



JUDGING INFORMATION PACKET

COMPETITIVE EVENTS PROGRAM

BANKING FINANCIAL SERVICES

Thank you for agreeing to share your time and knowledge with Collegiate DECA members at the International Career Development Conference (ICDC)!

As a judge you will sit across the table from Collegiate DECA's most talented members and evaluate their knowledge and skills they've developed all year. You provide the 'real world' expertise that sets our industry-validated competitive events program apart as you determine who will advance to finals or be named an international finalist.

ICDC would not be possible without your commitment. On behalf of all Collegiate DECA students and staff, thank you for serving as a competitive events judge!



BUSINESS SIMULATION EVENTS

JUDGING INSTRUCTIONS

DECA's Competitive Events Program is aligned to industry-validated National Curriculum Standards in the career clusters of marketing, business management and administration, finance, and hospitality and tourism. The DECA members you will be judging have qualified from a series of competitions and represent the top performers from their state/province.

EVENT OVERVIEW

- The event you have agreed to judge includes two major parts: one exam and one role-play activity.
- You have been assigned to judge one section of this event.
- In your section, you will judge 10-15 participants, who are only competing against each other in the preliminary competition. The top performers from each section, after combining the exam and role-play scores, will advance to final competition.
- The participant will be given a written scenario to review. In the role-play, the participant must accomplish a task by translating what they have learned into effective, efficient and spontaneous action. Participants have 30 minutes to review the scenario, then 15 minutes for the role-play.
- A list of five performance indicators specific to the scenario is included in the participant's instructions. These are distinct tasks the participant must accomplish during the role-play. As a judge, you will evaluate the participant's role-play performance on these tasks, follow-up questions and 21st Century Skills.

YOUR ROLE AS A JUDGE

- Carefully review the role-play and evaluation form, understanding your characterization as a judge. When it is time for you to begin seeing the participants, participants will be brought to your judging table one at a time.
- When a participant is brought to your judging table, the 15-minute role-play will begin immediately after introductions.
- Following the participant's explanation for the solution to the role-play, ask questions related to the scenario that are provided in the event. Please ask the same questions to all participants for consistency in scoring.
- Materials appropriate for the situation may be handed to you or left with you by the participants. Materials must be created by the participants using materials provided during the designated preparation period. Participants are permitted to use reference materials and visual aids.
- Close the role-play by thanking the participant for his/her work. Please do not provide any feedback to the participant.
- Use pencil to complete the scantron form, recording the score in the box and blackening the correct score. You may need to adjust scores as you establish clear expectations for performance.
- If you have any questions, please consult your event director.
- All participants, regardless of race, color, religion, sex, national origin, age, disability, sexual orientation or socio-economic status, should be treated equally and respectfully.

TIPS AND SUGGESTIONS

- Perform a consistent judge characterization and maintain the same expectations of participants throughout to ensure an equitable competitive environment.
- Create a positive learning environment for participants.
- To assist with the determination of winners, please avoid giving ties.
- Participants scoring a combined total score of 70% or better on the competitive event components will earn a Certificate of Excellence.



1 PARTICIPANT



1 ROLE-PLAY



PRESENTATION
TIME

*Thank you for
volunteering to evaluate
our emerging leaders and
entrepreneurs.*



CAREER CLUSTER

Finance

CAREER PATHWAY

Banking Services

INSTRUCTIONAL AREA

Business Law

BANKING FINANCIAL SERVICES EVENT

PARTICIPANT INSTRUCTIONS

PROCEDURES

1. The event will be presented to you through your reading of these instructions, including the Performance Indicators and Event Situation. You will have up to 30 minutes to review this information to determine how you will handle the role-play situation and demonstrate the performance indicators of this event. During the preparation period, you may make notes to use during the role-play situation.
2. You will have up to 15 minutes to role-play your situation with a judge (you may have more than one judge).
3. You will be evaluated on how well you meet the performance indicators of this event.
4. Turn in all your notes and event materials when you have completed the role-play.

PERFORMANCE INDICATORS

1. Discuss the nature of the debtor – creditor relationship.
2. Discuss federal regulation of lending functions.
3. Explain the elements of a compliance program.
4. Develop a compliance program.
5. Update employees on business and economic trends.



EVENT SITUATION

You are to assume the role of a branch manager at STONEHILL SAVINGS BANKS. STONEHILL SAVINGS is a mutual savings bank that was established and state-chartered in 1955. STONEHILL SAVINGS offers personal and business banking along with trust and investment management services. The bank serves customers from eight branch locations. On December 31, 2012, STONEHILL SAVINGS had nearly \$700 million in assets under management.

The president of the bank (judge) has asked that you research, prepare, and present information on the regulation of lending and the bank's compliance program to all of the bank's employees at a special, bank-wide retreat to take place next month.

You have spent time outlining the elements of your presentation and have scheduled a meeting with the president (judge) to review your information in advance of the presentation. The outline that you have created includes the following:

- The relationship between banker and customer is primarily that of debtor and creditor. You will explain how the bank is both debtor and creditor by providing examples.
- The Federal Reserve works in conjunction with other federal and state authorities to ensure that financial institutions safely manage their operations. The two major focuses of banking supervision and regulation are: safety and soundness, and compliance with consumer protection laws. You will explain the use of the CAMELS rating system to assess the bank's condition and the use of the 5-Cs to assess the quality of a loan applicant.
- Every bank in the U.S. is responsible for developing a sound and safe compliance program that takes into account the risks involved for the protection of the bank's clients, reputation, employees, and overall business efforts. You will identify 3 – 5 fundamental elements of every bank's compliance program, regardless of their size or location.
- You will choose one of the elements (identified above) and explain, specifically, how you will carry out this element of your compliance program at STONEHILL SAVINGS BANK.

You will rehearse your presentation with the president (judge) in a role-play to take place in the president's (judge's) office. The president (judge) will begin the role-play by greeting you and asking to hear what you have prepared. After you have made your presentation and have answered the president's (judge's) questions, the president (judge) will conclude the role-play by thanking you for your work.

JUDGE'S INSTRUCTIONS

DIRECTIONS, PROCEDURES AND JUDGE'S ROLE

In preparation for this event, you should review the following information with your event manager and other judges:

1. Procedures
2. Performance Indicators
3. Event Situation
4. Judge Role-play Characterization
Participants may conduct a slightly different type of meeting and/or discussion with you each time; however, it is important that the information you provide and the questions you ask be uniform for every participant.
5. Judge's Evaluation Instructions
6. Judge's Evaluation Form
Please use a critical and consistent eye in rating each participant.

JUDGE ROLE-PLAY CHARACTERIZATION

You are to assume the role of the president of STONEHILL SAVINGS BANK. STONEHILL SAVINGS is a mutual savings bank that was established and state-chartered in 1955. STONEHILL SAVINGS offers personal and business banking along with trust and investment management services. The bank serves customers from eight branch locations. On December 31, 2012, the bank had nearly \$700 million in assets under management.

You have asked one of the bank's branch managers (participant) to research, prepare, and present information on the regulation of lending and the bank's compliance program to all of the bank's employees at a special, bank-wide retreat to take place next month.

The branch manager (participant) has spent time outlining the elements of his/her presentation and has scheduled a meeting with you to review the information in advance of the presentation. The branch manager (participant) has provided you with an outline of his/her presentation. It includes the following:

- The relationship between banker and customer is primarily that of debtor and creditor. The branch manager (participant) will explain how the bank is both debtor and creditor by providing examples.
- The Federal Reserve works in conjunction with other federal and state authorities to ensure that financial institutions safely manage their operations. The two major focuses of banking supervision and regulation are: safety and soundness, and compliance with

consumer protection laws. The branch manager (participant) will explain the use of the CAMELS rating system to assess the bank's condition and the use of the 5-Cs to assess the quality of a loan applicant.

- Every bank in the U.S. is responsible for developing a sound and safe compliance program that takes into account the risks involved for the protection of the bank's clients, reputation, employees, and overall business efforts. The branch manager (participant) will identify 3 – 5 fundamental elements of every bank's compliance program, regardless of their size or location.
- The branch manager (participant) will choose one of the elements (identified above) and explain, specifically, how we carry out this element of our compliance program at STONEHILL SAVINGS BANK.

The branch manager (participant) will rehearse the presentation with you in a role-play to take place in your office. You will begin the role-play by greeting the branch manager (participant) and asking to hear what he/she has prepared.

During the course of the role-play you are to ask the following questions of each participant:

1. Good compliance programs are founded on having good internal controls. One of the most important aspects of internal control is separation of duties. How can separation of duties be accomplished in our lending department?
2. I think that many of our employees are confused about which regulating agency has authority over STONEHILL SAVINGS BANK. Can you explain?

Once the branch manager (participant) has made his/her presentation and has answered your questions, you will conclude the role-play by thanking the branch manager (participant) for the work.

You are not to make any comments after the event is over except to thank the participant.

SOLUTION

Debtor – Creditor Relationship

The general relationship between banker and customer is primarily that of a debtor and creditor. When the customer deposits money in a bank, the bank is the debtor and the customer is the creditor. The customer expects from the bank that his/her money will be kept safe by the bank and will be returned on demand. The money will be intact and safe and will earn something by way of a return. The position is reversed if the customer is advanced a loan; then the banker becomes the creditor and the customer is the debtor.

The world's economy is dependent on billions of debtor-creditor relationships. At every level, goods and services are provided in exchange for a promise, explicit or implicit, to pay for those goods and services. Almost every individual and business in America either owes money or is owed money, or both.

Most debtor-creditor relationships arise from voluntary interactions. Examples include loans of all types, credit lines and the use of credit cards. When a person purchases a car and finances the cost, the purchaser is voluntarily incurring debt. The same is true when a credit card is used to purchase goods or services; the purchaser is voluntarily creating a debt to the credit card company by using the card to make the purchase.

An involuntary debt arises by operation of law or judicial proceedings. For example, if the employee of a small business is at fault in a traffic accident and injures someone, the business can be required to compensate the injured person. Similarly, if a house painter applies the wrong paint, or damages the carpets, a debt is created. The homeowner may insist that the painter correct the problem or provide compensation for the damage.

Federal Regulation of Lending Functions

The health of the economy and the effectiveness of monetary policy depend on a sound financial system. Through supervising and regulating financial institutions, the Federal Reserve is able to make policy decisions. Bank supervision involves monitoring and examining the condition of banks and their compliance with laws and regulations. If a bank under the Federal Reserve's jurisdiction is found to have problems or be noncompliant, the Federal Reserve may use its authority to request that the bank correct the problems. Bank regulation includes issuing specific regulations and guidelines to govern the operations, activities and acquisitions of banking organizations. Two major focuses of banking supervision and regulation are:

- Safety and soundness of financial institutions
- Compliance with consumer protection laws.

To measure the safety and soundness of a bank, an examiner performs an on-site examination review of the bank's performance based on its management and financial condition, and its compliance with regulations.

Bank examiners use the CAMELS rating system to help measure the safety and soundness of a bank. Each letter stands for one of the six components of a bank's condition: capital adequacy, asset quality, management, earnings, liquidity and sensitivity to market risk. The six components allow the examiner to evaluate the overall health of the bank and the ability of the bank to manage risk. A bank that successfully manages risk has clear and concise written policies. It also has internal controls, such as separation of duties.

A safety and soundness examiner also reviews a bank's lending activity by rating the quality of a sample of loans made by the bank. When a bank reviews a loan application, it uses the 5-Cs to assess the quality of the applicant. The 5-Cs stand for: capacity, collateral, condition, capital, and character.

- Capacity - measures the borrower's ability to pay, including borrower's payment source and amount of income relative to debt.
- Collateral - what are the bank's options if the loan is not paid? What asset can be turned over to the bank, what is its market value, and can it be sold easily? A valuable asset might be a house or a car.

- Condition - this refers to the borrower's circumstances. For example, if a furniture storeowner is asking for a loan, the banker would be interested in how many chairs and sofas the store is expected to sell in the area over the next five years.
- Capital - the applicant's assets (house, car, savings) minus liabilities (home mortgage, credit card balance) represent capital. If liabilities outweigh assets, the borrower might have difficulty repaying a loan if his regular source of income unexpectedly decreases.
- Character - measures the borrower's willingness to pay, including the borrower's payment history, credit report and information from other lenders.

Elements of a Compliance Program

A bank compliance program is the method that a bank uses to abide by all applicable regulations, rules and laws. Each bank is responsible for developing a sound and safe compliance program that takes into account the risks involved for the protection of the bank's clients, reputation, employees and overall business efforts.

Banks appoint management-level compliance officers in order to develop compliance policies and procedures, monitor and test programs, train employees, render advice, report results and handle the general management of the compliance department.

The fundamental elements that every bank's compliance program should include, regardless of size or location of the bank, are:

- Board and senior management leadership and oversight – compliance starts at the top. It will be most effective in a corporate culture that emphasizes standards of honesty and integrity in which senior management and the board of directors lead by example.
- Risk Assessment – the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, and codes of conduct.
- Defined, communicated, and enforced policies, procedures, standards and controls – generally cover matters such as observing property standards of market conduct, managing conflicts of interest, treating customers fairly, and ensuring the suitability of customer advice. Specifically these rules and standards cover the prevention of money laundering and terrorist financing, and may extend to tax laws that are relevant to the structuring of banking products or customer advice.
- Training and communication strategies – regular training of and communication with all bank employees about policies and standards is critical to any program's success. Banks should provide written guidance to staff on the appropriate implementation of compliance laws, rules, and standards through documents and manuals, codes of conduct, and practice guidelines.
- Oversight - internal and external monitoring and auditing – a bank's compliance function should be independent and have formal status within the bank. There should be a compliance officer or head of compliance with responsibility for management of the bank's compliance risk

Key Points (Answers to Judge's Questions)

1. Separation of duties requires the participation of two or more persons in a transaction thereby causing the work of one to serve as proof of the accuracy of another. Duties should be arranged so that no one person dominates any transaction from inception to termination in order to diminish the likelihood of fraud or unidentified errors. Common examples include: designing the loan process so that the approving loan officer is not the same person disbursing loan proceeds, an individual authorized to sign official checks is not also reconciling correspondent bank accounts, and source records are reconciled to the general ledger by someone other than the person generating general ledger entries
2. The Federal Reserve works in conjunction with other federal and state authorities to ensure that financial institutions safely manage their operations and provide fair and equitable services to consumers.
 - Office of the Comptroller of the Currency (OCC)
 - Federal Deposit Insurance Corporation (FDIC)
 - Office of Thrift Supervision (OTS)
 - State Banking Departments

The OCC charters, regulates and supervises nationally chartered banks. The FDIC, the Federal Reserve and state banking authorities regulate state-chartered banks. Bank holding companies and financial services holding companies which own or have controlling interest in one or more banks, are also regulated by the Federal Reserve. The OTS examines federal and many state-chartered thrift institutions, which include savings banks and savings and loan associations.

Most state-chartered banks are regulated in a joint effort of the FDIC and their State Banking Department.

JUDGE'S EVALUATION INSTRUCTIONS

Evaluation Form Information

The participants are to be evaluated on their ability to perform the specific performance indicators stated on the cover sheet of this event and restated on the Judge's Evaluation Form. Although you may see other performance indicators being demonstrated by the participants, those listed in the Performance Indicators section are the critical ones you are measuring for this particular event. Please note that an overall score of 70% indicates a *minimum level of acceptable performance*.

Evaluation Form Interpretation

The evaluation levels listed below and the evaluation rating procedures should be discussed thoroughly with your event chairperson and the other judges to ensure complete and common understanding for judging consistency.

Level of Evaluation	Interpretation Level
Exceeds Expectations	Participant demonstrated the performance indicator in an extremely professional manner; greatly exceeds business standards; would rank in the top 10% of business personnel performing this performance indicator.
Meets Expectations	Participant demonstrated the performance indicator in an acceptable and effective manner; meets at least minimal business standards; there would be no need for additional formalized training at this time; would rank in the 70-89 th percentile of business personnel performing this performance indicator.
Below Expectations	Participant demonstrated the performance indicator with limited effectiveness; performance generally fell below minimal business standards; additional training would be required to improve knowledge, attitude and/or skills; would rank in the 50-69 th percentile of business personnel performing this performance indicator.
Little/No Demonstration	Participant demonstrated the performance indicator with little or no effectiveness; a great deal of formal training would be needed immediately; perhaps this person should seek other employment; would rank in the 0-49 th percentile of business personnel performing this performance indicator.



BANKING FINANCIAL SERVICES, 2014

Participant: _____

JUDGE'S EVALUATION FORM
SAMPLE EVENT

I.D. Number: _____

INSTRUCTIONAL AREA: Business Law

Did the participant:

		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
PERFORMANCE INDICATORS						
1.	Discuss the nature of the debtor – creditor relationship?	0-1-2-3-4-5	6-7-8-9-10-11	12-13-14-15	16-17-18	
2.	Discuss federal regulation of lending functions?	0-1-2-3-4-5	6-7-8-9-10-11	12-13-14-15	16-17-18	
3.	Explain the elements of a compliance program?	0-1-2-3-4-5	6-7-8-9-10-11	12-13-14-15	16-17-18	
4.	Develop a compliance program?	0-1-2-3-4-5	6-7-8-9-10-11	12-13-14-15	16-17-18	
5.	Update employees on business and economic trends?	0-1-2-3-4-5	6-7-8-9-10-11	12-13-14-15	16-17-18	
6.	Overall impression and response to judge's questions	0-1-2	3-4-5	6-7-8	9-10	
TOTAL SCORE						

SAMPLE