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THE PHILIPPINES TRAINING PROGRAM FOR BANKING SUPERVISION (C158)

PROGRESS REPORT

(MAY 23, 2005-JULY 15, 2005)
(CYCLE TWO)

FIRST initiative

Strengthening Financial Sectors

Submitted to:
Management Unit
FIRST Initiative
No. 8 Dorset Square
London NW1 6PU UK

Submitted by:
BearingPoint LP
20 Bay Street, Suite 940
WaterPark Place
Toronto, ON M5J 2X9 Canada

August 16, 2005

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August 16, 2005

Mr. Subhrendu Chatterji
Managing Director
Management Unit
FIRST Initiative
No. 8 Dorset Square
London NW1 6PU, UK

Ref: The Philippines Training Program for Banking Supervision (C158)

Dear Mr. Chatterji:

We are pleased to submit this Progress Report for the subject project. The report covers training activities during Cycle Two of the training program, and encompasses the period between May 23, 2005 and July 15, 2005 (CNTR IDA.F.12 C158).

BearingPoint's substantive comments on activities and progress to date are contained within the report.

BearingPoint LP, by its General Partner, BearingPoint Canada Holding I, Inc.

Elena Dinu
Manager

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AUTHOR

This report was prepared by:

Joel D. Shapiro
BearingPoint LP
E-mail: joel.shapiro@bearingpoint.com

BEARINGPOINT CONTACT:

Elena Dinu
BearingPoint LP
20 Bay Street, Suite 940
WaterPark Place
Toronto, ON M5J 2X9 Canada
Tel: 416-775-6264
Fax: 416-363-6150
E-mail: elena.dinu@bearingpoint.com

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1. PROGRESS OVERVIEW

1.1 Project Details

Project Title: Training Program for Banking Supervision

Country: Philippines

Project Code: CNTR IDA.F.12 C158

Report Period Covered: May 23, 2005-July 15, 2005

Prepared by: Joel Shapiro

1.2 Project Activity

The Training Program for Banking Supervision is structured so that there are three separate training cycles. Cycle One, which was covered in the progress report dated May 18, 2005, was delivered solely to prospective trainers from the examination staff of Bangko Sentral ng Pilipinas (BSP). Cycle Two attendees represented a blend of BSP examiners with varying degrees of experience. Cycle Three, which commenced August 1, 2005, also has a blend of both experienced and younger examiners. Training Program in Cycle Two consisted of five courses as follows:

- **Analyzing Financial Statements and Ratio Analysis** – Illustrated how financial analysis could be used to support the pre-examination process. The expected result was to shift examiner analysis to explanations of why ratios changed.

- **Assessing Credit Risk** – Provided an enhanced understanding of all aspects of a credit function. The expected result was greater qualitative assessments of credit risk, and the way it is managed.

- **Liquidity and Capital Markets** – Concentrated on practical examples and methodologies of managing interest rate, foreign exchange and liquidity risk. The expected result was a qualitative assessment of market risk and sensitivity rather than compliance with laws.

- **Assessing Audit and Operations Risk** – Focused on developing the examiner's knowledge of basic control systems and how the internal audit function should be managed. The expected result was a greatly enhanced evaluation of the internal audit function so that the function actually could assist the BSP in setting the scope of the examination.

- **Evaluating and Holding Meetings with Management** – Assessed how the board of directors and management performs its duties in managing risk. The course also provided training in how to conduct and control meetings with senior officials in a variety of environments, both benign and hostile.

Unlike Cycle One, the tenured examiners assumed an active role in delivering the training in Cycle Two. In preparation for this challenge, each of the prospective trainers attended a Train the Trainers course that was part of the required curriculum during the first cycle of the program. Subsequently, the tenured examiners were able to select a course they were comfortable with, and to work with the BearingPoint instructor who taught the course in Cycle One. To ensure balance, each course was limited to four or five tenured examiners serving as trainers (Liquidity and Capital Markets excepted, with seven tenured examiners because it is a two-week course). Together the tenured examiners and the BearingPoint instructor customized the course materials to reflect the Philippine market and BSP's supervisory experiences. As a practical matter, the modification of the course material served as a team building exercise, as the BearingPoint instructors worked both individually and as a group with the BSP examiners who were designated to teach each course. Prior to the delivery of their portion of the course material during Cycle Two, the BearingPoint instructors met with the tenured examiners for an all-day debriefing on the Friday before the start of the class. The first hour was spent discussing the course in a team setting. The balance of the day was devoted to holding meetings with the individual instructors. How well each of the trainers was prepared for their presentation became clear during the individual

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meetings. All were coached on the importance of being prepared, and were given tips on how to improve their presentation skills during the individual meetings.

During the team meeting, an agreement was reached concerning the teaching assignments. With the exception of the course on Liquidity and Capital Market, the tenured examiners delivered the training for over half of the modules. For Liquidity and Capital Markets, the prospective trainers delivered the coursework roughly 30% of the time. It was standard for the BearingPoint instructors to teach the opening and closing modules for each course, and to teach modules with which the BSP trainers were the least comfortable. At the end of each day, or at other appropriate intervals, the BearingPoint instructor critiqued the tenured examiner's performance so that both encouragement and criticism was fresh in their minds.

At the conclusion of Cycle Two, a recap meeting was held with the tenured examiners. The purpose of the meeting was to:

- solicit feedback on the courses, participants and mentors;
- solicit commitment for Cycle Three preparation; and
- provide guidance on conducting training for Cycle Three.

The trainers were placed with their respective teams and provided copies of the end-of-course evaluation data. They were asked to review the data to determine the areas in which they had excelled and where they needed improvement. These data were prepared by the BearingPoint instructors working with the tenured examiners on each course, and were based on their observations of the trainers' content mastery, exercise facilitation and presentation skills. Each of the BSP trainers was provided with an inventory of training tips reminding them how to begin a course and module, and how to end a module and course. They were once again reminded of the importance of being prepared. BSP senior management will be provided with an assessment of each prospective trainer at the end of the training program.

1.3   Comments on Project Activity

The student profile for Cycle Two was a good mix of youth and experience, which enriched the training experience greatly, as the older examiners shared their experiences. In aggregate, there were 23 students from the four examination departments plus the policy group. The Philippines Deposit Insurance Corporation also was represented in the student body. In general, the students were quite active from the start and readily engaged in group activities, including discussions and presentations. There was considerable discussion on how the risk-based supervision approach could be adopted in the Philippine environment, especially with respect to the application of the material introduced in the training.

Overall the tenured examiners approached their responsibilities seriously and made strong efforts to establish a participatory training environment, calling on and engaging the participants from the outset. Their greatest challenge was to organize and facilitate the group exercises during each course. They seemed to have the least confidence at handling the group exercises, perhaps because they offer less structure and predictability than the straight lecture. Preparation was an issue with a few of the tenured examiners. Obviously, those who were the most prepared were the most successful in their overall delivery. The importance of being prepared was stressed frequently throughout the cycle, both individually and to the trainers as a group.

For Cycle Two, several basic modules on macroeconomics were introduced into the course regimen for market risk, and some of the more advanced modules on measuring market risk were shifted to the advanced course sponsored by the World Bank. During delivery of Cycle One, it became evident that the level of participant knowledge of macroeconomic fundamentals required to understand market risk was low, and the course had to be revised at that time.

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1.4 Other Comments

None.

1.5 FIRST Guidance/Decision Required

None.

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2.   PROJECT OUTPUT REPORT

Project Structure	Means of Verifying Progress	Progress	Comments and Recommendations
Course Delivery Phase Activities			
Conduct Cycle Two of Training Program			
1. Analyzing Financial Statements 2. Assessing Credit Risk 3. Liquidity and Capital Markets 4. Assessing Audit and Operational Risk 5. Evaluating and Holding Meetings with Management	Courses developed in each of the disciplines. Course material was modified to capture the Philippine market and BSP supervisory experience.	Each course was delivered with participant guides, overheads and a series of supplemental readings and pre- and post-course examinations	Assumptions met.
Expected Outputs			
Tenured examiners trained to deliver training for all five courses.	Examiners trained.	Tenured examiners delivered at least half the training for four courses and 30% for Market Risk. Their performance was critiqued individually by BearingPoint instructors.	Tenured examiners are scheduled to deliver all the training in Cycle Three. BearingPoint instructors will serve as mentors.

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APPENDIX A:
EVALUATION OF BPS TENURED
EXAMINERS/CYCLE II (NAMES REDACTED)

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APPENDIX A: EVALUATION OF BSP TENURED EXAMINERS/CYCLE II (NAMES REDACTED)

Note: Names of Tenured examiners redacted on all evaluation forms.

Analysis of Credit Risk/Norman Baxter						
Participant Name	BSP – SED	Content Mastery	Presentation Skills	Exercise Execution	Ranking	Comments
	III	4	4	3	1	XXXX made a good presentation, but needs to be more concise. He must be certain to engage ALL participants, not focus only on one or two. With practice, he will be fine.
	III	4	4	3	3	XXXX also presented well. With practice, her confidence and mastery will grow and she will be fine.
	III	4	4	NA	3	XXXX's presentation was solid and his confidence grew enormously, as a result. With practice and a good exercise for his module, he should be fine. He displayed some creativity in his presentation using the flip chart.
	II	4	4	3	1	XXXX presented well. She should be fine with practice. She is capable of taking on more difficult modules.
	IV	3	4	3	2	XXXX presented the most difficult module of the course well and he must improve his mastery of the material. With practice and better mastery of the material, XXXX will be fine.
Percentage of Time Taught by Participants = 60%						

Content Mastery, Presentation Skills and Exercise Execution Legend: 1 = Low, 6 = High
Ranking: Ranked from strongest instructor to weakest instructor with 1 = the strongest/best instructor

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Audit and Operational Risk/Jim Rives						
Participant Name	**BSP – SED**	**Content Mastery**	**Presentation Skills**	**Exercise Execution**	**Ranking**	**Comments**
	OSPD	6	6	6	1	A true star and great leader.
	IV	5	6	5	2	She was committed to other activities but shined all same.
	OSPD	4	5	NA	2	She was also a participant and did exceptionally well on Basle II.
	II	5	6	2	1	Excellent skills all around.
	II	5	6	6	1	Excellent skills, plus local experience and knowledge experience.
Percentage of Time Taught by Participants = 65%						

Evaluating and Holding Meetings with Management/Diana Osinski						
Participant Name	**BSP – SED**	**Content Mastery**	**Presentation Skills**	**Exercise Execution**	**Ranking**	**Comments**
	II	6	6	6	1	Very strong presentation. With a bit more practice, XXXX's presentation will be flawless.
	II	5	5	5	2	Strong presentation. Lot needs to be a bit more natural (appeared nervous).
	II	3	4	3	3	Weak presentation. Cathy needs to focus on mastering the content. This will giver her confidence and improve her presentation.
	IV	5	5	5	2	XXXX was very a very smooth presenter. With a bit more practice, XXXX will be an outstanding presenter.
Percentage of Time Taught by Participants = 60%						

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Financial Statement and Ratio Analysis/Norman Baxter						
Participant Name	**BSP – SED**	**Content Mastery**	**Presentation Skills**	**Exercise Execution**	**Ranking**	**Comments**
	II	3	4	3	2	Average presentation. Needs improved mastery of the material to project greater confidence. Good job of engaging participants. XXXX can do it – he must apply himself.
	II	4	4	3	1	Opened presentation well, ended less well. Very good at engaging participants. With practice and improved confidence, XXXX will be fine.
	II	4	4	3	2	XXXX projected well and commanded attention. He also engaged participants well. If XXXX toned it down a bit, I think he could become an effective instructor. Content mastery was satisfactory.
	II	NA	NA	NA	NA	XXXX delivered a very short module satisfactorily. She needs practice, like all the others.
Percentage of Time Taught by Participants = 50%						

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Market and Liquidity Risk Management/Mayra Rodriguez Valladares						
Participant Name	**BSP – SED**	**Content Mastery**	**Presentation Skills**	**Exercise Execution**	**Ranking**	**Comments**
	I	7	7	7	1	Great and a good team player; she needs to be a little more patient with people who are not as good as she is.
	IV	5	6	NA	3	Real team player, works hard, with another round she will be very good; her modules had no exercises, but she did throw one in.
		1	1	1	7	Was never around; did not show up for the evaluation and did not tell me that she was not coming. XXXX and I sent repeated messages.
	I	NA	NA	NA	NA	Out of the country.
	II	4	4	3	4	She is very poised. She did not have the more challenging modules.
	I	6	5	6	2	Has wealth of experience to share with participants. The fact that she is there lends a lot of weight to the training program.
	I	3	3	4	5	She was very weak at first, giggling too much, but after an "all nighter," she improved greatly. She is not a team player, but I am conservatively optimist for the third cycle.
		2	2	2	6	Very weak but she has potential. She needs more time to prepare!! She really wants to teach. I would be happy to have her join Cycle III. She reacted well to my feedback.
Percentage of Time Taught by Participants = 30%						

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APPENDIX B:
BPS TRAIN THE TRAINER RECAP MEETING
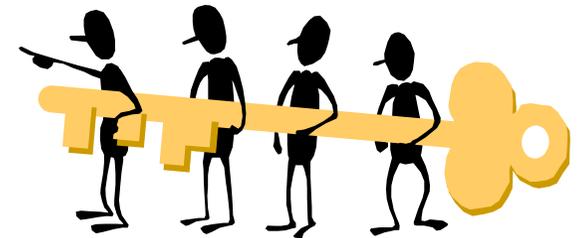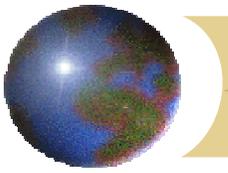# (POWERPOINT PRESENTATION)
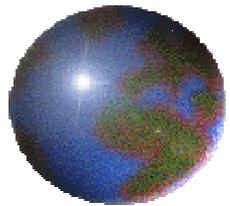
BSP TOT Recap Meeting
Friday, July 15, 2005
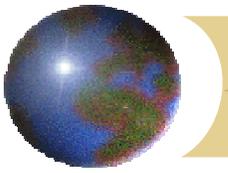
Agenda

- Meeting Purpose
- Course Evaluation
- Instructor Evaluation/Feedback
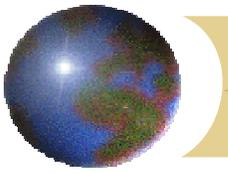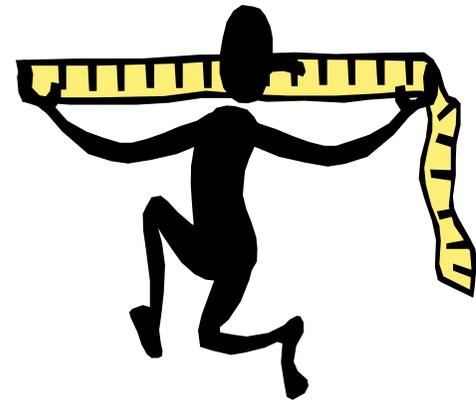- Mentor Evaluation/Feedback
- Training Tips
- Next Steps

Meeting Purpose

◆ Solicit feedback on the courses, instructors and mentors

◆ Solicit commitment for Cycle III preparation

◆ Provide guidance on conducting training for Cycle III

Course Evaluation

- General Comments/Sequence
- Module/Learning Objective Ratings
- Instructor Ratings
- Overall Ratings
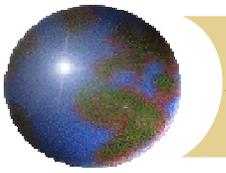
Instructor Evaluation/Feedback

- Instructor Skills Inventory
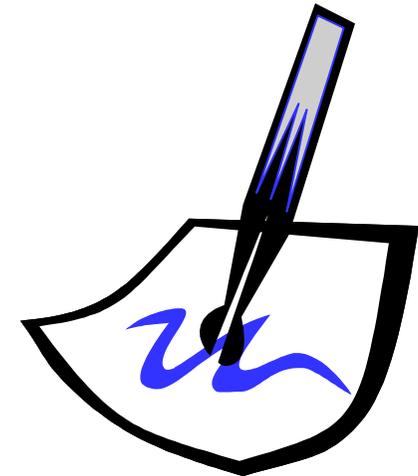- End of Course Meeting with Mentor
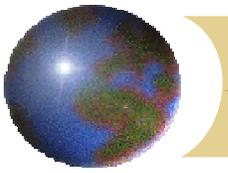
Mentor Feedback

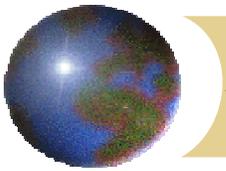- Content Mastery
- Exercise Facilitation
- Presentation Skills
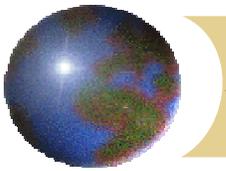
Mentor Evaluation/Feedback

- Based on your experience in Cycle II:
  - Most Beneficial
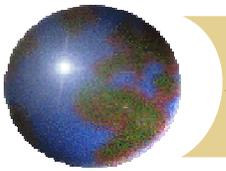 - Least Beneficial
  - Specific Requests for Cycle III

Training Tips

- ✤ Beginning the Course
- ✤ Beginning each Module
- ✤ Ending each Module
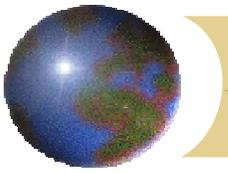- ✤ Ending the Course
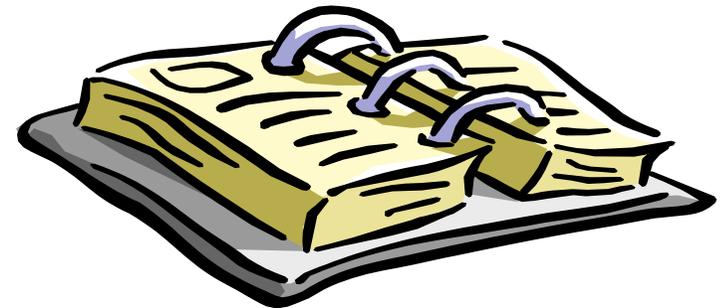- ✤ Miscellaneous

Special Note

⬦ It is critical that you know your <u>content</u>. Without this foundation, you can't properly teach the material or conduct the exercises!

Next Steps

- Training Dates
- Materials Preparation Deadlines
- Mentor/Instructor Meeting Dates

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APPENDIX C:
BSP INSTRUCTOR TRAINING TIPS

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APPENDIX C: BSP INSTRUCTOR TRAINING TIPS

Beginning the Course	
Introduce self/credibility	• State your name and credentials. Don't be shy about sharing your expertise!
Introduce course/agenda	• Provide a brief overview of the course using the Course Outline and Course Agenda • Cover administrative matters, such as the times designated for coffee breaks or lunch and turning off cellphones during the course.
Present course methodology	• Tell the participants that this course is designed to maximize their learning through a combination of providing a participant guide, lecture, visuals, discussions and exercises.
Present course learning objectives	• Tell participants as a result of attending this course what they will be able to do! • Be sure to present each course-learning objective!
Solicit individual expectations	• Ask the participants what is the one thing that they want to be able to do as a result of attending this course/flip chart their expectations. • Be sure to verify that the expectations will be covered during the course.
Beginning each Module	
Introduce module	• Alert the participants the module number you are about to present.
Present module overview	• Provide a brief overview of the module.
Present module learning objectives	• Tell participants as a result of participating in this module what they will be able to do! • Be sure to present each module-learning objective!
Present content	• Present module content. Be sure to tell them which page you are presenting. • Be sure to change pace/technique every 15 to 20 minutes.
Conduct exercises	• Conduct exercises. Remember, you can conduct exercises a variety of ways such as the way they were designed or they can be collapsed to save time (i.e., facilitate the exercise with the group). • Be sure to tell them the page number of the exercise, along with providing instructions and needed resources. • Be sure to walk around and monitor the progress of participants. Also, involve everybody especially the quiet participants. They have a wealth of information to share, you just need to ask them. • End the exercise by providing an analysis of their answers or by providing the correct answers.
Ending the Module	
Provide module summary	• Present a summary of the module.
Verify participants can emulate module learning objectives	• State each module-learning objective and receive acknowledgement from the participants that they can emulate each module objective. • Ask participants if they have any final questions before you leave the module.
Ending the Course	
Provide course summary	• Present a summary of the course citing the key learning points
Review course learning objectives	• State each course-learning objective and receive acknowledgement from the participants that they can emulate all course learning objectives.
Revisit individual expectations	• Show Expectations flip chart. • State each expectation, verify that you addressed it and check it off (use color!).
Conduct end of course evaluation	• Pass out the end of course evaluation. • State that in order to improve the course, we need their anonymous and candid input.

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Miscellaneous	
Classroom	• Be sure that you use the full classroom. Specifically, do move around the room to deliver your presentation. • Use appropriate body language at all times. • Be sure to manage your time effectively to ensure that you cover all course material and exercises.
Daily Recap	• Start each day with a brief recap of the content covered the day before. • Participants should be queried to verify that they have mastered the previous days covered content before you continuing training.
Flip Charts	• Be sure to use a minimum of two colors when preparing flip charts. You should be able to see your flip chart from anywhere in the room. Therefore, write clearly and visibly. • Whenever possible, prepare your flip charts in advance and reveal them when they are needed. • Be sure to post important flip charts on the walls of the classroom and refer to them when appropriate.
Participants	• Talk to the participants during breaks and lunch to find out how to relate the presented concepts to their position.
Speaking Guides	• Be sure to have your speaking notes with you when you present. They can include the following: pages from the participant guide, PowerPoint slides and presentation timeline.
Timing	• Take the time to determine the timing for your module. You should know if you are ahead or behind schedule when you present.
Visuals	• Be sure to interact with all visuals. • Turn multimedia off or cover lens when not in use.

Special Note: It is critical that you know your <u>content</u>. Without this foundation, you can't properly teach the material or conduct the exercises!

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