

Bridging the Border

RMA's Commitment to Canada



There is a great deal of overlap between U.S. banking and Canadian banking practices, but the U.S.-Canada banking relationship is only congruent, not identical. A case study from “Lending to Medical Practices,” for example, would be clearly inappropriate for Canadian bankers. Recognizing the uniqueness of our northern neighbors, RMA has recently committed to customizing additional course materials for the Canadian audience.

BY ED BEASLEY

Canadian Diagnostic Assessment Update (in English and French)

Canadian bankers have long been users of the Canadian version of the RMA Diagnostic Assessment. This four-hour exercise, which is available in RMA's *eMentor* product, helps institutions identify areas of improvement for their lenders and credit analysts so that training resources can be individually focused. As with all training materials, these require periodic validation and updating, so RMA asked for volunteers to help create an updated Assessment.

In January, 12 Canadian bankers, representing six Canadian institutions, met in Florida for two days to update the Assessment. Assisted by PTI, a testing consultancy, the group reviewed each of the 198 questions in the Canadian Diagnostic Assessment. Each question was painstakingly checked for clarity, reliability, readability, and currentness to best banking practices and regulation. The completed English version has since been translated into French using a Canadian translation agency popular with many Canadian banks. Before fielding the exam, several members of the Update Committee, as well as an outside consultant, will review the translation agency's work.

Additional RMA Strategic Plans

RMA currently offers a few courses specifically designed for Canadian bankers, including "Understanding Your Canadian Small Business Customer" and "Operational Risks for Canadian Banks." In a recent survey, our Canadian members requested some additional courses:

- Canadian Cash Flow Refresher.
- Canadian Financial Statement Analysis.
- Canadian Structuring Commercial Loans I.
- Analyzing Canadian Industry, Business, and Management Risks.

Some of these instructor-led courses are scheduled to be available in open enrollments in Montreal and Winnipeg this summer. Based on continuing feedback from Canadian members, RMA is evaluating which courses to develop in 2009.

Differences between Canadian and U.S. Banking

"Offering U.S. courses to a Canadian audience isn't appropriate because the banking industry in both countries is quite different," says Karine Benzacar, managing director of Knowledge Plus Corp., a financial institutions consulting firm. "The U.S. has thousands of banks, each with different lending practices, while the Canadian industry is dominated by a handful of major banks and a few smaller financial institutions, each of which reviews loan documentation much more rigorously than many U.S. banks."

In revising its courses for Canadian members, RMA has

Using the Canadian Diagnostic Assessment: One Canadian Banker's Story



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BY FRANÇOISE MUNGER

Bank of Montreal (BMO) is recognized for its strong credit training culture. After being hired, new employees go through a rigorous training program designed to develop their commercial lending skills. This intensive program includes a variety of courses, learning activities, and job exposures to different aspects of the commercial role. BMO uses the RMA Diagnostic Assessment to assess competency gaps that might still exist when candidates reach the end of their commercial lending training program.

Over the years, the bank's core commercial lending curriculum has constantly evolved to meet new banking realities. As the organization changes, we add and regularly review training components and learning activities. The RMA Diagnostic Assessment ensures that BMO has a consistent and uniform method of evaluating our new candidates.

Following the identification of competency gaps, and depending on the weakness identified, the bank suggests to the learner's supervisor a mentoring, a coaching, or a training action plan. These corrective steps assure the appropriate individual competency levels expected by the bank.

Finally, the RMA Diagnostic Assessment is a tool that allows the bank to feel comfortable that new commercial lenders and portfolio managers have developed the appropriate competencies to become eligible for discretionary limits. ♦

considered the differences in U.S. and Canadian banking practices to effect the following changes:

- The courses will refer to the appropriate Canadian loan documentation, such as the Canada Revenue Agency's Notice of Assessment, rather than U.S. tax returns. Unlike U.S. banks, Canadian banks don't ask for tax returns to evaluate a loan application.
- Case studies will be revised to reflect Canadian content. For example, RMA modified all financial statements to reflect Canadian versus U.S. GAAP (generally accepted accounting principles).
- The subject matter of various cases will be made appropriate for a Canadian audience. For example, the medical industry in the U.S. is privatized whereas Canada has universal health care coverage paid for by the government; therefore, a case on the medical industry might not be an effective teaching tool in Canada.
- Terminology will be revised to ensure relevancy in Canada. For example, Americans still use the term "deferred taxes" while the Canadian Institute of Chartered Accountants advocates the use of "future income tax assets/liabilities." Similarly, Americans often refer to "stockholders" while Canadians use the term "shareholders."

• Items that are not used or not popular in Canada will be removed. For example, many U.S. companies hold treasury stock, but this practice is not common in Canada. The Canada Business Corporations Act and most provincial legislation modeled after the act provide that corporations repurchasing their own shares must immediately retire the shares.

- Future courses will reference products that are popular in Canada, even if they are not widely used in the U.S. For example, Canada uses a seasonal bulge, which is similar to a U.S. seasonal loan.

RMA is confident that the Canadian audience will embrace these changes and will find the Canadian courses to be valuable. ♦

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