Leveraging Enhanced Talent Development Programs to Increase Anti-Money Laundering Workforce Effectiveness
With the growing importance of effective anti-money laundering (AML) programs, financial services institutions need confidence that their AML workforces have the right leadership, talent and competencies to manage the financial crime risk their organizations are exposed to.

The operating landscape of AML compliance and operations functions continues to evolve rapidly, driving organizations to refocus and rethink their talent management and learning approaches to more effectively deploy a workforce capable of operating in today’s complex AML environment.

Financial institutions have increased their focus on their AML processes, tools and technology—as well as their levels of investment—but are finding that their AML workforce is constantly fatigued, unprepared to support the business and prone to high levels of turnover. As the volume and complexity of work continues to increase (reflecting new and more stringent regulatory requirements), it becomes more difficult to balance the needs of the business while effectively managing risk for the organization. Challenges in maintaining a workforce with the right skills and capacity further increase risk exposure and operational costs.

We have observed that many talent management and training programs supporting AML organizations are fragmented, inconsistent and essentially lacking the focus to put the right talent in place. Organizations are finding it difficult to utilize the right processes to attract, motivate, develop and retain a high-performance AML workforce. AML organizations have taken an ad hoc, temporary approach to training and talent development programs, relying on HR functions to own talent management processes and adding training responsibilities to the role descriptions of existing team leads within functional areas.

In fact, while institutions have significantly increased hiring and pay in AML functions—talent management and development programs in this area have not kept pace, evidenced by the fact that these programs have received only moderate attention in comparison to the hiring rates. Salaries for AML specialists have increased at a rate among the highest of any roles in financial services based primarily on a limited supply of skills in the market. However, the spend on learning has been relatively flat averaging just $1,229 per employee in 2014. While investing in tools, technologies and assets can help an AML organization meet some of its program objectives and alleviate financial strain, increasing the effectiveness and capability of the AML workforce is critical to the organization’s ability to operate in a challenging regulatory environment.
The Case for Change

Today’s AML programs have to operate at a global scale, but should also demonstrate a degree of localization to address regional, local and jurisdictional requirements within specific markets.

While the need for AML experience and knowledge has grown, there is still a shortage of AML skills in the market. The challenge of identifying and attracting new talent has forced AML programs to focus on imparting new skills to current employees. Organizations are finding it difficult, however, to build and deploy learning programs at the required scale.

Some of the issues facing AML organizations include:

• **Learning functions are decentralized and struggle to match the pace of regulatory change.** Many financial institutions’ learning teams are not centralized across AML functions and regions, thus reducing consistency in materials. Because of lack of focused investment, it is more difficult to leverage learning knowledge, competencies and assets for AML functions. This makes it unclear who is responsible for funding, leading to cost management issues and lack of a clear structure for training maintenance and change management processes.

• **Learning expenditures do not keep up with headcount increases.** The focus on increasing capacity to meet regulatory requirements has not been accompanied by corresponding expenditures on the development of comprehensive and advanced learning programs. Although the workforce is growing and changing, there is minimal coordination, collaboration and acquisition of tools targeted towards learning programs. Under-investments in training often affect employee retention and engagement. While the hiring within AML functions over the past five years has been above that of other banking functions, the attrition levels have also picked up rapidly.

• **The saturated market presents challenges to hiring needed talent and specialists.** The job market has seen extensive hiring in AML programs as well as other compliance functions. With predictions of additional regulatory requirements being published, financial organizations “...expect to commit an increased amount of resources...” in their compliance functions. For example, one specific financial institution increased its regulatory and financial crime compliance headcount by more than 1,600 employees, and many financial institution boards have predicted a significant increase in compliance spending in 2016. We are also seeing important increases in the cost of senior compliance professionals due to the demand for skilled and knowledgeable staff.

• **There is a lack of emphasis on role-based training and continuing education.** Most financial institutions (especially larger ones) have struggled to provide role-based AML training that is aligned with employee competency requirements. Among the key challenges related to role-based training development is tailoring the training to individuals’ specific responsibilities. Training should encompass information related to applicable business lines, such as trust services, international, and private banking.

• **Training strategies and modalities are generally outdated and maintenance routines cannot keep pace with regulations and industry practices.** Learning preferred practices have shown a shift in delivery mechanisms and processes towards on-demand, “bite-size” learning that can provide what the learner needs at the time and place—and in the format—that best supports the content and the learner requirements. Most AML training functions have not evolved to allow for knowledge sharing, modular training and other innovations. Additionally, training and communications are not updated consistently to match changes in AML policies and standards.

Many of these challenges have left AML leadership teams and compliance officers asking, “What can we do to increase the performance of our organization?”
AML Talent Development Strategies

To address these challenges and employ a more effective training program, organizations should focus on implementing a combination of focused talent development strategies that generate the level of competency required of today’s AML workforce.

These include:

1. Establishing a formal AML training program and viewing learning as a function to invest in for a more effective workforce and to reduce operational risk

To date, financial institutions have not made significant investments in learning programs. Rather than invest solely in headcount or technology, financial institutions should focus on working smarter, not harder, with a leaner, better skilled workforce developed through more effective AML training programs.

To address the needs of complex global financial services institutions while balancing consistency and efficiency, organizations should build and employ a training program with a centralized governance structure and standardization, and localized execution at business and country levels. This allows for consistency in the strategy, development and delivery of programs while maintaining the ability to infuse custom learning requirements at product and jurisdictional levels in a “hub and spoke model.” This can be expanded by designated learning leads and contacts within the regions and lines of business or within product-focused areas of the business.

Additionally, many financial institutions should increase their learning spend to build such a model and they should consider learning as an investment with expected return on investment from the following areas:

• Reduced headcount requirements in line with the technology and process components of operating models
• Reduced organizational risk as a result of a smarter and more effectively trained AML workforce
• Faster time to competency for new staff and reduced dependency on manager and team lead roles for job shadowing or continued on-the-job training

2. Establishing true role-based programs with certification and alignment to organization-wide competency models

A core global curriculum spanning all organizational competencies should be in place as a framework to standardize routines, templates, course modality and frequency, and learning content that is then supplemented at jurisdictional and local levels. This alignment across regions helps create collaboration and increase support while providing a role-based focus and broader career paths for employees.

Through these centralized processes, the AML learning program (see Figure 1) can deliver different types of information targeted to different groups for a variety of training requirements.

For instance, self-study and online tutorial-based approaches can be used to deliver training on AML concepts and Bank Secrecy Act (BSA) and AML requirements to new staff during employee orientation, while boot camps and classroom-based sessions can be used to deliver training on critical ongoing requirements at a much larger scale. Differentiation of training formats and a focus on the user’s experience allows for innovation and increased employee engagement.

A preferred practice in AML training programs balances global training functions with local content and delivery for role-based training. Role-based training includes not only formal onboarding programs that help reduce the time to competency of new hires, but also point-of-need learning based on job-to-skill analysis and ongoing performance support to deliver high skill levels across the workforce. Taking a role-based approach with alignment of content and experiences to competency models allows for targeted programs for specific roles within AML, operations and compliance, and at the enterprise-level based on the potential to cause AML risk to the bank.

The training program can best be structured in an Academy model, based on establishing core skills and proficiencies for each role (both internal and external) within the financial crimes/compliance organization. The program should impart specific knowledge and skills in key areas of AML, aligning competencies with job profiles and role descriptions. Roles are then mapped to a career path to provide further development of associates as they move horizontally and vertically. Key areas of focus include company AML policies, AML procedures and standards, Know Your Customer (KYC) requirements, regulatory reporting, core AML processes, prevention, detection, and investigation and reporting.
Role-based AML competency models should be defined and managed proactively across the organization as key inputs to hiring, training and performance management processes to reduce talent dilution. Organizations should employ critical skills and job-to-task analysis in the development of competency models to identify the most critical tasks, mitigate unnecessary scope expansion and increase learners’ time to competency.

3. Using blended learning approaches with tailored modalities and ongoing reinforcement techniques

An effective training strategy builds a complete learning experience rather than focusing on the moment of need or on one point in time. The strategy should incorporate preferred practices to leverage the benefits of blended learning delivery, hands-on training and differentiation of training opportunities aligned to role requirements, including:

- Campaign strategies and corresponding communication plans related to change-based training focused on achieving adoption
- A role-based curriculum, designed for learners to reach levels of proficiency for certification of capability before advancing to the next level
- Regional specificity incorporated into the curriculum
- Certification processes to provide evidence of employee readiness, which can also be used as motivational strategies to increase engagement and retention
- Ongoing educational reinforcement to continue knowledge and skill development
- Active change management processes to update materials and curriculum on demand

While role-based training approaches highlight independent learning opportunities by role requirements, innovative training programs can also benefit more senior personnel who need to exercise judgment while making decisions that can have a significant impact on customers. Such decisions also need to withstand regulatory scrutiny. Typically, role plays and simulations are adopted for such programs, including targeted role-based training.

From an overall training perspective, a blended delivery focused on simulation and scenario-driven training is essential to meeting these requirements for AML. Financial institutions could adopt some of the following opportunities aligned to preferred industry practices:

- Global training capabilities and 24/7 availability of learning
- Learning boards, wikis and blogs leveraged as Electronic Performance Support Solutions (EPSS) and self-study continued education
- Blended learning delivery model of interactive training sessions via live meeting and/or on-site training, recorded webinars, web-based skills assessment and other techniques
- Social and digital learning to enhance integrated learning techniques such as day-in-the-life presentations, scenarios to provide “real life” experience, gamification and game-based strategies
- Based on the complexity of AML roles, use of scenarios and simulated learning experiences combining processes, procedures and systems functionality such as Immersion Centers to create a more realistic environment and better prepare associates is encouraged.
- Using case-based method training in key process areas such as transaction monitoring, KYC, and Enhanced Due Diligence (EDD).
- The use of reinforcement methods such as 30-day challenges and contests to drive and instill sustained behavior change.
Conclusion

Rather than looking at AML training programs merely from the standpoint of meeting regulatory requirements, financial institutions should invest in developing stronger AML talent as part of an overall compliance strategy to deliver on the complexities of today’s regulatory environment and reduce money laundering risk to the organization.

Effective talent development programs allow organizations to unlock additional value by:

- Quickly developing skills and capabilities that support growth and key business priorities, cutting time to competency
- Improving training opportunities and traceability of training to requirements that help reduce organizational and reputational risk associated with a workforce equipped to operate in the complex AML regulatory environment
- Increasing workforce productivity and reduced costs through:
  - Knowledge management and collaboration that facilitate repeatable models and introduce point-of-need learning to improve productivity and reduce training time;
  - Provision of blended solutions helping new joiners build their competencies and skills faster, and with less budget expenditure per person; and
  - Increased virtual, electronic and performance support solutions to reduce travel costs and training time while delivering increased levels of learning.
- Reducing operational costs associated with enhanced training programs by leveraging scale and standardization of new course development, maintenance and investment in all markets and geographies

Through the implementation of a well-organized and effective AML training program, organizations can create higher levels of productivity per employee while still meeting ongoing regulatory requirements. Such a program can also help reduce the risk of issues that arise from the lack of a workforce with the right knowledge, skills and competencies to effectively operate in today’s complex AML environment.
References


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