CORE CONCEPT

Risk-Based Banking Supervision Course: Off-Site Monitoring, On-Site Examination and Ratings

Risk-Based Banking Supervision Course: Off-Site Monitoring, On-Site Examination and Ratings

Introduction:

Risk-based banking supervision, from off-site monitoring through on-site examination to ratings, is the subject of this 2-week course for off-site analysis, examination, supervisory planning and enforcement units, ending with a Supervisory Strategy and Examination Plan for a case bank. Supervisory authorities lose sight of emerging weakness when prudential returns sit unanalysed, examinations are scoped by habit rather than risk, and ratings fail to trigger proportionate action. Nominees already review bank returns or take part in examinations and practise through case studies built on anonymised returns, risk matrices and examination workpapers. CoreConcept Training Center delivers this risk-based banking supervision course.

Course Objectives:

- Apply a risk-based supervision framework to identify a bank's significant activities, rate inherent risk and risk management quality, and build a risk matrix
- Analyse prudential returns and peer data off-site to detect deteriorating trends and draft off-site risk assessment notes
- Calibrate early warning indicators and triage alerts into documented supervisory responses
- Plan and conduct risk-focused on-site examinations, from scope memorandum and request lists to loan file testing and workpapers
- Assign CAMELS component and composite ratings and reconcile them with risk matrix outcomes through rating committee challenge
- Select proportionate corrective and enforcement measures, write supervisory letters and coordinate with host supervisors in supervisory colleges

Target Audience:

- Off-site analysis units responsible for reviewing prudential returns and bank risk profiles
- On-site examination units responsible for planning and conducting bank examinations
- Supervisory relationship teams responsible for a portfolio of assigned banks
- Enforcement and corrective action units responsible for escalation and sanctions
- Supervisory methodology units responsible for rating frameworks and supervisory manuals

Course Outline:

Day 1: Supervisory Mandate, Risk-Based Philosophy and Supervisory Cycle

- Core Principles for Effective Banking Supervision Supervisory Approach Mapping
- Compliance-Based Versus Risk-Based Supervision Model Comparison
- Supervisory Cycle From Risk Assessment to Follow-Up
- Proportionality Tiers by Systemic Importance and Complexity
- Supervisory Information Map Linking Returns, Meetings and Examinations

Day 2: Risk-Based Supervision Frameworks and Risk Matrices

- Significant Activities Identification From the Bank Business Model
- Inherent Risk Rating Scale for Credit, Market and Operational Risk
- Quality of Risk Management and Oversight Function Assessment
- Net Risk and Direction of Risk Matrix Construction
- Overall Composite Risk Rating With Capital and Earnings Overlay

Day 3: Off-Site Monitoring and Prudential Returns Analysis

- Prudential Return Validation Checks and Data Quality Queries
- Peer Group Construction and Outlier Ratio Screening
- Quarterly Off-Site Risk Assessment Note for Each Bank
- Funding Concentration and Deposit Volatility Trend Review
- Off-Site Findings Escalation to the Supervisory Team Lead

Day 4: Early Warning Systems and Supervisory Data Tools

- Early Warning Indicator Selection, Thresholds and Trigger Calibration
- Statistical Scoring Models for Bank Distress Prediction
- Supervisory Dashboard Design With Heat Maps and Traffic Lights
- Market-Based Signals From Bond Spreads and Share Prices
- Early Warning Alert Triage and Documented Supervisory Response

Day 5: Week-One Guided Case Study on Off-Site Risk Assessment

- Case Bank Prudential Return Pack and Business Model Brief
- Case Risk Matrix Build for Significant Activities
- Case Early Warning Indicator Run and Alert Interpretation
- Case Off-Site Risk Assessment Note Drafting and Review
- Week-One Findings Log Feeding the Supervisory Strategy

Day 6: On-Site Examination Planning, Scoping and Fieldwork

- Risk-Focused Examination Scope Memorandum and Entry Letter
- Examination Request List and Pre-Examination Document Review
- Credit File Sampling Methods and Loan Classification Testing
- Management Interviews, Walkthroughs and Control Testing Techniques
- Examination Workpapers, Evidence Standards and Quality Review

Day 7: Composite Ratings, CAMELS Assessment and Rating Governance

- CAMELS Component Rating Criteria on the One-to-Five Scale
- Management Component Judgement Using Governance and Control Evidence
- Reconciling the CAMELS Composite With the Risk Matrix Rating
- Rating Committee Challenge, Calibration and Consistency Review
- Rating Confidentiality and Communication to Bank Senior Management

Day 8: Supervisory Letters, Enforcement Ladders and Supervisory Colleges

- Supervisory Letter Structure With Findings, Root Causes and Required Actions
- Board Meeting Presentation of Examination Results and Ratings
- Enforcement Ladder From Moral Suasion to Licence Revocation
- Corrective Action Plan Review and Remediation Tracking Log
- Supervisory College Agenda, Information Sharing and Joint Risk Assessment

Day 9: Supervisory Effectiveness, Quality Assurance and Benchmarking

- Supervisory Strategy Resource Allocation by Bank Risk Rating
- Supervisory KPIs for Coverage, Timeliness and Remediation Ageing
- Core Principles Self-Assessment Against Essential Criteria
- Post-Examination Quality Assurance and Peer Review of Workpapers
- Lessons From Bank Failures and Supervisory Post-Mortem Reviews

Day 10: Case Study Capstone on the Supervisory Strategy and Examination Plan

- Capstone Brief With Case Bank Risk Profile and Returns
- Risk Matrix and Early Warning Results for the Case
- Examination Scope, Staffing and Fieldwork Schedule for the Case
- Rating Proposal and Enforcement Pathway for Identified Weaknesses
- Supervisory Strategy and Examination Plan Completion and Panel Defence

Skills You Will Gain:

- Risk Matrix Construction
- Prudential Return Analysis
- Early Warning Calibration
- Examination Scoping
- Loan Classification Testing
- Composite Rating Judgement
- Supervisory Letter Drafting
- Enforcement Escalation Planning

Why Attend This Course:

- Present a Supervisory Strategy and Examination Plan for a case bank to the head of banking supervision and the examination planning committee
- Decide examination scope, frequency and intensity from a documented risk matrix rather than a fixed rotation
- Avoid late detection of bank distress, unfocused examinations and enforcement that arrives after losses have grown
- Share the risk matrix, early warning dashboard and supervisory letter templates with off-site and examination colleagues

Conclusion:

Back at work, the participant gives the head of banking supervision a Supervisory Strategy and Examination Plan that sets the risk rating, early warning thresholds, examination scope and staffing, and the enforcement pathway for an assigned bank. Supervisory team leads use it to allocate examiner time across the portfolio, and the rating committee uses it to test proposed ratings. After the first examination cycle under the plan, the unit should compare findings with the off-site risk assessment, review which indicators gave early signals and recalibrate thresholds and scope.

Frequently Asked Questions FAQ:

What should participants know before a risk-based banking supervision course on off-site monitoring and on-site examination?

Participants should already review bank prudential returns or take part in examinations. A working grasp of bank balance sheets, capital and liquidity ratios is enough. Bringing anonymised returns or a past examination report helps them apply the case work to their own portfolio of banks.

How does a risk-based banking supervision course differ from a bank regulatory compliance course?

This course is written for supervisors: it teaches how authorities assess, examine, rate and correct banks. A regulatory compliance course is written for bank staff who calculate ratios and answer supervisors, so it treats the same rules from inside the bank.

Why does risk-based banking supervision use both a risk matrix and CAMELS ratings?

The risk matrix shows where risk sits in a bank's significant activities and how well it is managed, while CAMELS summarises overall condition. Used together, they direct examination scope and support a consistent, defensible composite rating.

What do participants take back from a risk-based banking supervision course?

Participants take back a Supervisory Strategy and Examination Plan for a case bank, with a risk matrix, early warning thresholds, examination scope and an enforcement pathway, plus templates for off-site notes, request lists and supervisory letters.