

13. Management Issues and Summary Points

Asia Pacific Economic Cooperation Forum –
Financial Regulators Training Initiative –
Bank Analysis and Supervision Seminar

Manila, Philippines

May 2014

Management

- Considers **conclusions** from all examination areas
- Level and quality of expertise / oversight of all board and management **governance** activities. [BCP 14]
- Reflects overall adequacy of **risk management** (BO, P3L, MIS, IC/IA) for all risk areas, including whether processes are working and effective. [BCP 15]
- Reflects significant **violations** noted by examiners.
- Notes **responsiveness** to risks, to business conditions, and to concerns from supervisor.
- Considers **depth and succession** of management.

Most important component of institution analysis

- Reflective of current performance and plans
 - Existing and emerging risks
 - Classification levels and trends
 - Profitability / Liquidity / Capital / Sensitivity
 - Plans and strategies
- **Effectiveness of risk management** [BCP 15]
- Compare to risk management in matrix
- Most forward-looking component

[BCP
17-21]

[BCP
22-25]

May 2014

APEC-FRTI: BASS

3

Risk management

- BO: qualifications, attendance, meeting content, participation, management
- P3L: policies comprehensive, approved annually, followed, working
- MIS: significant risks included, accurate and timely data, reviewed by right people
- IC: large transactions tested before final
- IA: qualified, risk focused, high-level reporting, sufficient number, well paid

[BCP 14, 15, 26]

May 2014

APEC-FRTI: BASS

4

Violations and Responsiveness

- Number and severity of violations of law
- Additional exceptions to good practice
- Responsiveness to previous recommendations



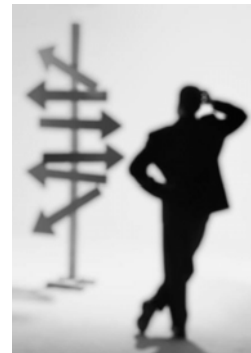
May 2014

APEC-FRTI: BASS

5

Strategy, Publicity, & Reputation

- Strategy: Consistent? Profitable?
- Negative publicity (true or not)
- Reputation: beware of unexpected changes in
 - Strategy
 - Results
 - Products
 - Leadership



May 2014

APEC-FRTI: BASS

6

Management depth and succession

- Qualifications
- Effectiveness
- Tenure
- Depth and succession

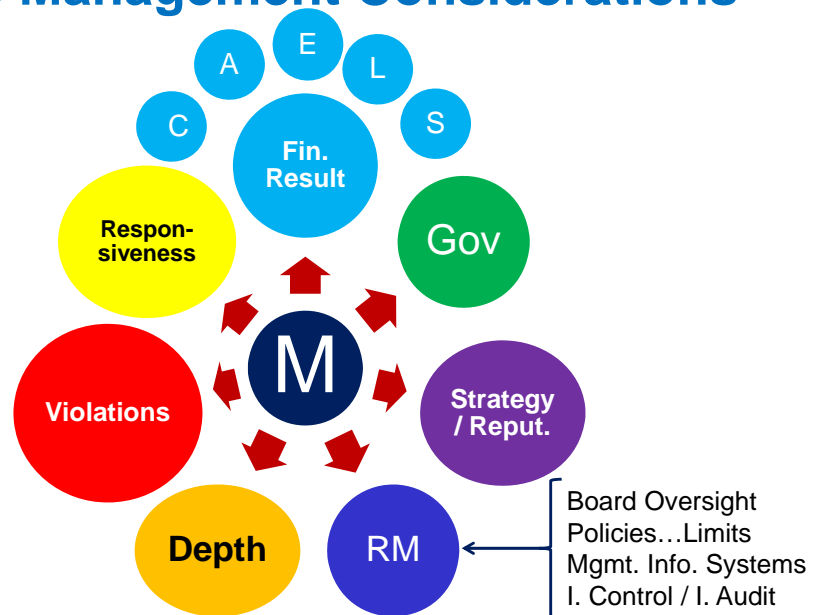


May 2014

APEC-FRTI: BASS

7

Some Management Considerations



May 2014

APEC-FRTI: BASS

8

Holistic Approach

- **Financial results** lead the analysis
- **Governance**, **strategy**, **reputation**, and **risk management** provide clear direction, operational framework, and possible success
- **Depth** and **succession** strengthen
- **Violations** reflect culture of governance and effectiveness of RM framework
- **Responsiveness** drives supervision

May 2014

APEC-FRTI: BASS

9

Some key questions

- What was the financial **result**? Is it sustainable?
- Who runs the institution? How is it **governed**?
- Was the **strategy** successful? Will that continue?
- Are all material risks **identified, measured, monitored, and controlled**? Is RM effective?
- How strong is the **management team**? One-down?
- Were there **violations**?
- What **response** resulted?
- Is this institution likely to perform well in the future?

May 2014

APEC-FRTI: BASS

10