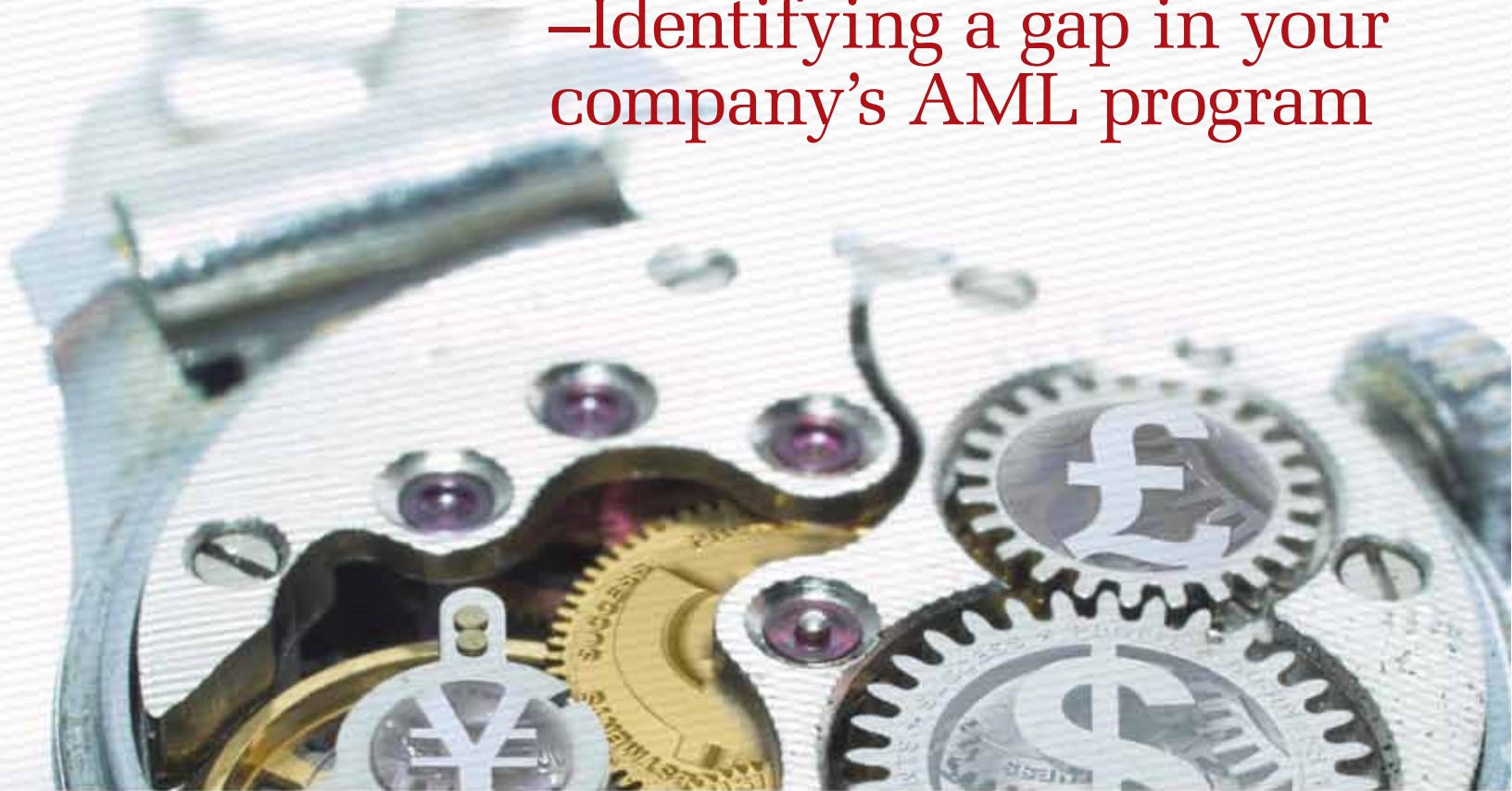


Attention to detail

—Identifying a gap in your company's AML program



Managers at financial institutions face a daily task of getting the most out of their training budgets. One sure-fire method to stretch a training budget is to hire individuals with experience. An applicant's experience can provide a solid foundation on which the institution's training program can then build. A curious trend today is that some job seekers may be equating certifications and past employment with specific job knowledge; in effect, laying a job knowledge foundation but never building upon it. While certifications and past experience are highly coveted attributes and are not to be discounted, financial institutions should build upon this strong foundation by growing the associate's knowledge base outside of traditional day-to-day job responsibilities.

First and foremost, employee training is one of the "Four Pillars" of Anti-Money Laundering (AML) Programs as required by section 352 of the USA PATRIOT Act.

Ongoing training can reap additional

benefits over and above regulatory compliance. By providing training, employees feel that management is making an investment in both the company and the employee which increases employee satisfaction and morale. Permitting employees the opportunity to participate in training sessions can also build future leaders.

One goal of ongoing training targeting AML compliance employees should be to foster a comprehensive understanding of AML and Bank Secrecy Act (BSA) requirements to better implement the financial institution's program.

A comprehensive understanding of AML requirements — is it a hidden gap in your AML program?

When looking at suspicious activity identification and reporting, many financial institutions have assembled impressive surveillance staffs which include former regulators, law enforcement personnel, investigators from other financial institutions and private investigators — not to mention selecting the best of the

best from various business units within their own institution. As impressive as the investigators' resumes may be, without adequate training in regulatory requirements and expectations, the most fundamental BSA issues may be missed when performing an investigation. In other words, there may be a gap in the financial institution's AML program.

Try this pop quiz. Can your investigators answer the following questions?

- Name three Office of Foreign Asset Control (OFAC) sanctioned countries
- What date did the final customer identification program (CIP) rule take effect?
- Define structuring

Why is it important to an AML program that investigators know the answers to these questions? Let's look at them one by one.

- Name three OFAC sanctioned countries (<http://www.treas.gov/offices/enforcement/ofac/index.shtml>)

Many financial institutions have automated systems or software that will kick out transactions involving individuals or transactions associated with OFAC

sanctioned countries and/or designated “high risk” countries; however, these may not be comprehensive. While it is now fairly commonplace for medium to large financial institutions to have automated wire transfer filters, it is not as common to have automated check filters.



transactions in amounts less than US\$10,000. Configuring other payment methods under \$10,000 may represent “unusual” or “unexpected” activity for the client which is also BSA relevant, but in the true sense of the word, it does not represent structuring.

While performing due diligence, an investigator comes across a \$100 check made payable to John Smith (nothing unusual). Now imagine that same check bears a memo line with “National Bank of Sudan” written on it. What started out as a check with no unusual attributes has suddenly become more interesting from an investigative perspective. Investigators with no knowledge or limited knowledge of OFAC may not know to investigate the Sudan reference and therefore present a risk to an otherwise sound AML program.

- What date did the final CIP rule take effect?

While drafting a suspicious activity report (SAR) on a new customer, an investigator states the account opening date of June 2, 2008. In the narrative, the investigator documents that no identification was presented at account opening.

Did the investigator escalate the potential CIP issue (aka section 326 of the USA PATRIOT Act, <http://epic.org/privacy/terrorism/hr3162.html>) to appropriate management? If not a CIP issue, has the investigator just stumbled across a potential recordkeeping issue? What is the recordkeeping requirement for account opening documentation? Should your investigator know the answer?

Potentially more imperative at the moment, is it advisable for the investigator to document the issue in a SAR before further investigating the potential issue and escalating appropriately?

- Define structuring

(Section 103.63 <http://www.american-banker.com/media/regulatory/fedregsata-glance/BSARegulation122005.html>)

Are investigators aware that the BSA definition of structuring applies to “cash” structuring only? It is not

unusual for some customers to attempt to evade non-existent reporting requirements by structuring wire transfer, automated clearing house or check



The above are just three questions pulled from the myriad of requirements facing financial institutions under the BSA and USA PATRIOT Acts. It is important for investigators to have a working knowledge of the requirements in order to identify potential issues that may fall outside of the investigation but within other parts of an AML program. In effect, to strengthen an AML program, it is important to appropriately train all AML employees to be AML compliance professionals. The ability to recognize and appropriately escalate potential issues before they are documented by an external review is vital to sustaining and strengthening a quality AML program.

Expanding training without expanding the budget

Are there hidden opportunities to improve the effectiveness of the AML program? If the answer is yes, a company’s training budget need not be adversely affected; with a little effort and ingenuity there are ways to draw upon the expertise spread among the current staff to benefit less experienced AML professionals.

Web-based training — Encourage senior associates and management to develop web-based training to share knowledge and experience. House the training on a shared drive so that employees can access as time permits.

Lunch and learns — Senior staff members can share their knowledge and war stories by facilitating training sessions held during lunch breaks. Some government agencies will supply speakers at no charge.

Industry periodicals — Encourage staff members who receive industry magazines to leave them in a common area for others to borrow. Have an employee who likes to read industry papers? Have him/her distribute pertinent summaries to all AML employees.

Emails — Managers should consider forwarding e-updates affecting the industry to their staff with important information summarized by the manager particularly highlighting why the information is important to the financial

institution’s AML program.

Side by sides — Encourage AML employees to spend time with their co-workers as they perform daily tasks. Suggest that the hosting employee use the jargon common for their job functions which will provide opportunities for the visiting employee to ask questions.

Incentives — Offer small incentives for increased knowledge. Hold fun contests and games concentrating on AML and BSA requirements and definitions. Prizes can be non-cash based and low cost. Remember to publicly recognize winners to encourage others to participate!

Team meetings — Ask managers to briefly discuss one new AML concept at each team meeting and encourage questions, or better yet, assign the concept to a team member for presentation and discussion.


The opportunities to share already-acquired knowledge are endless. It is vital to emphasize the importance of obtaining knowledge outside of specific job functions. Even industry experts do not know everything; encourage employees to broaden their horizons and delve into unfamiliar topics to strengthen their comprehension of BSA and AML requirements while simultaneously strengthening the institution’s compliance program.

In addition to filling a potential gap and meeting a regulatory requirement, management can demonstrate



their commitment to the employee’s career by expanding their knowledge base and encouraging networking opportunities with other AML professionals within and outside of the organization.

Equally as important is that each training opportunity be properly documented in order to present an accurate picture of the training program to auditors and regulators.

Ongoing employee training need not be limited to conferences and webinars presented by strangers. Though it is required, management can make training fun by involving current staff in program delivery while simultaneously holding training costs down. It really doesn’t get any better than that! 

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