



Developing Mid-Level Professionals *While* Keeping Up with Emerging Technologies

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**Developing Mid-Level Professionals
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Table of Contents

Introduction	3
An Overview of Training in the AML Realm	3
Risk Does Not Always Equal Reward	4
Mid-Level Professionals: A SWOT Analysis	4
Competency Iceberg Model	5
Individual Development Plans	6
The Three A's – Keys to Developing Your Team	8
Opportunities Outside the 'Day-to-Day'	9
Techniques to Set Your Team Apart	10
Emerging Technologies – Risk or Reward?	11
Virtual Currency – The Wave of the Future	11
The Wide World of Financial Technology	12
Gig Jobs and Its Effect on the Economy	13
Conclusion	14
References	16

Developing Mid-Level Professionals While Keeping Up with Emerging Technologies

Introduction

Even the most sophisticated Anti-Money Laundering (AML) programs have flaws. A Bank Secrecy Act (BSA) officer is only as good as their team. Training opportunities exist for entry level as well as advanced or specialized segments of the industry. However, the industry lacks opportunities for mid-level professionals. With all the advances in technology, it can be difficult to keep up. Fortunately, with an open mind, you can conquer these challenges. From various ways to engage your team with new opportunities to an overview of new technologies with ways to implement them into your program, this paper will cover these topics.

An Overview of Training in the AML Realm

AML and BSA rules and regulations stress that training is a key component of any reputable program. This component, along with internal controls, independent testing, and designating a BSA compliance officer are all equally as important when developing and maintaining appropriate procedures.

These rules and regulations are all related to the Bank Secrecy Act of 1970, which became effective way back on October 26th, 1970. This act became the cornerstone of the AML industry and took on a new level of importance with the events of September 11th, 2001. These events led to a major overhaul and improvement to existing processes along with the addition of new processes under the 'Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001' or simply the USA PATRIOT Act.

While AML/BSA training is required, guidance is vague in detailing what specifics are needed. For example, the Federal Financial Institution's Examination Council states that: "At a minimum, the bank's training program must provide training for all personnel whose duties require knowledge of the BSA." Basically, they leave it up to the individual financial institution to develop and maintain a training program. For example, a major financial institution might have a regimented, structured program. On the other hand, a smaller financial institution might have a basic approach followed while focusing on the individual to best develop them as an AML/BSA professional.

Training has held a constant mainstay since the beginning. However, with all the complex technologies, which appear to be never-ending, training recently has taken a backseat. In fact, in a recent LexisNexis survey, about 10 percent of overall compliance costs went to training. We are all probably used to the standard institution-wide compliance training we are giving when we join a new company or on a yearly basis, but when speaking to many mid-level professionals out in the

Developing Mid-Level Professionals While Keeping Up with Emerging Technologies

industry, most feel that they are uninformed or not ready to tackle the newest technologies.

Risk Does Not Always Equal Reward

There is no substitute for a well-developed AML/BSA team. Even with the ever-increasing age of automatic processes and technology, having people remains any company's best asset. By broadening your training program, you can abound to limitless possibilities, improve morale amongst your team, and advance output quality.

Many would agree that the top two excuses managers of an AML/BSA department use for not training employees are time restraints and cost. Although these could be valid reasons, the bottom line is that the cost of not training employees goes way past the monetary value and it could have detrimental consequences. A key example of these consequences is the February 2016 Civil Money Penalty of \$4 million against Gibraltar Private Bank & Trust in Florida. A significant portion of this penalty is related to training. According to the release, throughout 2009 and 2014, Gibraltar's implementation of BSA training was "continually inadequate" and most of the training implemented was not on the same level as the officials of the bank.

Monetary risk is just the beginning of the problems when training is not taken seriously. Low productivity, inefficiency and employee morale are three other non-tangible reasons why training is so important. It can be simply put that untrained employees are unhappy employees. Connect these reasons with a challenging and burdensome regulatory environment that could increase stress amongst your team, and it is a recipe for disaster.

Budget constraints are common in corporate training; especially during the times that growth is stagnant. The overall answer in dealing with budget constraints is to analyze the situation and come up with various low cost or even free training alternatives. Additionally, documentation and proof that the AML industry has a genuine need for training development may sway the decision makers in your company.

Mid-Level Professionals – A SWOT Analysis

When developing your AML team, there are a myriad of methods to consider. Ultimately, it depends on three factors: the size of your institution, the amount you can spend, and who is being trained. For the sake of this example we will use a small to mid-level institution. Consider the following list showing the strengths, weaknesses, opportunities and threats:

Strengths:

- More time can be spent with individuals

Developing Mid-Level Professionals While Keeping Up with Emerging Technologies

- Everyone is aware of what the team needs to succeed
- Those customers who may need more oversight than others are easily identified

Weaknesses:

- Less employees mean less time to take away from tasks
- Resources are limited in the methods for training

Opportunities:

- Chances to try out new innovative training techniques
- Cross-training among different departments or levels
- Faster growth for those that desire to advance

Threats:

- Without consistent engagement, millennials will seek other opportunities
- Obstacles and bureaucratic processes limit your team

All of these points are valid and some are easier to achieve than others. A recent Gallup study shows that just 30 percent of employees feel engaged at work. Bring it closer to the AML environment, not every employee you hire or obtain is capable of working in an AML environment. Every person on your team can improve some part of his or her investigative, objective and detailed oriented skills. This is sobering news; however, with the proper processes in place, you can reach the end goal is of having an engaged, professional, willing team.

Competency Iceberg Model

A reliable and commonly used method when developing mid-level professionals is to use the Competency Iceberg Model. Competency is defined as the ability to do something successfully or efficiently. As a professional starts out in the AML industry, they are in the beginner stage. In this stage, they are soaking everything from the culture of the company to the vast complexities of AML.

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(An example of the Competency Iceberg Model)

Usual topics to train would be:

- Investigations
- Suspicious Activity Reporting (SAR)
- Currency Transaction Reporting (CTR)
- Red Flags
- High Risk Customer Reviews
- Customer Due Diligence (CDD)
- Enhanced Due Diligence (EDD)
- Policies & Procedures
- OFAC & Government Watch Lists
- Emerging Technologies

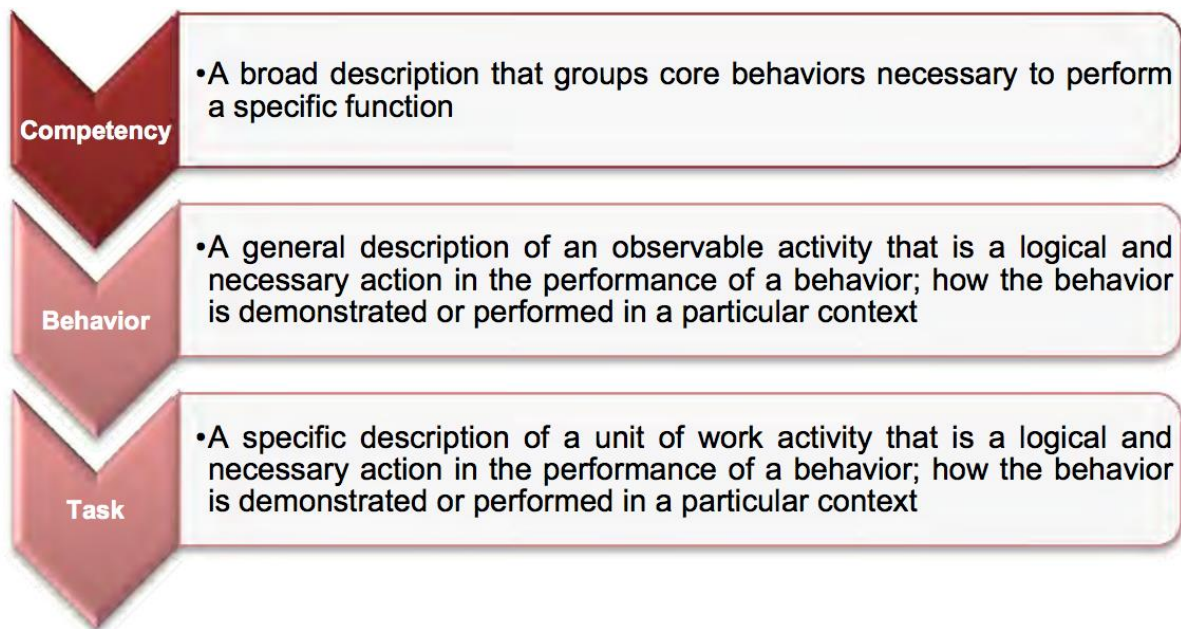
If you use the image above as a reference, 10 percent of the iceberg shows while 90 percent is not shown and is under the water. Translating this to your AML team can be done: Most of your team have experience in 10 percent of the above topics and need more training in 90 percent of the above topics.

Individual Development Plans

Individual Development Plans (IDPs) are a win-win for your institution. The office of personnel management defines an IDP as a tool to assist employees in career and personal development. Your team will benefit because it will help them

Developing Mid-Level Professionals While Keeping Up with Emerging Technologies

enhance their knowledge, skills and experiences. It will also benefit the institution by clearly defining goals, especially ones that are important to the employee. By defining these goals, you can find the skills and abilities needed to achieve these goals. As an added plus, employee engagement, job satisfaction and morale will be improved. As one would expect, an IDP that you create for a beginner or entry-level employees would be different from tenured employees and would be different from mid-level employees. Mid-level employees are at a point in their career where they want to spread their talents and learn new areas of the BSA/AML industry while continuing to build off the foundation they received since starting in the industry. Some specific items one could speak to on a mid-level employee IDP would be: certifications in the industry or shadowing more tenured employees.



(An IDP is made up of Competencies, Behaviors and Tasks)

An IDP should be set up with three key areas in mind: Core Competencies, Behavior Techniques, and Day-to-Day Tasks. This addresses not just future needs, but possibly any enhancements the employee may need to 'catch up' to the rest of the team. Although everyone works at their own pace and at different levels, it is your job as an AML manager to find the strengths in all team members so that, as a whole, they are strong. SMART goals can be used in a variety of areas such as project management, employee-performance management and personal development.

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The Three A's – Keys to Developing Your Team

Some expert advice from the field in developing teams comes from Lauren Kohr, CAMS-FCI. She talks about three words that are key components in developing teams: Attitude, Aptitude and Altitude.

Attitude:

- You as the leader and your team should be an ambassadors for the department, company, and industry. Communicate the purpose of their roles in the bigger picture to assist in detecting and preventing financial crimes.

Aptitude:

- Understand each team member, their ability, align their roles and responsibilities to their strengths, and build on their weaknesses. Support their differing strengths and utilize their unique qualities to consider new and innovative techniques.

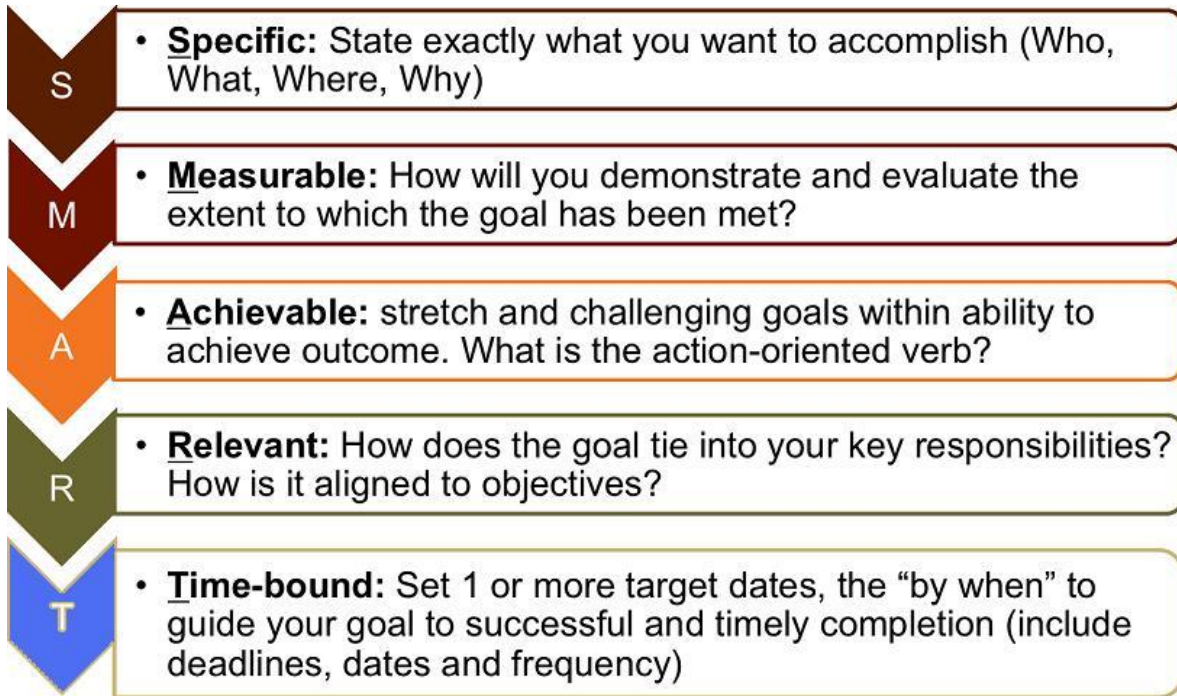
Altitude:

- As a leader, constantly check-in with your team to ensure they have the training, resources and skills needed to reach the heights you need the team to reach.

As an industry professional in a highly regulated and constantly emerging industry, surrounding yourself with excellence is vital. Build a team with relentless passion, positive attitudes and an uncompromising deeply embedded desire to work towards a common goal of preventing financial and other heinous crimes.

SMART goal setting, which stands for Specific, Measurable, Attainable, Relevant and Time-Based, is an effective process for setting and achieving your employees' goals. SMART can be very effective in providing the simplicity, motivation and inspiration you need to achieve your goals. Goal setting can be powerful, provide focus, increases motivation, group cohesion and employee worth. It can also improve your ability to reach them by encouraging you to define your objectives, set a completion date and offers measurability. SMART goals are also easy to use by anyone, anywhere, without the need for specialist tools or training.

Developing Mid-Level Professionals While Keeping Up with Emerging Technologies



(An overview of SMART goal setting)

Opportunities Outside of the ‘Day-to-Day’

Engaging your team is an important component. There are many ideas available to get them out of the day-to-day work of AML alerts, cases, CTRs and SARs. A proven and trusted way to empower your team is to hold frequent “lunch and learn” sessions. These types of sessions, which can be coupled with law enforcement experts, can accomplish multiple tasks such as creating awareness of critical issues, improving professional networks and building team spirit. Having a special guest come and talk to the team, even if it is just for an hour, will allow them to think outside the box and have a refreshing way to learn something new. They can even bring case studies when they visit and talk to the group – which can be beneficial to the group by adding value through discussions on specific topics. By using case studies, analytical thinking can be enhanced, which can be a significant asset for a BSA/AML program. These “lunch and learn” sessions are successful and used across industries. They are used to create a low-pressure learning space, to reinforce and build a strong corporate culture, and complement another training and development program.

Another opportunity to consider is bringing awareness of the importance of AML/BSA across the entire enterprise. Various departments might know some basics about what your department does, but they might not fully grasp the reasons a strong AML/BSA department might carry. By developing meetings between various departments, you not only strengthen the skills of your own team, but you reinforce your department across the entire institution. Diversity and knowledge

Developing Mid-Level Professionals While Keeping Up with Emerging Technologies

are two key areas to stress with this type of cross-functional training. By overcoming these initial challenges, successful fresh thoughts and improved results.

One final opportunity to consider is removing barriers in your workplace. While not one person or thing is the reason barriers are created, they are usually done out of a notion of fear, money or thinking in the moment. One key tool you can use to break down the barriers and create a more free-flowing process is your internal and external audit results. By leveraging positive improvements from these results, you can find a better balance between empowering your team, setting more concrete and achievable goals, and keeping accountability present.

Techniques to Set Your Team Apart

Once you have your opportunities lined up, another point to consider when developing a team is the technique you use to deliver it. A few to be discussed here are setting the example, flexible scheduling and a blended learning approach. By using one or all of these, you and your team can be well on your way to success. Setting the example should start at the top with individuals that are competent and clearly motivated by their jobs. By starting with these positive feelings, you can inspire confidence in a team, achieve more, increase productivity and improve empowerment amongst your team across the board. If successful in this trait, it will show the sign of a true leader.

As discussed earlier, more and more companies are seeing themselves have more success by allowing flexible scheduling. According to the Society for Human Resource Management, flexible work arrangements are growing significantly in popularity. In fact, more than one-half of employees mentioned the flexibility to balance work and life issues as a very important aspect of their job satisfaction. There are countless advantages of allowing flexible schedules: reduced employees stresses over day-to-day responsibilities, increased employee feelings toward team commitment and morale, and an improved feeling over personal control of schedule and work environment.

A last technique that should be touched on is the use of blended learning. Simply put, blended learning is combining both components of online and in-person based training. Every individual on your team learns a different way, at a different pace or even at a different time of day. Some of the benefits of this approach would be a more engaged team, the focus on more complex AML regulations and more opportunities for collaboration. Ideally, a plan of webinars throughout the year with a few “lunch and learn” sessions, discussed earlier, can really differentiate your team from others that do not use these techniques.

Developing Mid-Level Professionals While Keeping Up with Emerging Technologies

During these techniques, one area your team might be asking questions about is the multitude of technologies out in the BSA/AML universe. Although the list can seem exhausting, there are a few main technologies that have become popular within the last 5-10 years. These include virtual currency, financial technology and peer-to-peer transaction. We will now dive into each segment and talk about some of the benefits and drawbacks of each type.

Emerging Technologies – Risk or Reward?

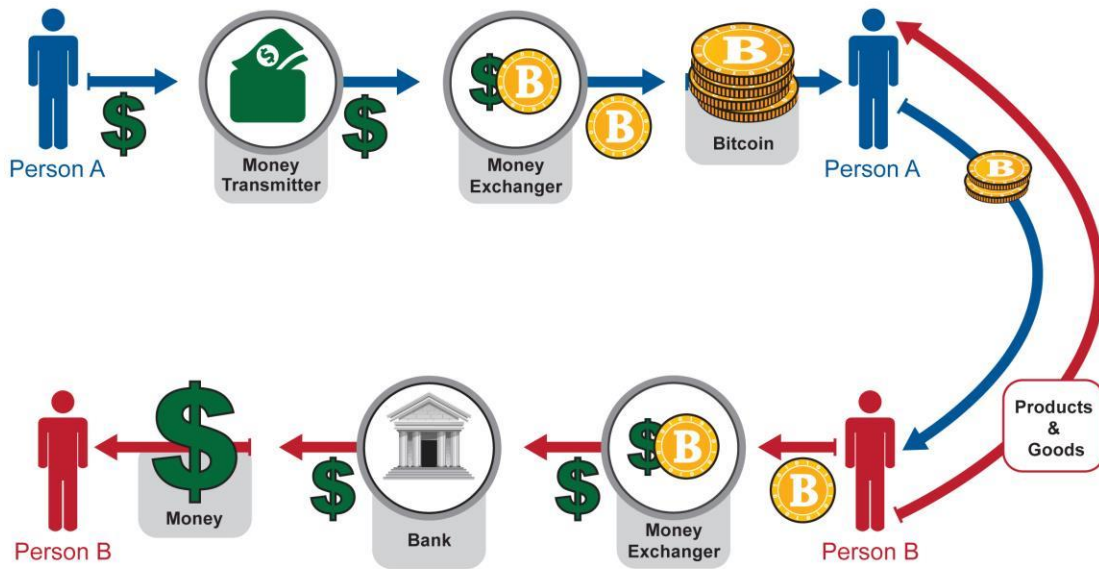
Since the dawn of the Internet age, technologies have changed our lives forever. In the AML industry, just keeping up with the complexities of these technologies can be a near impossible task. By getting out in front of these new ways, you can protect not only your department, but also your institution from getting fined or penalized for non-compliance. The ongoing expansion and availability of money have made transfers more rapid. Virtual currencies have begun to challenge the standard ways of transmitting funds. The broad spectrum of peer-to-peer transactions allows us to have the ability to reach anyone, anywhere. Technology companies such as Uber and AirBnB continue to strengthen a brand new kind of business paradigm.

Virtual Currency – the Wave of the Future

Probably one of the hottest topics in the AML realm is virtual currency. In 2014, the European Banking Authority defined virtual currency as “a digital representation of value that is neither issued by a central bank or a public authority, nor necessarily attached to a fiat currency, but is accepted by natural or legal persons as a means of payment and can be transferred, stored or traded electronically”. When virtual currency is talked about in the industry and workplace, Bitcoin comes to most minds of individuals. Bitcoin was the first type of virtual currency out there; however, there are many more ‘cryptocurrencies’ out there (over 900 more!). In fact, one Bitcoin, considered the most popular type of virtual currency, hit an all-time high value of over \$6,300 on October 29th, 2017.

Some would consider virtual currency to be a part of the next generation of money laundering. This type of currency provides a tool for criminals to move illicit funds out of the reach of investigators. Younger users are increasingly taking advantage of this new technology. This technology can benefit consumers, facilitate commerce and development of industry. However, criminals are usually the early adopters of these new technologies. These decentralized networks that facilitate peer-to-peer exchanges have no oversight from any government or regulating industry. The threats of money laundering, cybercrime, theft and financial institution fraud are all possibilities due to the anonymity of using virtual currency systems.

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(An example of a path of Virtual Currency)

Given the risks and rapid expansion, knowledge and technology is key to combating the world of virtual currency. Education for the lingo of this world is key for your team to understand, detect, report and stop illicit uses of funds. If your institution provides the link between traditional and virtual currencies, they will also need to consider whether their existing systems and controls to prevent and detect money laundering remain fit for purpose in dealing with this emerging industry and should continually monitor these as the industry evolves in future.

The Wide World of Financial Technology

Peer-to-peer transactions are one of the basic pillars of an ever-growing monitoring segment of the AML industry. What started with PayPal has turned into a myriad of companies. Venmo and Square are both facilitating faster transactions and connecting individuals around the world. Everyone likes conveniences so it is not surprising mobile payments have resonated with millennials. These transactions are part of the bigger financial technology area.

FinTech, or financial technology, encompasses a wide array of companies and industries that use software to provide financial services. Most of these companies would be categorized as startups. These startups are uprooting the current financial model as we know it and the traditional financial models that lately cannot keep up with the advancement of technology. FinTech is enabling individuals to proceed with transactions through their phones or tablets which is improving effectiveness and efficiency. Just as the Internet took the world by storm, FinTech is currently on the path of changing the way we pay each other forever.

Developing Mid-Level Professionals While Keeping Up with Emerging Technologies

BSA officers should have discussions with their senior management teams and boards of directors about the impact of FinTech on the traditional banking system and strategies related to the consideration of becoming partners with FinTech companies. As opposed to establishing a blanket prohibition of certain types of customers, such as those processing third-party payment activity, the bank should consider the attributes, criteria and market compensation that it would find appropriate, and the infrastructure and resources that would be needed to effectively manage the risks associated with such companies.



(A wide array of Financial Technology exists)

Each time a new potential FinTech relationship or other opportunity arises, it is far easier and more efficient to assess the new business opportunity against an existing board-approved statement of the bank's risk appetite and tolerance than it is for the compliance officer to chase down the personal opinion of key decision-makers throughout a bank.

Gig Jobs and Its Effect on the Economy

There is an ever-increasing number of workers in the economy that are working nontraditional jobs. People are using their cars to drive with Uber and Lyft, renting their homes on AirBNB and doing grocery shopping for others with Instacart. It is estimated that a third of the country is already working in some sort of gig capacity. It is becoming increasingly common for people to work remotely or work from home as they enjoy the benefits of the flexibility these types of jobs allow.

Developing Mid-Level Professionals While Keeping Up with Emerging Technologies

Approached strategically, the gig economy also offers significant benefits for small businesses unhindered by corporate policies that are able to offer contract workers the opportunity to work flexible hours or remotely. The success of the FinTech sector in attracting talent away from the banking and finance proves this point. Take Uber for example, which has gained a bunch of positive and negative news since it started many years ago. Uber has attracted so many drivers because it meets their needs. Uber drivers value the control of their own time.

However, there are AML concerns with the ride-sharing industry. More often, fraudsters use ride-sharing platforms to launder money. This individual creates two accounts; one using a compromised card and another with a fake identity that they control. When ready, they then pay for a fake ride and via the technological platform, move money from the breached card to another financial means that they control.

Probably one of the biggest risks covering all of these emerging technologies is the lack of oversight. This oversight needs to be examined and reevaluated. The typical regulator focuses on the policies and procedures of the institution themselves. With this new technology, regulators may have to focus their attention on the specific services being offered. Rules need to be put into places that benefit the safety of the customer and to protect against money laundering and terrorist financing.

Conclusion

It is becoming increasingly difficult to find opportunities for mid-level professionals. Talking with managers in the BSA/AML industry, they agree that the segment of those with 2-5 years' experience is becoming one of the most sought after segments for talent. Keeping that talent engaged with all the technology taking off in the industry can be a real issue for leaders.

Training and technology have taken on new meaning in the 21st Century. In the work environment almost everybody is likely to be a member of one or more teams. Efficient team working can transform the workplace. It can help create clear open channels of communication, improve productivity, help keep morale high and provide individuals with a sense of identity and purpose. Finding learning opportunities within your team can excel them to be a cohesive part of society.

IDPs are essential in order to demonstrate the connection between a developmental activity and the intended competency or skill to be established. With goal setting as a key, a professional development plan organizes your ideas into a reliable plan that starts with short-term goals, moves to mid-range and finally long-term goals. It is ideal to think outside the box when training your team. Opportunities such as "lunch and learn" sessions, bringing the awareness of

Developing Mid-Level Professionals While Keeping Up with Emerging Technologies

AML/BSA and removing the barriers of the institution can only strengthen your team.

Technology is the driving force behind everything we do and there are various types being established in the AML industry. From virtual currency, peer-to-peer transactions, FinTech and gig economy jobs, regulations must be revisited. Money launderers and fraudsters are cleverly devising different ways to stay under the radar. Ultimately, the safety of your customers and the institution as a whole is at risk.

Developing Mid-Level Professionals While Keeping Up with Emerging Technologies

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Developing Mid-Level Professionals
While Keeping Up with Emerging Technologies

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