

## AML training:

# One size does not fit all

The general, fairly straightforward rules requiring anti-money laundering (AML) training for financial institutions around the world usually boil down to the following six-word mandate: Provide ongoing training for appropriate employees. With such a simple requirement, why does the topic of AML training come up so frequently in AML enforcement actions, conferences and publications, and why has an entire industry sprung up to provide focused AML training to financial institutions?

Perhaps the biggest source of confusion is the simplicity of the mandate. It applies to a whole host of financial institutions without going into detail about who needs to be trained, what needs to be provided or how often it needs to be done. Of the six words imposing training, it is worth noting that two of them — “appropriate” and “ongoing” — allow a great deal of room for interpretation. In particular, the term “appropriate” implies that the training should be administered using a risk-based approach. “Ongoing” simply means that institutions cannot discharge their AML training obligations by telling the appropriate staff what to do one time; there must be a periodic reinforcement of this message.

However, in the absence of detail present in law or regulation and the implied risk-based application, there should be no surprise that interpretations of requirements differ among institutions, let alone between institutions and examiners.

A number of factors contribute to the variability in interpretation, including

the type of institutions, the scope of the audience, internal factors and risks, and internal/external resources (including the thorny issue of budget). These factors all impact differently on different institutions; just as their risks and abilities are not going to be alike, neither should their training programs. One thing that needs to be abundantly clear is that there cannot be a one size fits all approach to AML training.

### *Variability in institutions*

Often, the regulatory requirements — outside of training and other AML compliance program components — are not the same for these institutions. For example, in the United States, Customer Identification Programs (CIPs) are required for some institutions (e.g., banks and broker-dealers) but not for others (e.g., insurance companies and money services businesses (MSBs)), and suspicious activity reporting requirement thresholds vary based on whether an institution is either an MSB or another institution subject to suspicious activity reporting requirements. Beyond the U.S. requirements, these vary greatly as well; while the U.S. CIP only requires institutions to utilize and record a valid form of identification documentation (when using documentary verification) at account opening, institutions in China must update their records to be sure that they have a valid document for all high-risk customers. Since the regulatory requirements are not always consistent, it is fairly obvious that the content of the

course definitely needs to be different for different audiences.

Another aspect entails the types of products and services provided by the institution — not all financial institutions provide the same services to customers. Many international regulations contain specific requirements for dealing with certain types of customers, such as politically exposed persons (PEPs) or correspondent banks. If an institution does not provide financial services to these types of customers, does it really need to train its employees on these topics? It is important to remember that the amount of time employees spend in training is time away from their primary functions. It is worth noting that if employees hear 50 things in training, they probably remember only 35 or so, therefore an institution should focus on what it really wants its employees to remember from the training.

### *Scope of audience*

The institution needs to determine who is appropriate for training (asking the employees if they should take the training generally doesn't meet regulatory expectations). This process becomes increasingly difficult as an institution's employee population gets larger. The institution must determine how to categorize employees by some relevant internal criteria to accurately determine who requires training.

This is another area where the size of the institution and its breadth of services could result in differing training content. For example, if a bank determines that it has tellers who handle all the cash for the institution but have no new-account opening responsibilities, should the bank include CIP training for the cash handlers? The institution can probably make a good case for why it shouldn't include this level of detail. However, if the tellers generally move up to become account-opening staff, it makes sense to include this level of detail. Ultimately, an institution needs to be able to defend its training program to the regulators — particularly if it excludes certain associates from the training program. In some cases, it comes down to a cost/benefit analysis to determine which employees should take the training.

Another factor in determining the audience involves the level of the employees taking the training. Is the staff familiar with the material or are they new to it? It makes sense to provide more detailed training to individuals new to AML requirements than to those who only need a brief refresher. Also, AML specialists

in the institution who need a much more solid understanding of the subject, such as compliance officers, legal staff and auditors, probably need more detailed training than regular personnel.

The geographic spread of the audience also impacts training. The more centrally located the audience, the easier it is to get them into a room for training. This greatly facilitates face-to-face training, often regarded as one of the most effective methods of training (although this assumes that the presenter actually engages the audience — and that alone can be a huge source of variability in training). However, more widespread institutions may find it easier to use remote forms of training such as computers, video, telephone or paper (despite not being the most environmentally friendly option). Another factor influencing training is the institution's existing infrastructure. If it wants to use Web-based applications, does it have the bandwidth and computer access to make the training work? If it wants to use in-person training, does it have enough trainers and the ability to get the trainers to the audience?

#### *Internal and external factors*

A number of other internal and external factors influence training, including audit and exam issues; the frequency of training delivered to employees; changes in laws, regulations, policies and procedures since the last training and risk assessments. If training has been identified as an audit issue, or worse, as an exam issue, this will clearly focus an institution's attention on training. The action plans for remediating the training issue may dictate a rapid resolution of the issue, which will certainly drive the search for a solution. This may lead to outsourcing the training if the institution doesn't have in-house expertise, and there may not be time to allow for course customization. Depending on the scope of the issue, the training may focus on a particular business unit or be much broader in scope. If one business unit has been criticized for its training efforts, it wouldn't be unreasonable for the institution to limit its immediate training response to that unit; however, the institution should consider whether the issue has a larger impact and whether additional training should be provided (particularly in areas next in line for an exam).

Changes in regulatory and internal requirements can certainly set up different training requirements. As changes are

made in applicable requirements, employees need to know how to remain compliant with the legal and internal requirements. As part of an institution's plan to effect change in policies or procedures, it should incorporate methods allowing impacted employees to know what the changes are and what they need to do in response. When training the general staff, it usually is more important to provide details on the internal requirements than on the legal requirements. For example, when informing staff about the necessity to report suspicious activity, the staff doesn't need to know what government agency gets the reports so much as how to make internal referrals of suspicious activity for proper investigation. The danger with providing too much information on legal requirements as opposed to internal requirements is that the staff may comply with the law, but not internal requirements. This could lead to filing suspicious activity reports without appropriate internal investigation, inaccurate management reporting and potential exam/audit issues. However, it helps for the staff to know that internal requirements are driven by regulatory requirements and are not solely an internal management mandate.

As mentioned before, risk assessment is a key variable in the training program, since the need for appropriate employees to be trained is driven by the inherent risk. Just as most institutions have different risk profiles based on their customers, geographic exposure and products/services, business units within financial institutions are likely to have different risk profiles, too. Thus, it should be expected that training programs will look different. For example, a bank's correspondent banking department and its tellers likely would have different areas of AML focus. The former group needs to understand not only the new-account opening processes, but also the specific requirements for dealing with correspondent banks. The latter group's training should focus more on currency reporting and suspicious activity reporting (assuming that the tellers' responsibilities do not encompass opening new accounts).

#### *Budget*

Perhaps the biggest issue limiting training centers on the budget — and the current economic downturn makes budgets even tighter. Depending on the size and scope of an institution, training can be expensive: the salaries for employees that manage the

training function; the cost to create the training, whether created internally or externally; the cost to deliver the training, including travel budgets for trainers; maintaining the supporting infrastructure to deliver the training; printing written training materials and the opportunity cost for the employees while they are receiving training and not performing their normal duties.

It's important to emphasize that customization takes money, whether to modify a vendor's product or to build different courses internally. Many vendors offer off-the-shelf training programs that contain broadly applicable information, including a large number that offer an a la carte form of picking applicable modules (e.g., specific-by-institution type, product line types or customer types) to build a completed course. As mentioned earlier, including extraneous information may result in some employees not getting the key elements the institution wants to convey in training and in some cases, it may actually cost an institution more to remove extraneous content from a course. In these instances, institutions should select vendor solutions carefully to find one that provides the best fit for the institution's needs and budget. While bargains certainly exist when looking for training, the institution should be careful to use its training budget wisely.

Due to costs, it is increasingly necessary for institutions to utilize alternate and creative forms of training. Training does not always need to be delivered in a formal training session; formal and informal communications can convey the same information. Often, this can be done through employee newsletters, intranet Web sites, internal business unit publications or periodic team meetings. The use of these types of nontraditional training needs to be formally documented, like any other aspect of the training program, to provide a clear picture of the institution's efforts to properly educate its associates on their AML responsibilities.

While most financial institutions are expected to implement training, many factors impact variability in training programs. It should be expected that institutions implement training programs based on the way these factors impact them. Consequently, it should come as no surprise that there is no one-size-fits-all approach to training. **A**

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