



Management of Financial Institutions

Banking Game

a Banking Simulation Workshop

Preface

The Financial Services (Banking) Industry is a very complex and demanding industry. Apart from undergoing rapid changes, it also operates in a highly competitive environment.

To compete successfully demands in-depth knowledge, leadership and worldclass operations. **Management of Financial Institutions** is a very comprehensive banking course. From a manager's perspective, it provides a thor-

ough background into the theory and practice of general banking operations. In combination with the "**Banking Game**", a bank management simulation program, it depicts a realistic banking environment where the participants take major management decisions in a competitive marketplace.

Target Audience

Management of Financial Institutions is the ideal programme for anyone who is in a management position (lower, middle and/or upper management) or is designated – in a close future – to be in charge with a management position.

Thanks to the modular structure of the simulation, we can adjust the course **Management of Financial Institutions** to the educational as well as managerial level of the participants.

ASSETS		LIABILITIES	
Due from banks on demand	850 VMCHF	Due to banks on demand	0,00 Interest (%)
Due from banks at term	4500 VMCHF	Due to banks at term	8,70 Interest (%)
Due from customers sec. by mortg.	8,50 Interest (%)	Due to customers saving deposits	5,00 Interest (%)
Due from customers other security	7,00 Interest (%)	Due to customers investment dep.	2,00 Interest (%)
Due from customers unsecured	7,50 Interest (%)	Due to customers on demand	0,25 Interest (%)
Mortgage claims variable rate	8,50 Interest (%)	Due to customers at term	8,50 Interest (%)
Mortgage claims fixed rate	8,75 Interest (%)	Medium term notes	6,00 Interest (%)
		Long-term bonds	140 VMCHF
		of which subordinated	0 VMCHF

BUD. VALUES (Mio CHF)		FOREX: Share foreign exchange	
Balance sheet total	42000	Due from banks at term	25,00 %
Net profit	175	Due to banks at term	81,00 %
		Hedging foreign currency	100,00 %



INVESTMENTS		Clients (%)	Nostro (Mio CHF)	Hedging	
				PUT m.v.	PUT Euro
Money Market	domestic	10,0	250		
	foreign (Euro)	10,0	250		<input checked="" type="checkbox"/>
Shares	domestic	20,0	500	<input type="checkbox"/>	<input type="checkbox"/>
	foreign (Euro)	20,0	500	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Bonds	domestic	20,0	500	<input type="checkbox"/>	<input type="checkbox"/>
	foreign (Euro)	20,0	500	<input type="checkbox"/>	<input checked="" type="checkbox"/>

BOND ISSUE BUSINESS	
Commission rate (%)	1,00
Transformation of saving accounts into managed accounts	0,00 max. 20,00%
Underwriting prices (%):	0,00 [5,00% Bonds A, P1 - P11, Rating AAA (Minimum 95,00%)]
	0,00 [5,50% Bonds B, P1 - P6, Rating A (Minimum 95,00%)]
	0,00 [5,75% Bonds C, P1 - P9, Rating BBB (Minimum 90,00%)]

Objectifs

The program has the following main key learning objectives:

- To provide participants with an increased understanding of the various challenges that arise at a general management level in banking (Balance sheet management, Credit risk policy, Liquidity and Investment management, Management of the capital structure of the bank, Management of the balance sheet items, Marketing strategy, Human resource management)
- To expose participants to the major risks faced by financial institutions today
- To give participants an idea of the interdependencies in the banking business and to see decisions with a helicopter view

Applied Methodology

The computer based simulation program, called "**Banking Game**", is used to create a realistic environment within a varying and challenging economic situation. Participants are grouped into different "management teams", whereby each team is managing a hypothetical bank. Through their experience with the simulation program, participants will have an immediate and lasting learning effect.

The **Banking Game** creates a realistic

market environment where the decisions of one bank affects the results of other banks. At the same time, the results of the different banks is influenced by unforeseen market developments.

Participants have to solve problems of asset and liability management in different economic situations. They have to price loans and deposits, and make decisions on marketing expenses as well as human resources management (including training of their employees). Participants have to manage a portfolio

of loans and securities, manage their clients assets (private banking), ensure that their bank meets the capital adequacy requirements, make sure that the bank does not become illiquid (otherwise the bank has to refinance itself from the market or the central bank) etc. etc.

Subjects covered

The following subjects – using the simulation program – are covered:

- Asset and Liability Management
- Principles of Liquidity Management
- Capital Management
- Regulation of banking activities
- Private Banking activities / Portfolio Management
- Structure of interest rates
- Market risks
- Dividend policy

Duration

- from 2 - 5 days, from 09.00 am to 05.00 pm

Notes

- The Banking Game is the number one management simulation in the financial field. The latest version will reflect the new framework for capital adequacy (also known as Basel II)