

Bridging the gap between AML policy and desktop procedures

The ever-changing world of anti-money laundering regulation requires a firm to frequently review and update its internal policies. This can create difficulties for staff members who are required to adapt their procedures and processes to reflect the ongoing changes in policy. Although it is better to give front office staff members the autonomy to understand their own best practice and create procedures around this, there must be some input from the Compliance department to ensure that the firm's policies are understood and are being implemented.

In order to ensure that a firm's policies are being fully implemented, there are a number of approaches that a Compliance department can take, some of which involve direct input into procedures, and others which involve more general guidance being provided to front office staff. Some measures are more formal than others and may require a more regimented approach with consistent timing and input, whilst others could be used on an ad hoc basis, and may appear to be more informal. Although these methods may not have a direct influence on procedures, they can help to change the culture and the mind-set amongst front office staff members to help them understand the reasoning behind Compliance changes and why their procedures need to be aligned with company policy.

Compliance input on procedures

As mentioned above, front office staff should be given the opportunity to create their own procedures whilst making use of their own best practice. However, this alone will not be enough to ensure that AML policies are being implemented. All front office procedures will require review by the firm's Compliance department and will have to be changed as required to bring them into line with the policies. Whilst best practice amongst staff should be taken into consideration, the firm's compliance with policies and regulations must take precedence and be prioritised. After the required changes are made, the new procedures should be signed off by a sufficiently senior member of the Compliance department, e.g. the Head of Compliance. The required approval of any changes at the policy level should be defined and documented.

In addition to Compliance input when new procedures are being created, their input will also be required when procedures are reviewed. Reviews will be required on a regular basis and it may be necessary for Compliance to perform a gap check against AML policies to ensure a continuing reflection of these. If there are significant changes to AML policy at any time then an ad hoc review of procedures will need to be undertaken. As well as Compliance input, a firm's internal audit programme provides an opportunity for internal procedures to be reviewed and compared to AML policy. Audit will review the procedures from a business perspective and may be able to highlight any potential weaknesses in the procedures. The cycle period for the review of procedures can be driven by the risk rating of the procedures, thus not requiring frequent review of all operational procedures. The highest-risk procedures should be reviewed at least annually.

Procedures should contain sufficient detail that the reader can clearly understand the extent of the process and any system validations/automation, plus any manual activities and the processes that need to be performed to achieve them, to avoid the risk of misunderstandings between Compliance and Operations partners, who may have differences in opinions and experiences. This should normally include definitions of acronyms, and include references to internal policies to enable 1st and 2nd line staff members to consult these from start to finish.

Staff training

Firms are required to train their staff in AML and other financial crime-related areas on a regular basis. This generally involves training on a two-year basis covering financial crime as a whole and more regular training may be needed when there are significant changes in policy. This can take the form of classroom-based training and seminars as well as online training and will be in line with the firm's policies. This will require testing at the end of the training to ensure understanding and those who do not pass the testing will be required to undertake further training to further their knowledge. Firms will be required to maintain records of attendance; the responsibility for this will sit with either the Compliance department directly, or with the HR/Learning & Development department. New joiners will be required to undertake induction training to allow them to understand a firm's specific policies within a short time after joining the firm. Regular training will help to shape the procedures that front office staff create as well as improve the general culture towards AML. It is also necessary as a control against money laundering and other financial crime risks that a firm may face.

Compliance newsletters

Although not a formal method of input like training and reviewing procedures, a regular release of a "newsletter" or equivalent can be a useful tool in adjusting front office procedures within a firm. They are not likely to be reflecting changes in policy but can provide updates to any risks a firm may face. Methods such as this can be helped by making use of real-life examples of issues that the firm has faced, such as clients who have been investigated or any suspicious activity which has been seen, all of which can be mentioned on a no-names basis. Bringing such examples to light helps front office staff members understand the issues and their own role in AML on a practical basis and can foster a greater understanding than a purely theoretical viewpoint that can be brought about by focusing solely on policy. In order to encourage focus on newsletters or their equivalent, a firm should consider including this as part of internal Continuous Professional Development (CPD) requirements.

Measuring compliance with requirements



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As part of changing the culture and ethos within a firm, Front Office staff members are required to understand their AML requirements and should be able to demonstrate compliance with these. A firm may choose to implement a method to measure compliance. One such example of this is to create a staff compliance log which can outline any particular issues which individuals have with their requirements. A grading system could also be used to highlight more serious breaches as well as situations where a staff member may be wilfully disregarding their requirements. Such a log can also be used to highlight positive attitudes towards AML. The log can be used by a firm as part of an annual review into staff members so that targets for improvement may be set, and the firm can take measures to help members understand why they need to comply with the requirements. This should encourage understanding of requirements and changes within internal processes. A company can increase the measuring of compliance by its staff through a form of testing; from within the business itself as the first line can self-test, in addition to testing performed by the 2nd and 3rd lines.

Conclusions

There are various methods which a company may choose to adopt. In order to meet its regulatory requirements it is important that alignment of internal policy to desktop procedures is reviewed regularly by the 2nd and 3rd lines. Where a policy is updated, firms should identify any material changes and take steps to agree the activities and associated timetable involved in bringing existing procedures and customer records into line with the updated policy, for appropriate risk considerations to be made and formally accepted.