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Management and Staff Training through Development of Procedure Manuals for National Securities Depository Limited (NSDL)

Financial Institutions Reform and Expansion (FIRE) Project

June 1997

Financial Institutions Reform and Expansion (FIRE) Project
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June 10, 1997

Mr C B Bhave
Managing Director,
National Securities Depository Limited
Trade Towers, 4th floor
Kamla Mills Compound
Senapati Bapat Marg
Mumbai 400 025

Dear Mr Bhave,

Re Management and Staff Training Through Development of Procedure Manuals for National Securities Depository Limited (NSDL)

At your request and as a part of our contract with the USAID, Ms Susan Hertel, Former Vice President with the Midwest Clearing Corporation/ Midwest Securities Trust Company of the US and a consultant to Price Waterhouse Capital Markets, has completed the next part of our activity towards assisting the NSDL organizational setup

Purpose of Activity

The primary purpose of this trip was to continue management training at NSDL as established under the work plan published in April, 1997

The first topic to be addressed was the development and documentation of internal procedures This included workshops on the overall process as well as function identification to support the actual documentation The list of attendees is enclosed as Appendix A Based on the resulting listing of functions, Price Waterhouse will assist NSDL in actually completing the documentation, extending management training through example NSDL will then continue forward with ongoing maintainenance of their internal procedures

The second objective under the work plan that was addressed during this trip was training in the area of development of the Human Resources Department

Approach to Work

Based on the Organizational Structure Plan *(the Plan)* submitted by Price Waterhouse to NSDL in July, 1996, NSDL has been establishing and staffing various departments within the depository

The NSDL senior management has previously expressed an interest in receiving assistance from Price Waterhouse in training their management team and staff in various aspects of the securities depository environment To provide a foundation for such training, in January, 1997, Price Waterhouse performed a review of the development of each department to date The recommendations made on the basis of this review were published by Price Waterhouse under the title of Review of Organizational Development for the National Securities Depository Limited, March 1997

A further review of the organizational development of NSDL was conducted on the basis of discussions with the NSDL Management team During the review, specific training needs and desires of the management and staff were identified Ms Hertel obtained a consensus from NSDL management on the appropriateness of recommendations made in the plan Based on these discussions, a work plan has been developed to systematically address each task over the next several months

Price Waterhouse will continue to follow the work plan developed for ongoing assistance to NSDL as published in April, 1997 The plan will be updated periodically to report progress in this and other identified tasks to NSDL's senior management A copy of this plan with updates can be found in Appendix B

Training under the Work Plan

The first task of the work plan was performed in March, 1997 A training session was held on concepts of and approaches to work in the areas of compliance, surveillance and risk management

As part of the training program for NSDL, as well as to strengthen the depository's overall organizational development, Price Waterhouse has continually committed to assist in the develop of internal procedures manuals While this commitment could be satisfied with the one-time drafting of procedures, NSDL also needs tools to continue to maintain the formal documentation of departmental procedures in the future

To meet this need, a three-phased approach to training by Price Waterhouse has been developed These phases are

1 Training of departmental management on developing and writing operational procedures This was to be accomplished through workshops attended by the various department heads of NSDL

2 Identification of functions within each NSDL department that need to be documented This exercise is to provide the NSDL management team with an understanding of what tools are used in determining procedures that should be written

3 Actual documentation of critical/basic procedures Price Waterhouse committed to assist in this area through the use of a technical writer on staff This process will teach by example

In documenting procedures, there will generally not be an attempt by Price Waterhouse to change how NSDL currently performs functions Recommendations and comments will be made as deemed appropriate though, as each group of departmental procedures is completed

Creation of Procedure Manuals

Under assistance with the development of the organizational structure for NSDL, Price Waterhouse has previously committed to contribute to the creation of procedure manuals This has begun under the following phases

- Training workshops on developing and writing operational procedures
- Training on function identification to support processes to be documented
- Documentation of procedures

Training Workshops

Workshops were held with the departmental managers to provide training on the development and documentation of operational procedures (A list of the attendees of these workshops may be found in Appendix A) Included in the discussions at these workshops were

A Workshops on Developing and Writing Operational Procedures

Workshops were held for the department heads of the various areas within NSDL, introducing them to developing and writing internal operational procedures A list of the attendees is in Appendix A The document used for this workshop may be found in Appendix C

The workshop included both discussion on why procedures are necessary and approaches that may be taken in the documentation process as well as an exercise in actually writing a simple procedure Each manager completed this exercise for his respective department

The workshops also provided the opportunity for the NSDL management to meet the technical writer from Price Waterhouse that will work with the NSDL staff in the third phase of this procedure project Discussion on the approach to procedure writing that will be used also gave the managers insight on what to expect during the actual documentation phase

B Training on Function Identification for Procedure Documentation

After the workshops on developing and writing operational procedures were completed management training in this area was extended to identifying functions to be documented Individual sessions were held with managers of three areas at NSDL (Issuer Interface - Marketing, Registrar Interface - Daily Operations, and Participant Interface) to perform this exercise The managers were exposed to tools immediately available within NSDL as well as thinking through what happens in their respective areas (Attendees at these sessions may be found in Appendix A)

Comprehensive lists of functions were developed for each area through this exercise These lists will be used in the third phase of the procedure documentation where the Price Waterhouse will work with the NSDL staff to actually write procedures, training through example

C Development of Human Resources Department - Orientation Program

The work plan also calls for the development of an orientation program for staff

members Such a program would be held by the Human Resources Department (HRD) This task overlaps with work being done by Price Waterhouse Consultant Dr Tessie San Martin In conjunction with her work, an overall training session was held on the organizational structure and responsibilities of the HRD

Ms Hertel prepared a case study based on her experience at a U S clearing corporation/depository The case study (Appendix D) looks at how the Human Resources Department, and specifically training, was structured at that clearing corporation/depository It was used as part of the materials distributed at a second session for NSDL on development of HRD on May 6, 1997, with the appropriate management staff in attendance A list of these attendees may be found in Appendix A

In addition to management training in the area of procedure formalization, training sessions on depository services in the U S had been planned to start in May This is in response to a direct request from the NSDL senior management However, due to heavy work volumes, a session could not be scheduled Sessions will be held over the coming months for both management and general staff as desired by NSDL

Next Steps

The work plan is designed around the currently identified training needs of NSDL The plan includes target and completion dates for various activities to be performed

Ms Susan Hertel shall return to India in the second week in July Prior to my return to India work will continue in the following areas related to NSDL Procedures

Using the lists of identified functions, Ferzana Khanna, technical writer for Price Waterhouse will work with NSDL in actually documenting processes Procedure manuals for the three departments (Issuer Interface - Marketing, Registrar Interface - Operations and Participant Interface) will be finalized on Ms Hertel's next visit At that time, work will begin with another 2-3 areas of the depository Any additional concerns and ideas will be incorporated into the recommendations priorities and the schedule will also be fine tuned at that time

Both the training and the creation of the initial departmental procedure

manuals will also give the depository management the tools to continue to document and maintain operational procedures under the evolution of the depository Such procedures are extremely important for future training of staff, as a reference for day-to-day operations, and to support industry regulatory requirements

For the success of this project the participation and cooperation of your management and staff is essential We would like to thank you and your colleagues at NSDL and NSE for the time, courtesy and cooperation extended to us during the course of this project

Please get in touch with us at the FIRE project for any clarifications you may require

Thanking you,

Yours sincerely,

W. Dennis Grubb

W Dennis Grubb
Principal Consultant

Management and Staff Training through Development of Procedure Manuals for National Securities Depository Limited (NSDL)

Price Waterhouse LLP
Mumbai
June 1997

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A. List of Attendees of Workshops

B. Revised Work Plan for NSDL

C. Workshop Materials - "Introduction to Developing and Writing Operational Procedures"

I EXECUTIVE SUMMARY

Under assistance with the development of the organizational structure for NSDL, Price Waterhouse has previously committed to contribute to the creation of procedure manuals This has begun under the following phases

- Training workshops on developing and writing operational procedures These sessions have been attended by various members of the NSDL management team

- Training on function identification to support processes to be documented This phase has been completed for Issuer Interface (Marketing), Registrar Interface (Daily Operations), and Participant Interface The remaining areas will be addressed in the coming months

- Documentation of procedures This phase follows the function identification process, and has been started for Issuer Interface, Registrar Interface and Participant Interface The technical writer from Price Waterhouse will be documenting the functions This will provide management training through example

Recommendations have been made to NSDL through the above training and within this paper for the establishment of corporate policies related to procedures in the areas of an annual review process, central control points for departmental procedures, and required levels of approval of procedures

In addition to management training in the area of procedure formalization, training sessions on depository services in the U S had been planned to start in May This is in response to a direct request from the NSDL senior management However, due to heavy work volumes, a session could not be scheduled Sessions will be held over the coming months for both management and general staff as desired by NSDL

The work also plan calls for the development of an orientation program for staff members Such a program would be held by the Human Resources Department (HRD) This task overlaps with work being done by another consultant from Price Waterhouse, Dr Tessie San Martin In conjunction with her work, an overall training session was held on the organizational structure and responsibilities of the HRD

Attendees at training sessions that were held can be found in Appendix A

Price Waterhouse will continue to follow the work plan developed for ongoing assistance to NSDL as published in April, 1997 A copy of this plan with updates can be found in Appendix B

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II – BACKGROUND

As part of the training program for NSDL, as well as to strengthen the depository's overall organizational development, Price Waterhouse has continually committed to assist in the develop of internal procedures manuals While this commitment could be satisfied with the one-time drafting of procedures, NSDL also needs tools to continue to maintain the formal documentation of departmental procedures in the future

To meet this need, a three-phased approach to training by Price Waterhouse has been developed These phases are

1 Training of departmental management on developing and writing operational procedures This was to be accomplished through workshops attended by the various department heads of NSDL

2 Identification of functions within each NSDL department that need to be documented This exercise is to provide the NSDL management team with an understanding of what tools are used in determining procedures that should be written

3 Actual documentation of critical/basic procedures Price Waterhouse committed to assist in this area through the use of a technical writer on staff This process will teach by example

In documenting procedures, there will generally not be an attempt by Price Waterhouse to change how NSDL currently performs functions Recommendations and comments will be made as deemed appropriate, though, as each group of departmental procedures is completed

A work plan has been developed for overall work with NSDL by Price Waterhouse Incorporated into this plan are the above three phases by target dates The plan will be updated periodically to report progress in this and other identified tasks to NSDL's senior management A copy of the updated work plan may be found in Appendix B

III WORKSHOPS ON DEVELOPING AND WRITING OPERATIONAL PROCEDURES

Workshops were held with the departmental managers to provide training on the development and documentation of operational procedures (A list of the attendees of these workshops may be found in Appendix A) Included in the discussions at these workshops were

- The importance of having well documented procedures
- Objectives of procedures
- Formats
- Tools to use in identifying tasks to document

The workshops also included an exercise where each manager wrote a brief, simple procedure for his respective area

Through the sessions held, the managers were also familiarized with the process that will be followed by Price Waterhouse in creating manuals for NSDL The technical writer from Price Waterhouse that will be working in this area was also at the workshops so that the staff had an opportunity to meet and interact with her

A copy of the material presented at these sessions may be found in Appendix C

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IV FUNCTION IDENTIFICATION FOR PROCEDURE DOCUMENTATION

Management training in the development of procedures was extended through function identification sessions held with the department heads of the Issuer Interface (Marketing), Registrar Interface (Daily Operations), and Participant Interface The department heads that participated in this process may be found in Appendix A

This exercise was performed to identify those tasks that should be documented at this time Tools that were used to complete this phase of the training included related work flows, narratives, and job descriptions as recommended for NSDL and published by Price Waterhouse in September, 1996 Adjustments were made as necessary to fit any differences in the actual development of the depository Additional functions as known by the departments heads were also added to the list where there was a desire to document such processes

V DEVELOPMENT OF PROCEDURE MANUALS

Technical writing assistance has begun by Price Waterhouse in the documentation of basic/critical procedures in the areas where the function identification process was completed (Issuer Interface, Registrar Interface, and Participant Interface)

The management and staff are being interviewed as needed to record the steps of each process No attempt is being made to change the procedure being used Rather, the resulting documentation will provide management the opportunity to review what is now being done and what may need to be changed in management's view This will occur under the approval process incorporated into the overall development of documented procedures

While no changes will be made in how the work is currently being done, Price Waterhouse will provide comments and recommendations where appropriate as procedures are drafted Such comments and recommendations will be offered to support NSDL's management in finalizing and approving the drafted procedures

This documentation will continue over the next two months and is expected to be completed in July for the first three areas The next group of departments will then be addressed Manuals will be provided to respective departments as they are completed in both hard and soft copy forms Comprehensive manuals covering all departments will be given to NSDL senior management when all documentation is completed

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VI RECOMMENDATIONS

NSDL needs to establish corporate policies on procedures in the following areas

A Periodic review of all procedures

The initial documentation of procedures is just the first step To continue to be effective, all procedures must be periodically reviewed to ensure that they are still accurate and appropriate Minimally, this review should be done on an annual basis

Procedures support training and day-to-day operations of a corporation The documentation becomes an integral part of all internal and external audits For a self-regulatory organization such as a securities depository, well-documented procedures increase the credibility of operations in the view of regulators For these reasons, it is imperative that all documentation of processes be current and accurate The adherence to an established review policy ensures this is accomplished

B Control of documented procedures

This may be done at the department level or at a central point within the depository The control point ensures

- Proper organization and assignment of procedure identification codes
- Follow up work is done to insure procedures are circulated for approval from the appropriate management levels
- Adjustments are made to procedure drafts as requested by approving management before approvals are applied
- That approvals are actually received
- That procedures are periodically reviewed under the corporate policy

C Required levels of approval

It is recommended that the procedures be approved by two levels of management These levels should be at least the manager directly responsible for the function and one level above NSDL may wish to add other approval levels Also, approvals may be sought from Compliance, Legal, auditors, and regulators on specific procedures

NOTE ***There is a natural resistance to sharing documented procedures with auditors and regulators However, if approvals are received from these***

groups, NSDL increases its credibility within the industry

It is further recommended that the final procedure manuals be distributed to all staff members Typically, this distribution is done by department with all employees in a given area provided with copies of all procedures for that department Providing the staff with this documentation provides them with a reference point in performing their duties, fixes responsibility in completing tasks, and sets a basis for measuring performance

A combined operations manual should also be available at the central control point for reference by management, staff, auditors, and regulators

VII TRAINING ON U S DEPOSITORY SERVICES

Other training outside of the procedure documentation process was offered to NSDL in the form of a training session on depository services as provided in the U S This was developed in response to a direct request from NSDL management However, time did not permit holding a session due to the heavy schedules of the NSDL management team

It is intended that sessions will be held in July, 1997 for management staff This training can then be extended to the general staff as the NSDL management feels is appropriate

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VIII. HUMAN RESOURCES ORIENTATION PROGRAM

The work also plan calls for the development of an orientation program for staff members Such a program would be held by the Human Resources Department (HRD) This task overlaps with work being done by another consultant from Price Waterhouse, Dr Tessie San Martin In conjunction with her work, an overall training session was held on the organizational structure and responsibilities of the HRD

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IX SUMMARY AND NEXT STEPS

Workshops on an "Introduction to Developing and Writing Operational Procedures" have been completed for the NSDL Department heads Management training in this area was extended to sessions on identification of functions to be documented for Issuer Interface, Registrar Interface, and Participant Interface

Using the list of identified functions, the Price Waterhouse technical writer will be documenting processes as performed by NSDL staff members This will occur through interviewing the people actually performing the work, writing the actual procedures, and reviewing the written product with the respective department head

This process is expected to be completed in July for the first three groups Then work on procedures will begin in other areas of NSDL

Finalized procedures will be presented to each department as they are completed (hard and soft copies) with full manuals given to senior management when all procedures are finally documented While there is no intention for Price Waterhouse to change how functions are currently performed, recommendations and comments will be offered where appropriate

Current recommendations related to procedure documentation for NSDL to consider are

- Establishment of periodic review program for all procedures Each documented should be reviewed and updated at least annually

- Establishment of control point(s) for departmental procedures Initially, this is probably best done within each department NSDL can decide later if a central corporate control point is desirable

- Establishment of an approval process for all documented procedures It is recommended that at least two levels of management responsible for the respective area approve all written procedures

Training sessions on depository services in the U S will begin in July, 1997 They will first be presented to NSDL's management team These sessions will be extended to the general staff as NSDL's management feels is necessary

The groundwork for the development of a staff orientation program through the Human Resources Department has been laid This was done as part of a training session held by Dr Tessie San Martin of Price Waterhouse The session focused on the organizational structure and responsibilities of HRD (specifically in the area of training) Included within such responsibilities is the creation of an orientation program

A new task has been added to the work plan called "Introduction to Work Measurement" One benefit of documented procedures is that they support staff accountability requirements and establishing task standards It is planned that Price Waterhouse will provide an introduction to this process in November, 1997

Price Waterhouse will continue to follow the work plan as found in Appendix B over the next several months Timings and topics will be adjusted where needed

APPENDICES

List of Appendices

A. List of Attendees for Workshops

B. Work Plan for NSDL

C. Workshop Material - "Introduction to Developing and Writing Operational Procedures"

APPENDIX A

LIST OF ATTENDEES OF WORKSHOPS

APPENDIX A

LIST OF ATTENDEES OF WORKSHOPS

Workshops on "Introduction to Developing and Writing Operational Procedures" -

Shashikant S Shirahatti, Vice President, Systems
T Koshy, Vice President, Operations
V R Narasimhan, Vice President, Operations
S Gopalan, Assistant Vice President, Operations
Jayesh Sule, Assistant Vice President, Operations

Function Identification for Procedure Documentation
Department heads who participated

Issuer Interface - Marketing

V R Narasimhan, Vice President, Operations
Amit Sinha, Manager

Registrar Interface - Daily Operations

S Gopalan, Assistant Vice President, Operations
Anita Bhatia, Assistant Manager
Paras Gada, Officer

Participant Interface

Jayesh Sule, Assistant Vice President, Operations

Training for NSDL on Development of the Human Resources Department

C B Bhave, Managing Director
Gagan Rai, Executive Director, Operations
Rajesh Doshi, Executive Director, Systems
T Koshy, Vice President, Operations
S Gopalan, Assistant Vice President, Operations
Jayesh Sule, Assistant Vice President, Operations
M Mistry Vice President, Networks

APPENDIX B

REVISED WORK PLAN FOR NSDL

APPENDIX B

REVISED WORK PLAN FOR NSDL

TASK	TARGET START DATE	TARGET COMPLETE DATE	ACTUAL COMPLETE DATE
Training session on Compliance, Surveillance, and Risk Management	March, 1997	March, 1997	March, 1997
Training session on securities depository services in the U S	May, 1997	July, 1997	
	Delayed start until July due to heavy schedules of NSDL management		
Training sessions on procedure documentation	May, 1997	May, 1997	May, 1997
Identify training resources within/outside India for specific topics as needed by NSDL	May, 1997	Ongoing	Ongoing
Documentation of departmental procedures			
- Issuer Interface	May, 1997	July, 1997	
	Function identification completed in May, 1997		

- Registrar Interface	May, 1997	July, 1997	
	Function identification completed in May, 1997		
- Participant Interface	May, 1997	July, 1997	
	Function identification completed in May, 1997		
- Clearing Corporation Interface	July, 1997	September, 1997	
- Corporate Communications	July, 1997	September, 1997	
- Compliance	July, 1997	September, 1997	
- Finance	July, 1997	September, 1997	
- Surveillance	September, 1997	November, 1997	
- Risk Management	September, 1997	November, 1997	
Establish Human Resources orientation program	July, 1997	September, 1997	
	Training on HRD development held on June 5, 1997		
Review/create management reports	November, 1997	January, 1998	
Introduction to Work Measurement (added May, 1997)	November, 1997	November, 1997	
Assist in meetings with issuers and R&T agents to solicit participation in the depository	Ongoing as needed by NSDL	Ongoing	Ongoing

Assist in development of Business Continuity Plan for business operations	November, 1997	January, 1998
Computer Networking	As needed to support out-sourced techni-cal work	As needed to support out-sourced techni cal work
Computer Systems	As needed to support out-sourced techni-cal work	As needed to support out-sourced techni cal work

APPENDIX C

WORKSHOP MATERIAL - "INTRODUCTION TO DEVELOPING AND WRITING OPERATIONAL PROCEDURES"

INTRODUCTION TO

DEVELOPING AND WRITING

OPERATIONAL PROCEDURES

Prepared By
Sue Hertel
Price Waterhouse
January 1997

I INTRODUCTION TO PROCEDURE WRITING

Procedures are a form of communication, and, as such, they must be clearly understood by the reader(s) Procedures are written for specific groups of people by others who know the functions to be performed

Typically, the person who knows the functions to be performed best is the manager of the related area It follows that the manager then should write the procedures Where time constraints do not allow this, professional procedure writers are often used If it is decided that such writers should be used, then the manager must still be involved in reviewing the final product for completeness and accuracy

Involving the staff who perform the procedures in the first draft may also be helpful Such an exercise will provide insight to the manager on how well a staff member understands the function It may also alert the manager to steps being taken that were not included or intended when the procedure was originally established

Objectives for developing procedures include

- To insure that functions are performed efficiently
- To reduce and minimize errors in performing functions
- To provide continuity of operations
- To facilitate orderly changes in the performance of functions
- To coordinate functions and describe workflows between departments and the various areas within departments
- To maximize the abilities of all workers
- To enhance job satisfaction
- To facilitate establishing standards and monitoring the performance of employees based on those standards

Procedure content is adjusted to meet the needs of the different levels of the users of the procedures These levels generally fall into one of the following categories

- Detailed procedures - This type of format describes the individual steps of functions to be performed Such detail is needed to support the training of staff,

as well as to provide an ongoing reference for day-to-day operations
- Performance standards are established based on the detail within such procedures

- Overview procedures - The overview format is typically used for those functions to be performed by management levels It is presumed, therefore, that the reader has an understanding of the work to be done and a description of individual steps is unnecessary The overview procedure is prepared to summarize the functions and provide guidelines for management decisions

It is important, therefore, that the procedure writer understands how and who will be using the procedure(s) being developed and written

Also critical to formally documenting procedures is the need to control the process to insure that all functions are recorded, and that procedures are updated to reflect job and service changes To insure the completeness and accuracy of the documentation, a full review of all procedures as they relate to operations should be completed at least on an annual basis

The result of all of these efforts will be comprehensive procedure manuals that will help to insure operational efficiencies

II PROCEDURE FORMAT

Orderly presentation is essential to procedure documentation Establishing a prescribed procedure format that is readily understood by the reader helps to accomplish such a presentation Elements to be considered in creating a procedure format include

- Procedure identification codes
- Approvals
- Implementation date
- Revision date
- Title
- Purpose
- Text format
- Exhibits

The factors of each element are described below

Procedure Identification Codes

Procedure identification codes facilitate locating a specific procedure within a manual An index of procedure identification codes is included at the beginning of each departmental manual for the user's reference Procedures are maintained within the manual in the same order as the codes listed in the index

The codes may simply be numeric with the numbers issued as each procedure is written A prefix indicating the subject matter, the department, or the area of the department performing the function described within the procedure may be added to the code

If the individual procedure manuals are to be combined into one comprehensive corporate manual, a departmental indicator within the code is necessary This clearly identifies to the reader where the procedure is actually performed

To insure proper control, the allocation of procedure identification codes should be assigned to one individual within the department or corporation

Approvals

It is important that a corporate policy on the approval of procedures be established Management is responsible for the successful operation of the business, and, therefore, should be included in the procedure documentation process This insures that all are in agreement with the methods

used to perform functions and that corporate philosophies and policies are followed

At least two levels of management should approve procedures Individuals providing the approvals should be those managers responsible for the respective area using the procedures, as they are ultimately responsible for that department's productivity

Implementation Date

The implementation date is important to knowing the age of the procedure This aging is considered when periodic reviews of all procedures are performed to insure documentation is kept current

In the event that duplicate procedures are written on a specific function, the implementation date may also help to identify the more accurate (current) document

Revision Date(s)

Similar to the implementation date, the revision date tells the reader how current the procedure is A stale date will trigger a revision under the periodic review of all procedures

Title

The procedure title should be concise and descriptive of the function being performed The maximum length of the title should normally be four words

Purpose

The purpose of the procedure is stated after the title and before the description of the functional steps This element should briefly describe why the function is being performed Usually, two sentences are sufficient to provide this overview

Additional information that might be included after this purpose statement includes a listing of other related procedure numbers, and miscellaneous general information that the writer feels needs to be known to the reader

Text Format

Prior to beginning the text format, the procedure writer needs to determine the level at which the procedure will be used If the procedure is to be used for training and/or day-to-day operations by the staff, the text will be a detailed outline of the specific steps to be followed If the procedure is to summarize functions performed by management, then the text will still be in outline form, but provide an overview of information and guidelines

Exhibits

Exhibits should be used whenever documents are referenced within the procedure A detailed procedure will require a more extensive use of exhibits than an overview procedure

Where a list of data, complicated formula, or a checklist is needed within a procedure, this may be accomplished by creating an exhibit to provide the information This list can then easily be used as a separate reference when performing a function rather than continually checking the full procedure Simple flowcharts may also be helpful as exhibits, particularly where the overview format is being used

III IDENTIFYING TASKS TO DOCUMENT

Detailed Procedures

Ultimately, all tasks performed by the staff should be documented through formal detailed procedures Initially, it is easiest to determine what procedures to write by identifying primary functions under current activity Later, as new services are added or changes are made to existing services, the need for additional procedures will be evident

To prepare initial procedures, each department needs to consider the major responsibilities assigned to individual areas A list of these responsibilities should be compiled from which procedures will be formally developed and documented Tools that may be used to prepare this list include

- Documented departmental workflows
- Job descriptions
- System business requirements for existing and new products
- Known functions

Through the process of actually creating these procedures, additional topics may be identified and/or initial functions may be broken down into smaller tasks to simplify the procedural instructions

When new services are being created, documenting departmental procedures should be part of the development process Similar to identifying tasks under existing services, primary functions should be noted and documented The step-by-step instructions of the procedures should be challenged during the testing phase of the service development and adjustments made as needed (either to the procedure or the developing system)

Changes to services should automatically trigger management to review existing procedures and have revisions made as necessary

Overview Procedures

Overview procedures are typically written to assist management in understanding and remembering corporate policies and guidelines in carrying out departmental responsibilities and performing services to participants Examples of topics are

- Risk-related issues and how to proceed under certain situations

- Required service levels
- Interdepartmental relationships

Where detailed procedures are formatted in a step-by-step outline, overview procedures may often be written using text paragraphs Checklists are useful tools to include Exhibits are also helpful, but may not be used as extensively as they are in detailed procedures

The overview procedure should provide the manager with enough information to make necessary decisions that are consistent with corporate philosophies and policies

IV WRITING DETAILED PROCEDURES

Procedures are more frequently written using the detailed format The need to train staff and have a reference point for day-to-day operations dictates this style The following information provides a formal structure to preparing this type of procedure, using the elements previously described in section II

Procedure Identification Code

The standard procedure identification code as established by company policy should be used for all procedures This may be as simple as assigning the next available number to a new procedure, or including a prefix to a number that indicates the related department and/or subject matter to that number The identification code should be entered at the top of each page of the procedure and related exhibits

Approvals

A section for the approvals required by company policy should follow the procedure identification code A minimum of two levels of management should approve the final procedure The approving management should be responsible for the department performing the procedure

Approvals should generally be placed on the first page of the procedure document Additional approvals may also take the form of supporting memos and/or letters For example, regulators and auditors may approve a procedure within their work papers, in their letters on findings after a review, or in letter form as a response to a request for approval

Implementation Date

The implementation date is the date when the function will begin to be performed as described in the approved procedure This date is after all approvals for the procedure as documented have been obtained

If the procedure being written is a new procedure, then "NEW" should be indicated in this area

Revision Date

The revision date reflects the date on which one of the following actions was taken

- The procedure was updated to incorporate changes to the procedure
- The procedure was reviewed to insure that the steps outlined are still correct (as under the periodic review of all procedures)

If the procedure being written is a new procedure, then "NEW" should be indicated in this area

Title

The procedure title should be concise and descriptive of the function being performed The maximum length of the title should normally be four words

Purpose

The purpose of the procedure is stated after the title and before the description of the functional steps This element should briefly describe why the function is being performed Usually, two sentences are sufficient to provide this overview

Following the brief description, any related procedures should be listed by their identification codes For example, a statement should be made that the reader should "refer to procedure(s) ---- for related functions"

If the writer feels strongly that additional information is needed about the purpose of the procedure, such information may be added as a note to the purpose or a separate section called "General Information" may follow the purpose

Text Format

While the procedure is to be very detailed, the text should also be simple and easy for the reader to follow Larger procedures should be broken down into two or more less complicated procedures The procedure outline should provide step-by-step instructions on how to perform the function Steps must be described in chronological order and should be written as simple action statements

A novice employee or one unfamiliar with the function should be able to complete the process by simply following the steps as documented This requirement should be constantly considered when writing the text of the procedure

Exhibits

Detailed procedures may refer to reports, forms, computer screens, checklists, etc Wherever such a reference is made an exhibit needs to be provided with the procedure

> *Note* ***It is very important that the reference within the procedure uses the exact title of the document that will be reflected in the exhibit Often, the staff will develop a habit of calling one of these tools by a shortened version of the name, the content, or even the color of the paper on which it is printed (the "yellow" report) Using correct titles within procedures will avoid confusion***

The exhibit needs to be of high quality If a report must be reduced in size to fit the procedure form, the content must continue to be legible Where information on an exhibit includes a date, it should be current (usually within one year to correspond to periodic procedure reviews) Stale dates may mean that the exhibit is no longer valid

An exhibit form is used to display the exhibit The form carries the title and identification code of the procedure The exhibit number as referenced within the procedure is also placed on the exhibit form All exhibits are then attached to the respective procedure in numerical order

The exhibit may be outlined heavily in black on the exhibit form This helps to make the exhibit stand out on the form

General information about the exhibit may also be included on the exhibit form This information might include

* Size (dimensions) of the actual document This is sometimes helpful if the original has been reduced to fit the exhibit form

* Number of plies if the exhibit is a form or report When performing a procedure, the staff may be concerned about a specific ply, and it may help to know that a document has more than one copy

* Color While calling a report or other document by the color of the paper on which it is printed is discouraged, it may be helpful to know the color to quickly locate it in the operating environment Also, the various plies of a form may be different colors Reference to the color of the appropriate ply can insure that the correct copy is used in following the procedure

* Cross-references to numbers of procedure steps Notations may be made on the exhibit that refer to the various related actions described within the procedure narrative For example, if information is being entered to a form, the step number that describes this action may be entered on the relative section of the form as supplied through an exhibit

Outlining the exhibit and providing descriptive information may make the exhibit more attractive, but is not critical to the presentation It is more a matter of personal taste More importantly, efforts should be directed at insuring that the exhibit is accurate and legible

V WRITING OVERVIEW PROCEDURES

The overview style is typically used for those functions to be performed by management levels It is presumed, therefore, that the reader has an understanding of the work to be done The overview procedure is prepared to summarize the functions and provide guidelines for certain (but not necessarily all) management decisions

The format for the overview procedure is generally the same as for the detailed procedure The only difference is in the writing of the text portion of the procedure Instead of very detailed functional steps, broader statements are used to describe the process

Guidelines are provided to management through overview procedures These guidelines assist management in making decisions vs providing step-by-step instructions on how to perform a function

VI STAFF ACCOUNTABILITY UNDER PROCEDURES

Detailed procedures need to be documented for all functions performed by the staff This provides critical support for training, insures individuals have at least one source of clear direction in completing duties, and protects the corporation when evaluating performance

Procedures should be designed to support any performance standards set by management These standards include both accuracy and production volume requirements Failure to fulfill these requirements could have an adverse impact on a staff member's position with the corporation Therefore, it is management's responsibility to insure that the staff understands the standards that they are expected to meet

To strengthen this process, all written procedures should be accumulated into a manual that is available to all employees Ideally, each staff member should be provided with their own manual for daily reference as needed Minimally, each area of each department needs to have a manual that is easily accessible to all staff members

It is critical that management impresses upon staff members the importance of insuring that duties are carried out in compliance with procedures Failure to do so could mean deterioration of service levels to customers, risk and/or financial loss to the corporation, and even disciplinary actions against the employee

VII SUMMARY

Well documented procedures clearly communicate how functions are to be performed and provide support to operational objectives such as

- Efficiency
- Accuracy
- Continuity of operations
- Coordination of functions
- Employee performance

The style of documentation is dictated by who will be performing the function described A detailed, step-by-step format is used for training, day-to-day operations, and work measurement to establish performance standards Overview procedures are generally used to summarize functions and provide guidelines for management decisions

A consistent format is used to document departmental/corporate procedures Once documented and approved, procedures may be used to support work measurement efforts and the development of performance standards The staff then clearly knows what is expected by management

Documented procedures assist auditors and regulators in their periodic reviews Procedure approvals may also be obtained from these groups to add assurances that the performance of operational functions meet audit and regulatory criteria

Finally, managers who have well-documented procedures are more likely to have organized departments, and staff that perform at a consistently high level

SLIDES

INTRODUCTION TO PROCEDURE WRITING

WRITING PROCEDURES

* **Form of communication**

* **Must be clearly understood by reader**

* **Directed at specific group (level) of people**

* **Writer knows/understands functions**

  - **Usually manager**

  - **Staff may be involved in writing initial procedure draft**

  - **Professional procedure writer used where there are time constraints (final product reviewed by manager)**

OBJECTIVES OF PROCEDURES

*To insure functions are performed efficiently

*To reduce/minimize errors

*To provide continuity of operations

*To facilitate orderly changes in functions

*To coordinate functions between/within departments

*To describe work flows

*To maximize abilities of workers

*To enhance job satisfaction

*To facilitate monitoring employee performance

PROCEDURE CONTENT VS. USER LEVELS

DETAILED PROCEDURE

- **Describes individual steps**
- **Used for training**
- **Reference for day-to-day operations**
- **Supports performance standards**

OVERVIEW PROCEDURE

- **Used for management functions**
- **Summarizes functions**
- **Provides guidelines for management decisions**

********KNOW THE READER********

FORMAL DOCUMENTATION OF PROCEDURES

*Controls processes

*Records functions

*Reflects job and service changes

CRITICAL TO A DOCUMENTED PROCEDURE PROGRAM

PERIODIC FULL REVIEW OF ALL PROCEDURES

(MINIMALLY -- ANNUALLY)

PROCEDURE FORMAT

* Identification codes

* Approvals

* Implementation Date

* Revision Date

* Title

* Purpose

* Text format

* Exhibits

PROCEDURE IDENTIFICATION CODES

* *Used to facilitate*

  - **Creation of index for procedure manual**
  - **Location of procedure within a manual**

* *Format of codes*

  - **Numeric**
  - **Alpha numeric**
  - **May include prefix**
    * **Departmental**
    * **Subject matter**

* *Controlled at one point within the department or company*

APPROVALS

* By management
* Minimum of two levels
* Related departmental responsibility

IMPLEMENTATION DATE

* Date procedure begins
* Facilitates periodic review process

REVISION DATE

* Provides reassurance that procedure is current
* Facilitates periodic review process

TITLE

* Should be concise (usually up to four words)

* Descriptive of function

PURPOSE

* Briefly describes why function is performed (usually two sentences)

* Additional information after purpose statement

  - Related procedure numbers

  - Miscellaneous general information

TEXT FORMAT

* **Determined by who will use procedure**

* **Detailed format**

  - **Training**

  - **Day-to-day operations**

* **Overview format**

  - **Management functions**

  - **Guidelines for decision-making**

EXHIBITS

* **Support references within procedure**

* **More often used with detailed procedures**

* **Include report, forms, screens, checklists, flowcharts, etc.**

IDENTIFYING TASKS TO DOCUMENT

* ***DETAILED PROCEDURES***

  - **Documented work flows**
  - **Job Descriptions**
  - **Business requirements**
  - **Additions/changes to services**
  - **Known functions**

* ***OVERVIEW PROCEDURES***

  - **Risk-related issues**
  - **Required service levels**
  - **Interdepartmental relationships**

*****BREAK*****

WRITING DETAILED PROCEDURES

* *User Level:* **Staff (clerical)**

* *Use:* **Training**

  Day-to-day operations

  Measure performance

WRITING DETAILED PROCEDURES

Identification Code

* **Established by company policy for consistency**
* **Numeric or alpha numeric**
* **Departmental or subject prefix**
* **Controlled at central point**
* **Placed on each page of procedure and related exhibits**

Approvals

* **Related management - two levels**
* **Auditors**
* **Compliance Department**
* **Regulators**
* **Placed on original procedure or documented separately through regulatory responses**

WRITING DETAILED PROCEDURES

Implementation Date

* Date function begins (usually after all approvals)
* Placed on first page of original procedure

Revision Date

* Date procedure last reviewed
  - No changes when reviewed
  - Updated when reviewed
* Placed on first page of original procedure

WRITING DETAILED PROCEDURES

Creation of Title

* **Concise (usually four words)**
* **Descriptive of function**

Purpose

* **Brief description of function being performed (usually two sentences)**
* **Related information given after purpose description**
* **Extensive related information provided in separate paragraph or section**

Text Format

* **Simple action steps (begin statement with verb)**
* **Step-by-step instructions**
* **Large processes broken down into two or more procedures**
* **Cross-references to related procedures**

WRITING DETAILED PROCEDURES

Exhibits

* **Related to actions taken within the procedure**
* **Copies of forms, reports, screens, checklists, flowcharts, etc.**
* **Large documents reduced to fit procedure paper**
* **Must be legible and current**
* **Provides pertinent data**

*****PROCEDURE WRITING EXERCISE*****

WRITING OVERVIEW PROCEDURES

* **Follow same outline format as for detailed procedures**
* **Summarize functions**
* **Provide guidelines**
* **Make broad statements**

STAFF ACCOUNTABILITY UNDER PROCEDURE

* **Procedure manuals provided to each staff member**

* **Reinforced use of documented procedures**

* **Support for work/performance measurement (work standards based on procedures)**

* **Procedure breaks are indicators for management**

PROCEDURE DOCUMENTATION
SUMMARY OF BENEFITS

* Communication of how functions are to be performed

* Support operational objectives

  - Efficiency
  - Accuracy
  - Continuity of operations
  - Coordination of functions within/between departments
  - Employee performance

* Directed at reader/user of procedure

  - Detailed — Training, day-to-day reference, work measurement

  - Overview — Summary, guidelines for management decisions

* Written using format

* Establish a basis for work measurement and performance standards

* Provide a background for audits and regulatory reviews

* Create a well organized and high performance organization

*****SAMPLE PROCEDURE FORMAT*****

Identification Code
Approvals

Implementation Date
Revision Date

TITLE Function being performed

PURPOSE Brief description of why the procedure is being performed Include any notes or general comments in this section

Outline complex procedures under separate categories or break down into smaller procedures

Person(s) responsible for performing each step

Chronological order of steps to be performed

Steps should be simple, specific action statements

Notations of exhibits should be included An exhibit should be attached whenever a form, report, terminal screen, etc is mentioned in the procedure

*****SAMPLE PROCEDURE*****

Identification Code
Approvals

Implementation Date
Revision Date

TITLE Wire Transfers

PURPOSE To effect money transfers by wire both between settlement banks and third parties

OUTGOING WIRE TRANSFERS

1st Wire Transfer Clerk	1	Receives wire request form (Exhibit 1)
	2	Reviews form for completeness and proper authorization
	3	Telephones wire room of appropriate bank
	4	Instructs bank to send wire, providing receiving party data
	5	Enters wire transfer to log (Exhibit II)
2nd Wire Transfer Clerk	6	Receives call from bank to confirm outgoing transfer of funds
	7	Confirms from wire log that bank has correct data
	8	Enters confirmation information to log
	9	Maintains log in daily folder for further balancing processes and future research

INCOMING WIRE TRANSFERS

Wire Transfer Clerk	10	Receives telephone call from bank, advising receipt of a wire credit to one of the depository bank accounts
	11	Enters information to incoming wire log (Exhibit III, including A Sending party B Amount C Bank Clerk's name D Time received
	12	Maintains log in daily folder for further balancing processes and future research