Building an impactful Anti-Financial Crime (AFC) training program that both ticks the box and thinks outside it.

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The opinions and views expressed during this presentation only represent those of the presenter and not of any current or former employer.
Overview of Training Requirements*

**Global Requirements:**
- FFIEC Manual
- OFAC Framework
- Department of Justice
- EU AML Directives
- Wolfsberg Group
- Joint Money Laundering Steering Group (JMLSG)

**General Themes:**
- Relevant, appropriate personnel
- On-going, regular periodic training
- Risk based approach, risk profile, proportionate to risks, nature and size
- Higher risk employees, tailored, job specific, roles and responsibilities
- Existing, new and changing laws, rules, regulations
- Internal policies and procedures
- Technology sources, systems, processes
- Red flags, suspicious transactions/activities, escalation and reporting processes.
- Case studies and examples
- Role of BSA/AML Compliance Officer/MLRO
- New Joiners, Boards, Senior Management
- Clear and accessible documentation, records, materials

* These requirements are only general guidance and should not be taken as an exhaustive list of all training related requirements.
“AFC and compliance training is easy, just tell everyone what the rules say”
An analogy for conduct and behaviour

If I started the day with 100 bottles of water on the shelf, priced at $1 each, will there be $100 in the box at the end of the day?

Do you think the people who take the water without paying $1 believe what they are doing is wrong?

**Right | Cognitive Dissonance, Rationalization | Wrong**
What are people thinking?*

Let’s consider the previous analogy against an organization's potential breaches, issues and/or misconduct.

<table>
<thead>
<tr>
<th>Group 3</th>
<th>Group 2</th>
<th>Group 1</th>
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<tbody>
<tr>
<td>• “Nobody’s looking - I won’t get caught”&lt;br&gt;• “Why wouldn’t I take it? – it’s their own fault”&lt;br&gt;• “Hey everybody, free water!” or “I just don’t care”</td>
<td>• “My flight was expensive – it’s only a bottle of water”&lt;br&gt;• “Everybody else is taking it without paying, why shouldn’t I?”&lt;br&gt;• “I’ll put in what I have”</td>
<td>• “It asks for $1 so I must put in $1”&lt;br&gt;• “It’s the right thing to do”&lt;br&gt;• “We all need to pay to keep this running”</td>
</tr>
</tbody>
</table>

It must be noted that staff may move between boxes based on different situations and circumstances.
**What is the risk?**

<table>
<thead>
<tr>
<th>What was in the box?*</th>
<th>92%</th>
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<table>
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<tr>
<th>What is 8%?</th>
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<tbody>
<tr>
<td>BNY Mellon: 3,099 staff</td>
</tr>
<tr>
<td>Bank of America: 11,125 staff</td>
</tr>
<tr>
<td>Citibank: 13,029 staff</td>
</tr>
<tr>
<td>JP Morgan: 16,002 staff</td>
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<td>Wells Fargo: 19,218 staff</td>
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The above U.S. global banks have been selected solely to illustrate the size of staff populations (as at June 30, 2020)**.

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** www.usbanklocations.com/bank-rank/number-of-employees.html
What can training do about it?

When building training content, consider all of the following:

**Group 1:**
- **Want to do the right thing** but they need to **clearly understand** what is required.
- Need to understand **why rules are relevant to them** (or they may rationalize).
- Translate **rules into actual business practice** - tie to their roles and experience.
- Need **support channels** for further guidance *e.g.*, clear policies and procedures.

**Group 2:**
- Explain **impacts and consequences** - broaden cognitive reasoning and cognitive dissonance.
- Identify **potential excuses** to front run and counter any likely rationalization *e.g.*, more difficult messages.
- Highlight **personal impact and liability** as the right path may be chosen simply out of fear of consequences.
So what can we do?

Group 3:
- Be crystal clear on the **rules and why they exist** to highlight significance.
- Stress the **policies, procedures and controls** and what exactly is required of them.
- Be clear on **consequences and accountabilities**, which will immediately reduce the population.
- Ensure robust **record-keeping and audit trails** - may become evidence for any residual populations.

It is essential to **Know Your Audience (KYA)** - different business lines, regions and locations are different airports.

We will now explore a range of key considerations when establishing and maintaining an **effective AFC training program**.
1. Training Needs Analysis (TNA)

- A TNA is the clearly documented analysis, logic and reasoning behind the structure and content of an on-going employee training program, and:
  - Should explain the alignment of the training program or related courses to the firm’s applicable AFC risks, issues and obligations e.g., Why this topic? Why this audience? Why this content? Why not something else?
  - Is a starting point and key focus of auditors and regulators and can protect the organization by demonstrating an appreciation of, and investment in, AFC requirements, risks and issues.
  - Should articulate an approved and balanced risk-based approach and consider all related training needs against appropriate target populations and availability of resources, subject matter expertise, budget, technology etc.
  - Establishes the program’s credibility by demonstrating its alignment to actual business needs and its return on investment – there is always a cost to the organization.

- An AFC TNA should be based on regular analysis and review of AFC sources including: (a) risk assessment outputs; (b) findings from QA, controls testing, audit and regulatory reviews; (c) changing or emerging AFC rules and regulations; (d) changes to AFC policies, procedures, processes and systems; (e) support of related change and remediation programs e.g., enforcement action, systems, technology.
2. Governance

• AFC Training should be based on **representative stakeholder governance and input** i.e. those who impact or are impacted by the training. This ensures appropriate consideration of **cultural, language, legal, and business differences**. It also enhances the quality and relevance of training; maintains business credibility; and ensures implementation support.

• Representative governance structures should be in place that consider the roles and responsibilities of the:
  - **Boards and/or Senior Management** who have key responsibilities including culture and tone from the top.
  - **AFC Control Function** with responsibility for second line oversight and may be the primary drivers of training.
  - **Business Stakeholders** who should support second line training as subject matter experts but also need to drive their own first line training and should not defer their responsibilities.

• A Methodology is the clearly documented procedures, processes and minimum standards for an **on-going** employee training program. It should explain the end-to-end training lifecycle and governance but will continuously evolve.

• An effective Methodology should be **proportionate** to the scope and objectives of the training program and include:
  - **Training Lifecycle** - How do you do Analysis, Design, Development, Implementation and Evaluation (ADDIE)?*
  - **Program Scope** – What and who does the program cover and not cover?
  - **Roles & Responsibilities** – Clear articulation and demarcation across all lines of defense stakeholders.
  - **Governance and Reporting Structures** – Who oversees the program and content? Consider representation.
  - **Approval Processes** – Standards for evidencing **AFC functional and stakeholder approval**.
  - **Record-Keeping Standards** – **Clear documentation** e.g., attendance, materials, assessments.

* Source: https://www.instructionaldesign.org/models/addie/
3. Audience Identification

- All bank staff require **regular and on-going** AFC training based on their **roles and responsibilities** and that is part of a **risk-based approach**. A key challenge of such training is audience identification and ensuring clear definition and support of **appropriate/relevant personnel** and **higher risk employees**.

- There is a need to establish a consistent baseline for general populations (e.g., eLearning) but this should be supported by enhanced training for higher risk business lines, locations, individuals, and groups.

- Methodology should consider how you determine and risk rate/weight of different populations when avoiding a one-size-fits all approach. This can increase efficiency, enhance learning relevance and reduce business impact and cost. There is always a cost to the business.

- At a minimum, training must specifically target the following groups:
  - **Board of Directors, Senior Management**: They must understand AFC and their training should be tailored to their need to understand the specific risks, issues and needs of the organization.
  - **New Employees**: Ensure new joiners are provided with fundamental training and awareness of the bank’s approach to managing related risks e.g., AFC risks, culture, structures, escalation channels, SARs.
  - **AFC Officers**: Ensure that those who are closest to managing and supporting AFC risks are provided with enhanced and appropriate technical knowledge and skills that go beyond the general population.
  - **Consultants & Contractors**: The methodology should define the organization’s approach to different groups of contractors and consultants to ensure reflection of the risks they present.
4. Development & Delivery

- AFC Training is often considered uninteresting or boring and this generally stems from a lack of respectful and/or meaningful engagement and a lack of relevance to the individual. To address this, the following should be considered:
  - Adopt blended learning strategies e.g., eLearning, communications, classroom, WebEx, video, town-halls, posters. This type of strategy should consider: the complexity of the need, target audience/size; available budget/resources; location spread, and audit trail requirements.
  - Tailor and customize content to different businesses, regions and locations, and the specific roles and responsibilities of appropriate personnel and, where possible, avoiding a one-size-fits-all approach.
  - Ensure interpretation of rules against actual business practice. Why do we need to do this training? Why is this relevant to me? What do you need me to do? What are the consequences?
  - Explain the specific reasons for the training up-front. The learner is more likely to engage training where they see relevance to them. If they don’t see relevance, they may rationalize their non-completion or disengagement.
  - Where possible, use case studies, lessons learned, and enforcement actions as relevant as possible to the learners. This creates engagement, broadens cognitive reasoning and increases appreciation of consequences.
  - Always view training through the eye’s of the learner rather than the organization when judging what is reasonable, appropriate and meaningful.
  - Be careful of unnecessary gimmicks, games, mixed media and trends and methods of reducing content or increasing engagement. The learner may not appreciate the importance of the training or become frustrated by its delivery.
5. Evaluating Training Effectiveness

A key component of a truly affective training program is the ability to measure the effectiveness of learning and evidence a return on investment. Kirkpatrick’s model* is often used to evaluate the effectiveness of training and features:

- Level 1: Reaction
- Level 2: Learning
- Level 3: Behavioral Change
- Level 4: Organizational Performance

Common practical methods used include:

- **Evaluation Forms**: These can provide feedback from the learner on the learning experience and what they believe they have learned. This is a very cost effective and simple method but care must be taken to avoid the creation of bias or the leading of answers. Forms can be quantitative and/or qualitative and should tie back to learning objectives and methodology.

- **Question Banks/Assessments**: These can provide a better means of demonstrating a learner’s understanding of the training. This is ideally suited for more formal events but care must be taken to ensure questions appropriately test the transfer and application of knowledge rather than just recall.

- **Company Metrics**: The generation of such metrics can truly evidence a change in understanding or performance e.g., Quality Assurance, which should clearly link back to the original training need. This is an ideal form of evaluation but effort is required to demonstrate that changes were actually based on training rather than other events.

* Source: https://www.mindtools.com/pages/article/kirkpatrick.htm
Questions?