

# Outreach Session

AML Culture & Training of Staff

October 29, 2024



# AML Culture

# AML/CFT Culture

## Culture

- Beliefs and behaviors of an institution that determine how its employees and senior management interact, conduct business on a daily basis.
- Influences decision-making and is evidenced through behavior
- How things are done



## Strong AML/CFT Culture

- Preventing shortcomings, identifying risks and deficiencies at an earlier stage, enabling applying more efficient compliance solutions.
- Strong commitment from the top v. doing bare minimum or tick a box approach

## Poor AML/CFT Culture

- Systems and controls are in place to comply however they are undermined, circumvented
- Has been identified in enforcement actions as a key cause of shortcoming in AML/CFT Frameworks
- Causal link between bad culture and misconduct

## TOP CULTURAL FACTORS IN MISCONDUCT



## Culture – Misconduct

Source: Freshfields

# Culture – AML Focus

- The attitude and culture embedded within a Firm is of critical importance in the fight against money laundering and terrorist financing.
- A positive and proactive culture, a comprehensive ML/TF Risk Assessment and a robust and effective risk management framework is the cornerstone of a strong AML/CFT framework.

Right Tone – AML/CFT risk management is a priority

AML/CFT team has support to conduct activities

AML/CFT has support from Senior Leadership

AML/CFT team can discuss emerging ML/TF/PF risks with management

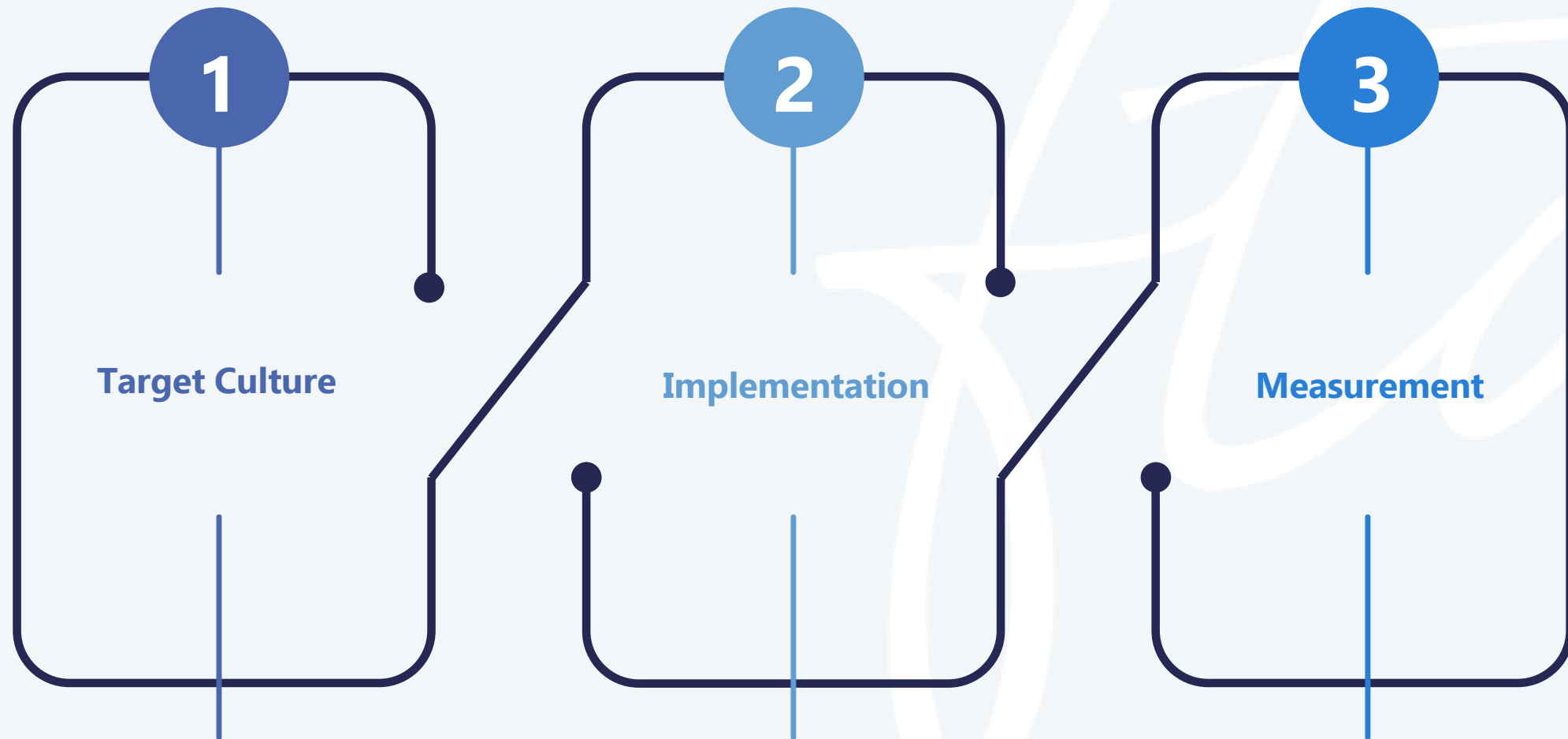
Shared responsibilities between business and risk management/compliance

Open communication regarding risks, approaches, ways of doing business

Right mind-set to ensure a firm's AML/CFT risk management framework is fit for purpose on an ongoing basis

Commitment to investing in resourcing the AML/CFT framework (people & systems)

# AML/CFT Governance -Building a Strong Culture



# AML/CFT Governance – Board Engagement

**01**

Approve AML/CFT Policies

**02**

Approve ML/TF/PF Business wide Risk Assessment

**03**

Receive Reporting on Emerging risks and risk response

**04**

Approve Risk Appetite Statement

**05**

Receive Regular and comprehensive reporting on ML/TF risks and ongoing compliance

**06**

Ensure Independent testing of the AML/CTF Framework

# Governance - AML/CFT Reporting

## Risk Appetite

Adherence to declared  
risk Appetite  
Status of Risk  
Exposures

01

02

## Emerging Risks and changes to Risk landscape

New risks identified  
Information regarding  
changes of risk  
exposures on  
institutional  
jurisdictional or global  
level

Board  
Oversight

03

## Material Compliance Incidents

Incidents related to  
control failures,  
misconduct

04

## Regulatory Developments

Changes to regulatory  
requirements  
Supervisory Updates



# AML/CFT Governance

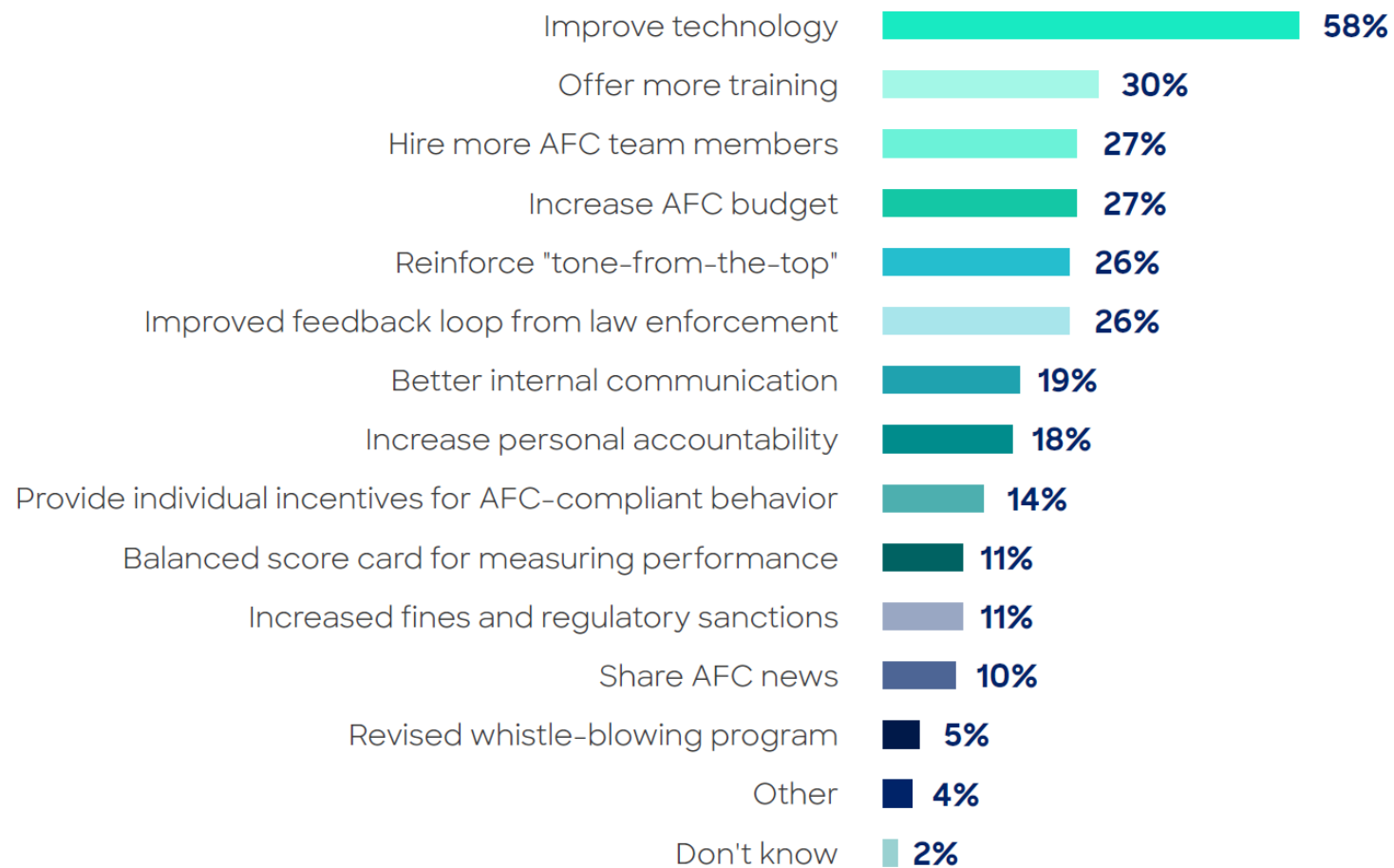
## Poor Culture and Governance

- Risk Taking not aligned with Risk Appetite
- Policies, limits, controls, and rules are not adhered to
- Risk management concerns or advice is not adhered by the business or management
- Blame Culture

## Strong Culture and Governance

- Balance of power and decision making between first and second line
- Commitment of senior leadership towards ML/TF/PF
- ML/TF/PF controls are considered as enabling rather than restrictive
- Clear and open communication

**Figure 12: Survey results on top actions to enhance AFC culture**



**AML/CFT  
Culture**

Source: Global Study into AFC  
Culture 2021, ACAMS

# AML/CFT Governance – Risk Management



## Risk Assessment

Business wide ML/TF/PF Risk Assessment



## Risk Appetite Framework

Financial Crime Risk Appetite Statement

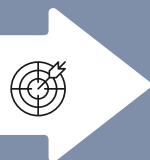
Customer Risk Assessment and Acceptance Framework



## ML/TF/PF Controls

Effective Controls in place to Mitigate Risks

Independent Testing

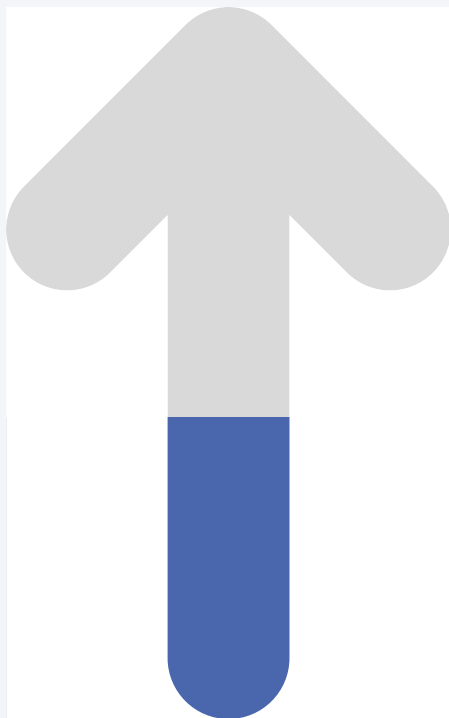


## Training

Role Based

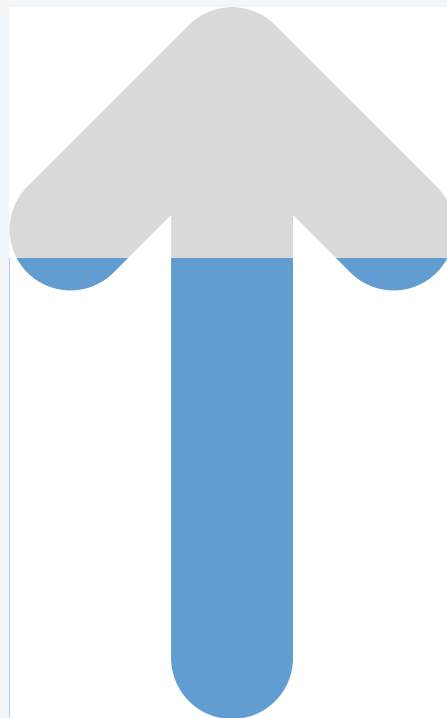
Up to Date

# AML/CFT Governance – Risk Accountability



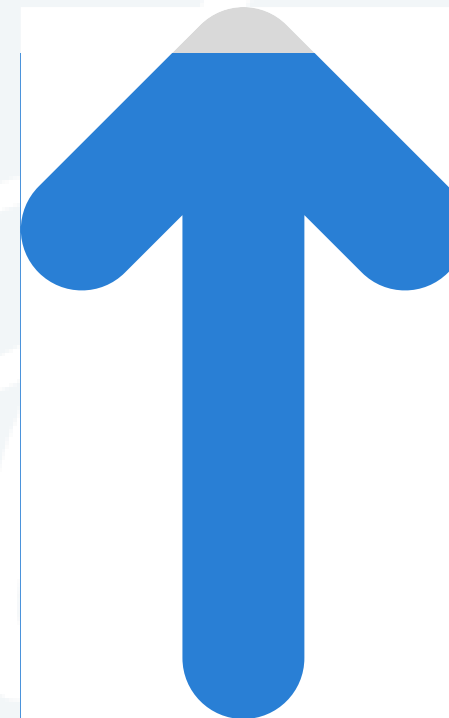
## First Line - Business

Identify and Manage Risks  
Implement Risk Management Procedures



## Second Line – Risk & Compliance

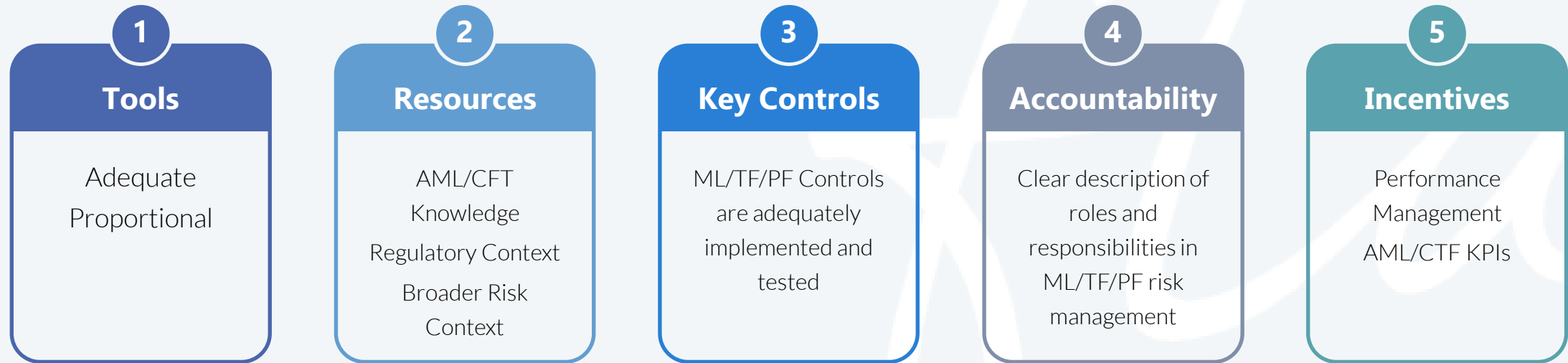
Establish policy and processes for risk management  
Provide Guidance  
Monitor adherence to ML/TF/PF risk management  
policies and procedures



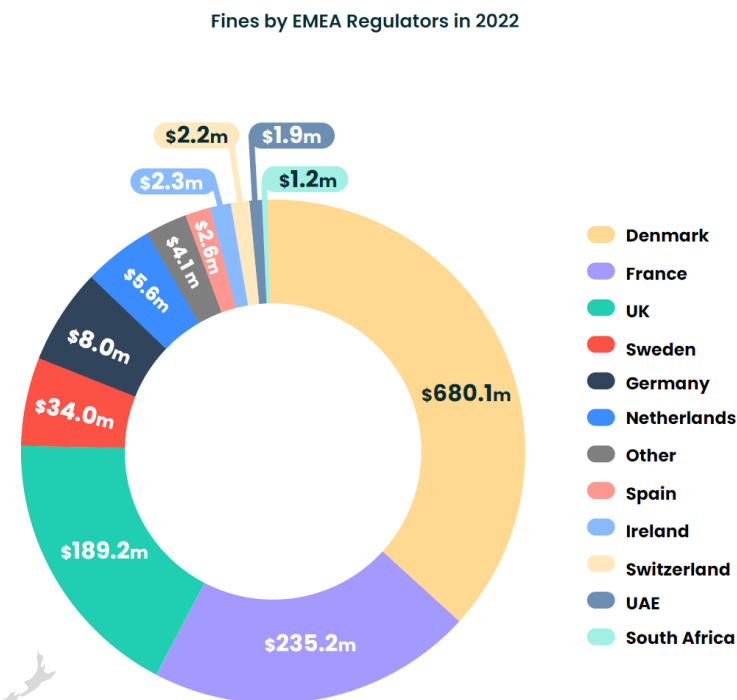
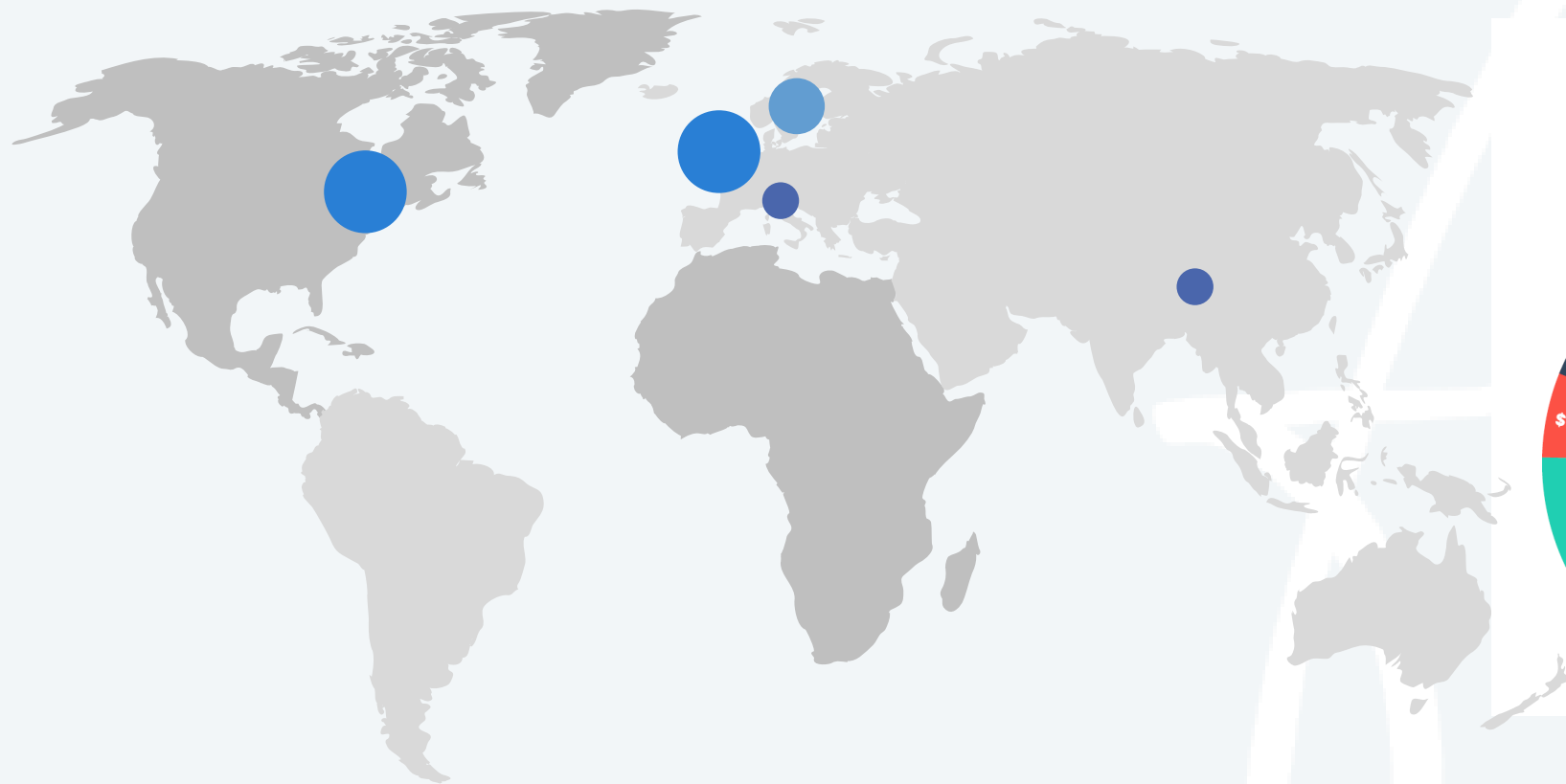
## Third Line - Audit

Provide assurance/independent testing that  
ML/TF/PF risk management processes are adequate  
and appropriate

# AML/CFT Governance – Strong Governance and Culture



# Why Good Governance and Culture Matters



## ● US Regulatory Fines

US fined cryptocurrency exchange  
Binance with 4.3 billion fine for  
violation AML and Sanctions

## ● UK Regulatory Fines

FCA fined for 144 million for AML Violations  
2022

## ● EU Regulatory Fines

Credit Swiss Fine 235 million fine by French Regulator  
Danske bank fine 2.2 billion in 2023 by US and Danish  
Regulators

# AML/CFT Training of Staff

## AML/CFT Training - Overview

- Employees are a firm's best defence against money launderers and terrorist financiers abusing their business and the wider system to launder the proceeds of crime or finance terrorism
- Effective AML/CFT/PF training for employees ensures that there is sufficient understanding of the risks the firm faces and maximizes the chances of identifying, managing and mitigating those risks





# AML/CFT Training – Key Points

Firms should ensure that all employees, directors and agents understand that they understand its AML/CFT risk-management framework

## Business Risk Assessment

Understanding of the firm's Business Risk Assessment and how it affects their daily work

## Policies & Procedures

Be familiar with the firm's AML/CFT policy, which should be drafted in clear and unambiguous language

Understand and apply the firm's procedures in order that they can recognise and address potential instances of money laundering or terrorist financing

## Reporting

Adhere to the internal reporting procedures in respect of STRs and be aware of the identity and responsibilities of the firm's MLRO

Understand their own individual obligations under relevant laws as well as those of the firm

## Designing an AML/CFT Training Programme

### Specific

- Firms should provide AML/CFT training which is specific to the role carried out by the member of staff
- Example: front line staff who interact with customers and perform transactions and services should be provided with AML/CFT training relevant to the performance of that role

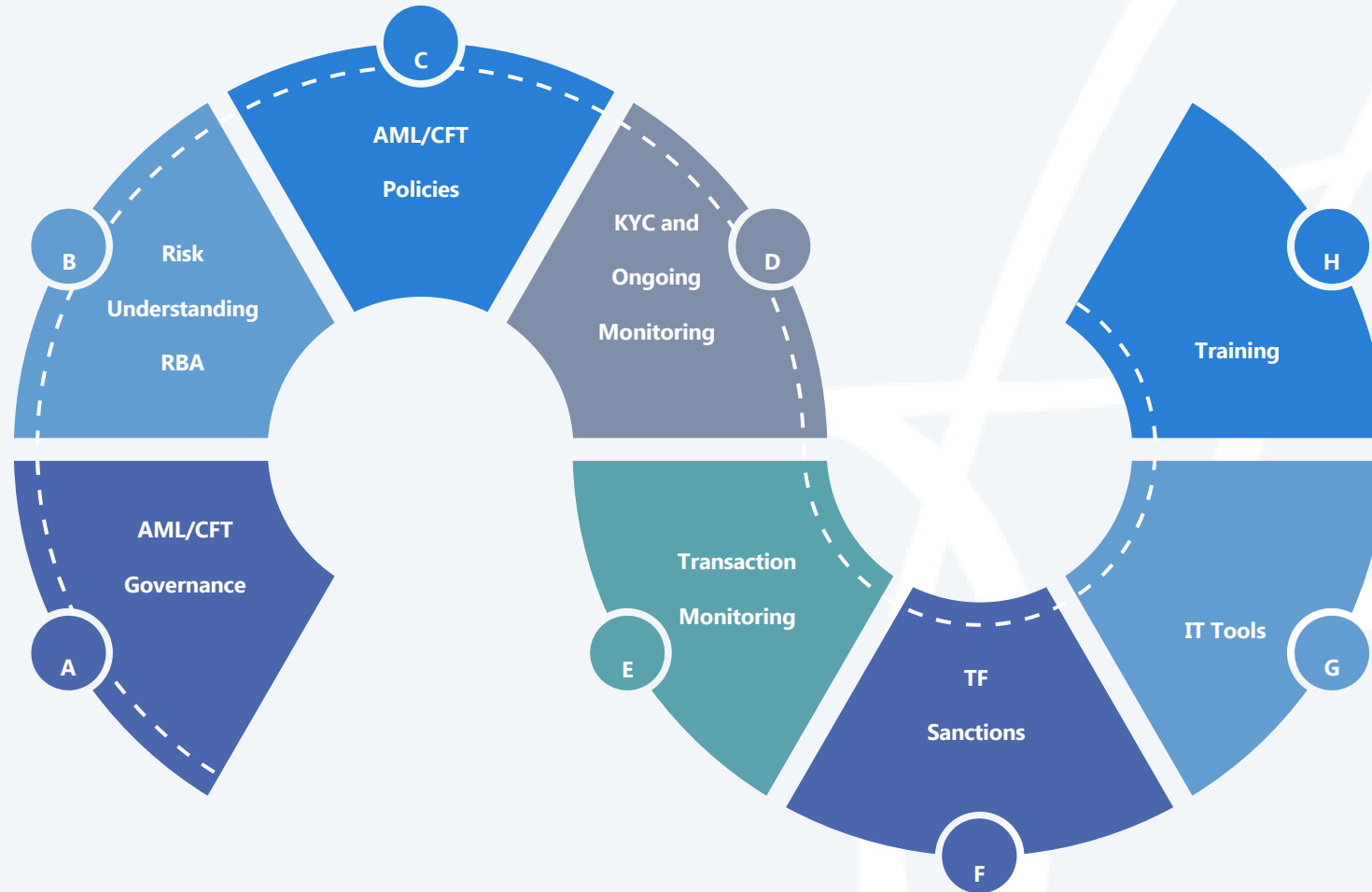
### Tailored

- Firms should also provide enhanced AML/CFT training tailored to the specific needs of staff who perform key AML/CFT and FS roles within the firm
- Example: Firm's MLRO or senior management responsible for AML/CFT oversight

### Continuous

- Firms should provide staff with ongoing training, especially where a staff member changes role and they may encounter different ML/TF risks to that of their previous role

# AML/CFT Training – Key Areas



# Delivering Effective Training



## Targeted

- Firms should decide the most appropriate method or methods they wish to use in order to provide AML/CFT training to staff, senior management and agents. For example, Firms may decide to use a number of different channels such as online or e-learning modules, classroom training or video presentations in order to fulfil their AML/CFT obligations.
- Firms should ensure that AML/CFT training is provided to all new recruits upon joining the firm in a timely manner and to all staff at least on an annual basis thereafter
- Staff in customer facing roles, with responsibilities relating to AML/CFT procedures or controls, should receive AML/CFT training prior to interacting with customers

## Proportionate

- Training should be conducted to ensure staff understand and mitigate ML/TF/PF risks. It should be proportionate to the risk faced – i.e. more frequent and at regular intervals where the firm is exposed to a higher level of ML/TF risk or who have a greater exposure to constantly evolving ML/TF risks
- Firms should consider the outcomes of their own Business Risk Assessments and whether the frequency and content of AML/CFT training provided is adequate for levels of ML/TF risks faced by the Firm

## Measured

- AML/CFT training should be measured through assessment/ examination to ensure that the training is understood and applied (which should be documented) – if not, firms must be in a position to demonstrate effectiveness of training and staff understanding
- Training programme should be kept up to date in line with risk assessment and be measured for overall effectiveness

# AML/CFT Training Governance

Senior Management and designated compliance professionals should ensure:

- The Firm understands and complies with all its legal and regulatory requirements in relation to training its people about the risks of ML/TF/PF
- The establishment and maintenance of effective training arrangements which reflects and implements a Risk Based Approach to AML/CFT
- That training content is reviewed and updated on a regular basis to ensure that it remains relevant to the firm and providing assurance to this effect
- There is appropriate and timely remediation action where there are concerns in relation to the training programme
- That there is management information (e.g. metrics) around the firm's training programme including information on nature and extent of training, who has been targeted, frequency, training completion and training pass rate data and actions taken to update and improve training



*Thank you for your time*

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