

## ATTACHMENT I

### NEW TRAINING PROGRAM LEADING TO COMMISSIONED EXAMINER STATUS

#### Introduction

On January 4, 1991, SR 91-1 was issued with the purpose of developing a “more integrated program for training examiners” and to prepare them “to meet the challenges of the rapidly changing banking environment.” SR 91-1 has provided direction for the System’s supervisory training activities for the past seven years and served the System well.

In June 1996, the Examiner Training Program of the Board’s Division of Banking Supervision and Regulation issued a report on the existing System training program (1996 Report on SR 91-1). This report determined that the program had achieved its goals, but that changes might be appropriate given developments in the banking industry and in the System’s supervision of financial institutions. These developments included (1) emergence of the risk-focused approach to examinations, (2) an increasing emphasis on management information systems and internal controls, (3) the need for enhanced automation skills at all levels, (4) a change in the background and skills of individuals entering the System’s supervisory function, and (5) a growing need for enhanced credit review skills regardless of examination specialty. In addition, the report noted the desirability of a coordinated core curriculum review. While individual courses have received ongoing review by the course committees, the curriculum as a whole has not been reviewed since its creation in 1991.

In response to these considerations, the System Staff Development and Utilization Committee (“SDU”) established the Core Curriculum Review Group (“CCR”) to address the fundamental issues related to the content and delivery of the core curriculum. The CCR’s mission was to (1) consider the developments noted in the 1996 Report on SR 91-1, (2) identify other changes that have occurred since the core curriculum was established, (3) determine whether changes that should be made to the core curriculum and, to the extent relevant, to the specialty curricula based on these developments, and (4) propose time frames for implementing any suggested changes.

In July 1997, the CCR issued a white paper proposing that the System adopt a new training program. The SDU approved the proposal on July 31, 1997, and the Officers in Charge of Supervision approved adoption of the new program in September 1997. The Board Committee on Supervisory and Regulatory Affairs and the Conference of Presidents were briefed on the proposal in the third quarter of 1997, and development of the new program formally commenced on October 16, 1997.

The new training program, as adopted by the System, is described in detail below.

#### Elements of New Training Program

Based on an assessment of an assistant examiner’s required knowledge and skills, the objectives of the new training program are as follows:

### Training Program Objectives

- Ensure that examiners receive the knowledge required to keep pace with recent and expected changes in the banking industry (e.g., risk management and information technology)
- Encourage the use of skills needed to employ successfully a risk-focused approach to examinations (e.g., critical thinking, strategic thinking, investigative, leadership, and interpersonal communication)
- Present integrated supervision concepts
- Provide flexibility to address examiners' varying education levels and experiences at time of hire (e.g., recent college graduate, M.B.A., J.D., related work experience)
- Promote flexibility to accommodate examiners' different career paths (e.g., specific specialty areas, generalists versus specialists)
- Build flexibility to address the System's diverse supervisory responsibilities (e.g., large bank versus small bank examination responsibilities)
- Integrate training program with on-the-job responsibilities
- Clarify responsibilities of assistant examiners and Reserve Bank management for achieving training objectives

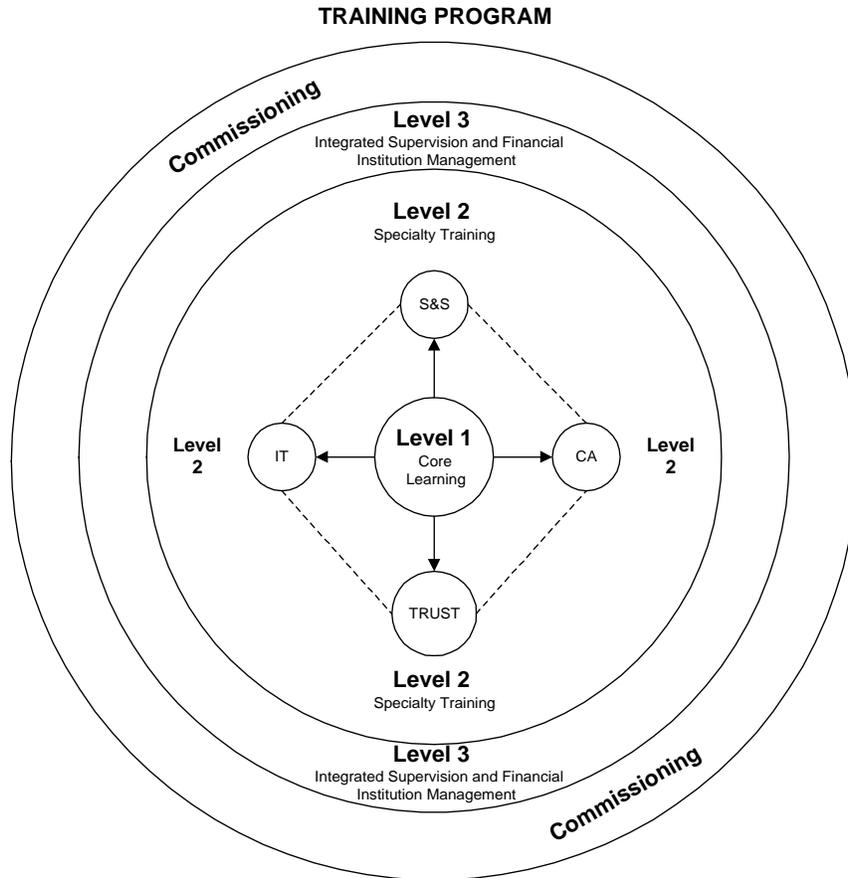
The training program involves a three-level approach, which starts when an assistant examiner is hired and continues until he or she is commissioned. **Level One** stresses the core knowledge needed by every examiner regardless of his or her area of specialization. After successfully completing the Level One training requirements, an assistant examiner is eligible to take a standardized proficiency examination that tests the examiner's knowledge of the basic core curriculum. **Level Two** emphasizes an assistant examiner's specialty area. The revised program includes four areas of specialization--consumer affairs, information technology, safety and soundness, and trust.<sup>1</sup> **Level Three** focuses on understanding the banker's perspective in managing a financial institution, including risk management, in contrast to examining and regulating the institution. In addition, training at this level promotes the skills needed to evaluate risk management examination processes and analyze issues that are prevalent in all areas under an integrated supervisory approach.

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<sup>1</sup>The safety and soundness specialty includes bank holding companies, commercial financial institutions, and foreign banking organizations.

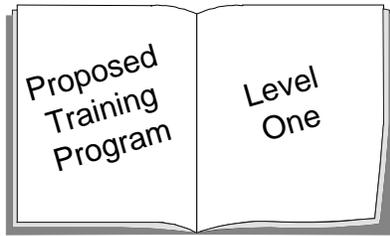
After completing Levels Two and Three, the assistant examiner will take a standardized proficiency examination to test his or her knowledge of the applicable specialty area, concepts related to managing an institution, and an overall understanding of other specialties.<sup>2</sup> The assistant examiner is eligible to become commissioned after completing the three levels of coursework, passing the two proficiency examinations, and demonstrating job-related proficiency to the satisfaction of Reserve Bank management.

The following diagram illustrates the new training program.



CA = Consumer Affairs  
 IT = Information Technology  
 S&S = Commercial, Bank Holding Company, and Foreign Banking Organizations

<sup>2</sup>The testing requirements associated with the new training are comparable to the requirements of the current program. However, the new requirements have a greater emphasis on specialty areas. See discussion on pages 28 through 30.



Level One provides a foundation of core knowledge that is essential for all examiners, regardless of specialty. At this level, an examiner will receive training on (1) regulatory responsibilities, (2) financial analysis, (3) the business of banking, (4) identifying and assessing risks associated with the business of banking and understanding basic integrated supervision concepts, and (5) interpersonal communication.

The following chart defines these five knowledge/skill areas and recommends the core level of mastery required for all examiners, regardless of specialty.<sup>3</sup> Depending on an assistant examiner’s specialty area, certain skills and topical areas may also be presented at higher mastery levels in Levels Two and Three. For example, the following chart shows that risks outlined in SR 95-51 will be presented at the comprehension level in the Level One training. However, by the time a safety and soundness examiner completes Level Three, he or she should be able to evaluate such risks.

<b>Knowledge and Skills</b>		<b>Level of Mastery</b>
Regulatory Responsibilities	Purposes and functions (Federal Reserve Act, Federal Reserve System, and individual Reserve Banks)	Comprehension
	Supervisory role and types of examinations (bank holding company, commercial, Community Reinvestment Act (“CRA”), consumer affairs, information technology, foreign banking organizations, and trust)	Comprehension
	Legal and regulatory framework	Knowledge/Comprehension
	Code of conduct	Application
	Risk fundamentals associated with compliance, CRA, information technology, safety and soundness, and trust	Comprehension
	Information security	Comprehension
	Commissioning requirements	Comprehension

<sup>3</sup>See Hopkins, Kenneth D., and Julian O. Stanley, *Educational and Psychological Measurement and Evaluation*, (New Jersey: Prentice-Hall, Inc., 1981). The level of mastery is based on Bloom’s Adult Learning Hierarchy. The levels of mastery include (1) knowledge, (2) comprehension, (3) application, (4) analysis, (5) synthesis, and (6) evaluation. For example, at the comprehension level, an examiner is expected to explain or describe a particular topic. At the analysis level, an examiner would have the ability to analyze and appraise the topic.

<b>Knowledge and Skills</b>		<b>Level of Mastery</b>
Financial Analysis (including examination tools)	Financial statements <ul style="list-style-type: none"> <li>• Bank accounting</li> <li>• Statistics/sampling</li> <li>• Financial reporting/call reports</li> <li>• Provision for loan losses, allowance for loan loss reserves, and off-balance-sheet items</li> </ul>	Application Application Application Application
	Automation (examiner workstations, word processing, spreadsheets, FedWeb, NED, etc.)	Application
	Ratio analysis	Application/Analysis
	Investments	Comprehension
	Capital markets	Comprehension
	Business law (corporate structures, contracts, security interests, and other UCC topics)	Comprehension
	Research skills	Application
	Investigative skills	Application
	Budget and planning processes used by bank management (identify risk profile and future earnings potential)	Comprehension
Business of Banking (loans, information systems, bank operations, and internal controls)	Loan types	Comprehension
	Information systems (types, quality, and risks)	Comprehension
	Credit scoring	Comprehension/Applicatio n
	Credit reports	Comprehension/Applicatio n
	Credit approval/administration	Comprehension/Applicatio n
	Transaction flow within bank and payment systems	Comprehension
	Segregation of duties/internal controls	Comprehension
	Bank products (effect on bank's functions, type, size, and profitability)	Comprehension
	Bank's policies and procedures	Comprehension

<b>Knowledge and Skills</b>		<b>Level of Mastery</b>
	Internal and external audit	Comprehension
Risk Assessment and Integrated Supervision	Risks (SR 95-51, information technology, consumer, payment systems, etc.)	Comprehension
	Examination/inspection structures, processes, and ratings	Knowledge/Comprehension
	Loan classifications	Application
	Strategic planning	Knowledge
	Bank management's risk reporting, monitoring, and analyzing techniques	Comprehension
	Enforcement tools/supervisory follow-up	Comprehension
	Information technology	Comprehension
	Definition of risks related to the bank's product mix	Comprehension
Interpersonal Communication <sup>4</sup>	Management and leadership	Synthesis
	Oral and written communication	Synthesis
	Team participation	Synthesis
	Diplomacy	Synthesis
	Negotiating	Synthesis
	Investigating and interviewing	Synthesis
	Conflict resolution	Synthesis
	Planning and organizing	Synthesis
	Decision making	Synthesis
	Critical thinking	Synthesis

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<sup>4</sup>Interpersonal communication training commences as part of Level One but continues throughout the training program, regardless of specialty track, and is an integral part of continuing professional education.

## LEVEL ONE - LEARNING OBJECTIVES

Upon completing the Level One training requirements, the assistant examiner, at a minimum, will be able to complete the following learning objectives.

<b>Level One Major Learning Objectives</b>
<ul style="list-style-type: none"><li>• Describe the U.S. bank regulatory structure and discuss the Federal Reserve's role within it</li><li>• Discuss the purpose of an examination/inspection, including the historical and legal perspectives</li><li>• Describe the objectives and fundamental purpose of each banking supervision and regulation function, including the rating systems used for the various types of examinations and inspections</li><li>• Describe the components of a bank's operations and explain their relationship to the overall examination process and to each specialty examination function</li><li>• Identify and describe the various components of sound internal controls</li><li>• Explain the importance of management information systems</li><li>• Discuss the importance and implications of the deposit, investment, and lending functions to banking, to the overall examination process, and to each specialty examination function</li><li>• Discuss the concept of risk as it applies to banking, including how risk is measured, reported, and analyzed</li><li>• Apply financial analysis and bank accounting concepts</li><li>• Identify key supervisory issues related to integrated supervision</li></ul>

The development of other skills, which are essential for all assistant examiners, also begins in Level One and continues to be reinforced through and beyond Level Three. These skills include (1) working effectively as part of a team, (2) presenting negative information, (3) managing projects, (4) planning and organizing, (4) problem definition/formulation, (5) critical thinking, (6) investigation, and (7) identifying comparable situations and drawing appropriate comparisons. Delivery techniques (such as case studies and exercises) are used to promote development of these skills.

## MASTERING THE LEARNING OBJECTIVES

The learning objectives, including the core knowledge and skills associated with Level One, will be accomplished by assistant examiners completing a two-week Orientation Program, designated BEST Modules<sup>5</sup> and computer-based training programs (“CBTs”), a new Banking and Supervision Elements (“BASE”) school, BASE precourse work, individual Reserve Bank training requirements, and on-the-job work experience.

**Orientation Program.** The Orientation Program is a unified version of the separate orientation programs currently used by the Supervision and Regulation and the Consumer and Community Affairs functions, while still providing for the individual needs of each specialty area. The modified two-week program takes advantage of the time available to a new hire prior to participating on an examination or inspection. The first week of the program introduces the new employee to the Reserve Bank’s role and responsibilities in banking supervision and provides an overview of all examination disciplines. Over time, much of the curriculum associated with the first week is expected to be available on the Board of Governors’ Web site. The newly hired examiner will then develop research skills by using FedWeb to obtain this information rather than reading preprinted materials covering the subject matter.

The second week of orientation acquaints the new examiner with basic examination procedures and methods for his or her specialty area. After successfully completing the Orientation Program, the assistant examiner has an understanding of the operations of the System and is prepared to actively participate on an examination or inspection.

Under the training program, the assistant examiner completes a selected number of BEST Modules and CBTs that are appropriate given the specialty area as shown in the following table.<sup>6</sup>

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<sup>5</sup>BEST Modules are self-study modules covering laws and regulations.

<sup>6</sup>The training program requires that examiners complete 12 BEST Modules or CBTs as part of the three-level program (consumer affairs assistant examiners complete 13 BEST Modules or CBTs). BEST Modules, developed by the System, generally provide comprehensive information on all facets of a particular regulation or topic. This level of information and detail, however, is not needed by all examiners but will vary based on their area of specialization. Accordingly, certain CBTs, available from commercial vendors, will be purchased and used when a lower level of mastery of a topic or regulation is appropriate.

Under the training program, some of the existing BEST Modules will be modified to ensure that issues relevant to each of the four specialty areas are addressed.

Examiners in the four specialty areas will complete the BEST Modules and CBTs at different times in order to better meet the on-the-job needs of the assistant examiner. The requirements for completing the required BEST Modules and CBTs are listed, by specialty, within the description of each of the three levels.

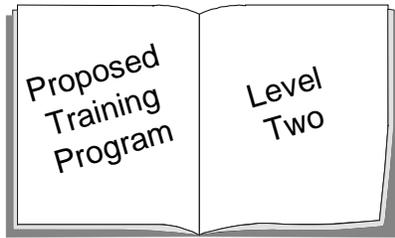
<b>BEST or CBT Module</b>	<b>Safety and Soundness</b>	<b>Consumer Affairs</b>	<b>Information Technology</b>	<b>Trust</b>
Bank Secrecy Act BEST	X			X
Federal Reserve Act BEST	X	X	X	X
Information Technology Concepts BEST			X	
Internal/External Audit BEST	X	X	X	X
Investment Portfolio Management BEST	X			X
Regulation B BEST		X		
Regulation Z (closed-end) BEST		X		
Trust Issues BEST				X

**Banking and Supervision Elements (“BASE”)**. BASE is a new course that targets participants with approximately three to six months of on-the-job experience and addresses the core supervisory skills required of all assistant examiners, regardless of specialty area. It also introduces the principles of risk management as identified in SR 95-51, and emphasizes integrated supervision. The course is designed to promote teamwork and develop investigative and critical-thinking skills. BASE includes approximately two weeks of classroom training and requires approximately 20 hours of precourse work.

The 20 hours of precourse work focus on bank accounting, loan administration, financial analysis, risk management, and investments. In addition, the Loan Policy and Administration BEST Module is included in the precourse work. For assistant examiners in the consumer affairs and information technology specialties, the Investment Portfolio Management BEST Module is required. (The safety and soundness and trust specialties should complete the Investment Portfolio Management BEST Module during the second week of orientation.)

**Supplemental Training**. In addition to the Orientation Program and BASE, a Reserve Bank may determine that additional training courses are necessary to ensure that the assistant examiner can satisfactorily master the Level One knowledge and skills. The Reserve Bank is responsible for obtaining or providing this training for its assistant examiners and the Reserve Bank has a wide range of flexibility in doing so. This supplemental training may consist of internally developed courses or programs sponsored by outside vendors. For example, a basic accounting or investment workshop may be conducted by the Reserve Bank’s training staff as deemed appropriate.

**On-the-Job Experience**. Related work experience is an essential element of the new training program. The work assignments of an assistant examiner following completion of Level One training should relate to the knowledge and skills presented in the Level One courses. Thus, the assistant examiner’s immediate supervisor is encouraged to become familiar with the content of the Level One training requirements. Further, the supervisor should ensure that the assistant examiner is given an opportunity to complete assignments that reinforce his or her knowledge of the skills and topical areas that have been presented in System training courses. This reinforcement also better prepares an assistant examiner for Level Two training.



At this level, the assistant examiner attends classes relating to his or her specialty area and completes programs aimed at improving written and verbal communication skills. As with the SR 91-1 training program, the new training program offers four specialty areas--consumer affairs, information technology, safety and soundness, and trust.

Before determining the specific training requirements for each specialty track, the CCR reviewed the existing specialty training requirements and recent work completed by the relevant course committees. Under AD 94-11, all required specialty courses for the consumer affairs, information technology, and trust specialty tracks are monitored and maintained by a separate course committee for each specialty area. The required specialty courses for the safety and soundness track are not maintained by one course committee; rather, each safety and soundness course is assigned to a separate committee.

During the past two years, the course committees responsible for the consumer affairs and trust specialty tracks and each committee responsible for the safety and soundness courses have reviewed the content, progression, and delivery methods of their required specialty courses. In developing the new training program, the CCR, to the extent possible, incorporated this work.

Accordingly, the CCR incorporated numerous aspects of the Consumer Affairs Orientation Program into the modified Orientation Program and otherwise adopted the course revisions in this area. Similarly, the trust course committee's recently completed revisions to Basic Entry Level Trust and Advanced Trust are in the new program. However, the trust course committee may need to modify the Basic Entry Level Trust course due to the revised Orientation Program and BASE. The committee will also need to determine whether all or portions of the new Operations and Analysis School ("OpAS") and self-study programs, discussed on pages 13 to 16, should be added to the required trust specialty curriculum and whether any additional changes to the trust specialty curriculum would be appropriate. The committee should balance the need for appropriate training for trust assistant examiners with the costs associated with developing any new courses. Because the safety and soundness specialty is the most affected by the Level One and Two training requirements, the CCR included a complete assessment of the safety and soundness specialty track as part of its analysis.

The course committee responsible for the information technology specialty track intends to complete a zero-based review, which will likely result in curriculum changes later in 1998. The description of the information technology specialty track included in this attachment is based on current information technology training requirements.

Based on the CCR's assessment of the specialty curriculum coupled with the aforementioned course committee reviews, the Level Two training requirements for each specialty are as follows.

## Level Two Training Requirements<sup>7</sup>

<b>Safety and Soundness</b>	<b>Consumer Affairs</b>	<b>Information Technology</b>	<b>Trust</b>
Self-Study Program #1	Introduction to Consumer Compliance Examinations <sup>8</sup>	Auditability and Control Modules <sup>8</sup>	Basic Entry Level Trust <sup>8</sup>
Operations and Analysis School	Consumer Compliance Examinations II <sup>8</sup>	Intermediate Information Systems Examination <sup>8</sup>	Advanced Trust <sup>8</sup>
Self-Study Program #2			
Report Writing	Report Writing	Report Writing	Report Writing
Conducting Meetings with Management	Conducting Meetings with Management	Conducting Meetings with Management	Conducting Meetings with Management
Loan Analysis School	CRA Examination Techniques		
Self-Study Program #3	Fair Lending	Information Systems Continuing Education	

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<sup>7</sup>For each specialty track, the required courses are supplemented with BEST Modules, CBTs, and on-the-job training.

<sup>8</sup>This course may be completed before BASE.

## LEVEL TWO - LEARNING OBJECTIVES

After completing the Level Two training requirements, the assistant examiner, at a minimum, will be able to complete the following learning objectives. These learning objectives will be mastered by all examiners, regardless of specialty.

<b>Level Two Major Learning Objectives</b>
<ul style="list-style-type: none"><li>• Complete examination procedures and identify/resolve relevant violations of banking laws and regulations associated with the assistant examiner's specialty track</li><li>• Assign appropriate examination/inspection ratings</li><li>• Evaluate the effectiveness of a financial institution's risk management system</li><li>• Analyze the concept of risk as it applies to banking, including how risk is measured and reported</li><li>• Determine the accuracy of management information systems</li><li>• Communicate the findings of the applicable examination to Reserve Bank management and financial institution management</li><li>• Draft the applicable portion of an examination report in accordance with the applicable specialty area's guidelines</li><li>• Demonstrate leadership and management skills</li><li>• Apply critical-thinking and research skills</li></ul>

The mastery of most of these learning objectives is a progression of knowledge and skills obtained during Level One, and the ultimate level of mastery may not be achieved until after completing Level Two and, for some objectives, Level Three. For example, an assistant examiner is expected to be able to discuss the concept of risk as it applies to banking at Level One. At Level Two, the same examiner is expected to be able to analyze the institution's risk, including the way it is measured and reported. However, not until Level Three will the assistant examiner be expected to be able to evaluate the institution's inherent risks in the manner that risk factors are considered by bank management and during the risk-focused examination process.

**SAFETY AND SOUNDNESS - MASTERING THE LEARNING OBJECTIVES**

<b>Safety and Soundness Level Two</b>
Self-Study Program #1
Operations and Analysis School
Self-Study Program #2
Report Writing
Conducting Meetings with Management
Loan Analysis School
Self-Study Program #3
BEST Modules and CBTs
Supplemental Training
On-the-Job Experience

The safety and soundness specialty track has been significantly changed. Under SR 91-1, Loan Analysis School was the only required specialty course for safety and soundness examiners. Under Level Two of the new training program, an assistant examiner in the safety and soundness specialty will need to complete three self-study programs that include the seven remaining required BEST Modules and CBTs,<sup>9</sup> four System schools, accompanying precourse work, individual Reserve Bank training requirements (when deemed appropriate), and on-the-job work experience.

**Self-Study Program.** The self-study program is new. In many respects, it is similar to a correspondence course. The self-study program is structured to equip assistant examiners with the skills needed for future System courses, reinforce concepts presented in previous schools, and explain and apply other critical regulatory concepts and issues that are not presented in the required System schools. The program encourages research, investigative, and critical-thinking skills. These skills are

becoming increasingly important given the banking environment and the risk-focused approach to supervision. The program also encourages individual examiners to assume greater responsibility for their own training and career development.

Under the self-study program, the assistant safety and soundness examiner investigates topical areas; performs on-site examination procedures; and completes BEST Modules, CBTs, and precourse work. The topics covered by the program include all specialty areas consistent with integrated supervision. The three self-study programs include 7 of the 12 BEST Modules and CBTs that all examiners must complete. The other five modules are completed by assistant safety and soundness examiners in Level One. (Refer to pages 32 and 33 for titles of BEST Modules and CBTs.) The precourse work for OpAS and Loan Analysis School is also incorporated into the self-study programs.

When investigating a regulatory concept or issue, the assistant examiner may use a BEST Module, if available, or other reference material that describes the purpose, concepts, and examination techniques related to the topical area. For example, an examiner might wish to review applicable sections of the Commercial Examination Manual, Bank Holding Company Inspection Manual, or the Federal Reserve Regulatory Service.

After investigating the topical area, performing the on-site procedure, or completing the BEST Modules, CBTs, or precourse work, the assistant examiner completes a proficiency check or an exercise that simulates an actual examination assignment. The simulated assignments and proficiency checks are designed to determine if the assistant examiner has a minimum level of proficiency in the identified area and is ready for the next stage of training. Based on the assistant examiner’s knowledge or prior work experience with a given topical area, the suggested research assignments may be limited or not completed before beginning the simulated examination assignment or proficiency check.

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<sup>9</sup>The third self-study program is started in Level Two but does not have to be completed until Level Three.

**Self-Study Program #1.** The first of the three safety and soundness self-study programs is completed after the assistant examiner attends BASE and before attending OpAS. The first self-study program includes the following topical areas, BEST Modules, CBTs, and precourse work:

- Bank and bank holding company analysis ratios and tools (OpAS precourse)
- Basic Regulation O (required BEST Module)
- Basic Regulation Y (topical area)<sup>10</sup>
- Change in control (topical area)<sup>10</sup>
- Information Technology Concepts (required BEST Module)
- Mortgage securities (topical area)<sup>10</sup>
- Section II of the User’s Guide for the Uniform Bank Performance Report (UBPR) (OpAS precourse)
- Sections 23A and 23B of the Federal Reserve Act (topical area)<sup>10</sup>

The self-study program takes approximately 10 days to complete. Assistant examiners are responsible for completing the self-study programs and may be required to complete aspects of the self-study program on their own time. However, the proficiency checks and exercises need to be completed while the assistant examiner is in the office.

**Operations and Analysis School (“OpAS”).** After completing the first self-study program and other prerequisites, an assistant safety and soundness examiner is eligible to take OpAS. OpAS is a new System course targeting safety and soundness examiners who have 12 to 15 months of relevant examination experience. It can be viewed as an enhanced version of the current Financial Institution Analysis School, which focuses on the financial analysis and ratings of commercial banks and bank holding companies. In addition to including advanced instruction on performing financial analysis and determining the bank and bank holding company ratings, OpAS includes (1) bank operations and financial analysis at a higher level of mastery from that presented in the Orientation Program and BASE, (2) foreign banking organization analysis techniques, (3) differences in examination processes for large versus small financial institutions, and (4) skills for completing a risk assessment profile.

OpAS requires approximately 40 hours of precourse work. The precourse work is included within the first self-study program.

**Self-Study Program #2.** Using the concepts described in the first self-study program, assistant examiners are required to complete a second self-study program after completing OpAS and before attending Loan Analysis School. The topics included with the second self-study program include the following:

- Applications (required BEST Module)
- Asset/liability management (topical area)<sup>10</sup>
- Community Reinvestment Act (required CBT)
- Credit analysis ratios and tools (Loan Analysis precourse work)
- Regulation B (required CBT)
- Residential Mortgage Regulations - overview of Z, B, RESPA/HMDA, Fair Credit (required CBT)

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<sup>10</sup>A BEST Module is recommended as the reference material for this topical area. The module is not a training program requirement.

This self-study program takes approximately 7½ days to complete. As previously addressed, the assistant examiner may need to complete certain aspects of the self-study program outside of work hours and may be able to complete some portions of the program using previously acquired knowledge.

**Report Writing.** The System’s current Effective Writing course will be replaced with a new Report Writing program. Under the program, Reserve Banks are responsible for providing report writing training to assistant examiners when they begin writing significant portions of an examination report. Thus, the focus of the new course is on learning how to prepare examination products in contrast to learning language fundamentals. The timing of the training will vary, but would most likely occur during Level Two. Also, as specific aspects of report writing vary by specialty, the new program can be easily tailored to address the needs of each assistant examiner.

To ensure consistency across the System, a standard set of learning objectives and training materials will be provided to each Reserve Bank’s training staff. Reserve Bank management and training staff will be responsible for ensuring that the learning objectives are mastered. The method used to accomplish this is left to the discretion of each Reserve Bank. A Reserve Bank can use a classroom setting or incorporate report writing into OJT. A classroom approach takes approximately four days to complete. An OJT approach includes one day of classroom training and at least three days of OJT.

**Conducting Meetings with Management (“CMWM”).** CMWM is an existing System course that is required for all specialties. The course is directed at assistant examiners who are beginning to make presentations to management. Participants receive coaching, practice, and constructive criticism to improve their oral presentation skills needed to conduct effective meetings with bank management.

Only minor modifications were recommended to the existing course to ensure that it is consistent with the overall objectives of the new training program. Specifically, this course will now include communicating with Reserve Bank management and presenting negative information.<sup>11</sup> Also, the course committee ensured that CMWM’s curriculum will address the training needs of all assistant examiners by including examples, exercises, and case studies that address issues pertaining to each of the specialty areas.

**Loan Analysis School (“LAS”).** LAS is an existing System school that must be completed by all assistant safety and soundness examiners. The school targets participants with 18 months to three years of relevant experience. The curriculum is designed to assist examiners in developing loan analysis and examination skills applicable to the loan review function. During this course, participants review loan files and determine appropriate loan classifications. LAS generally provides a continuing critical understanding of credit and credit review activities and, to the extent relevant, preserves the System’s historical attention to transaction testing.

Prior to attending LAS, participants should have examined the loan portfolios of several financial institutions. Currently, LAS requires approximately 65 hours of precourse assignments consisting of self-instruction modules and performance tests.

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<sup>11</sup>These skills are considered critical for the future based on the CCR’s February 18, 1997, Skills Assessment Survey that was included in the CCR’s white paper.

In the future, the LAS precourse work will be included with either the new training program's second self-study program or incorporated into other schools. Accordingly, the time needed to complete LAS precourse work should be significantly reduced. For example, topics such as credit risk, financial statement and ratio analysis, cash flow analysis and preparation, and loan documentation are presented in BASE and OpAS.

In addition, to be consistent with the new training program requirements, LAS should include the following topics and applicable levels of mastery:<sup>12</sup>

- Adequacy of the valuation reserves (evaluation)
- Classifying loans including purpose of extended credit, financial statement and ratio analysis, cash flow analysis, and projections and collateral evaluation (evaluation)
- Commitments and letters of credit (evaluation)
- Concentrations of credit (evaluation)
- Counterparty credit risk (evaluation)
- Credit administration and lending policies (evaluation)
- Credit documentation (evaluation)
- Credit risk profile of an institution (evaluation)
- Credit scoring (application)
- Internal risk rating system (evaluation)
- Lending-related information technology issues (analysis)
- Off-balance-sheet activities (evaluation)
- Underwriting standards (evaluation)

**Self-Study Program #3.** The third and final self-study program for the safety and soundness specialty track is completed after attending LAS and before attending Examination Management, which is a Level Three school. The third self-study program includes:

- Advanced Regulation O (topical area)<sup>13</sup>
- Bankruptcy (topical area)<sup>13</sup>
- Electronic banking (topical area)
- Other real estate (topical area)<sup>13</sup>
- Regulations G, T, U, and X (topical area)<sup>13</sup>
- Troubled debt restructure (topical area)<sup>13</sup>
- Trust Issues (required BEST Module)

In total, the last self-study program takes approximately 5½ days to complete. As with the first two self-study programs, the assistant examiner may need to complete portions of the program outside of work hours and may be able to complete certain topics using previously acquired knowledge.

**BEST Modules and CBTs.** Seven BEST Modules and CBTs are required as part of the Level Two self-

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<sup>12</sup>The topics and level of mastery are based on the results of the CCR's Skills Assessment Survey and the review of a safety and soundness examiner's required knowledge and skills.

<sup>13</sup>A BEST Module is recommended as the reference material for this topical area. The module is not a training program requirement.

study programs described above. (Refer to pages 32 and 33 for titles of BEST Modules and CBTs.)

**Supplemental Training.** The Level Two specialty track for assistant safety and soundness examiners may be supplemented with additional Reserve Bank training, including that provided by outside vendors. Such training may include department conferences or other programs that help explain emerging safety and soundness topics or issues.

**On-the-Job Experience.** As with the Level One training, it is highly desirable for Reserve Bank management and training staff, whenever possible, to coordinate on-the-job assignments to reinforce the knowledge and skills presented in the classroom. This postcourse intervention is critical to ensure that the learning objectives for each class are mastered.

**CONSUMER AFFAIRS - MASTERING THE LEARNING OBJECTIVES**

<b>Consumer Affairs Level Two</b>
Introduction to Consumer Compliance Examinations
Consumer Compliance Examinations II
Report Writing
Conducting Meetings with Management
CRA Examination Techniques
Fair Lending
BEST Modules and CBTs
Supplemental Training
On-the-Job Experience

For a consumer affairs assistant examiner, the learning objectives associated with Level Two will be accomplished by completing six System schools, accompanying precourse work, four required BEST Modules and CBTs, individual Reserve Bank training requirements (when deemed appropriate), and on-the-job work assignments.

**Introduction to Consumer Compliance Examinations (“CA I”)**. CA I is a two-week course required for all System consumer compliance examiners with at least three months’, but ideally no more than six months’, experience. The course provides assistant examiners with an opportunity to focus on the consumer laws and regulations that govern operations and non-real estate lending. CA I emphasizes the practical application of banking regulations and examination procedures. Approximately 16 hours of precourse work is required for CA I. The assistant examiner is also expected to participate on at least two consumer compliance examinations before attending CA I.

**Consumer Compliance Examinations II (“CA II”)**. CA II is designed to equip assistant examiners with the fundamental skills necessary to determine a bank’s compliance with the more complex aspects of consumer laws and regulations, including analysis of real estate and some fair lending issues. The course is targeted to consumer compliance examiners with approximately six to twelve months of experience. Before attending this course, an assistant examiner is required to complete 32 hours of precourse work and should have participated in the fair lending portion of at least one examination, including the completion of applicant profiles.

**Report Writing**. This program is required for all specialties. The program is described on page 15.

**Conducting Meetings with Management (“CMWM”)**. All assistant examiners, regardless of specialty, are required to complete this course. It was previously described under the safety and soundness specialty track at page 15.

**CRA Examination Techniques (“CRA School”)**. CRA School is a one-week course designed for the consumer affairs examiner who has a minimum of 18 months of consumer affairs examination experience. The objective of the course is to enhance the participants’ skills in thinking critically about the Community Reinvestment Act, including determining the final rating. CRA School requires 24 hours of precourse work. The CRA School is not required under SR 91-1 but is a required course for the consumer affairs specialty under the new training program.

**Fair Lending**. The last required Level Two course for the consumer affairs specialty is Fair Lending. As with CRA School, Fair Lending is not currently a required consumer affairs specialty course but is required under the new program. Fair Lending targets assistant examiners with at least 18 months of consumer affairs examination experience. After completing the two-week school, assistant consumer affairs examiners are able to use System examination procedures to effectively conduct a fair lending examination. No precourse work is required.

**BEST Modules and CBTs.** The education that an assistant examiner receives in the previously outlined courses and precourse work is supplemented by certain required BEST Modules and CBTs. The following self-study modules must be completed as part of an assistant consumer affairs examiner's Level Two training.

- Applications BEST Module
- Community Reinvestment Act CBT
- Information Technology BEST Module
- Regulation Z (open-end) BEST Module

**Supplemental Training.** The Level Two specialty track for assistant consumer affairs examiners may also be supplemented with additional Reserve Bank training, including that provided by outside vendors. Such training may include department conferences or other programs that assist in explaining consumer-related topics or issues.

**On-the-Job Experience.** As with the Level One training, it is highly desirable for Reserve Bank management and training staff, whenever possible, to coordinate on-the-job assignments that reinforce the knowledge and skills presented in the classroom. This postcourse intervention is critical to ensure that the learning objectives for each class are mastered.

**INFORMATION TECHNOLOGY - MASTERING THE LEARNING OBJECTIVES**

<b>Information Technology Level Two</b>
Auditability and Control Modules
Information Systems Examination
Report Writing
Conducting Meetings with Management
Information Systems Continuing Education
BEST Modules and CBTs
Supplemental Training
On-the-Job Experience

For an assistant examiner in the information technology (“IT”) specialty, the learning objectives associated with Level Two will be accomplished by completing 13 Auditability and Control modules, four System schools, the accompanying precourse work, five required BEST Modules and CBTs, individual Reserve Bank training requirements (when deemed appropriate), and on-the-job work experience.<sup>14</sup>

**Auditability and Control Modules.** The first Level Two requirement is the completion of 13 Auditability and Control modules. The modules take approximately 10 days to complete and address the following topics.

- Advanced technology
- Audit and control environment
- Business systems
- Contingency planning
- Emerging technologies
- End-user and departmental computing
- Managing computer resources
- Managing information and developing systems
- Security
- Telecommunications
- Using information technology and auditing

**Information Systems Examination (“ISE”).** ISE targets an assistant IT examiner who has at least six months of IT or audit experience. The course provides IT examiners with the information systems technology and control concepts and the analytical methods used to evaluate the more complex areas of data processing operations. There is no precourse work associated with ISE.

**Report Writing.** This program is required for all specialties and is described under the safety and soundness specialty track on page 15.

**Conducting Meetings with Management (“CMWM”).** All assistant examiners, regardless of specialty, are required to complete this course. A complete description of CMWM is on page 15.

**Information Systems Continuing Education (“ISCE”).** This 4½-day course is a continuing education program designed for experienced IT examiners who have participated in several complex IT examinations and have been exposed to a variety of technology platforms. ISCE provides advanced training related to the latest industry innovations and emerging technology control issues. Different issues are discussed at each session. No precourse work is required.

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<sup>14</sup>As noted above, the IT course committee is conducting a zero-based review of the IT specialty track. This review will likely result in changes to the current requirements.

**BEST Modules and CBTs.** The education that an assistant examiner receives in the previously outlined courses and precourse work is supplemented by required BEST Modules and CBTs. The following modules must be completed as part of an IT assistant examiner's Level Two training.

- Applications BEST Module
- Bank Secrecy Act CBT
- Community Reinvestment Act CBT
- Regulation O CBT
- Residential Mortgage Regulations CBT - overview of Z, B, RESPA/HMDA, Fair Credit

**Supplemental Training.** The Level Two specialty track for an assistant IT examiner may also be supplemented with additional Reserve Bank training, including that provided by outside companies. Such training may include department conferences or other programs that assist in explaining emerging IT topics or issues.

**On-the-Job Experience.** As with the Level One training, it is highly desirable for Reserve Bank management and training staff, whenever possible, to coordinate on-the-job assignments that reinforce the knowledge and skills presented in the classroom. This postcourse intervention is critical to ensure that the learning objectives for each class are mastered.

TRUST - MASTERING THE LEARNING OBJECTIVES

<b>Trust Level Two</b>
Basic Entry Level Trust
Advanced Trust
Report Writing
Conducting Meetings with Management
BEST Modules and CBTs
Supplemental Training
On-the-Job Experience

For a trust assistant examiner, the learning objectives associated with Level Two will be accomplished by completing four System schools, accompanying precourse work, five required BEST modules and CBTs, individual Reserve Bank training endeavors (when deemed appropriate), and on-the-job work experience.<sup>15</sup>

**Basic Entry Level Trust School (“BELTS”).** For an assistant examiner focusing on the trust specialty, the first required specialty System school is BELTS. BELTS targets participants who have a minimum of three months’ trust examination experience or 24 months’ general examination experience. After completing this course, assistant examiners should be able to identify the major functions of a trust institution and the duties and responsibilities related to its fiduciary obligations. The participants also

become familiar with the System’s role in trust supervision.

BELTS includes 16 hours of precourse material and a precourse test.

**Advanced Trust.** This course is designed to help participants effectively review for the safety and protection of beneficiaries, the effect of trust and related activities on the soundness of the financial institution, and compliance with laws and regulations. Advanced Trust targets examiners experienced in the examination of trust activities. Typically, the assistant examiner should have at least one year of trust examination experience.

The course requires 24 hours of precourse reading and a precourse test.

**Report Writing.** This study program is required for all specialties. Refer to the description under the safety and soundness specialty track, page 15, for additional information.

**Conducting Meetings with Management (“CMWM”).** All assistant examiners, regardless of specialty, are required to complete this course. Refer to the safety and soundness section, page 15, for a description of CMWM.

**BEST Modules and CBTs.** The education that an assistant examiner receives in the previously outlined courses and precourse work is supplemented by certain required BEST Modules and CBTs. The following self-study modules must be completed as part of an assistant trust examiner’s Level Two training.

- Applications BEST Module
- Community Reinvestment Act CBT
- Information Technology BEST Module

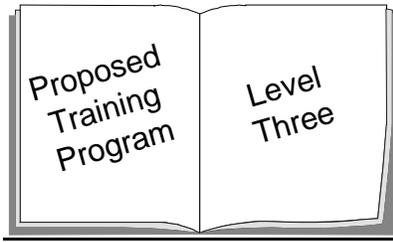
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<sup>15</sup>As discussed on page 10, portions of the trust specialty curriculum will likely need to be modified given the new Orientation Program and BASE. Further, the trust course committee needs to give serious consideration to whether trust examiners would benefit from completing all or portions of OpAS, self-study programs, and additional trust specialty training, taking into consideration the costs associated with course development.

- Residential Mortgage Regulations CBT - overview of Z, B, RESPA/HMDA, Fair Credit
- Regulation O BEST Module

**Supplemental Training.** The Level Two specialty track for assistant trust examiners may also be supplemented with additional Reserve Bank training, including that provided by outside vendors. Such training may include department conferences or other programs that assist in explaining emerging trust topics or issues.

**On-the-Job Experience.** As with the Level One training, it is highly desirable for Reserve Bank management and training staff, whenever possible, to coordinate on-the-job assignments to reinforce the knowledge and skills presented in the classroom. This postcourse intervention is critical to ensure that the learning objectives for each class are mastered.



Level Three focuses on understanding a financial institution's daily operations from the perspective of bank management. This level emphasizes operating a financial institution and managing the risks, rather than examining a financial institution. The assistant examiner also continues to develop the necessary skills for evaluating risk management examination processes and identifying supervisory issues that are prevalent in other specialty areas under an integrated approach.

### LEVEL THREE - LEARNING OBJECTIVES

After completing the Level Three training requirements, the assistant examiner, at a minimum, will be able to complete the following learning objectives.

<p style="text-align: center;"><b>Level Three</b></p> <p style="text-align: center;"><b>Major Learning Objectives</b></p> <ul style="list-style-type: none"><li>• Evaluate the risks of financial institutions identified by SR 95-51 in the manner in which they are considered by financial institution management and during the examination/inspection process</li><li>• Demonstrate an ability to relate and synthesize the economic constraints of financial institution management to regulatory and supervisory goals</li><li>• Recognize and evaluate the importance of risks posed by areas outside of the examiner's specialty area</li><li>• More fully understand specific financial institution functions (e.g., strategic planning and forecasting, administrative policy, marketing, loans, securities, and operations)</li><li>• Evaluate operations through the use of an enhanced understanding of the functional interrelationships within the organization (e.g., influence of funding policies on the composition and volatility of an institution's liability structure and analysis of the quality of the loan portfolio and the effectiveness of its administration)</li><li>• Evaluate the institution's future prospects at a fundamental level considering the effects of economic conditions and competition on its earnings and competitive ability and the effects of management decisions on capital, earnings, and the organization's stock price</li><li>• Demonstrate an ability to use the management skills necessary to form and work with diverse teams</li><li>• Communicate more effectively with an institution's senior management, as well as Reserve Bank management</li></ul>
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## MASTERING THE LEARNING OBJECTIVES

The learning objectives associated with Level Three will be accomplished by assistant examiners completing three System courses (with the exception of assistant consumer affairs examiners, who will complete two), accompanying precourse work, designated BEST Modules and CBTs, individual Reserve Bank training endeavors, and on-the-job work experience.

**Management Skills.** All assistant examiners, regardless of specialty, must complete this current, 4½-day System course before becoming commissioned. Management Skills is designed for examiners who have approximately two or more years of experience. The targeted participant should have been in charge of the detail work of a bank examination or inspection or who have been assigned other comparable work. Prior to attending class, participants are asked to complete a two-hour reading assignment.

Management Skills teaches assistant examiners how to build teamwork in an interactive examination setting and more effectively deal with their coworkers and supervisors. Therefore, the course materials consider a broad range of issues and offer examples that meet the needs of all assistant examiners.

**Bank Management.** This 8½-day System program is designed to enhance the analytical, decision-making, critical-thinking, and leadership skills of the participant. The course material is presented from the perspective of bank management. A key element of the course is the use of a computer-based model to simulate a banking environment. In addition, the course broadens an assistant examiner's understanding of specific banking functions, provides an overview of the interrelated operations of a banking organization, and enhances the examiner's appreciation for the complex issues faced by senior bank management.

The targeted audience for this course is all assistant examiners, regardless of specialty, with two to three years of relevant experience.

Bank Management includes approximately two hours of precourse work involving a reading assignment and the completion of a questionnaire.

Modifications to this course will incorporate integrated supervision, internal controls, and SR 95-51 risks into the Bank Management program. Furthermore, it is important that all examiners continue to receive sufficient loan classification training; therefore, loan classification exercises continue as a requirement of Bank Management. These exercises enhance the classification knowledge presented in BASE and, for the assistant safety and soundness examiner, reinforce the skills obtained in LAS.

**Examination Management (“XMan”).** XMan is a new course in the revised training program. The course includes approximately 8½ days of classroom time and 16 hours of precourse work. XMan is required for assistant examiners having at least three years of relevant experience and specializing in the

information technology, safety and soundness, and trust specialty areas. XMan is not required for consumer affairs examiners.<sup>16</sup>

XMan is designed to enhance a participant’s analytical, critical-thinking, decision-making, and leadership skills by working in examination teams. The course emphasizes risk-focused examination management including the evaluation of information systems, internal controls, bank holding company concepts, identified risks, and loans. Because the information technology, safety and soundness, and trust specialties are becoming increasingly integrated, XMan focuses on the interrelationships of these specialties.

XMan also includes two practice examinations, one involving a community bank and its noncomplex holding company and another involving a larger (approximately \$30 billion) complex organization with significant nonbank activities. Each of the examinations/inspections focuses on (1) audit and internal controls, (2) loan portfolio management, (3) investments and interest rate risk, (4) funding and liquidity, (5) risk management, and (6) nonbank activities.

XMan includes a research assignment on an issue unrelated to the assistant examiner’s area of specialty. The examiner is required to identify relevant issues, conclude whether and in what manner they present supervisory concerns, and determine if specialists in other areas (such as trust, consumer affairs, or applications) are needed to resolve the issues complete the examination.

**BEST Modules and CBTs.** Assistant examiners in the consumer affairs, information technology, and trust areas need to complete any remaining required BEST Modules and CBTs. (Assistant safety and soundness examiners complete these requirements in Level One and as part of the self-study programs in Level Two.)

BEST Modules	CBTs	Consumer Affairs	Information Technology	Trust
	Bank Secrecy Act	X		
	Regulation B		X	X
	Regulation O	X		
Trust Issues		X	X	

**Supplemental Training.** In addition to the requirements outlined previously, Reserve Banks may determine that additional training is needed to ensure that the assistant examiner can satisfactorily master the Level Three learning objectives. This training may consist of internally developed courses or training provided by outside vendors.

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<sup>16</sup>The new XMan course is not required for the consumer affairs specialty. This course focuses on examination processes and emphasizes the new integrated examination approach. Because this approach applies principally to the information technology, safety and soundness, and trust specialties, the CCR does not believe that consumer affairs examiners would sufficiently benefit to warrant requiring this course. Also, the risk-focused approach proposed for compliance examinations differs from the approach used by the safety and soundness, trust, and information technology areas. Thus, risk-focused compliance examination management and related topics is presented within the consumer affairs specialty courses rather than in XMan.

**On-the-Job Experience.** As with Levels One and Two, related work experience is an essential element of the new training program. The work-related assignments that an assistant examiner completes should reinforce knowledge and skills presented in Level Three. Thus, the assistant examiner's immediate supervisor will need to have a solid working knowledge of the content of the Level Three training requirements. The supervisor will need to provide more complex assignments and reinforce the assistant examiner's analytical, decision-making, critical-thinking, and leadership skills.

After completing the requirements outlined in Level Three, the assistant examiner is eligible, with Reserve Bank management's concurrence, to take a proficiency examination covering the skills and knowledge presented in Levels Two and Three.

#### **TIME FRAME FOR COMPLETING LEVELS ONE AND TWO**

The order in which the required Level One training and the specialty courses outlined in Level Two is completed is somewhat flexible. Thus, at times, an assistant examiner may be completing aspects of Levels One and Two simultaneously. The responsibility is placed on Reserve Bank management and training staff to ensure that courses are taken at a relevant time in an assistant examiner's career.

For example, an assistant examiner focusing on the consumer specialty should generally first complete the Orientation Program associated with Level One. Next, the assistant examiner could attend CA I and CA II within these courses' targeted time frames of three to six months and nine to twelve months, respectively. Upon completing CA I and CA II and being given the opportunity to prove on-the-job-proficiency with these skills, the consumer affairs examiner could then complete Level One's BASE. This flexibility is appropriate given that many of the concepts that every examiner "needs to know" become relevant later in the consumer affairs specialty track. For a consumer affairs examiner, the need to understand financial ratios and credit analysis becomes more important as more time is spent assessing fair lending and CRA. Thus, the core knowledge requirements would be better retained if taught closer to the time in a consumer examiner's career when such skills are used. However, if Reserve Bank management decides to have a consumer affairs specialty examiner focus on Fair Lending and CRA before examining the operations and real estate-related compliance areas of an institution, then that assistant examiner may want to take BASE before CA I and CA II.

Another similar situation would be the assistant examiner who is hired because of his or her expertise in a sub-discipline area (e.g., mortgage banking) and needs to immediately participate in related targeted inspections. As deemed appropriate, Reserve Bank management and training staff retain flexibility to adjust the order and time frames of the required core and specialty courses so long as the assistant examiner may meaningfully participate in the courses. The assistant examiner may also be scheduled to attend training that is specific to his or her sub-discipline area.

As explained earlier, a stated objective of the revised training program is to provide flexibility so that the needs of all Reserve Banks and examiners are met. To accomplish such flexibility, greater responsibility for charting an assistant examiner's training development is placed on Reserve Bank management and training staff and on the examiner.

## PROFICIENCY EXAMINATIONS AND OTHER MONITORING MECHANISMS

In order for an assistant examiner to become commissioned, he or she must satisfactorily complete the three levels of training, including various monitoring mechanisms; pass two proficiency examinations; and demonstrate on-the-job proficiency to the satisfaction of Reserve Bank management.

### **Proficiency Examinations**

An assistant examiner must pass two proficiency examinations before he or she is eligible to become commissioned. The First Proficiency Examination, which is expected to have approximately 100 multiple-choice questions, may be taken after the Level One training requirements are completed. The examination includes a mix of questions from the core knowledge and skills that all examiners must understand and apply. Concepts from the following Level One training requirements may be included on the test.

- Orientation Program (Week One)
- BASE
- BASE precourse work
- Federal Reserve Act BEST Module
- Internal/External Audit BEST Module
- Investment Portfolio Management BEST Module
- Loan Policy and Administration BEST Module

As noted by the previous list, only the BEST Modules completed by all examiners in Level One are included on the First Proficiency Examination. Other BEST Modules and CBTs completed during Level One will be included on the Second Proficiency Examination.

After completing Levels Two and Three of the revised training program, the assistant examiner is eligible to take the Second Proficiency Examination related to the applicable specialty area. This second examination is also expected to include approximately 100 multiple-choice questions from (1) the examiner's applicable specialty area, (2) supervisory issues that are prevalent in other specialty areas under an integrated supervisory approach, and (3) concepts employed when managing a financial institution, including managing risk.<sup>17</sup> The proficiency test for each specialty may include questions from the training requirements listed on the following page.

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<sup>17</sup>The proficiency examinations associated with the revised training program place more emphasis on the specialty areas. The previous proficiency examinations included 150 questions covering core knowledge and 50 questions relating to the applicable specialty area.

### **Safety and Soundness**

Orientation Program (Week Two)  
Self-Study Program #1  
OpAS  
Self-Study Program #2  
LAS  
Self-Study Program #3  
Bank Management  
XMan  
Applications BEST Module  
Bank Secrecy Act BEST Module  
Community Reinvestment Act CBT  
Information Technology BEST Module  
Regulation B CBT  
Regulation O BEST Module  
Residential Mortgage Regulations CBT  
Trust Issues BEST Module

### **Information Technology**

Orientation Program (Week Two)  
Auditability and Control Modules  
ISE  
Bank Management  
XMan  
Applications BEST Module  
Bank Secrecy Act CBT  
Community Reinvestment Act CBT  
Information Technology BEST Module  
Regulation B CBT  
Regulation O CBT  
Residential Mortgage Regulations CBT  
Trust Issues BEST Module

### **Consumer Affairs**

Orientation Program (Week Two)  
CA I  
CA II  
CRA School  
Fair Lending  
Bank Management  
Applications BEST Module  
Bank Secrecy Act CBT  
Community Reinvestment Act CBT  
Information Technology BEST Module  
Regulation B BEST Module  
Regulation O CBT  
Regulation Z (closed-end) BEST Module  
Regulation Z (open-end) BEST Module  
Trust Issues BEST Module

### **Trust**

Orientation Program (Week Two)  
BELTS  
Advanced Trust  
Bank Management  
XMan  
Applications BEST Module  
Bank Secrecy Act BEST Module  
Community Reinvestment Act CBT  
Information Technology BEST Module  
Regulation B CBT  
Regulation O BEST Module  
Residential Mortgage Regulations CBT  
Trust Issues BEST Module

Neither the First nor Second Proficiency Examination includes questions from the interpersonal communication schools (Report Writing, CMWM, Management Skills). These skills, however, must be demonstrated through on-the-job assignments. Further, all three schools must be completed before an assistant examiner is eligible to become commissioned.

Both standardized examinations will continue to be validated by outside experts and have a predetermined passing score.

The current intention is to have three versions of each proficiency examination available (compared with the current two). Also, an assistant examiner may continue to complete the Level Two requirements even if the proficiency examination associated with Level One has not been taken.

### **Other Monitoring Mechanisms**

The classroom and precourse work, BEST Modules, CBTs, and self-study programs associated with the proposed training program typically include tests or other monitoring mechanisms. Monitoring mechanisms are used to ensure that an assistant examiner has mastered the learning objectives needed to perform his or her job responsibilities and to pass the proficiency examinations.

The question-writing criteria used to develop the course-related tests will be the same as that used for the proficiency examinations. Also, as resources and time permit, the test-taking process for the System's required core and specialty courses will be automated. By automating the process, the assistant examiner will also become familiar with the automated format used for the proficiency examinations.

Each required course may also involve homework that reinforces concepts presented during class. The homework associated with each class generally relates to the examination/inspection process and is pertinent to the day's learning objectives or to topics being covered the next day.

The interpersonal courses do not currently include tests. Alternative means of ensuring proficiency continue to be used. For example, mock board presentations are one way of ensuring that participants master the concepts presented in CMWM. Other monitoring mechanisms may include proficiency checks, exercises, and simulated examination/inspection assignments. These monitoring mechanisms may be used with the actual classroom training or, more likely, to ensure that the concepts presented in the precourse work, BEST Modules, CBTs, and other-self study programs are mastered. The Orientation Program also includes various proficiency checks and simulated examination/inspection assignments or exercises.

The classroom tests and other monitoring tools will not be validated; thus, a passing score is not determined, and the tests are not used as a benchmark to determine promotions.<sup>18</sup> These monitoring mechanisms should continue to be used as a tool by Reserve Bank management and training staff to determine if there are specific areas where the assistant examiner may need additional training.

### **On-the-Job Proficiency**

After successfully completing all three levels, including the two proficiency examinations, the assistant examiner is eligible to become commissioned, providing he or she has proved on-the-job proficiency to Reserve Bank management's satisfaction.

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<sup>18</sup>See "Post-Class Intervention" on page 31.

## POST-CLASS INTERVENTION

An important aspect of the training program is the post-class intervention phase. The training program attends to the needs of an assistant examiner, specifically determining how classroom skills and knowledge may or should be related to on-the-job assignments. An assistant examiner's retention of the classroom skills will increase if he or she is given the opportunity to apply the concepts.

To ensure that this post-class intervention stage is successful, the course syllabus will provide Reserve Bank management and training staff with the skills and knowledge that the participant should have mastered in each course. This will be supplemented with specific comments from session faculty, which will be communicated through the Board's training staff to the assistant examiner's Reserve Bank. It is then the responsibility of the assistant examiner's immediate supervisor in consultation with the officer in charge of training to structure related on-the-job assignments. The need for the immediate supervisor to understand the purpose and the intent of the System's schools is critical in implementing the post-class intervention.

## OVERVIEW OF TRAINING PROGRAM

The following table presents an overview of the revised training program’s requirements by specialty.

### Requirements of Revised Training Program

Level	Safety and Soundness	Consumer Affairs	Information Technology <sup>19</sup>	Trust <sup>20</sup>
<b>One</b>	Orientation	Orientation	Orientation	Orientation
	BASE	BASE	BASE	BASE
	Bank Secrecy Act BEST <sup>21</sup>	Federal Reserve Act BEST	Federal Reserve Act BEST	Bank Secrecy Act BEST <sup>21</sup>
	Federal Reserve Act BEST	Internal/External Audit BEST	Internal/External Audit BEST	Federal Reserve Act BEST
	Internal/External Audit BEST	Investment Portfolio Management BEST	Investment Portfolio Management BEST	Internal/External Audit BEST
	Investment Portfolio Management BEST	Loan Policy and Administration BEST	Loan Policy and Administration BEST	Investment Portfolio Management BEST
	Loan Policy and Administration BEST	Regulation B BEST <sup>21</sup>	Information Technology BEST <sup>21</sup>	Loan Policy and Administration BEST
		Regulation Z (closed-end) BEST <sup>21</sup>		Trust Issues BEST <sup>21</sup>
	<i>First Proficiency Examination</i>	<i>First Proficiency Examination</i>	<i>First Proficiency Examination</i>	<i>First Proficiency Examination</i>
<b>Two</b>	Self-Study Program #1 <sup>22</sup>	CA I <sup>23</sup>	Auditability and Control Modules <sup>23</sup>	BELTS <sup>23</sup>
	OpAS			
	Self-Study Program #2 <sup>22</sup>	CA II <sup>23</sup>	ISE <sup>23</sup>	Advanced Trust <sup>23</sup>
	Report Writing	Report Writing	Report Writing	Report Writing

<sup>19</sup>The information technology specialty is being reviewed by the applicable course committee to determine appropriate content, progression, and delivery methods.

<sup>20</sup>The trust specialty is being reviewed by the applicable course committee to determine appropriate content, progression, and delivery methods.

<sup>21</sup>The BEST Module is related to material that is expanded upon in the assistant examiner’s specialty area. Therefore, this topic is tested in the Second Proficiency Examination, not in the First Proficiency Examination that addresses core knowledge and skills.

<sup>22</sup>The BEST Modules and CBTs required in Levels Two and Three are included in the self-study programs for the safety and soundness assistant examiner.

<sup>23</sup>This course may be completed before BASE.

<b>Level</b>	<b>Safety and Soundness</b>	<b>Consumer Affairs</b>	<b>Information Technology</b>	<b>Trust</b>
<b>Two (Cont.)</b>	Conducting Meetings	Conducting Meetings	Conducting Meetings	Conducting Meetings
	LAS	CRA School		
	Self-Study Program #3 <sup>1</sup>	Fair Lending	ISCE	
	Information Technology BEST-1 <sup>2</sup>	Applications BEST	Applications BEST	Applications BEST
	Regulation O BEST-1 <sup>25</sup>	Community Reinvestment Act CBT	Bank Secrecy Act CBT	Community Reinvestment Act CBT
	Applications BEST-2 <sup>25</sup>	Information Technology BEST	Community Reinvestment Act CBT	Information Technology BEST
	Community Reinvestment Act CBT-2 <sup>25</sup>	Regulation Z (open-end) BEST	Regulation O CBT	Regulation O BEST
	Regulation B CBT-2 <sup>25</sup>			
	Residential Mortgage Regulations CBT-2 <sup>25</sup>		Residential Mortgage Regulations CBT	Residential Mortgage Regulations CBT
<b>Three</b>	Mgt Skills	Mgt Skills	Mgt Skills	Mgt Skills
	Bank Mgt	Bank Mgt	Bank Mgt	Bank Mgt
	XMan		XMan	XMan
	Trust Issues BEST-3 <sup>25</sup>	Bank Secrecy Act CBT	Regulation B CBT	Regulation B CBT
		Regulation O CBT	Trust Issues BEST	
		Trust Issues BEST		
	<i>Second Proficiency Examination</i>	<i>Second Proficiency Examination</i>	<i>Second Proficiency Examination</i>	<i>Second Proficiency Examination</i>

Upon successfully completing the training program, including the proficiency examinations, and demonstrating on-the-job proficiency, the assistant examiner is eligible to be considered for an examiner commission. Under normal circumstances, it should take an assistant examiner three to five years to complete the training requirements and both proficiency examinations. Various circumstances may cause an assistant to complete the training requirements sooner or later than this three- to five-year projection.

<sup>1</sup>The BEST Modules and CBTs required in Levels Two and Three are included in the self-study programs for the safety and soundness assistant examiner.

<sup>2</sup>The number that follows the listed BEST Module or CBT is the self-study program where the modules are completed.

## CONTINUING PROFESSIONAL EDUCATION

The intent of the new training program's curriculum is to provide all examiners with an awareness of bank supervisory responsibilities and specialized training in one of the four specialty areas. The training program, however, is not designed to provide advanced training in sub-discipline areas (e.g., capital markets, credit cards, credit-scoring models) or in specialty-related topics. Reserve Bank management and training staff need to ensure that an examiner receives such additional training at the appropriate point in the career path. While this training will typically occur post-commissioning, there may be instances where this training needs to occur earlier in the examiner's career. For example, if an assistant examiner is hired to work immediately in a sub-discipline (e.g., Section 20 activities or capital markets), appropriate sub-discipline training may need to supplement the training that the assistant examiner is receiving under the revised training program.



## SUMMARY OF NEW TRAINING PROGRAM

The following is a summary of the new training program.

### **Summary Training Program**

- Includes risk-focused examination approach
- Stresses risk management
- Promotes integrated supervision
- Emphasizes management information systems
- Increases awareness of internal controls
- Allows flexibility
- Lessens SR 91-1's perceived emphasis on safety and soundness issues
- Provides timely specialty training
- Considers evolving technology
- Relates classroom training to actual work assignments
- Harmonizes training requirements that all assistant examiners, regardless of specialty, must complete
- Balances the number of questions on the proficiency examinations relating to core and specialty knowledge
- Underscores importance of Reserve Bank management and training staff involvement
- Shifts more personal responsibility to the assistant examiner

The new training program does not abandon the training structure outlined in SR 91-1. Rather, to achieve the goals outlined above, the new training program builds on the SR 91-1 foundation. The new program identifies the need of each assistant examiner to obtain common examination skills. This common need is addressed in the Orientation Program, BASE, Report Writing, CMWM, Management Skills, Bank Management, and the required BEST Modules and CBTs. The training courses related to a specific specialty track are then used to a greater extent to enhance and expand those skills most important to that specialty area. This expansion is most noticeable in the safety and soundness required specialty programs.

Overall, the new program provides the assistant examiner with the information necessary to be effective in his or her specialty as the banking and regulatory environment evolves.