

ATTACHMENT II

TRANSITION PLAN

Introduction

The System will move from the SR 91-1 training program to the new risk-focused training program during 1998. An assistant examiner hired *after* February 28, 1998, will be required to complete the new training program, including the associated proficiency examinations. Reserve Bank management will need to determine whether an assistant examiner hired on or *before* February 28, 1998, should finish the training program outlined in SR 91-1 or complete the new training program.

Given that the new curriculum is based on the risk-focused approach to supervision, Reserve Bank management will likely want to move assistant examiners into the new curriculum as soon as it is feasible to do so. The new curriculum will also afford training on internal controls concepts, the importance of management information systems, the concepts of risk as they apply to banking, and key supervisory issues related to integrated supervision. However, the transition period may need to vary by examiner, based on his or her area of specialty.¹ Further, even if a Reserve Bank chooses to have an examiner remain in the SR 91-1 program, a Reserve Bank can still send the examiner to portions of the new risk-focused curriculum.

Orientation Program. The *new* Orientation Program is scheduled to be available July 31, 1998. However, because it is highly desirable for an assistant examiner hired after February 28 to be exposed to an orientation program stressing risk-focused concepts as soon as possible, a *temporary* Orientation Program will be available for the five-month period between March 1 and July 31. The *temporary* program combines materials from the Banking Supervision and Regulation Orientation Program (“BS&R Orientation Program”), the Consumer Affairs Orientation Program (“CA Orientation Program”), available pieces of the new Orientation Program (“New Orientation Program”), and existing schools (“Schools”). The *temporary* program will contain sufficient information to enable the assistant examiner to make the transition to Banking and Supervision Elements (“BASE”) and the other required courses.

The *temporary* program includes the following material from the existing BS&R Orientation Program, CA Orientation Program, New Orientation Program, and Schools.

- The Federal Reserve System: Purposes and Functions (Module 1, CA Orientation Program)
- Your Role as a Federal Reserve Employee (Module 1, BS&R Orientation Program²)
- Examination Disciplines (Module 2, CA Orientation Program)
- Overview of Laws and Regulations (Module 5, BS&R Orientation Program³)
- Acts and Regulations (Module 3, CA Orientation Program)

¹The last session of Introduction to Examinations (“ETS-I”) available for System personnel is scheduled for March 2-13, 1998. However, if the needs of the Reserve Banks warrant, another session of ETS-I may be conducted between April and September 1998. Alternatively, examiners hired on or before February 28, 1998, may take the BASE course and the remainder of the new curriculum.

²Reserve Bank training staff should incorporate current department policies and procedures, training requirements, ethics, and data security considerations into this segment.

³This module will be updated for inclusion in the *temporary* Orientation Program.

- Call Reports (Module 7, BS&R Orientation Program⁴)
- Financial Institution Reporting Requirements – UBPRs and UBHCPRs (Module 9, BS&R Orientation Program⁵)
- Computer Skills and Automation Training⁶
- Bank Accounting (Schools)
- Other Regulators (CA Orientation Program)
- Federal Reserve Act BEST Module (New Orientation Program)
- Internal/External Audit BEST Module (New Orientation Program)
- Investment Portfolio BEST Module (New Orientation Program)
- Enforcement (Schools)

It is envisioned that the *temporary* program will be completed during the first week of the assistant examiner's orientation. Specialty-specific training will occur during the second week of orientation.⁷

Banking and Supervision Elements. BASE is scheduled to be piloted in September 1998. For those specialties (particularly consumer affairs) that are likely to use inverted curricula (i.e., BASE taken *after* rather than before specialty courses), Reserve Bank management is strongly encouraged to initially enroll the new assistant examiner in related specialty courses.⁸ BASE should then be taken as soon as possible after its introduction in September 1998, consistent with the needs of the Reserve Bank and the assistant examiner.

Self-Study Programs. After BASE is piloted in September 1998, Self-Study Program One will be available for the assistant safety and soundness examiner. Self-Study Programs Two and Three will be available during December 1998 and January 1999, respectively, for the assistant safety and soundness examiner. The Self-Study Programs are not required for the consumer affairs ("CA"), information technology ("IT"), and trust specialties.

Operations and Analysis School ("OpAS"). An assistant examiner who has completed ETS-I should complete Financial Institution Analysis School ("FIAS") before October 31, 1998. After October 31, 1998, FIAS will no longer be offered. If an assistant safety and soundness examiner does not attend

⁴The assistant examiner should only complete Exercise A that accompanies this module. An assistant examiner in the CA, IT, or trust specialties should be given appropriate assistance with the exercise.

⁵The assistant examiner should only complete Exercise A that accompanies this module. It is expected that a description of the financial institution reporting requirements for bank holding companies will be provided by Reserve Bank training staff or other appropriate Reserve Bank staff.

⁶Reserve Bank training staff may wish to coordinate with their automation group. Training could be provided on Windows 97, the electronic mail system, and applicable databases.

⁷It is suggested that the assistant CA examiner complete selected modules from the CA Orientation Program based on their first anticipated examination assignments. The assistant safety and soundness, IT, or trust examiner is encouraged to complete applicable modules from the BS&R Orientation Program or the Auditability and Control Modules.

⁸Completing specialty courses before BASE is in accordance with the principles adopted by the System in the white paper entitled Proposed Changes to the System's Training Program for Assistant Examiners and incorporated in this SR letter. The order for completing the required Level One training and the Level Two specialty courses is somewhat flexible because many of the concepts that "every examiner needs to know" become relevant later in certain specialty tracks.

FIAS before October 31, 1998, the examiner will need to attend OpAS. An IT or trust examiner who does not complete FIAS will also need to attend OpAS as the FIAS requirement of the SR 91-1 program. While OpAS targets the safety and soundness assistant examiner, the school may benefit the IT and trust assistant examiners at Reserve Banks that have fully integrated IT and trust examinations with safety and soundness examinations. It is not recommended that assistant CA examiners attend OpAS.

Report Writing. The last session of Effective Writing commences July 7, 1998. After that session, Report Writing will replace Effective Writing. Report Writing is scheduled to be piloted August 3, 1998.

Examination Management (“XMan”). XMan is scheduled to be piloted in March 1999. XMan targets safety and soundness, IT, and trust examiners.

Other Courses. The other core courses⁹ remain relatively unchanged between the SR 91-1 training program and the new training program. Additional information regarding the transition process is included in Exhibit A.

Transition by Specialty

Safety and Soundness. An assistant safety and soundness examiner hired *after* February 28, 1998, is subject to the new training program. An assistant examiner hired on or *before* February 28, 1998, may complete the training program outlined in SR 91-1 or migrate to the new program.¹⁰ The program requirements for an assistant safety and soundness examiner, hired before and after the February 28, 1998, transition date, are as follows:

⁹The other core courses include Conducting Meetings with Management, Management Skills, and Bank Management.

¹⁰Even if an assistant examiner is hired before February 28, 1998, the examiner may take the courses and proficiency examinations associated with the new training program. However, as indicated on pages 10 and 11, once an examiner takes either the First or Second Proficiency Examination, the examiner cannot revert to the comparable proficiency examination described in SR 91-1.

Assistant S&S Examiner Hired <i>Before</i> 2-28-98	Assistant S&S Examiner Hired <i>After</i> 2-28-98
Orientation as completed by each Reserve Bank	Orientation Program ¹¹
ETS-I	BASE
	<i>First Proficiency Examination</i>
	Self-Study #1
FIAS or OpAS ¹²	OpAS
	Self-Study #2
Effective Writing ¹³ or Report Writing	Report Writing
Conducting Meetings	Conducting Meetings
Loan Analysis School	Loan Analysis School
	Self-Study #3
Management Skills	Management Skills
	XMan
Bank Management	Bank Management
<i>SR 91-1 Core Proficiency Examination¹⁴</i>	
<i>SR 91-1 Specialty Proficiency Examination¹⁵</i>	<i>Second Proficiency Examination</i>

Consumer Affairs. An assistant CA examiner hired *after* February 28, 1998, is subject to the new training program. An assistant examiner hired on or *before* February 28 may complete the training program outlined in SR 91-1 or migrate to the new program.¹⁶

An assistant examiner who did not attend ETS-I by December 31, 1997, is encouraged to complete the new training program. If an examiner does move to the new program, it may be preferable for the

¹¹An assistant examiner will complete the *temporary* Orientation Program outlined on pages 1 and 2 until the new Orientation Program is available on July 31, 1998.

¹²The October 19, 1998, session of FIAS will be the last one offered. If an assistant examiner completes ETS-I, the examiner should complete FIAS no later than the October 19 session or enroll in OpAS.

¹³Starting in August 1998, Effective Writing will no longer be available. An assistant examiner will complete Report Writing.

¹⁴The SR 91-1 core proficiency examination will be available until December 31, 2001.

¹⁵The SR 91-1 specialty proficiency examination will be available until December 31, 2001.

¹⁶Even if an assistant examiner is hired before February 28, 1998, the examiner may take the courses and proficiency examinations associated with the new training program. However, as indicated on pages 10 and 11, once an examiner takes either the First or Second Proficiency Examination, the examiner cannot revert to the comparable proficiency examination described in SR 91-1.

assistant examiner to complete the *temporary* Orientation Program¹⁷ and then begin the Level Two specialty requirements of the new training program. Subsequently, the assistant examiner would complete BASE, any remaining Level Two requirements, and the Level Three requirements.

If an assistant CA examiner completed the existing SR 91-1 *specialty* requirements before December 31, 1997, but prior to completing ETS-I and FIAS, it may be preferable for the assistant examiner to next complete CRA Examination Techniques School, Fair Lending School, BASE, and Bank Management. The assistant examiner is then eligible to take the new training program's First Proficiency Examination (Level One) rather than the 150-question core proficiency examination of SR 91-1.¹⁸ Accordingly, the assistant examiner is subject to the Second Proficiency Examination (Levels Two and Three).¹⁹ Refer to pages 9 to 11 for additional information about the proficiency examinations. Such an approach is preferable because the assistant examiner would receive more training on risk-focused examination concepts, internal controls concepts, the importance of management information systems, the concept of risk as it applies to banking, and key supervisory issues related to integrated supervision.

The program requirements for an assistant CA examiner, hired before and after the February 28, 1998, transition date, are as follows:

¹⁷The assistant examiner needs to complete only the elements of the *temporary* program that were not covered in the CA Orientation Program. After July 31, 1998, the *new* Orientation Program will be available.

¹⁸The aspects of the Orientation Program that were not addressed in the CA Orientation Program would also need to be completed before taking the First Proficiency Examination.

¹⁹The Second Proficiency Examination for the CA specialty is to be available by February 28, 1999. The examination will include questions based on curricula presented in CA I, CA II, CRA Examination Techniques School, Bank Management, and required BEST and computer-based training modules. In addition, the examination will include topical areas that should have been mastered by the assistant examiner's participation in either Fair Lending School or the newly proposed Fair Lending Examination Techniques School.

The assistant examiner also needs to complete Report Writing or Effective Writing, Conducting Meetings with Management, and Management Skills before he or she is eligible to become commissioned.

Assistant CA Examiner Hired Before 2-28-98 (Completed ETS-I in 1997)	Assistant CA Examiner Hired Before 2-28-98 (Has NOT Completed ETS-I)	Assistant CA Examiner Hired After 2-28-98
CA Orientation Program	CA Orientation Program	Orientation Program ²⁰
ETS-I		
CA I	CA I	CA I
CA II	CA II	CA II
FIAS ²¹	BASE	BASE
	<i>First Proficiency Examination</i>	<i>First Proficiency Examination</i>
Effective Writing ²² or Report Writing	Effective Writing ²² or Report Writing	Report Writing
Conducting Meetings	Conducting Meetings	Conducting Meetings
	CRA Examination Techniques ²³	CRA Examination Techniques
	Fair Lending School ²⁴	Fair Lending School ²⁴
Management Skills	Management Skills	Management Skills
Bank Management	Bank Management	Bank Management
<i>SR 91-1 Core Proficiency Examination²⁵</i>		
<i>SR 91-1 Specialty Proficiency Examination²⁶</i>	<i>Second Proficiency Examination</i>	<i>Second Proficiency Examination</i>

²⁰An assistant examiner will complete the *temporary* Orientation Program outlined on pages 1 and 2 until the new Orientation Program is available July 31, 1998.

²¹The October 19, 1998, session of FIAS will be the last one offered to System personnel. The assistant CA examiner will need to complete FIAS during or before this session. An assistant CA examiner who has not completed ETS-I in 1997 is encouraged to attend BASE rather than ETS-I.

²²Starting in August 1998, Effective Writing will no longer be available. An assistant examiner will complete Report Writing.

²³As described in SR 91-1, CRA Examination Techniques is not a required course. However, the course is required as part of the new training program and must be completed prior to taking the Second Proficiency Examination.

²⁴As described in SR 91-1, Fair Lending School is not a required course. However, if an assistant CA examiner is going to sit for the Second Proficiency Examination, the examiner must complete either Fair Lending School or the newly proposed Fair Lending Examinations Techniques School.

²⁵The SR 91-1 core proficiency examination will be available until December 31, 2001.

²⁶The SR 91-1 specialty proficiency examination will be available until December 31, 2001.

*Information Technology.*²⁷ An assistant IT examiner hired *after* February 28, 1998, is subject to the new training program. An assistant examiner hired on or *before* February 28 may complete the training program outlined in SR 91-1 or migrate to the new program.²⁸

The program requirements for an assistant IT examiner, hired before and after the February 28, 1998, transition date, are as follows:

Assistant IT Examiner Hired Before 2-28-98	Assistant IT Examiner Hired After 2-28-98
Orientation as completed by each Reserve Bank	Orientation Program ²⁹
ETS-I	Intermediate Information Systems
Intermediate Information Systems	BASE
FIAS or OpAS ³⁰	
	<i>First Proficiency Examination</i>
Effective Writing ³¹ or Report Writing	Report Writing
Conducting Meetings	Conducting Meetings
Management Skills	Management Skills
	XMan
Bank Management	Bank Management
<i>SR 91-1 Core Proficiency Examination</i> ³²	
<i>SR 91-1 Specialty Proficiency Examination</i> ³³	<i>Second Proficiency Examination</i>

²⁷The IT course committee is conducting a zero-based review of the IT specialty track. This review will likely result in revised curricula that is projected to be available by April 30, 1999.

²⁸Even if an assistant examiner is hired before February 28, 1998, the examiner may take the courses and proficiency examinations associated with the new training program. However, as indicated on pages 10 and 11, once an examiner takes either the First or Second Proficiency Examination, the examiner cannot revert to the comparable proficiency examination described in SR 91-1.

²⁹An assistant examiner will complete the *temporary* Orientation Program outlined on pages 1 and 2 until the *new* Orientation Program is available July 31, 1998.

³⁰If an assistant IT examiner attended ETS-I, that assistant is encouraged to complete FIAS by no later than the October 19, 1998, session, which will be the last FIAS session offered. The assistant IT examiner may also attend OpAS.

³¹Starting in August 1998, Effective Writing will no longer be available. An assistant examiner will complete Report Writing instead.

³²The SR 91-1 core proficiency examination will be available until December 31, 2001.

³³The SR 91-1 specialty proficiency examination will be available until December 31, 2001.

Trust. An assistant trust examiner hired *after* February 28, 1998, is subject to the new training program. An assistant examiner hired on or *before* February 28 may complete the training program outlined in SR 91-1 or migrate to the new program.³⁴

The program requirements for an assistant trust examiner, hired before and after the February 28, 1998, transition date, are as follows:

Assistant Trust Examiner Hired Before 2-28-98	Assistant Trust Examiner Hired After 2-28-98
Orientation as completed by each Reserve Bank	Orientation Program ³⁵
ETS-I	
Basic Entry Level Trust	Basic Entry Level Trust
Advanced Trust	Advanced Trust
FIAS or OpAS ³⁶	BASE
	<i>First Proficiency Examination</i>
Effective Writing ³⁷ or Report Writing	Report Writing
Conducting Meetings	Conducting Meetings
Management Skills	Management Skills
	XMan
Bank Management	Bank Management
<i>SR 91-1 Core Proficiency Examination</i> ³⁸	
<i>SR 91-1 Specialty Proficiency Examination</i> ³⁹	<i>Second Proficiency Examination</i>

³⁴Even if an assistant examiner is hired before February 28, 1998, the examiner may take the courses and proficiency examinations associated with the new training program. However, as indicated on pages 10 and 11, once a participant formally elects either the First or Second Proficiency Examination, he or she cannot revert to the comparable proficiency examination described in SR 91-1.

³⁵An assistant examiner will complete the *temporary* Orientation Program outlined on pages 1 and 2 until the *new* Orientation Program is available July 31, 1998.

³⁶If an assistant trust examiner attended ETS-I, that assistant is encouraged to complete FIAS by no later than the October 19, 1998, session, which session will be the last FIAS session offered. The assistant trust examiner may also attend OpAS.

³⁷Starting in August 1998, Effective Writing will no longer be available. An assistant examiner will complete Report Writing.

³⁸The SR 91-1 core proficiency examination will be available until December 31, 2001.

³⁹The SR 91-1 specialty proficiency examination will be available until December 31, 2001.

Proficiency Examinations

Availability. The proficiency examinations associated with the new training program will become available on staggered dates. The First Proficiency Examination (Level One) is expected to be available by February 28, 1999. The Second Proficiency Examination (Levels Two and Three) for the CA specialty will also be available by February 28, 1999.⁴⁰ For the safety and soundness, IT, and trust specialties, the Second Proficiency Examination (Levels Two and Three) will be available by December 31, 1999.

The core and specialty proficiency examinations described in SR 91-1 will be available until December 31, 2001. After this date, *all* assistant examiners will be required to take the proficiency examinations associated with the new training program.

The following table summarizes the transition from the SR 91-1 testing guidelines to the new proficiency examinations.

Proficiency Examinations	Last Date Examination Offered	New Examination Available
SR 91-1 Core	12-31-01	
SR 91-1 Specialty		
Safety and Soundness	12-31-01	
Consumer Affairs	12-31-01	
Information Technology	12-31-01	
Trust	12-31-01	
First Proficiency Examination (Level One)		2-28-99
Second Proficiency Examination (Levels Two and Three)		
Safety and Soundness		12-31-99
Consumer Affairs		2-28-99 ⁴¹
Information Technology		12-31-99
Trust		12-31-99

⁴⁰This examination will accommodate the assistant CA examiner who has completed a majority of the SR 91-1 specialty courses before December 31, 1997, but still needs to complete the new *core* courses. As noted on pages 4 and 5, the assistant CA examiner is encouraged to first complete the specialty courses of the new training program rather than the SR 91-1 *core* courses.

⁴¹Refer to footnote 40 and page 5 for additional information about the availability of this examination.

Examination Transition. An assistant examiner hired *after* February 28, 1998, is required to take the proficiency examinations that accompany the new training program. An assistant examiner hired *before* February 28, 1998, may continue with the SR 91-1 curriculum and therefore take the SR 91-1 proficiency examinations, including the opportunity to retake any failed examination *one* time.⁴²

However, at the option of Reserve Bank management, an assistant examiner hired before February 28, 1998, may take the proficiency examinations associated with the new training program. Reserve Bank management is responsible for ensuring that the assistant examiner is adequately prepared for the new examinations. Once an assistant examiner sits for a proficiency examination associated with the new training program, he or she will not be allowed to take the comparable SR 91-1 examination.⁴³

At a Reserve Bank management's discretion, an assistant examiner may take the SR 91-1 core proficiency examination and the Second Proficiency Examination of the new training program. Due to an inequity in the number of questions between the SR 91-1 specialty examination and Second Proficiency Examination, an assistant hired before February 28, 1998, will *not* be allowed to take the First Proficiency Examination together with the SR 91-1 specialty examination.⁴⁴

The transition of the SR 91-1 proficiency examinations and the examinations associated with the new training program are summarized in the following table.

⁴²Consistent with current procedures contained in the core proficiency examination manual, an assistant examiner needing to retake all or a portion of the existing core proficiency examination may do so one time. After that, the assistant examiner must wait for a new version of the examination to be published. Depending on the timing of the test failure, an assistant examiner may not be able to retake the SR 91-1-based proficiency examination for a second time because that examination may no longer be available.

⁴³With the exception of the Second Proficiency Examination for the CA specialty, Reserve Bank management should note that the Second Proficiency Examination will not be available until December 1999. Also, an assistant examiner may have to complete additional or different courses in order to take the Second Proficiency Examination. For example, an assistant CA examiner is required to complete CRA Examination Techniques School and Fair Lending Examination Techniques School. The IT requirements may change as a result of the IT course committee's current zero-based review of the curriculum.

⁴⁴The existing core proficiency examination includes 150 multiple-choice questions, and the existing proficiency examination for the specialty areas includes 50 multiple-choice questions. It is expected that the First Proficiency Examination of the new training program will include significantly fewer questions, and the Second Proficiency Examination will include correspondingly more questions.

Date Hired	<i>Existing</i>		<i>New</i>	
	Core Proficiency Examination	Specialty Proficiency Examination	First Proficiency Examination	Second Proficiency Examination
Before February 28, 1998 (Option One)	X	X		
Before February 28, 1998 (Option Two)	X			X
Before February 28, 1998 (Option Three)			X	X
After February 28, 1998			X	X

To become commissioned, the assistant examiner must continue to meet the basic standards under SR 91-1 or the new training program. The assistant examiner must satisfactorily complete the required training (including various monitoring mechanisms), pass a two-part proficiency examination, demonstrate on-the-job proficiency to the satisfaction of the examiner's Reserve Bank, and be recommended for an examiner's commission by Reserve Bank management.

COURSE TRANSITION⁴⁵

SR 91-1 Core Course	SR 91-1 Specialty Course	Date Course Last Offered	New Program Core Course	New Program Specialty Course	Pilot of Revised or Newly Developed Course	Comments
ETS-I		12-1-97 ⁴⁶ 3-2-98 ⁴⁷				Course replaced in new program
ETS-II		10-19-98				Course replaced in new program
Bank Mgmt		1-26-98			3-16-98	
Effective Writing		7-7-98				Course replaced in new program
CMWM		2-23-98			3-23-98	
Mgmt Skills		3-2-98			3-30-98	
	BS&R Orientation Program	2-28-98 ⁴⁸				Course replaced in new program
	Loan Analysis	2-28-99			5-31-99	
	CA Orientation Program	2-28-98 ⁴⁸				Incorporated into new Orientation Program
	CA I	Status quo				Offered as part of new program
	CA II	Status quo				Offered as part of new program
	Basic Entry Level Trust	Status quo				Offered as part of new program
	Advanced Trust	Status quo				Offered as part of new program

⁴⁵While not noted in the table, it is expected that the Bank Holding Company Inspections, Information Technology and Emerging Technology Risk Management, and Internal Controls schools will be discontinued subsequent to the implementation of the new training program. This discontinuation will occur after replacement courses are developed or it has been determined that the salient parts of the existing courses have been included in the new curriculum.

⁴⁶This was the last recommended ETS-I session for assistant examiners specializing in CA. An assistant CA examiner was thereafter encouraged to complete an early BASE session rather than ETS-I.

⁴⁷The March 2, 1998, ETS-I is the last session scheduled for System personnel. However, if needed, another ETS-I session may be held between April and September 1998.

⁴⁸An assistant examiner starting after February 28, 1998, should complete the new training program's Orientation Program. Refer to pages 1 and 2 for additional details.

SR 91-1 Core Course	SR 91-1 Specialty Course	Date Course Last Offered	New Program Core Course	New Program Specialty Course	Pilot of Revised or Newly Developed Course	Comments
			Orientation		7-31-98	
			BASE		9-21-98	
			Report Writing		8-3-98	
				Self-Study #1	9-30-98	
				OpAS	12-7-98	
				Self-Study #2	12-31-98	
				Self-Study #3	12-31-98	
				XMan	3-31-99	
				CRA	1-26-98	
				Fair Lending	7-27-98	
				IT Curricula	4-30-99	