A RISK-BASED FRAMEWORK FOR ASSESSING A COMPLIANCE CULTURE

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I. Executive Summary

In various forums, compliance culture has been mentioned as an important component that sets the backdrop for the attainment of anti-money laundering (AML) objectives in a financial institution.

However, compliance culture has not been defined clearly in a manner that can allow it to fit into a risk-based assessment process, considering the fundamental assumptions that guide behavior in institutions.

Furthermore, understanding a compliance culture is a complex endeavor and it needs to be assessed under the light of the different organizational dynamics that shape it, for example, leadership, communication, ethics, learning, resource allocation, etc.

A compliance culture can take different forms that implicitly reflect diverse levels of risks. If the cultural risk is low, organizational dynamics that drive behavior allow institutions to better manage their AML risks. If the risk is high, an institution could be more vulnerable because assumptions guiding behavior are not aligned with its AML risk profile, and most likely, by having a weak compliance culture, it will have shortcomings in the attainment of its objectives.

This white paper will offer a framework that allows auditors to understand: a) the organizational dynamics that shape a compliance culture, b) how they can use a risk-based framework for assessing it, and c) determine levels of risk for assumptions of organizational dynamics. In addition, a strategy is presented on how a combination of quantitative and qualitative techniques can be used with the proposed framework. Finally, a brief description of how the framework fits into the corporate governance process will be presented, so that if needed, institutions can pursue compliance cultural improvements.

II. Introduction

In his remarks at the ACAMS 19th Annual AML and Financial Crimes Conference, Thomas J. Curry, Comptroller of the Currency, stated that the decisions the board and management make are relevant because they are likely behind the deficiencies detected in financial institutions. He listed underlying deficiencies involving “the culture of compliance within an organization, the resources committed to BSA compliance, the strength of the organization’s information technology and monitoring process, and the quality of risk management.”

Likewise, at the ACAMS 20th Annual AML and Financial Conference, while describing the content that every compliance program should have, U.S. Assistant Attorney General

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Leslie R. Caldwell, said that “the most important thing is tone at the top and communication within the company,” and she added that “tone at the top is critical.”

At the same conference, Adam Szubin, Acting Under Secretary for Terrorism and Financial Intelligence, also affirmed the importance of a compliance culture: “I´ve learned in this job that the most expensive, the most sophisticated compliance program can fail in the absence of that culture and I´ve come to believe that it´s one of the most important things for a financial institution. It really does mean a difference between success and failure.”

Even in a different context than AML, compliance culture is seen as relevant. Brent Snyder, Deputy Assistant Attorney General from the Antitrust Division of the Department of Justice (DOJ), indicated that “If senior management does not actively support and cultivate a culture of compliance, a company will have a paper compliance program, not an effective one.”

In federal law, compliance culture is emphasized as well. In the U.S. Federal Sentencing Guidelines Manual, chapter eight: Sentencing of Organizations, mentions that the existence of an effective compliance and ethics program is one of the factors that mitigates the ultimate punishment for organizations, requiring in it the promotion of an “organizational culture that encourages ethical conduct and a commitment to compliance with the law.”

Considering the above, it is clear that assessing a compliance culture is necessary so that institutions are effective in managing their AML risks and for having a successful program. In this sense, auditors can have a proactive role in the assessment process of a compliance culture to support entities in attaining their AML objectives.

III. Understanding a Compliance Culture

A. Defining a Compliance Culture

Compliance culture will be defined under the premise that it is similar to organizational culture, but bounded to specific compliance constructs. In this sense, a brief description of organizational culture is necessary.

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4See speaker remarks by Brent Snyder, Deputy Assistant Attorney General, Antitrust Division, U.S. Department of Justice, Compliance is a Culture, Not Just a Policy, Remarks as Prepared for the International Chamber of Commerce/ United States Council on International Business Joint Antitrust Compliance Workshop, September 9, 2014.
One of the most prominent scholars of management, Edgar H. Schein, provides a widely accepted definition of organizational culture:

“The culture of a group can now be defined as a pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.”

Basically, organizational culture is what defines a social group as such, embedded at the deepest level of behavior, and pervasively induces the actions necessary to deal with the organization’s environment and with itself; creating the unconscious output in everyone that ultimately leads to group results, and in the process, creating a conceptual whole that demonstrates interactions on a social level.

To completely understand organizational culture, Schein proposes the three levels of culture, which are:

1. “Artifacts, visible and ‘feelable’ structures and processes; observed behavior (that can be difficult to decipher);” for example, the décor inside the offices, the way people talk to each other, the Web page, internal and external reports, documents, its dress codes, myths, rituals, ‘heroes,’ ‘villains,’ organizational charts, etc.

2. “Espoused beliefs and values, which are ideals, goals, values and aspirations; ideologies; rationalizations (that could may or may not be congruent with behavior and other artifacts);” for example, how managers react when business objectives are not being met; how the board reacts when a cease and desist order is imminent; how employees react to AML risks, etc.

3. “Basic underlying assumptions, which are unconscious, taken-for-granted beliefs and values (that determine behavior, perception, thought and feeling).” This level is where behavior is considered effective because it has become the way the social group has learned and accepted “the way to do things around here,” so as to cope with opportunities and threats. These assumptions are rarely questioned because they are ingrained deep in the mindset of everyone.

On the other hand, Joanne Martin, a renowned organizational behaviorist, presents a three-type categorization for cultural manifestations that allows for consensus to have a divergent presence in any institution. In this sense, culture is accompanied by different levels of ambiguity on how to resolve organizational issues, and consequently, conflicts will arise in the institution. The three perspectives are: integration, differentiation and fragmentation.

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8 See Schein, 24.
Under the integration perspective, a “culture sees consensus.”\(^{10}\) For example, in institutions where abiding by the law is highly valued, strict compliance would be a cultural manifestation, and therefore, clear consensus exists on all levels that regulations are to be followed through, regardless of other issues.

The differentiation perspective allows for “cultural manifestations that have inconsistent interpretations.”\(^{11}\) This happens when subcultures have different understandings about issues, and on how they will be resolved. In AML, the classical example would be when compliance functions and the business lines overtly do not agree on how to treat a high-end client whose growing revenue stream for the institution is significant, but is also becoming a high-risk client.

The fragmentation perspective “conceptualizes the relationship among cultural manifestations as neither clearly consistent nor clearly inconsistent.”\(^{12}\) An example in AML would be when new regulations take effect and changes in the institution’s policies and procedures are implemented but there is no clarity who in the institution is buying-in into the effectiveness of those procedures, and therefore, inconsistent behavior throughout the institution will result from the lack of clarity.

Martin argues that the three perspectives are necessary when understanding culture, considering the possibility that cultural manifestations make visible processes of integration, conflict, disagreement and consensus in the organization: “the three perspectives offer a wider range of insights than is available from any single viewpoint.”\(^{13}\)

This means that consensus, conflict, agreements, disagreements, similarities and differences in meaning, and interpretations of events, will be ever present in any institution, and this is why understanding a compliance culture is a difficult endeavor. Culture needs profound methods for a proper assessment.

The following figure shows the combined contributions between Schein’s definition of organizational culture, and Martin’s three perspectives, within a compliance context:

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\(^{10}\) See Martin, 94.
\(^{11}\) See Martin, 94.
\(^{12}\) See Martin, 94.
\(^{13}\) See Martin, 120.
Considering both contributions, and narrowing them into a compliance context, compliance culture would be defined as the pattern of accepted or fragmented assumptions about compliance issues learned by an institution, as it adapts externally and integrates internally, that are considered valid among all or some of the institution’s members, and consequently guide behavior that is reflected in their perception, ways of thinking and feelings about those issues.

B. Promoting a Compliance Culture

A compliance culture is shaped through the relationships of certain organizational dynamics (cultural manifestations).

According to the Financial Crimes Enforcement Center’s (FinCEN) Advisory on Promoting a Culture of Compliance, the dynamics required to promote it would be: a) leadership involvement and support, b) value-balance orientation where AML risks are not compromised by revenue interests, c) information sharing with compliance staff, d) adequate allocation of resources for AML efforts, e) competent and effective independent testing and f) understanding of AML efforts by the institution’s leadership.

In this sense, a compliance culture is created when the board and top management understand all relevant obligations regarding compliance, and likewise, support efforts for proper implementation of the compliance program.

The Advisory recommends that compliance functions should be effective and independent; assuring that business brought on by clients does not affect the

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15 See Advisory, 2.
16 See Advisory, 2.
judgments of compliance staff. The AML function also requires that areas share information that is relevant for managing AML risks.\textsuperscript{17}

The AML function has to have certain stature inside the organization. If this is not perceived among the rest of the staff, information sharing with the AML function will not be smooth, consequently increasing the entity’s risks of not fulfilling its Bank Secrecy Act/anti-money laundering (BSA/AML) responsibilities.

Resource allocation is also important. The BSA/AML compliance program\textsuperscript{18} should have an individual responsible for adequately implementing it, with the necessary human and technological resources to engage the institution’s risks.

Independent testing\textsuperscript{19} is critical. Whoever tests the program’s effectiveness has to be competent and objective.

Finally, it is necessary that staff understand how and why AML reports\textsuperscript{20} are produced, so as to attain adequate outputs from employees. In this way, significant contributions are provided for investigations, information exchange with authorities, and identification of suspicious activity.

C. Similarities with Risk Culture

In a similar manner, organizational dynamics that shape a compliance culture have also been mentioned as being characteristic of a risk culture.

The Financial Stability Board (FSB) sets out the following foundational elements, recommended for a sound risk culture:\textsuperscript{21} effective risk governance and risk-appetite frameworks, and compensation practices that promote appropriate risk-taking behavior. In this sense, the FSB offers a non-exhaustive list of indicators for assessing a risk culture:\textsuperscript{22}

- “Tone from the top:” The board and senior management set core values and expectations for employees, with behavior reflecting values being espoused.
- “Accountability:” Employees understand the core values of the institution and are aware they will be accountable for their actions. Staff essentially accepts risk-related goals and values.
- “Effective communication and challenge:” The institution allows for open communication and effective challenge in the decision-making processes, eyeing towards open and constructive engagement of situations.

\textsuperscript{17} See Advisory, 3.
\textsuperscript{18} See Advisory, 3.
\textsuperscript{19} See Advisory, 4.
\textsuperscript{20} See Advisory, 4-5.
\textsuperscript{21} See Financial Stability Board (FSB), \textit{Guidance on Supervisory Interaction with Financial Institutions on Risk Culture}, April, 2014, 2.
\textsuperscript{22} See FSB, 3.
• “Incentives:” Performance encourages and reinforces desired risk management behavior, with alignment between incentives and core values.

Tone at the top is important since behavior enacted by board members and senior management must reflect the ethical standards of the institution, and provide an orientation to shape the tone in the middle, so that it influences the next levels in the organization.

The FSB offers the following indicators (cultural manifestations) for tone at the top:\textsuperscript{23} a) leading by example; b) assessing espoused values, assuring consistency with tone in the middle; c) ensuring common understanding and awareness of risk; and d) learning from past experiences.

According to the FSB, indicators of accountability are:\textsuperscript{24} a) ownership of risk, where everyone is held accountable for what they do or don’t do; b) escalation processes, where the institution has effective mechanisms in place to support compliance; and c) clear consequences, where everyone understands the effect of breaches in policies, procedures, limits, codes of conduct, etc.

Regarding communication, the FSB recommends\textsuperscript{25} transparency and open dialogue within the board, management, staff and the rest of the organization; allowing for alternating views, as well as training on desired behaviors.

Also, the control functions must have a strong stature\textsuperscript{26} in the organization, comparatively equal to the business lines, and are proactively involved in organizational matters, with a high degree of influence. In short, when the control functions make presentations at meetings, including the board, everyone pays attention carefully.

Furthermore, behavior should be influenced by an effective remuneration system that allows for attainment of long-term sustainable goals based on sound business practices. The FSB recommends\textsuperscript{27} that compensation and performance evaluation systems reinforce the organization’s core values, including compliance with policies and procedures, and ensure alignment between strategy and risk.

Finally, the institution has to have in place robust talent development\textsuperscript{28} programs, so that risk management is understood at senior level and at the business lines. It is recommended that the control functions periodically exchange resources with other areas so that staff gain deeper knowledge on relevant issues, further encouraging open communication. These programs must contain well developed procedures that start at the hiring process and end in succession planning, when employees leave the organization. This includes setting out clear career paths for key positions, with

\begin{itemize}
\item \textsuperscript{23} See FSB, 6
\item \textsuperscript{24} See FSB, 8.
\item \textsuperscript{25} See FSB, 9.
\item \textsuperscript{26} See FSB, 9.
\item \textsuperscript{27} See FSB, 10.
\item \textsuperscript{28} See FSB, 10.
\end{itemize}
adequate competence and skill development for employees. In this sense, learning from experience is promoted, and combines gracefully with the training of staff. Thus, culture is reinforced through talent development.

The FSB signaled out several organizational dynamics described above that reflect a risk culture. In a similar manner, these dynamics are well suited to describe a compliance culture.

D. Organizational Dynamics that Shape a Compliance Culture

Based on what has been previously described about promoting a compliance culture and considering the indicators (cultural manifestations) of a risk culture, the organizational dynamics that shape a compliance culture are:

- Leadership involvement with external and internal stakeholders regarding compliance issues.
- Ethics and values that represent the tone at the top, tone in the middle, and for the rest of the institution.
- Communication that allows adequate information sharing and reporting from a top-down, down-up and across the organization perspective.
- Resource allocation in an efficient and appropriate manner for compliance initiatives.
- Compliance function effectiveness and perception.
- Incentives for employees as a means to influence behavior in a compliance-positive way.
- Training and learning as a mechanism to support adaptation and integration on compliance issues.

The following figure shows the different organizational dynamics that shape a compliance culture:

Figure 2. Organizational Dynamics that Shape a Compliance Culture.
These organizational dynamics influence the compliance culture shaping process in different ways. They interact with each other, reinforcing positive and negative outcomes for the cultural context of the institution, depending on the circumstances. The next step is to assess the compliance culture.

E. Assessing a Compliance Culture—Is it important?

Since compliance culture reflects the behavior of everyone in the institution, assessing it becomes a fundamental issue if an organization wants to understand how it is creating its underlying assumptions about internal integration and external adaptation.

The fundamental questions that cultural assessments have to answer are the ones on the meanings of those dynamics, and how their interplay shapes compliance behavioral outputs.

For example, cultural assessment is not about determining whether the AML department is under or over staffed. It is about determining the different meanings and reasons related on how the AML department is perceived by itself, other departments, management and the board, which ultimately leads to its resource allocation. In this sense, using a risk-based approach would make sense for a cultural assessment, since different assumptions reflect different levels of risks.

IV. The Risk-Based Assessment Framework

A. Overview of the Assessment Framework

A risk-based approach can be used as a framework to assess a compliance culture. The proposed framework uses four risk categories to categorize behavioral assumptions: low, medium, high and very high.

A low risk compliance culture would be described as an institution that actively engages AML issues, truly believing that complying with laws and regulations will lead to better business opportunities. Compliance is included in strategic initiatives, and has a proactive participation in relevant operations. Usually, these types of cultures are institutions that are consulted by authorities on a regular basis since they are perceived as being leaders in the fight against money laundering.

A medium risk compliance culture would be an institution that it is disoriented or disconnected, depending if it is mostly effective in external adaptation or internal integration assumptions. The disoriented culture is more effective in developing external adaptation assumptions, while a disconnected culture is more effective in the development of internal integration assumptions.

For example, an institution with a disoriented culture would participate actively in external AML forums, but it would not be effective in incorporating what it is learning
into the internal training programs. In the disconnected culture, management tends to prioritize business objectives more than AML, but compliance staff are seen as effective and competent in managing AML risks.

An institution with a high risk compliance culture is not effective in the development of either assumptions. For example, information sharing does not occur promptly when suspicious behavior is identified, and at the same time, top management does not make compliance a priority. Consequently, resources are not allocated properly for AML initiatives.

The very high risk compliance culture is an institution where compliance is practically nonexistent, or avoided intentionally. It is the most unwanted state of culture and represents institutions that are probably serving criminal organizations for money laundering purposes. These are the organizations that legitimate clients and other institutions should not be dealing with, and therefore, should not operate.

The following figure shows the types of compliance culture according to the levels of risks, considering internal integration and external adaptation assumptions:

Figure 3. The five (5)-typologies risk-based assessment framework.
The following sections describe more detailed indicators for each type of culture:

B. **Low Risk: An ‘Engaged’ Culture**

The cultural manifestations are:

1. **External adaptation assumptions:**
   - High presence of proactive attitudes for dealing with AML issues.
   - AML typologies detected by authorities or peer institutions are communicated promptly in the institution.
   - AML risks are seen equally relevant as revenues and financial goals.
   - The institution is in excellent standing with financial authorities.
   - In meetings, including the board, AML issues provided by external sources are discussed properly.
   - The board and managers are involved actively in providing recommendations and feedback to authorities, regarding AML regulations and proposals.

2. **Internal integration assumptions:**
   - Strong alignment exists between tone at the top and in the middle.
   - AML issues are communicated immediately to all relevant parties.
   - Punishments are given to anyone who violates the code of ethics as well as AML policies and procedures.
   - The institution has a reward system in place to promote compliance behavior.
   - Training content is up-to-date and considered relevant.
   - There is nonexistent overriding of controls.
   - The HR department works very closely with AML staff to resolve issues and provide support for developing compliance awareness.
   - Management has developed clear career paths and retention programs for AML staff.

C. **Medium Risk: A ‘Disconnected’ Culture**

The cultural manifestations are:

1. **External adaptation assumptions:**
   - Management prioritizes business objectives over AML risks.
   - The institution collaborates with financial and criminal investigation authorities only when legally required to do so.
   - In boardroom meetings, AML holds the last place in the agenda.
   - Participation with external AML professional associations is highly dependent on budget availability.
   - AML typologies detected from outside sources are rarely communicated inside the institution.
   - Financial authorities perceive the compliance function as being weak.
   - New AML regulations take a long time to be adopted in the institution.
2. Internal integration assumptions:
   - Tone from the top is not aligned with tone in the middle.
   - AML violations are effectively enforced with disciplinary actions.
   - Employees know clearly well their responsibilities for AML violations.
   - AML policies and procedures are pushed into action by middle management and operational level employees.
   - Content in AML training programs is sufficient.
   - Communication of AML issues usually follows a “bottom-up” approach.
   - The AML department competes evenly for resources, and periodically obtains its requests.
   - Employees perceive AML staff as being helpful in resolving issues.

D. **Medium Risk: A ‘Disoriented’ Culture**

The cultural manifestations are:

1. External adaptation assumptions:
   - The board and management are interested in new AML regulations.
   - New AML typologies from outside sources are promptly communicated in the institution.
   - Management centralizes most of the onboarding activities of high-risk clients.
   - Collaboration with financial and criminal investigation authorities is viewed as important.
   - There is extensive knowledge sharing through AML training done outside the organization.

2. Internal integration assumptions:
   - There is a predominant “top-down” approach to communication and information sharing.
   - When AML violations occur, disciplinary actions are rarely handed down.
   - AML staff are perceived as not being helpful or competent.
   - Employees react in a late manner to attend AML issues.

E. **High Risk: An ‘Apathetic’ Culture**

The cultural manifestations are:

1. External adaptation assumptions:
   - Revenue objectives are extensively more important than AML.
   - Compliance is perceived as a “necessary evil.”
   - External participation in AML professional associations is overtly not encouraged.
   - New laws and regulations are perceived as a hindrance to business development, and are avoided if possible.
• The institution is in bad standing with financial authorities.
• The compliance function is perceived as being unacceptably weak.

2. Internal integration assumptions:
• Information sharing is weak throughout the organization.
• The institution does not have an interest in learning from its past experiences.
• Override of controls is fairly common.
• Disciplinary action against employees is nonexistent.
• The AML staff does not coordinate well with other departments.
• Training content for employees is severely outdated.

F. **Very High Risk: An ‘Antagonistic’ Culture**

The cultural manifestations are:

1. External adaptation assumptions:
• Revenues are the only objectives that matter.
• Management aggressively ignores AML issues.
• Employees intentionally ignore suspicious activities.
• Management never attends regulators or external auditor’s findings regarding AML issues.
• Contact with financial and criminal investigation authorities is avoided at all costs.
• Financial authorities view AML staff as completely incompetent.

2. Internal integration assumptions:
• Tone at the top and in the middle do not exist.
• Override of controls is extremely common, and even encouraged by management in order to attain business objectives.
• AML training is non-existent.
• AML issues are never communicated within the institution, leading to significant breaches of regulations.
• The AML department is ignored in the institution.

Annex 1 shows a table containing sample descriptions of themes for each organizational dynamic, according to its risk typology.

V. **Techniques for Assessing a Compliance Culture**

The tool box available for assessing a compliance culture has a wide array of methodological approaches that range from pure quantitative surveys, all the way to qualitative, innovative techniques.

The following is a brief description of the different approaches:

A. **Culture Surveys a la Quantitative Approach**
Quantitative surveys can be used to get a glimpse of the institution’s compliance culture. Some researchers\textsuperscript{29} acknowledge that surveys do not go deep enough into organizational behavior. In this sense, surveys are considered not being sufficiently profound in gathering the necessary inputs for describing an organizational culture.

However, surveys allow for numerical quantification of results. This is useful when comparing results within areas, departments, units, processes, etc., of the institution.

Surveys are usually designed with Likert-type scales that evaluate the degree of presence of the indicators being studied. In a compliance assessment, surveys would be constructed with the purpose of determining the riskiness of assumptions involving AML issues, from an internal integration and external adaptation perspective.

By using calculations, the results can be digested with the use of statistics. With the use of averages, medians, standard deviations, tables of frequency, etc., strengths and weaknesses can be pinpointed to derive compliance levels of risks, and it is easier to detect where to assess next with more profound techniques.

It is recommended that surveys be constructed according to the particular circumstances of the institution. Also, the survey population has to be considered when preparing the survey content. For example, the survey for management level would contain different content than the one applied to operational level employees, and so forth.

\textbf{B. Qualitative Research Techniques}

The objective of qualitative techniques is to obtain a thick description into “how people interpret their experiences, how they construct their worlds, what meaning they attribute to their experiences.”\textsuperscript{30} In the AML context, the purpose would be to determine how employees make sense of compliance issues, describing the process on how the meanings of those issues are created and interpreted.

The intent is to develop a holistic view, with the purpose of developing “a complex picture of the problem or issue under study. This involves reporting multiple perspectives, identifying the many factors involved in a situation, and generally sketching the larger picture that emerges.”\textsuperscript{31} This implies using common characteristics\textsuperscript{32} for these techniques, for example, using multiple methods of reasoning (inductive and deductive) and doing fieldwork at the site where the culture is being assessed.

\textsuperscript{29}See Ehrhart, Schneider and Macey, 138-144.
\textsuperscript{32}See Creswell, 45.
Auditors can choose among an array of qualitative techniques for a proper cultural assessment. Among the different options, there are group and individual interviews, observation and text analysis.

1. **Group interviews/focal groups**: These techniques consist of small meetings between assessor and key informants. Usually the informants are employees who are in a position to provide insight on the questions/themes that will be asked by the interviewer. Size of the group is kept small—between five to 10 members. The idea is that responses from one person will elicit involvement and discussion from other participants, building on the topics being answered at the group exercise.

   The assessor asks broad or semi-structured questions so that participants provide answers as openly as possible. Responses are recorded and reviewed afterwards to derive themes and conclusions.

   For example, if the purpose is to determine perception of AML training content, a group of employees would be asked questions, like: How was the quality of the training? Was it updated with relevant content for the products and services they offer? Were new money laundering typologies explained properly? Did the training setting allow for interchange of experiences? Were the consequences of not complying with AML policies explained properly? Did the training keep in mind the importance of reputation for the institution? Etc.

   Annex 2 contains a list of sample questions that could be used in an overall focal group exercise.

2. **Individual interviews**: These interactions are usually done with key informants that would benefit more from participating on a one-on-one basis with the assessor. It could be possible that senior executives do not feel comfortable talking about AML issues in a group setting, or their schedule is so complicated that getting everyone at the table at the same time is practically impossible. Either way, individual interviews are also valid for obtaining pertinent perceptions.

   The exercise is basically the same. Open and semi-structured questions are asked to elicit ample descriptions and responses from the persons being interviewed. Just like the group application, the interviews are recorded, transcribed and analyzed in a similar fashion.

   More specific qualitative techniques for interviews can be used depending on the objectives of the cultural analysis. One type is the Critical Incident Technique (CIT).

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34 See Driskill and Laird, 105.
2.1 **The Critical Incident Technique (CIT):** This technique was first developed and used in the 50s by John Flanagan.\(^{35}\) It has recently been revived in qualitative methodology. The CIT is apt for asking individuals or small groups to recount specific incidents on what was considered best and/or worst practices.

The purpose is to identify effective or ineffective behaviors when analyzing certain activities.\(^{36}\)

For example, if evaluating AML monitoring procedures, the assessor asks compliance staff and business line employees to recall real-life critical incidents where they monitored suspicious activities, focusing on best and worst practices. The aim would be to determine how employees perceive AML procedures for monitoring suspicious activities. Key informants would be asked about what they considered was done right or wrong; what they observed as positive and negative in specific monitoring cases; what things happened that were considered helpful or harmful when determining the activity as suspicious, etc.

Like all interviewing techniques, applying the CIT requires careful preparation so that a “detailed, comprehensive and valid description of the activity studied”\(^{37}\) is elicited by participants.

An important issue with interviews is to determine who will participate as key informants, since “the crucial factor is not the number of respondents but the potential of each person to contribute to the development of insight and understanding of the phenomenon.”\(^{38}\) Participants require extensive knowledge on the issues that will be discussed.

In this sense, interaction between assessor and informants needs to be done with respect, relaxed, and in a nonthreatening way. When areas and processes have been selected, key respondents are “those who can express thoughts, feelings, opinions—that is, offer a perspective—on the topic being studied.”\(^{39}\)

3. **Text analysis:** This technique is used for the “analysis of any written artifact.”\(^{40}\) The purpose is to identify patterns, trends, meanings, etc. The texts can be any formal or informal document, for example, annual reports, newsletters, manuals, emails, memos, etc. Three methods can be used, which are:

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\(^{37}\) See Woolsey, 248-250.

\(^{38}\) See Merriam, 105.

\(^{39}\) See Merriam, 107.

\(^{40}\) See Driskill and Laird, 76.
3.1 Content analysis: The objective is to construct categories and count the frequency those categories are mentioned throughout the texts.

For example, when the institution is implementing new AML policies and procedures, while using internal memos, the analysis would determine the level of acceptance of the new procedures in the institution. The analysis would determine the arguments used for ignoring, resisting, or supporting the new initiative.

In an antagonistic culture, it would be characteristic that management signals out “ignoring” themes so that the new procedures are not implemented. In an engaged culture, the memos would reflect clear and immediate support by everyone, in favor of AML initiatives.

3.2 Rhetorical analysis: The assessor will reach conclusions about the rhetoric included in texts, considering the different elements on how the texts came to existence, like the background of author, purpose, situation, etc. Special attention is given to the person(s) involved in preparing the text.

For example, when the AML department uses emails to negotiate the allocation of resources, the analysis would provide elements into the reasoning used for authorizing or rejecting more resources. The arguments provided by both parties would reflect their respective positions on that particular issue. In a disconnected culture, when management decides against hiring more AML staff, the arguments involve budget constraints and maintaining the bottom line.

3.3 Linguistic analysis: The assessor will infer conclusions based on “specific language and grammatical structures of messages.” The purpose is to determine why certain words are used and how the frequency of its use reflects cultural meaning.

For example, how AML issues are mentioned in internal communication could provide meaning into the relevance of those issues. Even a phrase that is written the same way could have different meanings, depending on other elements that accompany it. “Compliance is important!!!” is not the same thing as “compliance is important ;).” Simply put, exclamation marks reflect a call of attention while a winking face means that the issue is not to be taken seriously. It would be typical in apathetic or antagonistic cultures to find similar examples of the “winking faces” structure.

4. Observation: The purpose is to observe the culture manifestations in different organizational settings, for example, participating in formal meetings, daily execution of activities, client presentations, employee training events, etc. Even social gatherings can become a source of cultural insight, when observed

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41 See Driskill and Laird, 80.
properly. There are four major observer roles: complete observer, observer participant, participant-observer and/or complete participant.

An auditor would use the complete observer role, which offers an objective perspective for assessing culture. The other three roles require a certain degree of involvement and participation with the activities being observed, which are best suited for evaluations done by consultants or other areas.

Annex 3 contains a sample list of questions to be addressed by the assessor, while implementing this technique. The list exemplifies the observation of an AML training event for middle management.

5. **Ethnography study**: Since culture is buried in the assumptions of employees, a deeper understanding of how these assumptions work and guide behavior can be determined with an ethnographic study.

Each of the techniques previously described above (interviews, text analysis and observation) can be designed into a long-term application protocol, as an ethnography study. Creswell recommends the use of ethnography when “the needs are to describe how a cultural group works and to explore the beliefs, language, behaviors, and issues facing the group, such as power, resistance and dominance.” These are factors that clearly are important to understand in a compliance cultural context.

For example, ethnography answers with thick description, questions like: What level of power does AML staff have inside the institution? Is AML taken seriously in the business line or is it resisted? Do revenue objectives dominate the ones established for compliance? Etc.

Considering the features of ethnography, a robust study involves creating an intricate and comprehensive description of the culture; and identifying the social behaviors of the group, along with patterns in everyday activities that are observed and inquired, as to determine social organization, worldviews, and systems of ideology.

In this sense, a clear depiction is obtained on how the employees work together, and the essence of “the way to do things around here” is described, revealing a robust story on how the organizational dynamics generate expected behavior to make the system work.

The difficulty with ethnography is that it requires an extensive timeframe to be done properly. It is not a “sail through” activity. The qualitative techniques previously mentioned would be applied in more areas, units, departments, etc., of the institution. This implies having more key informants to interview in an individual and/or group format, more activities to observe, and more text to analyze.

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42 See Driskill and Laird, 84-86.
43 See Creswell, 94.
44 See Creswell, 91-92.
One important aspect of ethnography to keep in mind is considering the need for validity and reliability. A good ethnography would provide:

- An understandable explanation of behavior from the employees’ point of view
- Proper contextualized observations done in a prolonged and repetitive way
- Emergence of new hypothesis for explaining behavior
- The specification of cultural themes that describe the organizational dynamics in an explicit way, which were implicit and tacit to those assessed
- The identification of issues that arose in the assessment process
- An overall explanation of how the compliance culture is revealed in the institution

The critical element in a qualitative assessment is that the themes determined show their worth by being relevant and important in the cultural context that is analyzed. The themes have to be pervasive and salient in the institution by the way they repeatedly manifest in behavior, and are also considered fundamental for creating assumptions.

With the combined results of interviews, text analysis and observation, ample themes are established and become the basis for conceptualizing underlying assumptions. The themes uncovered become the “theoretical” foundations for describing the interplay of organizational dynamics that shape a compliance culture.

Establishing the cultural themes will vary among institutions and will depend mostly on the way the assessors analyze the data. Each institution will eventually end up developing its unique story of how it describes its compliance culture.

C. The Hybrid Approach

The most effective strategy for assessing culture would be with a hybrid approach, using both quantitative and qualitative techniques. According to Erhart, Schneider and Macey, “the best way to take advantage of the strengths of each approach is to use both,” by offsetting each other's drawbacks.

A survey allows for comparison with different departments, units, offices or processes of the institution, and allows for the participation of all employees. Quantitative analysis determines at a superficial level the presence of dynamics. On the other hand, qualitative techniques allow for richer and highly detailed descriptions of assumptions, which go deep into meanings and perceptions.

45 See Creswell, 262-263.
46 See Driskill and Laird, 116
47 See Mark G. Erhart, Benjamin Schneider and William H. Macey, Organizational Climate and Culture (New York: Routledge, 2014), 292.
A Risk-Based Framework for Assessing a Compliance Culture

When using both types of techniques, there is not an absolute rule on whether to start with a culture survey and then proceed with the qualitative assessment, or vice-versa. That is a choice that each institution has to make according to its own particular situation.

However, when doing the assessments through various audit cycles, a sound strategy could be done in a three phase cycle:

1. Initial quantitative culture survey, applied widely across the organization, once every audit cycle.
2. Short-term qualitative techniques applied after the survey in specific departments, areas or processes, etc.
3. Long-term qualitative ethnography study applied in critical areas.

The following figure shows an example on how to use the three-phase assessment cycle:

Annex 4 offers a sample assessment protocol, using the hybrid approach. The purpose is to obtain an overall risk assessment of the institution.

Survey results serve as an initial diagnosis of the culture, and its results are used as hypothesis input for the short and long-term qualitative techniques.

For example, survey results could show that learning from past experience is weak because institutional incidents are not being included in AML training programs.
Through perceptions about the effectiveness of training programs, assumptions about relevancy of training can be determined for the market niche of the institution.

In the example above, with an ethnography study, different training events would be evaluated through observation, like the ones done for senior management, operational level employees, newcomers, annual recurrence, etc. The assumptions determined for each type of event would be compared so that themes are analyzed on how the institution builds its overall AML training content.

When evaluating all of the organizational dynamics, the themes uncovered become the story of the compliance culture of an institution, and become theories to be assessed in the next survey application.

Finally, the cultural assessment (quantitative and qualitative) should be presented to the board on a periodic basis so that orientation is given to management about actions for improving the compliance culture.

The assessment would be repeated throughout the audit cycles. Eventually, long term techniques will not be necessary, as long as the risk of the compliance culture improves through time.

It is good to keep in mind that ethnography can be used also in best practice areas, so that assumptions of desired cultural states are understood for replication purposes.

VI. Compliance Culture and the Governance Process

A. The Board and the Rest of the Institution

According to what the FSB described about risk culture, indicating that the board is responsible for setting the “tone from the top, and seeks to effectively inculcate an appropriate risk culture throughout the firm,” it would be reasonable to assume that the board is also responsible for the compliance culture.

For the board, having an assessment that describes its compliance culture would allow for remedial actions where necessary, so its culture evolves into a desired state of organizational dynamics that play out into acceptable levels of AML risks.

In this sense, the board should commission its auditors to assess the compliance culture so that periodically it can determine a course of action for improving it. The assessment should be used by the board to actively engage management in orienting decisions to properly evolve the institution’s culture. Management should make sure that decisions provided by the board are implemented in the institution, and as the culture is assessed properly, compliance culture objectives would be monitored properly.

B. A Role for Supervisors

The FSB recommends that supervisors also assess the culture of financial institutions: "Culture can be a very complex issue as it involves behaviors and attitudes. But efforts should be made by financial institutions and by supervisors to understand an institution’s culture and how it affects safety and soundness." However, being outsiders of the organization, the easiness for obtaining information is not guaranteed.

Supervisors would have to have in their evaluation teams, staff with proper training and expertise. Be warned that hiring organizational anthropologists and behavioral specialists could become something common for supervisors and auditors when performing cultural assessments.

In any case, the way in which the evaluators approach the entity is fundamental. The FSB recommends supervisors to "engage in high-level skeptical conversations with the board and senior management," as to evaluate the fit between risk appetite and the institution’s risk culture, considering the size, complexity and nature of the organization.

In this sense, supervisors should have the ability to assess the institution’s compliance culture as well, and articulate cultural "expectations to the board and senior management and ensure ongoing follow-up on whether these expectations are being met."

Supervisors can also use culture surveys and qualitative tools previously described above for assessing a compliance culture. However, the ‘outsider’ problem has to be kept in mind throughout the assessment process, considering that people probably will not be completely straightforward with supervisors as they would be with insiders. But then again, this is a challenge as well for auditors if they do not have sound preparation and abilities for the cultural assessment process.

VII. Conclusion

A compliance culture is a set of accepted or fragmented assumptions about compliance issues learned by an institution, as it adapts externally and integrates internally, that are considered valid among all or some of the institution’s members, and consequently guide behavior that is reflected in their perception, ways of thinking and feelings about those issues.

Understanding a compliance culture requires a comprehensive effort to assess the different organizational dynamics that shape it, like leadership, ethics and values, effective communication and information sharing, resource allocation, incentives, learning and effectiveness of the AML function.

49 See FSB, Guidance on Supervisory Interaction with Financial Institutions on Risk Culture, 1.
50 See FSB, 1.
51 See FSB, 2.
A risk-based approach can be used for categorizing the typologies of compliance culture, according to its ability to externally adapt and internally integrate the effectiveness of its organizational dynamics. The compliance culture risk categories are: engaged, disoriented, disconnected, apathetic, and antagonistic.

Each of the five typologies have different characteristics of their organizational dynamics, which can be assessed through a combined use of quantitative and qualitative techniques. Among others, the assessment tools available are culture surveys, individual and group interviews, text analysis, and observations. Depending on the analysis of results, a compliance culture can be categorized into one of the risk-based typologies.

An assessment evaluation strategy can be implemented as a three-stage cycle, where culture surveys would lead the initial phase. Qualitative techniques would then be applied in selected areas or processes, depending on survey results. The qualitative assessment would then be used to validate the premises of culture survey design. On a long-term basis, an ethnography study would be used, so that cultural assumptions are fully validated.

The board is critically responsible for promoting the institution’s compliance culture. It is their responsibility to assess it, so as to gain insight and determine where the cultural improvements need to be done. The board can commission its auditors for assessing the compliance culture since their position in the organization allows for objectivity and independence, which are necessary in the assessment process.

The financial supervisors can also do their own assessment exercise of an institution’s compliance culture. Results should be articulated to the board and senior management, and follow up on remedial actions should be done periodically.

VIII. References

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IX. ANNEXES

Annex 1 – Table containing a sample description of themes for each organizational dynamic, according to the level of risk of the compliance culture.

Annex 2 - Sample list of questions that can be used in focal group interviews.

Annex 3 - Sample list of questions to be addressed while applying the observation technique.

Annex 4 - Sample compliance culture assessment protocol, using the hybrid approach.
ANNEX 1
Table containing examples of sample descriptions of themes for each organizational dynamics, according to the level of risk of the compliance culture.

1.1 EXTERNAL ADAPTATION PERSPECTIVE

| ORGANIZATIONAL DYNAMICS | ENGAGED                                                                 | DISORIENTED                                      | DISCONNECTED                                      | APATHETIC                                                                 | ANTAGONISTIC                                                                 |
|--------------------------|--------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|****************************************************************************|----------------------------------------------------------------------------|
| Leadership               | The board and management actively participate with external entities in AML policy-making. | The board and management are interested in AML regulations proposals. | The board and management collaborate with authorities only when legally required to do so. | The board and management view new AML regulations proposals as a hindrance on business. | The board and management avoid at all costs interaction with supervisors and authorities. |
| Ethics and Values        | Tone at the top, middle, and the rest of the organization, reflect a very strong, well-balanced external stakeholder approach. | Tone at the top reflects a well-balanced external stakeholder approach, but it is not so strong in the middle and the rest of the organization. | Tone at the top reflects a weak external stakeholder approach, but in the middle and the rest of the organization it is acceptable. | Tone at the top, middle and the rest of the organization does not consider external stakeholders. |                                                                                                                                        |
| Communication            | Suspicious activities are communicated promptly to financial authorities. | Suspicious activities are communicated on an acceptable manner to financial authorities. | Suspicious activities are communicated on a late manner to financial authorities. | Suspicious activities are rarely communicated to financial authorities. | Suspicious activities are intentionally never communicated to financial authorities. |
### A Risk-Based Framework for Assessing a Compliance Culture

<table>
<thead>
<tr>
<th>Resources</th>
<th>Candidates with extensive AML expertise are actively sought out in institutions with well-respected reputations, and from supervisors.</th>
<th>Candidates with relevant AML expertise from other respected institutions are welcomed and encouraged to apply.</th>
<th>Candidates with AML expertise from other respected institutions are not encouraged to apply.</th>
<th>Candidates with AML expertise from external entities are not recruited.</th>
<th>Candidates with AML expertise are recruited from institutions involved in laundering and criminal activities.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control function</td>
<td>Supervisors have an excellent and strong perception of the AML function.</td>
<td>Supervisors have a good and acceptable perception of the AML function.</td>
<td>Supervisors perceive the AML function as being weak.</td>
<td>Supervisors perceive the AML function as being unacceptably weak.</td>
<td>Supervisors perceive the AML function as being completely incompetent.</td>
</tr>
<tr>
<td>Incentives</td>
<td>Business objectives and revenue have equal standing with AML risks.</td>
<td>Business objectives and revenue have slightly more standing than AML risks.</td>
<td>Business objectives and revenue have priority over managing AML risks.</td>
<td>Business objectives and revenue have strong priority over AML risks.</td>
<td>Business objectives and revenues are the only thing that matters, and AML risks are intentionally ignored.</td>
</tr>
<tr>
<td>Learning</td>
<td>New AML typologies detected by authorities are included immediately into training content.</td>
<td>New AML typologies detected by authorities are included periodically into training content.</td>
<td>New AML typologies are rarely included into the training content.</td>
<td>New AML typologies are never included into the training content.</td>
<td>New AML typologies are intentionally ignored.</td>
</tr>
</tbody>
</table>
# 1.2 INTERNAL INTEGRATION PERSPECTIVE

<table>
<thead>
<tr>
<th>ORGANIZATIONAL DYNAMICS</th>
<th>ENGAGED</th>
<th>DISORIENTED</th>
<th>DISCONNECTED</th>
<th>APATHETIC</th>
<th>ANTAGONISTIC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leadership</strong></td>
<td>The board and management always show a strong regard for addressing AML issues.</td>
<td>The board and management show an “off and on” regard for addressing AML issues.</td>
<td>The board and management show a habitual regard for addressing AML issues.</td>
<td>The board and management show little regard for addressing AML issues in internal meetings.</td>
<td>The board and management intentionally never address AML issues.</td>
</tr>
<tr>
<td><strong>Ethics and Values</strong></td>
<td>Tone at the top, middle, and the rest of the organization, reflect a very strong, well-balanced internal stakeholder approach.</td>
<td>Tone at the top reflects a well-balanced internal stakeholder approach, but it is not so strong in the middle and the rest of the organization.</td>
<td>Tone at the top reflects a weak internal stakeholder approach, but tone in the middle and the rest of the organization is acceptable.</td>
<td>Tone at the top, middle and the rest of the organization reflect a weak internal stakeholder approach.</td>
<td>Tone at the top, middle and the rest of the organization does not consider internal stakeholders.</td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>AML monitoring reports flow fluently to relevant parties throughout the organization.</td>
<td>AML monitoring reports are followed-up promptly by management, however, they do not flow fluently in the rest of the organization.</td>
<td>AML monitoring reports are generated fluently in the middle and rest of the organization, but they get “stuck” at the management level.</td>
<td>AML monitoring reports take unreasonable timeframes to reach intended parties.</td>
<td>AML monitoring reports are not being done or communicated in the organization.</td>
</tr>
</tbody>
</table>
### A Risk-Based Framework for Assessing a Compliance Culture

<table>
<thead>
<tr>
<th>Resouces</th>
<th>AML staff obtains every request for budget allocation of resources.</th>
<th>AML staff have relative difficulties in obtaining the requested budget allocation of resources.</th>
<th>AML staff get most of the requested budget allocation of resources.</th>
<th>AML staff have severe difficulties in obtaining the requested budget allocation of resources.</th>
<th>AML staff do not have assigned a budget.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control function</td>
<td>Employees, management and other areas perceive the AML staff as being competent and helpful in resolving issues.</td>
<td>Employees do not perceive the AML staff as being helpful when resolving issues.</td>
<td>Employees perceive the AML staff as being helpful in resolving issues.</td>
<td>Employees, management and other areas perceive the AML staff as being incompetent and not helpful in resolving issues.</td>
<td>Employees and management ignore AML staff, and overriding of controls is extremely common.</td>
</tr>
<tr>
<td>Incentives</td>
<td>Employees are always rewarded for attaining AML objectives, and are duly punished for violations of policies and procedures.</td>
<td>Employees are not rewarded for attaining AML objectives, and punishment for violations of policies and procedures is scarce.</td>
<td>Employees are sporadically rewarded for attaining AML objectives, and punishment for violations of policies and procedures is periodic.</td>
<td>Employees are never rewarded for attaining AML objectives, and are never punished when violations occur of policies and procedures.</td>
<td>Employees are encouraged to violate AML policies and procedures.</td>
</tr>
<tr>
<td>Learning</td>
<td>Training content is updated constantly with past experience of the institution.</td>
<td>Training content is not updated periodically, and it rarely includes past experience of the institution.</td>
<td>Training content is updated periodically and usually contains past experience of the institution.</td>
<td>Training content is severely outdated, and is considered irrelevant for the organizational reality.</td>
<td>There is no AML training in the organization.</td>
</tr>
</tbody>
</table>
ANNEX 2
Sample list of questions\textsuperscript{52} that can be used in focal group interviews
Note: this sample list is non-exhaustive.

1. When you were newcomers to the institution, what was unique, or different, or unexpected about the way things related with AML are done here?

2. If you wanted to explain or illustrate to an outsider the essence of compliance issues in the institution, both the positive and the negative, what incident(s) would you describe? What do these incidents say about this organization?

3. What should supervisors see and to whom should authorities speak if they want to understand compliance issues?

4. When comparing AML issues with similar institutions, what is special or distinctive about the organization?

5. What are the principal images or metaphors that employees use to describe compliance in the organization?

6. What kind of beliefs and values dominate the institution? Officially? Unofficially?

7. What are the main norms that dictate compliance behavior? What could employees be fired for? What AML issues could limit an employee’s career success?

8. What are the “ceremonies” and “rituals” regarding compliance and what purpose do they serve? Are employees recognized for being compliant? Do the institution members know when someone receives reward or recognition or recognition for being compliant?

9. What language dominates everyday conversation about compliance? What words do you hear in this institution that you wouldn’t hear at other organizations? What do they signify about organizational values?

10. What are the dominant “stories” or “legends” that employees tell about AML issues? What messages are they trying to convey by telling these “stories”?

11. What rewards systems are in place for compliance? What messages do they send in terms of what is valued here and what is not?

12. What are the favorite topics of informal conversation related with compliance?

13. What do you know about this institution’s compliance history? What has changed over the years?

\textsuperscript{52} The questions were adapted from Driskill and Laird, 108-109.
14. Think of influential people about compliance in the institution. In what ways do they symbolize the character and values of the institution?

15. Are there identifiable compliance subcultures in the institution?

16. Is there a compliance, ethics or related topic newsletter in the institution? Do employees read it?

17. How do people prefer to communicate compliance issues? If there were a new AML policy, how would you expect to hear about it?

18. Are compliance issues communicated through email or face-to-face? Is there anything you would not communicate via email?

19. If you heard a rumor about major changes in compliance, how would you check it out?

20. How does the business environment influence the values and practices of this institution?

21. Do employees of this institution talk about compliance outside of work hours? Who? What do they do?

22. What are special activities or events related with compliance that this institution sponsors for its employees? What do they say about the nature of the organization in relation to compliance?
ANNEX 3
Sample list of questions to be addressed while applying the observation technique.
(Example context: recurrent AML training session for middle management).
Note: this sample list is non-exhaustive.

1. What kind of setting is the training being done at? What impression does it convey to employees? Visitors?

2. What kind of parking is available for participants? Is there any reserved parking? Is there any pattern of vehicles in the parking lot? Do participants arrive on time for the training session?

3. What does the entry to the training venue look like? Is there any kind of security? Is the access to the venue restricted?

4. What is the kind of furniture used in the training session? Is it appropriate for learning activities?

5. What is the seating arrangement for participants? Is there a particular pattern for seating arrangements? Is it determined by status? Does the seating arrangement allow for individual or group level learning?

6. Do participants participate actively during the training session? Do they look bored? Interested? Do they ask relevant questions? Do they make suggestions? Who does not participate?

7. Is the training content clear and easy to follow? Do trainers handle the content?

8. What types of technology are used as support for delivering the training content? Is it easy or difficult to use?

9. What do people wear? Do there seem to be status difference indicated by dress?

10. How do people address one another? First names? Level of formality?

11. Are different points of view expressed clearly? Allowed? Do participants express ambiguities in AML policies and procedures? Is conflict expressed openly? Is consensus shared among the participants?

12. Do participants conceptualize the same way?

13. How long does the training session last? Do participants leave before the training is over?

14. Is the training evaluated? Do participants feel comfortable being evaluated?

53 Some of the questions were adapted from Driskill and Laird, 94-95.
ANNEX 4
Sample compliance culture assessment protocol, using the hybrid approach.

Note: these procedures are intended to be adapted according to the institution’s size, nature and complexity.

A) Culture survey protocol:

1. Prepare culture survey content.

2. Determine areas, units, departments, processes, subsidiaries, affiliates, etc., that will be assessed.

3. If possible, every employee should be given a chance to answer the survey. In big institutions, population and sample sizes can be determined. Codify the survey.

4. Determine mode of delivery (one-on-one, internet, group meetings, etc.). A combination of modes can be used if considered necessary.

5. Train team of survey assessors for content comprehension.

6. Apply survey within the established timeframe and track the application.

7. Analyze results. This can be done from multiple perspectives: entity-wide, by department, by processes, etc.

8. Determine survey compliance culture risk on different levels (entity-wide, departments, units, processes, subsidiaries, affiliates, etc.)


10. From survey results, establish tentative hypothesis that determine weaknesses and/or strengths.

11. From tentative hypothesis, determine areas, departments, processes, etc., that will require qualitative assessment.

12. Determine which areas will be assessed with a short or long-term application protocol.

B) Short-term protocol:

1. Determine which techniques will be used (text analysis, interviews and/or observation).

   NOTE: If timeframes are critical, interviews might work best for short-term assessment, while text analysis and observation could be left as part of the long-term evaluation. However, it is ideal to apply all three techniques.
2. For interviews:
   a) Determine group and individual interviews to be done, according to survey results.
   b) Prepare formats of interviews (questions, settings, recording equipment, etc.)
   c) Record interviews.
   d) Analyze interview transcripts.
   e) Establish recurring themes.
   f) Document interview analysis.

3. For text analysis:
   a) Select texts to analyze, according to survey results.
   b) Analyze selected documents.
   c) Establish recurring themes.
   d) Document the analysis.

4. For observation:
   a) Select activities to be observed.
   b) Observe and take notes of activities selected.
   c) While observing, prepare follow-up questions.
   d) Analyze notes and answers to follow-up questions.
   e) Establish recurring themes.
   f) Document observation analysis.

5. Analyze qualitative assessment content. Determine recurrent themes in the different analysis.

6. Categorize themes according to organizational dynamics, considering the two perspectives, external adaptation and internal integration.

7. Discuss and establish qualitative results with the assessment team.

8. Determine qualitative compliance culture risk on areas, departments, units, processes, etc. that were assessed.

9. Determine conclusions based on discussions.

10. Compare conclusions with tentative hypothesis derived from survey results. This comparison involves a contrast with levels of risk determined by the survey and compared with the qualitative assessment.

11. If there are differences between the qualitative conclusions and the survey, the qualitative criteria could override survey results, as long as qualitative applications were profound.

13. Present survey results and short-term qualitative conclusions to management.

14. Continue with long-term protocol, if applicable.

C) Long-term protocol:
1. Determine which techniques will be used (text analysis, interviews and/or observation).
2. Continue with application of interviews, text analysis and observation in areas, departments, units, processes, etc. that were selected for long-term protocol.
4. Discuss and establish qualitative long-term results with the assessment team.
5. Compare short and long-term conclusions with tentative hypothesis derived from survey results.
6. Validate survey hypothesis and short-term results with long-term conclusions.
7. Determine qualitative compliance culture risk on areas, departments, units, processes, etc. that were assessed.
8. Document overall results and conclusions in final culture assessment report.
9. Present overall results and conclusions to the board and senior management.
10. Make changes in culture survey content, according to overall results.