and FRM designation holders in industry varies, as the prerequisite two years of experience required to receive the ERP and FRM designations can be undertaken in a broad range of acceptable occupational roles. The range of eligible roles however are typically at energy / financial risk analyst level and above which typically involve autonomous decision-making in professional scenarios. In addition, the ERP and FRM Programs develop and assess the skills to make informed decisions in energy risk and financial risk industry specific situations.

The comparative review of content highlighted connections between broader topic areas covered in the FRM and ERP and those included at postgraduate level in nationally recognised qualifications in related subjects offered in the selected countries. Differences were apparent in structure and breadth of coverage, with Master's programmes typically offering optional specialisation modules and including independent projects, neither of which is offered in the FRM and ERP. The depth of coverage however across a number of core content areas was observed to be comparable. Furthermore, ERP and FRM candidates are expected to read and understand texts which also feature on postgraduate reading lists thus developing the intellectual autonomy which may be expected of a postgraduate level qualification holder.

## Overarching Findings

The following table summarises the overall levels of comparability for the FRM and ERP designations in relation to the relevant qualification frameworks and levels covered within the scope of the benchmarking projects.

### International Benchmarking Analysis of FRM and ERP Designations – Key Comparability Findings

	Financial Risk Manager (FRM)	Energy Risk Professional (ERP)
<b>UK</b>	Comparable to RQF Level 7 <sup>4</sup>	Comparable to RQF Level 7
<b>Australia</b>	Comparable to AQF Level 9	Comparable to AQF Level 9
<b>Canada</b>	Comparable to OQF Level 12	Comparable to OQF Level 12
<b>India</b>	Comparable to Indian Master's degree standard / NSQF Level 9	Comparable to Indian Master's degree standard / NSQF Level 9
<b>Hong Kong</b>	Comparable to HKQF Level 6	Comparable to HKQF Level 6
<b>Singapore</b>	Comparable to Singaporean Master's degree standard	Comparable to Singaporean Master's degree standard
<b>South Africa</b>	Comparable to NQF Level 9	Comparable to NQF Level 9
<b>Taiwan</b>	Comparable to Taiwanese Master's degree standard	
<b>UAE</b>		Comparable to QF <i>Emirates</i> Level 9
<b>USA</b>	Comparable to US Master's degree standard	Comparable to US Master's degree standard

When interpreting comparability, the above statements in reference to national qualification standards for India, Singapore, Taiwan and the US highlight the overall comparable educational level but do not imply equivalence in every aspect of study and outcomes. Equally, the comparisons to framework levels in the selected countries' systems orient the overall level of skills and knowledge of the ERP and FRM to the most applicable level but do not necessarily reflect an exact match in every skill area referenced in the descriptors as discussed.

<sup>4</sup> Comparability established on completion of the 2016 UK NARIC Benchmarking Study "Benchmarking the FRM".

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