



# **POLICIES**

## **Graduate School of Banking & Prochnow Educational Foundation**

November 2011

# Admission Requirements

Admission to the Graduate School of Banking is by application only. Those seeking admission as first-year students should file an [online application](#)

Admission requirements for first-year students are designed to select those applicants who are prepared by experience and prior education to derive the greatest benefit from this advanced bank management program. Each first-year applicant must qualify under one of the following criteria:

- Officers of FDIC-insured banks or savings institutions with five years of banking experience, and either a college degree or equivalent additional years of financial services experience. Other applicants will be considered on a case-by-case basis if their application is accompanied by a letter of endorsement from the chief executive or a member of senior management.
- State and federal financial institution regulatory officials and directors of banks or savings institutions with educational background and experience comparable to that required of bank officers.
- Non-officer bank or savings institution employees who are performing officer-level functions will be considered if their applications are accompanied by letters of recommendation from their chief executive or another senior officer describing current duties and responsibilities.
- Professionals from firms providing services to banks and savings institutions who have educational and experience backgrounds comparable to that required of bank officers will be considered for admission on a case-by-case basis and will be dependent on available space.

As a matter of policy, the Graduate School of Banking does not discriminate among applicants and participants on the basis of race, religion, sex, national origin, color, handicap, orientation, or marital status.

## **MANAGEMENT OF GSB CASH RESERVES POLICY**

Following the annual audit at the conclusion of each fiscal year, the President and CEO will determine the level of unrestricted net assets in the Graduate School of Banking.

Any amount in excess of 20% of the budgeted GSB expenses for the new fiscal year may be contributed to the Prochnow Educational Foundation for inclusion in the Foundation's investment portfolio. This action is subject to Board approval.

The remaining unrestricted net assets in the School may be invested in bank certificates of deposit at the discretion of the President & CEO, based on market conditions and the School's projected cash flow requirements.

***Approved by the Board of Trustees of the Graduate School of Banking***

***03/07/2008***

## **CODE OF BUSINESS CONDUCT**

The Graduate School of Banking at the University of Wisconsin-Madison is widely recognized as the leading provider of advanced educational programs to meet the future professional development needs of the financial services industry.

The foundation of this industry has always been built upon total honesty, trust and integrity. Therefore, GSB staff members have a major obligation to consistently maintain the highest standards of ethics in both fact and appearance.

Specifically, each GSB employee must:

- Immediately notify the GSB President when they are aware of any improper, unethical or illegal activity that may directly or indirectly involve the School.
- Decline any gift offered in expectation of favorable treatment.
- Report any gift with a value of \$50 or more that they receive to the GSB President.
- Avoid any influence that might conflict with, or be thought to conflict with, the best interests of GSB.
- Adhere to all GSB policies and procedures.
- Respect the rights and views of fellow employees, Board members, faculty, UW-Madison officials, GSB graduates and students, consultants, vendors and others with whom they are in contact on behalf of GSB.
- Use GSB's resources exclusively for the benefit of the School and its constituencies.

Any GSB staff member who violates these standards shall be subject to disciplinary action, up to and including termination of employment.

Outside Employment – while supplemental employment outside of GSB is discouraged, if a staff member desires to work a second job, that may be deemed acceptable only if it does not conflict with GSB objectives or adversely impact the employee's performance at or loyalty to GSB.

Employment of Relatives -- GSB shall not hire any individual for a permanent position (full or part-time) who is related to a current GSB staff member. If a staff member's relative is hired for a temporary position, that person shall have no involvement with GSB's financial operations.

## CONFLICT OF INTEREST

This conflict of Interest Policy of the Graduate School of Banking (GSB) and the Herbert V. Prochnow Educational Foundation(PEF):

- defines conflicts of interest
  - identifies classes of individuals within GSB and PEF covered by this policy
  - facilitates disclosure of information that may help identify conflicts of interest
  - specifies procedures to be followed in managing conflicts of interest.
1. A conflict of interest arises when a person in a position of authority for GSB or PEF may benefit financially from a decision he or she could make in that capacity, including indirect benefits such as to family members or businesses with which the person is closely associated. This policy is focused upon material financial interest of, or benefit to, such persons.
  2. Persons covered by this policy are GSB's and PEF's Trustees, Faculty and Banker Advisory Board Representatives to the Boards of Trustees, President & CEO, and members of the management team.
  3. Persons covered by this policy will annually disclose to or update the Chairman of the Board of Trustees their interests that could give rise to conflicts of interest, such as a list of family members, substantial business or investment holdings, and other transactions or affiliations with businesses and other organizations or those of family members.
  4. For each interest disclosed to the Chairman of the Board of Trustees, the Chairman will determine whether to
    - a. take no action
    - b. assure full disclosure to the Board of Trustees and other individuals covered by this policy
    - c. ask the person to recuse from participation in related discussions or decisions within GSB or PEF; or
    - d. ask the person to resign from his or her position in GSB or PEF or, if the person refuses to resign, become subject to possible removal in accordance with GSB or PEF's removal procedures.

The GSB and PEF President & CEO will monitor proposed or ongoing transactions for conflicts of interest and disclose them to the Chairman of the Board of Directors in order to deal with potential or actual conflicts, whether discovered before or after the transaction has occurred.

Adopted by GSB Board of Trustees - July 1, 2009

## WHISTLEBLOWER POLICY

This Whistleblower Policy of the Graduate School of Banking (GSB) and the Herbert V. Prochnow Educational Foundation (PEF):

- encourages staff and volunteers to come forward with credible information on illegal practices or serious violations of adopted policies of GSB or PEF
  - specifies that GSB and PEF will protect the person from retaliation; and
  - identifies where such information can be reported.
1. GSB and PEF encourages complaints, reports or inquiries about illegal practices or serious violations of their policies, including illegal or improper conduct by GSB or PEF themselves, by their leadership, or by others on their behalf. Appropriate subjects to raise under this policy would include financial improprieties; accounting or audit matters; forgery or alteration of documents; unauthorized alteration or manipulation of computer files; misappropriation or misuse of resources, supplies or other assets; authorizing or receiving compensation for goods not received or services not performed; ethical violations, or other similar illegal or improper practices of policies. Other subjects on which GSB and PEF have existing complaint procedures should be addressed under those procedures, such as raising matters of alleged discrimination or harassment pursuant to GSB's and PEF's human resources guidelines, unless those involved in such procedures are themselves implicated in the wrongdoing. This policy is not intended to provide a means of appeal from outcomes in those other procedures.
  2. GSB and PEF prohibit retaliation by or on behalf of GSB and PEF against staff or volunteers for making good faith complaints, reports or inquiries under this policy or for participating in a review or investigation under this policy. This protection extends to those whose allegations are made in good faith, but prove to be mistaken. GSB and PEF reserve the right to discipline persons who make bad faith, knowingly false, or vexatious complaints, reports or inquiries or who otherwise abuse this policy.
  3. Complaints, reports or inquiries may be made under this policy on a confidential or anonymous basis. They should describe in detail the specific facts demonstrating the bases for the complaints, reports or inquiries. They should be directed to GSB's and PEF's President & CEO or to the Chairman of the Boards of Trustees; if both of those persons are implicated in the complaint, report or inquiry, it should be directed to GSB's and PEF's General Counsel. GSB and PEF will conduct a prompt, discreet, and objective review or investigation. Staff or volunteers must recognize that GSB and PEF may be unable to fully evaluate a vague or general complaint, report or inquiry that is made anonymously.

## **PEF Investment Policy Statement**

### **Updated & Approved 6/7/17**

#### Background, Purpose and Responsibility

The Prochnow Educational Foundation (PEF) was established in 1983 as a supporting organization to the Graduate School of Banking at the University of Wisconsin-Madison (GSB). PEF is a primary resource for scholarships, curriculum enhancements and industry research beneficial to the School and the financial industry. If needed and approved by the board, assets may also be used to provide support for GSB's operational expenses, events and promotion of the School and its many programs. This Investment Policy Statement shall provide guidance for the investment policy and management of the PEF investment portfolio.

In fulfilling their duty, the PEF Board of Trustees will establish investment goals, objectives and guidelines. To the extent they consider prudent, the Board of Trustees may delegate management and investment transactions to one or more external agents, such as a bank, investment advisor, custodian or planner. Investment managers/advisors will be selected based on criteria to include but not limited to: education, credentials, satisfactory FINRA BrokerCheck report, performance, strategy, comparable fees, and entities/professionals that have a history of supporting GSB or PEF. A combination of all these factors will be considered when selecting or changing investment advisors.

#### Investment Objectives

The investment objective of the PEF investment portfolio is to build a sustainable asset with which GSB can obtain annual revenues primarily to fund scholarships and curriculum enhancements that keep the School's curriculum and enrollments on the leading edge of advanced management banker education. The Foundation seeks to achieve long-term capital growth through an actively managed, high quality portfolio yet the primary investment objective, first and foremost, is that of capital preservation.

The time horizon for this portfolio is perpetuity, enlisting a long term investment viewpoint. Portfolio performance shall be measured as a long term average total real return consistent with the PEF investment objective above.

Protection of principal is an important factor when building assets. Diversification and asset allocation will be used to minimize volatility within the portfolio. The Foundation shall invest in stocks, bonds, money market instruments, cash assets and such other investments as provided below. However, the investment advisor has the latitude to move to a significant cash position for defensive purposes if deemed necessary to preserve capital.

#### Investment Philosophy, Permitted Assets, Constraints and Restrictions

While asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns, the investment philosophy holds at its core a belief that allocation is one of the primary factors to meeting the objective of capital preservation. Typically, the board prefers a portfolio mix of at least 65% securities and 35% bonds. The preferred assets for the endowments include but are not limited to: equities traded on a major exchange, transactions that include margins or covered calls, fixed income of investment grade (commonly accepted as grades AAA to BBB), mutual funds, REITS, MLPs, alternative investments, short –term products (such as CD's), and cash equivalents.

**Equity Guidelines:** The value of any individual equity should make up no more than 5% of the overall value of the equities in the portfolio, and no sector of the economy should make up more than 25% of the overall value of the equities in the portfolio. Additionally, no less than 90% of the total value of the equities shall be invested in companies with market capitalizations equal to or greater than \$2 billion and all companies held in the equity portfolio will have either a minimum Safety Ranking by Value Line of 3 or a S&P Capital IQ Quality Rank of B+.

**Fixed Income Guidelines:** The value of any individual fixed income security should make up no more than 8% of the overall value of total fixed income, and the overall value of preferred securities should make up no more than 40% of the overall value of fixed income securities.



The cumulative maximum investment in any single company will be limited to 6% of the overall value of the portfolio.

Restricted and prohibited transactions involve restricted securities, non-listed stocks, commodities (unless in a pooled investment), and foreign issues, and currencies unless traded on major US Exchanges.

### Advisor Monitoring, Management and Control

The PEF Board of Trustees will have the responsibility to monitor the advisor and investment management. The Board of Trustees will make any and all prudent decisions regarding the management, custody and transfer of assets. The investment advisor shall be available for open communication with the PEF Board of Trustees, shall be provided a copy of this investment policy statement, and shall make recommendations appropriate to this strategy, stated goals and objectives.

Recognizing 1) that the objective of the endowment fund is to preserve capital without neglecting the need to create some income to fund scholarships and other program enhancements, and 2) that no single index exists by which to judge investment manager performance, fund performance will be judged against benchmarks that reflect a relatively conservative, balanced portfolio approach. (See Appendix A for a list of benchmark indexes).

### Oversight and Reporting

The PEF Board of Trustees shall appoint a subcommittee of the board, the PEF Investment Committee, to meet with the investment advisor on a regular basis, if needed, and receive quarterly reports on investment performance or more frequently, if so requested by the Committee. The Board of Trustees will periodically review arrangements with investment managers, advisors, custodians, banks and other entities for appropriate and reasonable costs, fees, performance, expertise and service in relation to the assets, purposes of the Investment Policy Statement, and economic environment.

### Amendments and Updates

The PEF Board of Trustees will review this policy, and shall amend the policy, from time to time as necessary to reflect developments affecting the Foundation's finances, activities and economic environment.

## Appendix A

### Benchmark Indexes

Recognizing 1) that the objective of the endowment fund is to preserve capital without neglecting the need to create some income to fund scholarships and other program enhancements, and 2) that no single index exists by which to judge investment manager performance, fund performance will be judged against benchmarks that reflect a relatively conservative, balanced portfolio approach such as the following:

- [The Vanguard Balanced Index Fund Investor Shares \(VBINX\)](#)

and/or

- [The T Rowe Price Balanced Fund \(RPBAX\)](#)

Representative indexes of stock market performance would include

- [The Wilshire 5000 Total Market Index \(W5000FLT\)](#)

and

- [the CBOE S&P 500 BuyWrite Index \(BXM\)](#)

Bond market performance would be judged against an index like

- [The Vanguard Total Bond Market Index \(VBMFX\)](#)

Adopted June 7, 2017