Development of Banking and Finance Industry Competency Framework

24 August 2013
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4. Application of the Competency Frameworks
Industry challenges

- Talent shortage
- Rising cost
- Going regional
- Market
- Regulation

Cost of hiring
Pay pressures
Focus on talent
Competency Implementation Framework

- Align Competencies to Organizational Strategy
- Develop Competency Models
- Reinforce New Behaviours
- Develop/Enhance People Capabilities
Integrated Uses of Job Competencies

- **Succeed**
- **Select**
- **Reward**
- **Develop**
- **Perform**

*Common Information*

- **Jobs:** Competency Requirements
- **People:** Demonstrated Competencies
Overview – comprehensive competency guides, central to bringing the competencies to life in a banking environment

Competency guides have been developed for...

<table>
<thead>
<tr>
<th>Introduction</th>
<th>The competency framework’s...</th>
</tr>
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<tbody>
<tr>
<td>General approach</td>
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<td>Structure</td>
</tr>
<tr>
<td>Guidelines on its application</td>
<td>Link to its application</td>
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</table>
Core competency guide

- Sets the foundation of a Malaysian banker
  - Defines the banker
  - Core values of the Malaysian banker
- Establishes the aspirations and vision for the Malaysian banker
- Various elements of leadership have been embedded in the competency descriptors

**CORE COMPETENCIES**

- Retail Banker
- Corporate Banker
- Investment Banker

**Auxiliary Leadership Elements**

**Tactical Leadership Elements**

**Strategic Leadership Elements**
Core Competency and Corporate Services Guides Unique Features (cont’d)

Corporate services guide

- The corporate services functions (Finance, Human Resource, Information Technology) are governed by their individual international bodies
  - E.g. in Finance, there are specific qualifications governed by professional bodies such as
    - Institute of Chartered Accountants in England and Wales (ICAEW)
    - Chartered Institute of Management Accounting (CIMA)
- Thus, the Corporate Services competency models should be used as complementary guides to technical skills and knowledge required of the practitioners, in conjunction with those required by the respective functions’ professional bodies
Scope of the Project, Approach and Guiding Principles

Competency guides have been developed for...

- Core Competency
- Risk Management
- Sales
- Service / After Sales Service
- Marketing
- Treasury
- Processing/Operations
- Internal Audit
- Compliance
- Corporate Services

...and each technical competency guide contains....

- Introduction
- General approach
- Guiding principles

The competency framework's...

- Objectives
- Structure
- Guidelines on its application

- Benefits
- Summary
- Link to its application

- Career framework
- Competency models

- Role profiles
- Development roadmap

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The scope of the project involved development of core competencies and a set of detailed technical competencies.

1 Core competencies are knowledge, skills and behaviours that are generally applicable to all bankers across a broad set of roles.

2 Technical competencies are specialised know-how or abilities that are required for success in a particular role, job or function.
Each technical competency framework is structured differently based on the sub-competencies evident within each technical area

<table>
<thead>
<tr>
<th>COMPETENCY CATEGORY</th>
<th>SUB-COMPETENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Management</td>
<td>• Credit Risk</td>
</tr>
<tr>
<td></td>
<td>• Operational Risk</td>
</tr>
<tr>
<td></td>
<td>• Market Risk</td>
</tr>
<tr>
<td>Marketing</td>
<td>The framework includes competencies required of marketing professionals within Product Development, Branding and Market/Customer Intelligence</td>
</tr>
<tr>
<td>Sales</td>
<td>• Consumer / Transactional Sales</td>
</tr>
<tr>
<td></td>
<td>• Advisory / Relationship Management Sales</td>
</tr>
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<td>• Customer Service</td>
</tr>
<tr>
<td></td>
<td>• Recovery</td>
</tr>
<tr>
<td>Treasury</td>
<td>The framework includes competencies required of treasury professionals within Asset Liability Management, Trading and Structuring</td>
</tr>
<tr>
<td>Processing/Operations</td>
<td>The framework includes competencies required of processing professionals within Trade Finance, Treasury Operations and Credit Processing</td>
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<tr>
<td>Compliance</td>
<td>The framework includes competencies required of compliance professionals in the areas of compliance monitoring, training, internal controls, testing and reporting</td>
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<tr>
<td>Internal Audit</td>
<td>The framework includes competencies required of internal audit professionals in the areas of the audit universe, audit plan, fieldwork, communications and follow up</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>- Finance, Human Resource, Information Technology</td>
</tr>
</tbody>
</table>
The technical competency frameworks were developed using a number of guiding principles

The Competency Framework...

- Must be generic enough to capture key processes in most banks and financial institutions
- Is meant to reflect the skills needed and the level of proficiency expected of an individual within a particular technical area
- Must serve as a basis for the development of certification or training programmes (if necessary) and thus become the “Learning Outcomes” of such activities
- Should provide guidance to individuals within a particular technical area on how skills and proficiency needs change as their careers progress
- Is not a substitute for the bank’s guidelines, nor is it meant to define how work should be performed in a particular technical area
Objectives of the Competency Frameworks

Competency guides have been developed for...

... and each technical competency guide contains....

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Corporate Services

Risk Management

Sales

Service / After Sales Service

Marketing

Treasury

Processing/Operations

Internal Audit

Compliance

Core Competency

Processing/Operations

Service / After Sales Service

Internal Audit

Compliance

Corporate Services

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The Competency Frameworks are meant to serve three primary objectives

- Describe the skills, knowledge and to some degree the behaviours needed by practitioners in their line of work
- Establish the proficiency standards required by practitioners as they progress through their careers
- Serve as the basis for the design and development of initiatives / training programmes / certification programmes (if necessary) that will
  - Improve the competencies of practitioners in a particular field in banks
  - Provide professionals in other fields within the banks with information on what it takes to become accomplished practitioners in a particular technical area
Career Framework and Structure of the Competency Frameworks

Competency guides have been developed for...

- Core Competency
- Risk Management
- Sales
- Service / After Sales Service
- Marketing
- Treasury
- Processing/Operations
- Internal Audit
- Compliance
- Corporate Services

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<tr>
<td>- Development roadmap</td>
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The competency frameworks are based on Towers Perrin’s career progression framework that describes the four distinct career breakpoints typical within the banking profession.

<table>
<thead>
<tr>
<th>Level I - Learning</th>
<th>Level II - Contributing</th>
<th>Level III – Leading</th>
<th>Level IV - Shaping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typically, a university graduate or has equivalent experience</td>
<td>Has developed knowledge and skills in own discipline; still acquiring higher level skills</td>
<td>Has in-depth and breadth of experience in own discipline; integrates knowledge of business and cross-functional priorities</td>
<td>Is recognised as an expert in own discipline and provides leadership, mentoring and guidance to others</td>
</tr>
<tr>
<td>Depends on others for instruction, guidance and direction</td>
<td>Applies knowledge and skills to a wide range of standard and non-standard situations</td>
<td>Acts as a key contributor in a complex and critical environment</td>
<td>Has business-wide impact or influence</td>
</tr>
<tr>
<td>Develops competence in own area by learning on the job and performing routine work</td>
<td>Works independently with minimal guidance and acts as a resource for others; may lead teams</td>
<td>Leads teams or projects; shares expertise</td>
<td>Is a lead contributor and participates in development of business strategy</td>
</tr>
</tbody>
</table>

**Examples:**
- Level I: Executive, Senior Executive, Analyst
- Level II: Team Leader, Unit Manager, Senior Analyst
- Level III: Department Manager
- Level IV: Division Manager and above

The competencies will be applied in varying degrees depending on functions.
... and elaborated using anchors and proficiency descriptors that sets the expectations required for each career level

COMPETENCY CATEGORY

**TREASURY**

**Definition:** In this context, treasury is referred to as the function of the bank that manages the bank’s financial health (i.e. balance sheet management) and is in the business of market making to generate income/profits for the bank (i.e. proprietary trading and/or customer-flow trading). It also includes the business of structuring products/deals for the bank and/or customers for hedging, arbitrage and/or speculative purposes.

**Process Step**

**Competency Anchor**

**Level I - Learning**

- Understands the fundamental banking supervision and financial services legislation that governs banking, e.g. - Bank Negara guidelines - Anti-Money Laundering Act - Securities Commission Act - The Exchange Control Act

**Level II - Contributing**

- Is aware of the advancements of regulation in the domestic and international scenes and understands their implications on the treasury activities of the bank

**Level III - Leading**

- Has in-depth knowledge of regulatory and best practice developments in the domestic and international scenes

**Level IV - Shaping**

- Challenges customer’s current needs and helps him/her to identify business trends and subsequent potential future needs

**Proficiency Descriptors**

*Step 1: Environmental (internal and external) analysis*

- Tr1.2 Legal / regulatory knowledge
The technical competency frameworks were constructed using a process that identifies the key steps involved in the execution of work within a technical area…

**EXAMPLE: TREASURY**

1. **Step 1: Environmental (Internal and External) Analysis**
   - Includes understanding the context in which the bank’s treasury business is being carried out (in terms of the economy, the financial market, the bank, the clients’ business and the associated regulations)

2. **Step 2: Analyse and Strategise Financial Investment, Balance Sheet Management and/or Trading Opportunities**
   - Includes technical skills like fundamental analysis, technical analysis, risk management, pricing and valuation and accounting and tax knowledge that can be applied to most functions in treasury
   - Specifically, it includes analysing and strategising activities carried out in typical functions in treasury i.e. asset liability management, trading and structuring, sales, research, etc.

3. **Step 3: Maintain Prudential Control**
   - Includes controls for managing treasury activities and ensuring that inappropriate transactions are not carried out
Specific competency anchors for a particular competency category

**EXAMPLE:**  
TREASURY

<table>
<thead>
<tr>
<th>Step 1 – Environmental (internal and external) analysis</th>
<th>Step 2 – Analyse and strategise financial investment, balance sheet management and/or trading opportunities</th>
<th>Step 3 – Maintain prudential control</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 PESTE analysis</td>
<td>2.1 Fundamental analysis</td>
<td>3.1 Controls for managing treasury activities</td>
</tr>
<tr>
<td>1.2 Legal / regulatory knowledge</td>
<td>2.2 Technical analysis</td>
<td></td>
</tr>
<tr>
<td>1.3 Financial market knowledge</td>
<td>2.3 Risk management</td>
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</tr>
<tr>
<td>1.4 Understanding of own bank</td>
<td>2.4 Quantitative analysis (basic pricing and valuation)</td>
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</tr>
<tr>
<td>1.5 Client industry / business analysis</td>
<td>2.5 Accounting and tax implications knowledge</td>
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<td>2.6 Portfolio management / strategy</td>
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<td>2.7 Asset liability management</td>
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<td></td>
<td>2.8 Trading</td>
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<td></td>
<td>2.9 Structuring and financial engineering</td>
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<td>2.10 Sales</td>
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<td>2.11 Research</td>
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</table>

**Note:** Refer to the individual guides for the complete details of each of the core and technical competency frameworks
An illustration of how the Treasury Competency Framework can be used

**Summary of model**

**EXAMPLE**

- Core and Foundational Skills
  - Trading
  - Foreign exchange
  - FX trader

**Core and Foundational Skills**

**Core Skills** (Step 1)
- PESTE analysis
- Legal / regulatory knowledge
- Financial market knowledge
- Understanding of own bank
- Client industry/ business analysis

**Foundational Skills** (Step 2)
- Fundamental analysis
- Technical analysis
- Risk management
- Quantitative analysis
- Accounting and tax implications knowledge
- Portfolio management/ strategy
- Level 1 in all areas of trading

**Core Skills** (Step 3)
- Prudential control

**Functions in Treasury**
- ALM
- Trading
- Structuring
- Sales
- Research

**Areas in Trading**
- Selective

**Increasingly specific**

**Areas**
- Foreign exchange
- Money market
- Fixed income
- Equity
- Derivatives
An integrated approach should be taken when applying the competency frameworks in developing a well rounded banking professional

The technical competencies determined as applicable to key roles within the banking industry

- Are not exhaustive
- Are typical competencies critical for success in a particular role but they will not preclude bankers in that role from developing other technical competencies

### Guidelines on application

<table>
<thead>
<tr>
<th>Job Functions</th>
<th>Marketing</th>
<th>Sales</th>
<th>Treasury</th>
<th>Service / After Sales Service</th>
<th>Risk Management</th>
<th>Processing/Operations</th>
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<th>Compliance</th>
<th>Corporate Services</th>
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<tbody>
<tr>
<td>Relationship Management</td>
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<td>Branch Management</td>
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<td>Trading</td>
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<td>Compliance Advisory</td>
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<tr>
<td>Operations Audit</td>
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</tbody>
</table>

*Illustration only*

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Role of individual banks
- Applicability of these competencies are dependent on the structure and job roles of respective banks
- Proficiency level for each competency category will be determined by respective banks depending on differing roles and levels
For the purpose of this project however, the Competency Frameworks are shown to be applied in two major ways, i.e. through the 1) Role profiles; and

The competency anchors developed for a competency category has been categorised into primary and support competencies for major job functions.

Rationale for the categorisation
- Not all competencies are applicable to all levels and all functions with equal weightage and importance.

Objective for the categorisation
- Primary competencies were identified to serve as a guide to practitioners as to the
  - relative importance of the competencies
  - frequency of use of the competencies
  based on the typical requirements of a particular career level within a particular function.
- Support competencies are
  - to assist practitioners in performing their role in a more effective manner
  - likely to be used less frequently relative to primary competencies.

What it does not imply
- It does not mean that support competencies are less relevant / important compared to the primary competencies.
For the purpose of this project however, the Competency Frameworks are shown to be applied in two major ways, i.e. through the 1) Role profiles; and (cont’d)

**EXAMPLE:**  
**Competency category:** Treasury  
**Function:** Trading  
**Level:** Shaping

<table>
<thead>
<tr>
<th>Steps</th>
<th>Competency Anchors</th>
<th>Career Level</th>
</tr>
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<tbody>
<tr>
<td><strong>Environmental (internal and external) analysis</strong></td>
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<td>Tr 1.1</td>
<td>PESTE analysis</td>
<td>P</td>
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<td>Tr 1.2</td>
<td>Legal / regulatory knowledge</td>
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<td>Tr 1.3</td>
<td>Financial market knowledge</td>
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<tr>
<td>Tr 2.1</td>
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<td>Tr 2.2</td>
<td>Technical analysis</td>
<td>P</td>
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<tr>
<td>Tr 2.3</td>
<td>Risk management</td>
<td>P</td>
</tr>
<tr>
<td>Tr 2.4</td>
<td>Quantitative analysis (Basics of pricing and valuation)</td>
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### Objectives of the Development Roadmap

- Simply put, the development roadmap is meant to provide IBBM with direction on how to bring the competency framework to life
- The objective of the development roadmap is to provide bankers in various functions in the banking industry, with a **guide on how to enhance their competencies** and achieve the required level of proficiency through various means e.g. certification, training, etc.
- The development roadmap will serve the banking industry in
  - **Enhancing current** human capital capabilities
  - **Developing future** talent pool
For the purpose of this project however, the Competency Frameworks are shown to be applied in two major ways, i.e. through the 2) Development Roadmaps (cont’d)

A core banking qualification and other relevant training programmes will form the foundation for employees to move into or progress within specialist roles.
For the purpose of this project however, the Competency Frameworks are shown to be applied in two major ways, i.e. through the Development Roadmaps (cont’d)

General guiding principles and thought process

- The roadmaps must
  - Cover the content of the competency framework
  - Distinguish between the roles of training and/or certification
  - Crafted in the context of the needs of the industry in Malaysia while benchmarking against international standards
  - Have a customer or demand driven approach as opposed to having a push approach to design and delivery

Considerations for development roadmap recommendations

- Inputs from Executive Interviews
- Anchored on the competency model
- Referred to major global financial markets’ certification structure and development

What the development roadmaps show

- Referred to major global financial markets’ certification structure and development. The development roadmaps reflect the four distinct career breakpoints in the career progression framework used for developing each competency model
- However, because of the broadness of each competency category, the development roadmap cannot cover the multitude of cross functional jobs
For the purpose of this project however, the Competency Frameworks are shown to be applied in two major ways, i.e. through the 2) Development Roadmaps (cont'd)

Development structure for technical competencies

DEVELOPMENT STRUCTURE

Development Roadmaps
- Career paths
- Linkage to competency proficiency
- Generalisation vs specialisation

Market Practice
- Types of certification/ training institutions
- Nature of assessment
- Areas of coverage in certification/ training modules
- Key areas
- Target audience/ candidates
- Number of level of certification offered

Implementation Guidance
- Potential areas for consideration in certification and/ or training

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Illustration of a potential development roadmap for Treasury

Proficiency levels of the competency framework

Level I – Learning

Level II – Contributing or Level III - Leading

Level III – Leading or Level IV – Shaping

Level IV - Shaping

Specialise in one (or more) function(s) in treasury...

OR

Specialise in one (or more) market(s)...

- Asset Liability Management
- Trading
- Structuring
- Sales
- Research

- Foreign exchange
- Money market
- Fixed income
- Equity
- Derivatives

Continuously training to be Advanced Practitioner in one (or more) function or market in treasury

Master in treasury management

1-2 years of experience

Entry into banking with option to undertake core qualification in banking

Entry to treasury and undertake “Treasury License”

1-2 years of experience

1-2 years of experience

4-5 years of experience

5-6 years of experience
Recap: Overview of Project Deliverables

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