

## HOW TO USE THIS MANUAL

---

This manual was written to help you be a more effective CEO. It contains answers to questions that routinely arise at a CEO's desk. The manual is not, however, a textbook covering technical, legal, and regulatory detail. Chapter highlights include the following:

### PART I: EXECUTIVE MANAGEMENT

- **Bank Management Begins with Bank Organization — Chapter 1.** Provides a model bank organization chart, followed by a discussion of the duties and responsibilities of every area of the chart. In this chapter, we also discuss principles of organization, how to get a strategic management view established in your staff, and how the board fits into the organizational picture.
- **Management Through Written Policy Statements — Chapter 3.** Tells you how to use written policy statements to maximize your staff's effectiveness. Chapter 3A contains over 30 model bank policy statements.
- **Marketing, Advertising, and Promoting the Bank — Chapter 5.** Provides practical guidance aimed at getting the most bang for the buck as the bank spends money on marketing, advertising and promotion.

### PART II: RISK MANAGEMENT

- **Risk Management System — Chapter 6.** Develops and explains a model risk management system for a bank. We developed this system from material presented at several Federal Financial Institutions Examination Council (FFIEC) Risk Management seminars.
- **Risk Management Specific Chapters — Chapters 7 through 11.** Chapter 7 discusses interest rate risk (IRR) management and gives you a model IRR management system. You will need something similar to this system if you are to achieve a rating of 1 under the new "S" in CAMELS. Chapter 8 tells you how to have an effective insurance program in the bank, and Chapter 9 explains how to control internal fraud. There are also chapters on suspicious activity reporting, risk management through contingency planning, and how to manage the bank's internal and external audit programs.

### PART IV: BANK ADMINISTRATION

- **Controlling Noninterest Expenses — Chapter 18.** Addresses controlling salary expenses, controlling other employee-related expenses, reducing postage expenses, reducing telephone expenses, and dozens of other ideas on how to reduce expenses.
- **Human Resources Management — Chapter 19.** Essentially a handbook on how to hire and manage the bank's employees.
- **Model HR Policy Manual — Chapter 19A.** Provides the rules for employer/employee relations. It is designed to enable officers and employees to be full aware of bank policies in

matters pertaining to them. Every employee of the bank should be required to read this manual and sign a statement saying that they have done so.

- **Salary Administration — Chapter 19D.** Outlines a formal salary administration system. Employee salaries represent the single largest noninterest expense in the bank, and poor morale results where salary administration is deficient. (This chapter is available on the accompanying CD.)
- **Cash, Funds Management, and Liquidity Management — Chapters 20 through 21A.** Provides guidance on handling liquidity, cash management, and funds management.

## **PART V: DEVELOPING AND IMPLEMENTING STRATEGIES**

- **Financial Planning and Budgeting — Chapters 22 and 22A.** Outlines an approach to financial planning and give you a very practical way to prepare a budget for the bank each year.
- **Developing a Strategic Plan — Chapter 24.** Develops a step-by-step procedure that can be used to write a strategic plan for your bank. In Chapter 24A, there are four model strategic plans. One of these models will undoubtedly come close to what is needed at your bank.

## **PART VII: INVESTMENT PORTFOLIO MANAGEMENT**

- **Investment Portfolio Management and Strategies — Chapter 27.** Provides an introduction to investment portfolio management and discusses important related topics. It is followed by a chapter that provides a model investment portfolio policy statement, and one that discusses in detail investments mechanics and administration; investment portfolio accounting procedures, and bank tax management through investment portfolio management options.
- **Yields, Interest Rates, and Investments Mathematics — Chapter 30.** Explains the various ways of calculating yields and interest rates. It recommends that all yields be reduced to a bond equivalent yield so that different forms of investments can be objectively compared one to the other.
- **Investment Portfolio Regulatory Requirements — Chapter 31.** Discusses the various regulations and legal restrictions that apply to management of a bank's investment portfolio.

## **PART VIII: MANAGING THE BOARD/CEO INTERFACE**

- **Board of Directors Duties and Responsibilities — Chapter 35.** The board of directors is the highest authority in the bank. This chapter explains the duties and responsibilities that the board has.
- **Bank Director Liability — Chapter 36.** Explains the legal liabilities inherent in the position of bank director.

## **PART IX: MANAGING THE QUALITY OF CUSTOMER SERVICE**

- **Assessing Quality — Chapters 37 through 39A.** Helps you determine levels of quality regarding management and performance.

**PART X: REGULATORY COMPLIANCE**

- **Safeguarding Customer Information and Privacy — Chapter 42.** It is incredibly important in this digital age to protect your customer's private information. This chapter discusses the importance of customer privacy and provides guidance to stay in compliance.