



**Joint Vienna Institute (JVI)**

Course  
**Introduction to Banking Supervision**  
**For non-supervisors**

Vienna, Austria, March 3-7, 2014

**Program**

**Monday, March 3, 2014**

9:00 a.m.-9:30 a.m.

**Administrative Briefing**

*Ms. Tatiana Arnhold*, Program Officer, Joint Vienna Institute

9:30 a.m.-9:40 a.m.

Official welcome by Mr. Norbert Funke, the JVI Director

10:00 a.m.-10:30 a.m.

**Introduction to the Seminar/Course**

*By Philip F. Bartholomew*

10:30 a.m. – 11:00 a.m.

***Coffee Break***

11:00 a.m. – 12:30 p.m.

***Introduction to Banking Supervision***

Some history and context of banking supervision will be discussed. Compliance-based, prudential, and risk-based banking supervisory approaches will be compared and contrasted. The objective of bank regulation and supervision will be discussed.

*By Philip F. Bartholomew*

12:30 p.m.-2:00 p.m.

***Lunch Break***

2:00 p.m. – 3:00 p.m.

**Introduction to Bank Financial Analysis**

Using the balance sheet and income statement of a bank, financial analytical techniques will be introduced. Financial ratios and basic static stress tests are constructed.

*By Philip F. Bartholomew*

3:00 p.m. – 4:45 p.m.

**Practical Session on Bank Balance Sheets and Earnings Statements**

In three groups, a financial sector will be offered with sample data. Each group will construct relevant bank financial ratios (financial soundness indicators) and perform

very simple basic static stress tests in the credit risk area.

*Facilitators: Philip F. Bartholomew, Walter Faulk, Richard Hands*

3:45 p.m. – 4:00 p.m.

***Coffee Break***

4:00 p.m. – 5:00 p.m.

**Continuation of Practical Session**

6:00 p.m.

***Welcome Reception***

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## **Tuesday, March 4, 2014**

9 :00 a.m.-10 :30 a.m.

**Supervision—Cradle to Grave**

This session presents a comprehensive overview of the context of banking supervision and examination. It discusses licensing, supervision process of licensed banks, enforcement, and intervention, seizure, and closure of failed banks.

*By Walter Faulk*

10:30 a.m. – 11:00 a.m.

***Coffee Break and Class Photo***

11 :00 a.m.-12 :30 p.m.

**Continuation of Supervision—Cradle to Grave**

*By Walter Faulk*

12 :30 p.m. --2 :00 p.m.

***Lunch***

2 :00 p.m. – 5 :00 p.m.

**Practical Exercise on Bank Licensing and Prompt Corrective Action**

Using case studies, the groups will be asked to rule on an application for bank license, and make decisions on prompt corrective action for non-capital compliant banks.

*Facilitators: Philip F. Bartholomew, Walter Faulk, Richard Hands*

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## **Wednesday, March 5, 2014**

9:00 a.m. – 10:15 a.m.

**Credit Risk Assessment, Credit Policy, and Origination**

Introduction to the fundamentals of making good bank loans. The five “C’s” of credit are discussed as well as other factors used in making credit judgments.

*By Walter Faulk*

10:15 a.m. – 10:45 a.m.

***Coffee Break***

10:45 p.m. – 12:30 p.m.

**Credit Risk Assessment**

Introduction to credit quality analysis. Loan classification and classification systems will be discussed. Payment performance systems as well as collateral-based systems of classification will be reviewed. Loan loss provisioning systems will be introduced with discussion of recent topics in this area (such as dynamic provisioning, use of the general provision).

*By Walter Faulk*

12:30 p.m. – 2:00 p.m.

***Lunch***

2:00 p.m. – 3:30 p.m.

**Practical Exercise on Making Loans**

Using case study examples, the three groups will form loan committees to decide whether loan applications will be accepted or denied.

*Facilitators: Philip F. Bartholomew, Walter Faulk, Richard Hands*

3:30 p.m. – 4:00 p.m.

***Coffee Break***

4:00 p.m. – 5:30 p.m.

**Practical on Loan examination**

Using case study examples, the three groups will consider existing loans and, as examiners, classify them.

*Facilitators: Philip F. Bartholomew, Walter Faulk, Richard Hands*

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**Thursday, March 6, 2014**

9:00 a.m. – 10:30 a.m.

**The Basel Core Principles**

Review of the development of the Basel Core Principles (introduced in 1997) as an overall framework for effective supervision. Recent developments in the BCPs.

*By Richard Hands*

10:30 a.m. – 11:00 a.m.

***Coffee Break***

11:00 a.m. – 1:00 p.m.

**The Basel Accords**

Development of the Basel Capital Accords. The strengths and weaknesses of Basel II and an outline of the changes set out in Basel III. An example of the impact of Basel II on calculated capital ratios. The importance of Pillar 2 and a bank's internal assessment of its capital needs. Comment on the practical implementation of a Basel II/III regime and its relationship to planning on-site and off-site supervisory work.

*By Richard Hands*

1:00 p.m. – 2:30 p.m.

***Lunch***

2:30 p.m. – 5:00 p.m.

**Designing and Managing an effective on-site program.**

Groups will consider the allocation of on-site and off-site supervisory approaches to different types of bank using case study descriptions and design and plan an on-site examination of example banks.

*Facilitators: Philip F. Bartholomew, Walter Faulk, Richard Hands*

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**Friday, March 7**

9:00 a.m. – 10:00 a.m.

**Summary of banking supervision fundamentals**

A summary of material presented during the course is offered and some additional topics covered. While much focus has been given to some fundamental banking practices, other banking functions require supervision. These include assessment

of the investment function, general and specific asset verification, assessment of internal audit functions, risk management, operational risk, and off balance sheet activities.

*By Richard Hands*

10:00 a.m. – 10:30 p.m.

***Coffee Break***

10:30 p.m. – 12:30 p.m.

**Panel Discussion**

The instructors will comprise a panel to answer questions and offer opinions on issues raised by the class. Discussion will be open to all members of the class.

*Facilitators: Philip F. Bartholomew, Walter Faulk, Richard Hands*

12: 30 a.m. – 1:00 p.m.

**Closing Session**

*Mr. Philip F. BARTHOLOMEW*

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