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ASSOCIATION OF BANKS IN JORDAN E-LEARNING PROGRAMMING

Concepts for a Smart Lab

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CONCEPTS FOR A SMART LAB

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RESEARCH AND SUPPORT SERVICES TO MEMBERS**

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CONCEPTS FOR ABJ'S SMART LAB

BACKGROUND

The Association of Banks in Jordan (ABJ) is the principal trade association for banks operating in Jordan and serves the country's 23 member banks, including eight branches of foreign banks. The ABJ's mission is to provide value-added programs to its members, strengthen cooperation between them and advance and promote banking sector interests with the government and the banking public.

The Association of Banks in Jordan is working to enhance its training programs and is creating a computer lab (Smart Lab) on its premises with a grant provided by the Housing Bank for Trade and Finance. The Smart Lab will contain approximately 30 terminals, is expected to be operational in 2008 or 2009, and will be used to complement the seminars and instructional programs already offered by the Association.

In its efforts to develop its Smart Lab, Dr. Adli Kandah, the Director General of the ABJ, requested SABEQ assistance in developing concepts for programs to offer through the Lab. Dr. Kandah wishes to address the critical needs of its member banks and provide instruction that is unique to training programs already provided by the bank's internal training departments, the Institute of Banking Studies (IBS) and the Arab Academy of Banking and Financial Sciences (AABFS).

The purpose of this report is to share ideas of how the lab could be leveraged by the ABJ and presents specific ideas about courses that could be designed to address unmet instructional needs of the ABJ's member banks.

ADDING VALUE TO MEMBER BANKS' TRAINING PROGRAMS

Leading firms have realized that they must be continually training and educating their associates in order to keep pace with the fast changing business environment. To do this, best practice firms leverage many delivery tools from books, industry conferences and e-learning to actively led instructor courses in order to train their associates on the many different topics required to do business effectively. It is generally difficult for an individual firm to afford the entire infrastructure required to support an effective broad-based training program. It is here that the ABJ, with a state of the art computer lab, can provide significant value to its members' training programs.

AN ABJ E-LEARNING CURRICULUM AND LAB – A LEVER FOR COMPREHENSIVE LEARNING

Learning delivery adds the most value to participants when employed in a flexible manner based on the needs of the learner and the context of the training content.

Within the financial services industry as well as most corporate environments a range of instructional models and media are used to support training requirements, including:

- Self-paced, computer based training and e-learning,
- classroom, instructor-led instruction,
- blended instruction – using internet technology to provide foundational instruction for members, and then an instructor-led class and lab setting for application of material within a group setting, and
- online seminars or podcasts.

Because the financial services industry is such a dynamic environment with fluid and complex products and ever-changing regulatory requirements, training employees is one thing, but ensuring that they're actually learning and able to apply their knowledge is another story. Once students leave the learning environment, retention of that information can tail off markedly. Consequently, many financial organizations think broadly about the ways in which they make knowledge available and give careful thought to course design and the mix of delivery tools employed.

Through the ABJ's internet portal and Smart Lab, the association can provide a valuable curriculum and platform for broad-based instruction to member banks. Curriculum can be constructed to feature a mix of instructional models and delivery media in which self-paced e-learning and live, instructor-led, lab training come together where the need for group synergy, case study analysis and problem-solving exercises are required.

To ensure viability of the Smart Lab, the ABJ should focus on a blended-learning curriculum and engage its training partners from across its member banks to ensure that programs designed address the critical instructional needs of Jordan's banks.

TRAINING MODELS

E-LEARNING

E-learning or internet-based instruction is the most cost-effective medium to reach bank employees. It enables employees to access the information they need when they need it and it minimizes their time away from the job. Consequently, a lot of the training being done in the financial services industry today, as well as in many other industries, is in the form of web-based training: participants enter a website with a username and password and view instructional materials, sometimes known as “e-briefings,” which can include quizzes and tests. E-learning management systems can be designed to provide additional value to businesses in tracking and reporting on the viewing instances and test results of employees.

Because e-learning curriculum can be viewed at an employee’s own workstation, it is difficult to envision the ABJ’s Smart Lab competitively delivering this training. In other words, why would a bank employee travel to the ABJ Smart Lab for an e-learning course when they could take it wherever and whenever they prefer?

With all e-learning can do, it still can only take a learner so far. What most e-learning lacks is context—the ability to put learners in truly real-world situations where they must make real decisions and then face the consequences of those decisions. For the ABJ, the Smart Lab provides the environment where case study analysis and problem solving exercises can be employed to apply the lessons learned through e-learning.

CLASSROOM

There is often no substitute for the type of educational and motivational interaction possible in a traditional classroom setting. The most effective type of adult-training engages the student through discussion, individual and group activities, and role-plays.

Classroom-based courses could be led by member bank subject matter experts, international industry-knowledgeable instructors, or by an ABJ internal trainer. In these classes the instructor stands in front of the group, each person behind his/her own computer, to lead them through exercises.

BLENDED

The Smart Lab will likely be most valuable to its members in providing blended instruction where e-learning and instructor-led coursework are combined.

Through blended-course offerings, ABJ class participants can learn key concepts and gain foundational knowledge on core prudential regulations or business process requirements through e-briefings. A Smart Lab course could be used to enhance learning and refine knowledge in an instructor-led class where participants can actively engage in conversations and exercises with their peers. These courses could be designed to encourage an exploration of issues and solutions, where participants come prepared to share thoughts, challenges and design solutions for the workplace.

An Illustration – A Blended Course in Business Process Management and Compliance Risk Management Software

Basel II asks organizations to implement a corporate risk management system that accounts for operational risks. Basel II requires financial organizations to set aside regulatory capital for operational risk. To comply, banks are focusing on the implications and the necessity for comprehensive compliance and risk management processes.

From a Business Process Management (BPM) perspective, an ABJ blended program could provide e-learning preparatory class instruction on BPM and a lab based training element with hands-on instruction on compliance management software programs used in clarifying processes and controlling risk.

IDS Scheer is a market leader in Business Process Management (BPM) software solutions for corporations worldwide. Its ARIS Platform for Process Excellence offers an integrated, comprehensive solution for the strategy, design, implementation and controlling of business processes.

IDS Scheer offers a compliance management application, ARIS Audit Manager 3.0, which helps organizations document their business processes and comply with legal requirements and guidelines such as Section 404 of the Sarbanes-Oxley Act, Basel II, Solvency II and the Money Laundering Act. The ABJ Smart Lab could provide a BPM training program and a series of hands-on lab courses on ARIS Audit Manager.

This example is simply illustrative. All the same, it demonstrates a blended training curriculum that could add value to member banks compliance risk management programs and reduce the need for banks to construct and finance solutions individually.

An Illustration – A Blended Bank Management Simulation Course

BANKdynamics® is a Bank Management Simulation software offered by Olson Research Associates, Inc. <http://blogs.olsonresearch.com/>

BANKdynamics® is an asset/liability management simulation that is played in teams. Teams can run a bank either in a live environment or virtually so the ABJ could review the opportunity to offer it through a blended learning program through e-learning exercises and facilitated Smart Lab workshops.

The BANKdynamics® simulation is an affordable training program and places teams in direct competition for sources and uses of funds in a financial services market. Participants determine management strategy, engage in financial analysis, and make operating decisions about assumptions in a competitive environment.

The simulation reflects the financial structure of a bank as defined by the Federal Call Report for commercial banks, the Federal Reserve's FR-Y9 Report for bank holding companies and generally accepted accounting principles (GAAP).

Each team begins managing their bank as of January 1, 2021. The management team has a two year contract, which allows them 8 quarters to improve the position of the bank. Real historical market interest rates ending on December 31, 2000 are used.

The power of BANKdynamics® is the ability to run unlimited "What-If" analysis. "What-If" utilizes the A/L Benchmarks® model to test decisions before the team actually submits the plan or forecast. Cash flows are recomputed with every "What-If." A new balance sheet and income statement along with more than 35 other reports give participants the opportunity to move through time and highlight many

facts, trends, and relationships.

Issues of risk, return, growth, and capital adequacy are quantified and vividly demonstrated with every set of decisions the teams want to test. Teams are measured by their ability to meet goals, not unlike following an ALCO policy.

Competition brings the impact of the market and the effects of other bank's pricing and funding decisions, regulators, shareholders, and the uncertainty of customers as in a real community. Each team can bring various levels of bank financial analysis experience to the group, which acts as another competitive factor by forcing teams to deal with the dynamics of their own strengths and weaknesses.

TECHNOLOGY AND SOFTWARE TRAINING

Smart Lab software training classes could also prove valuable and provide an efficient solution to member banks that have similar software training requirements. In situations where software must physically reside on a hard drive – as opposed to being on the Internet – the ABJ's Smart Lab computers could feature copies of the software on its PCs. From an efficiency standpoint, it will reduce the number of software licenses needed across the banks. Also, if the ABJ purchases the software, then selected interested parties from outside the banking industry, such as academics and university students, can then also train themselves on the software.

An example includes:

Microsoft Office Visio - Visio which requires software licensing per user provides a wide range of templates — business process flowcharts, network diagrams, workflow diagrams, database models, and software diagrams. It is used broadly across technology, operations and compliance organizations to map and streamline business processes, track projects and resources, chart organizations, map networks, diagram building sites, and optimize systems.

ONLINE WORKSHOPS

Through its internet site and Smart Lab, the ABJ could also offer access to streaming video presentations of its special and monthly seminars. Participants could access from their own computers the live, real-time version of the seminar or watch an on-demand, archived version at a later date.

TESTING FOR CERTIFICATION

Some organizations, such as the Professional Risk Managers' International Association (PRMIA), have a large body of online e-learning courses and offer certification for those professionals who have completed a minimum number of courses and passed the required examinations. PRMIA has a "corporate licensing program" for its online courses for which the ABJ might qualify. That way, bank employees might be able to take the online courses through the ABJ at a cheaper rate than if individual banks signed up for the program. (For more information, see <http://prmia.org/index.php?page=training&option=trainingOnlineCourses> .)

Also, many certification programs in banking (as well as in other fields) require online testing to be done at designated test centers, rather than at the candidate's own

workstation. The reason for having test centers is so that the candidate's identity can be verified, and cheating can be prevented under the watchful eye of a proctor. The ABJ's SmartLab could become a test center for programs related to banking where other test centers in Amman are currently used. (As an example, see <http://www.pearsonvue.com/pvtc/>).

INSTRUCTORS AND PARTICIPANTS

A combination of international guest consultants, local bank employees, industry experts and ABJ trainers could be leveraged to deliver instruction to end users and lead train-the-trainer events through the Lab.

The Lab and its resources could also be extended for use by training departments of member banks for special proprietary training classes and events, as well as select sectors of the general public, i.e. academic institutions, university students and the general public.

INSTRUCTIONAL DESIGNERS AND PARTNERS

The ABJ will need to engage instructional design partners with financial services expertise to ensure that its blended learning programs truly focus on the member banks needs and participant performance.

It's important to ensure that:

- design and development expertise is up-to-date and developers are experienced in utilizing and blending training methods,
- those developing content are well versed in the subject matter or seek considerable input from subject-matter experts,
- IT partners are knowledgeable about e-learning project requirements as well as the ABJ's web infrastructure and can integrate and support the e-learning application,
- Member bank training managers and critical line management functions are involved in the development process.

Because facilitation is a significant element of a blended e-learning strategy and can greatly influence the outcome of the training programs, attention must be devoted to identifying and preparing trainers.

Rubicon, a multimedia, e-education development firm headquartered in Amman, Jordan

Rubicon, located in Amman, Jordan, is a leader in the development of e-education and e-training programming and a premier company in interactive multimedia and 3D animation technology.

Rubicon could be a strong partner for the ABJ. It provides consulting services on IT and managerial infrastructure for learning management systems and develops customized e-learning curriculum. Additionally, Rubicon has a existing library of CBT banking courses developed in partnership with the Bankers Association for Finance and Trade (BAFT). Rubicon could assist the ABJ with licenses for its current CBT Banking library or develop customized courses based on the training needs of Jordan's

banks.

Course Titles from Rubicon's CBT Banking Library

- Applied Money and Banking
- Introduction to Financial Control
- An Introduction to the Foreign Exchange Market
- Intermediate Foreign Exchange and Money Markets
- An Introduction to Documentary Credits
- An Introduction to Letters of Guarantee
- Bank Transfers
- Bank Deposits
- Introduction to Credit
- Financial Analysis
- Customer Management Evaluation
- Introduction to Technical Analysis
- Technical Analysis II: Price-Sensitive Indicators
- Technical Analysis III: Other Indicators

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CURRICULUM THEMES

In November, 2007, a needs assessment was conducted by SABEQ consultants to identify the critical training requirements of member banks. The research showed that greatest need existed in developing the risk and compliance management capabilities of members specifically in regards to Anti-Money Laundering and Basel II compliance.

Accordingly, the Lab portfolio should primarily consist of compliance and risk management courses and if possible designed to meet a range of instructional requirements from those of customer-facing employees and sales managers to compliance analysts, risk managers and senior executives.

DEVELOPING A COURSE CATELOGUE

An important initial task of the ABJ will be to interpret the broad compliance and risk management training needs of its members and translate those into more concrete priority areas in which specific programs can be developed. The courses and a prioritization for their development should clearly align to the sector's pressing needs.

Given that resources are finite, the ABJ should be selective in deciding how it will spend its resources. Within the potentially wide range of valuable e-learning and blended learning courses the ABJ could offer, it should focus its spending on programs and elements that offer significant risk management benefits to members and are currently inadequately supported by the internal training departments and other instructional providers in Jordan.

To generate ideas and foster collaboration in defining the Smart Lab's programs and development priorities, the ABJ should bring together from across their member banks key subject matter experts in training, risk and compliance management in a series of discussions. The ABJ could leverage its committee structure and its Training Committee to hold these stakeholder events with the objective of gathering ideas about possible priority training needs in which the ABJ might focus. The ABJ staff or its Training Committee could utilize the outputs from these workshops to formulate a development strategy and a prioritized plan for course development.

With regards to program priorities for the Smart Lab, priority areas identified in the earlier needs assessment included:

- Basel II;
- AML compliance;
- Asset and liability management.

They should be seen, however, as starting points for the deeper needs analysis and discussions that should occur in the consultation process outlined above.

At the end of each year or more frequently if needed, the ABJ should assess its performance in meeting the sector's compliance and risk management training needs, and identify and discuss opportunities for improvement with its Training Committee.

ILLUSTRATIVE RISK MANAGEMENT & COMPLIANCE OFFERINGS BY AREA

In developing ideas and prioritizing programs for development, the Smart Lab portfolio should consist of courses with varying instructional objectives and target outcomes to meet the diverse training requirements of member banks and their employees. The Lab courses could prepare bank employees with foundational instruction on core prudential regulations as well as more in-depth training to encourage practical application of knowledge through hands-on activities and role-plays. As the Smart Lab's curriculum is developed, the ABJ could aim to design programs that meet firm element requirements, offer continuing education credits or globally-recognized certifications.

Captured below are course examples that illustrate a blend of foundational e-learning programs as well as instructor-led and lab-based programs that leverage case studies to develop technical skills for their application, management and administration.

E-LEARNING AND BLENDED INSTRUCTION

Course Ideas – Illustrative programs

Risk Management & Basel Accord

Risk Management	Market Risk
E-learning - Foundational Evolution of Risk Management Basel I Basel II Classroom - Blended Case Study – The evolution of a bank's risk management organization from cost center to strategic competitive organization Exercise – Discuss current and planned progress of their bank towards the new Accord.	E-learning - Foundational Types of Market Risk Traditional Risk Measures Concepts of Delta Measures, duration, sensitivity Interest Rate Risk Management and Measurement Value at Risk Classroom - Blended Producing a sensitivity and equivalence report for a deal
Credit Risk	Operational Risk
E-learning - Foundational Banks as traditional credit taking institutions Overview of Types of Credit Events Traditional Credit Risk Mitigation Credit Rate Systems, Credit Risk Modeling Credit Derivatives Sound Credit Risk Management Practices Classroom – Blended Case Study – Credit Risk function and management	E-learning – BPM Foundational Methodologies for Managing Operational Risks, Business Process Management Developing Objectives and Policies Process Analysis – What are Key Processes? Process mapping – What are major process risks? Risk identification – Creating a risk framework Classroom – Blended – BPM Software Compliance Risk Management software, i.e. ARIS Platform, Microsoft Visio (process mapping), Minitab (Six Sigma process analytics), Key Performance Indicators/Scorecard development, risk analysis.

Course Ideas – Illustrations of topics, continued

Asset & Liability Management

Asset & Liability Management – Introduction and Approach	Asset & Liability Management – Interest Rate and Currency Derivative Products
E-learning - Foundational Introduction and Approach to A/L Management Liquidity Management Measuring Risk – Gap Analysis Measuring Risk – Duration and Convexity Classroom - Blended Case Study – Gap Analysis Exercise – Duration and Convexity	E-learning - Foundational Overview of Interest Rate and Derivative Products Credit Derivatives Derivative Products – Valuation Techniques Classroom - Blended Creating and Using Discount Factors

Asset & Liability Management – Measuring Risk – Simulation Techniques	Asset & Liability Management – Managing the Balance Sheet
E-learning - Foundational Rate Shocks Simple Simulation Monte Carlo Approach Performance Measurement & Transfer Pricing Capital Allocation Classroom - Blended Assess ALCO reports, assess implications and effectiveness of a hedge Exercise – Risk analysis, risk profiles, probability analysis, embedded options	Classroom Working an Example – Participants assume the role of an ALCO and will need to review and make a decision on the appropriateness of a recommended hedge. Assess ALCO reports, assess implications and effectiveness of a hedge Exercise – Risk analysis, risk profiles, probability analysis, embedded options

Course Ideas – Illustrations of topics, continued

Fraud Identification

Fraud Identification	Fraud Identification
E-learning – Foundational Fraud/Internal Controls Introduction: <ul style="list-style-type: none"> Internal Control Program Fundamentals Examining & Auditing Techniques Facts About Fraud / Internal Controls Programs Discovery of Fraud Reasons Examiners & Auditors Do Not Deflect Fraud Where Does Fraud Happen? Where To Look? Fraud Detection Mindset Common Characteristics of Bank Failures Three Levels of Protection Against Fraud Cyber-Banking: <ul style="list-style-type: none"> Types of Cyber-Banking Fraud Unauthorized Access Computer Impairment/Disruption of Service Theft/Modification/Alteration of Data Cyber-Crime Motives and Intent Security Challenges Regulatory Response Privacy Issues Risk Assessment Tools and Practices Classroom - Blended Case Studies - discussing specific fraud issues. Participants and the facilitator interact regarding issues and the red flags associated with fraud.	Audits, Internal Controls, and Fraud: <ul style="list-style-type: none"> External Auditing Programs Reviewing Auditors' Workpapers Financial Statement Audit Generally Accepted Auditing Standards (GAAS) GAAS Sources on Internal Controls and Fraud Other Sources Objectives of GAAS Audit Audit Risk Model Error vs. Fraud Fraud Risk Factors Fraud Audit Response Documentation and Reporting Assessment of Control Risk Money Laundering – Basic Techniques and Schemes: <ul style="list-style-type: none"> Traditional Laundering Techniques Emerging Threats Structuring Remittance Schemes Pouch Activity Schemes Professional Services Providers Deposit Brokers Classroom - Blended Case Studies - discussing specific fraud issues. Participants and the facilitator interact regarding issues and the red flags associated with fraud.

NEXT STEPS FOR THE SMART LAB'S LAUNCH

MOBILIZE CORE WORK TEAM

The ABJ should engage the ABJ Training Committee or establish an ad hoc steering committee of 3-4 subject matter experts who could advise and support the ABJ, the Director General and Training Manager on establishing programming themes, instructional priorities and start-up activities for the Smart Lab. Ideally, people on the steering committee would be keenly interested in helping in the Lab's start-up and be able to offer valuable advice and expertise to those efforts.

IDENTIFY TRAINING PRIORITIES, INSTRUCTIONAL DESIGN PARTNERS AND FINANCING NEEDS FOR TRAINING PROGRAMS

Once the Training or steering committee is convened, the initial task will be to define the Smart Lab's priorities, identify potential instructional design partners and request proposals and bids for program development.

DEVELOP SMART LAB BRAND AND MARKETING STRATEGY

Through its work and committee meetings with key bank compliance, risk management and training managers, the ABJ will already raise awareness of the Lab's development. Once the Lab's initial programming is defined, the ABJ should undertake a range of activities to steadily establish the Lab's identity and build awareness among its key member banks.

A communications and outreach strategy should be developed and should likely include additional meetings with stakeholders, press releases, publications and ABJ internet site presence.

IDENTIFY LOGISTICAL AND ADMINISTRATIVE NEEDS OF THE TRAINING PROGRAM

Depending on the scope of programming offered through the Smart Lab, staff and administrative support needs will need to be identified. Needs could include: internal training delivery and management staff, IT systems development, office space.

SOURCES

In gathering ideas for the programs presented in this recommendation, contacts made included:

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