

Compliance and AML

Standards, education and training

William B. Howarth

Chief Executive

The International Compliance Association

Wrens Court

52–54 Victoria Road

Sutton Coldfield B72 1SX

United Kingdom

Tel +44 121 362 7501

Fax +44 121 240 3002

bhowarth@int-comp.org

www.int-comp.org

Anti-Money Laundering: International Law and Practice.

Edited by W.H. Muller, C.H. Kälin and J.G. Goldsworth

© 2007 John Wiley & Sons, Ltd

Contents – Compliance and AML

1	The International Compliance Association	17
1.1	Course delivery	17
1.2	The qualifications	17
1.3	The students	18
2	Occupational standards of competency for compliance and money laundering prevention	18
2.1	Market-led to meet business needs	18
2.2	How the standards have been developed	18
2.3	Using the occupational standards within the firm	18
2.4	Defining competence and effective performance	19
2.5	What is a standard?	19
2.6	How are the standards structured?	19
2.7	Standards and qualifications	20
3	The future	20

<http://www.pbookshop.com>

1 The International Compliance Association

The *International Compliance Association (ICA)* is a global organisation dedicated to supporting the best compliance and anti-money laundering practice in the financial services and allied sectors. The *ICA* transcends national boundaries by educating and supporting compliance and financial crime professionals throughout the world, through the provision of internationally recognised training and qualifications, member information exchange and continuing professional development.

With a presence in 25 jurisdictions on four continents the *ICA* operates as a federal organisation and has reciprocal links with compliance officers associations and AML forum groups across the world. The *ICA* qualifications are recognised and supported by regulators, governments and industry globally as focussed, relevant education for the individuals who carry out AML and compliance functions for staff.

1.1 Course delivery

All *ICA* certificated education programmes are offered in association with the *University of Manchester Business School* under a quality assured educational agreement and programmes are delivered globally through a number of educational and collaborative arrangements with professional bodies, agencies, business schools and banking associations.

The *ICA* in association with the *University of Manchester Business School* offer a number of one-year professional/graduate diplomas through an integrated part-time study mode:

- Diploma in AML (UK and international version).
- Diploma in Compliance (UK and international version).
- Diploma in Financial Crime (UK).
- Certificate in Compliance (UK and international).
- AML awareness certificate (UK and international).

The programmes are delivered in an integrated educational format, including:

- Detailed course manuals.
- Face-to-face workshops (multiple jurisdictions).
- E-support (on-line library, discussion forums, tutor and news service).

The *ICA* has a team of international tutors who travel the world delivering the workshops in centres such as *The Bahamas, Bermuda, Cayman, Hong Kong, Singapore, Miami, New York, Channel Islands, Switzerland, Portugal, etc.*

1.2 The qualifications

The *ICA*'s diploma courses carry graduate status (120 credits at HE3 level) and are recognised by many universities globally for entry or an exemption from appropriate modules on Master's level qualifications. For example, the MSc in Financial Crime and Compliance of the City of London

University (Cass Business School) will give diploma holders exemptions so that the MSc can be completed within one year of part-time study (www.cass.city.ac.uk).

1.3 The students

In the last 5 years over 3000 students have been trained in AML and compliance, many of whom have gone on to acquire responsible positions as compliance officers and MLROs.

In all of the *ICA* programmes the work of global bodies such as *FATF*, *OECD*, *World Bank* and *EU* are central to the studies of the students.

2 Occupational standards of competency for compliance and money laundering prevention

The compliance and money laundering prevention functions have emerged as important corporate issues in recent times. Whether it is protecting systems against criminal misuse or ensuring that sales teams work to the highest ethical standards, the price of failure, in systems or controls, is high.

Safeguarding the integrity of a business is good business. That is why the *UK Financial Services Skills Council (FSSC)*,¹ in association with the *ICA* have developed occupational standards² and qualifications for all of those working in the compliance/AML field.

2.1 Market-led to meet business needs

The Standards will help meet regulatory requirements but regulation is not the main motivation for this project. The business need is to avoid the costs of damaged reputations, and loss of confidence that can result from the fraudulent misuse of systems. The project is a response to market demand for high-quality competence-driven education and training in compliance and money laundering prevention. Standards will provide the benchmark to guide that education and training, both nationally and internationally.

2.2 How the standards have been developed

A specialist research team and a series of practitioner groups analysed information about jobs and roles to produce a functional map of each area. The maps proceeded logically from an overarching statement of the purpose of the activity to descriptions of functions that can be assigned to individuals as their job responsibilities. Each function was then analysed to define the performance standard(s) to be achieved if the function is to be performed competently.

2.3 Using the occupational standards within the firm

Good standards have many practical uses. They can:

- Help employers to set competence requirements for recruitment and promotion.

¹ FSSC is recognised by the UK Government as the authoritative voice in occupational standards in the financial services sector. It represents employers' interests and directly influences the planning and funding of education and training across the UK with relevant government, national and international organisations.

² The standards can be viewed at www.fssc.org.uk.

- Provide a basis for job specification and job evaluation.
- Offer a benchmark for use when appraising performance.
- Allow training needs to be identified.
- Enable businesses to demonstrate that regulatory requirements have been met.
- Provide a basis for high-quality qualifications.

2.4 Defining competence and effective performance

The performance standards are intended to add to, not replace or compete with, an organisation's approach to defining competence. They provide a further dimension to effective performance – achievement against national and international competence benchmarks. They can be used as a framework for those organisations that have not yet developed their own competence systems or have not yet formally codified their own practice standards.

A number of businesses in the industry have already selected relevant Performance Standards, and used them as a basis for clarifying company standards, policies and procedures. Employers will be able to use the FSSC Standards menu to select and profile the competence requirements of different jobs within their firm.

The Standards therefore define competent performance. A test of the Standards is whether they apply to the range of senior and junior roles in compliance and anti-money laundering.

2.5 What is a standard?

Standards describe both performance and knowledge requirements and have the following features:

- Each standard is a single specification of competent performance.
- Each standard sets out separately performance criteria in terms of critical outcomes and critical behaviours.

Knowledge and understanding are crucial to effective performance and as such the Standards describe the types of knowledge that underpin performance to each standard.

2.6 How are the standards structured?

The activities that make up the compliance and AML functions have been developed and grouped into key areas of related functions. Each area specifies what is needed in terms of:

- Performance outcomes – what individuals contribute to the business.
- Knowledge – of law, regulations, procedures, etc. that must be mastered.
- Understanding – of risks, threats, public policies and why procedures work the way they do.
- Critical behaviours – how people apply knowledge and understanding.

Together, these make up the competence that staff need to do their jobs effectively and are the basis of the Standards.

2.7 Standards and qualifications

FSSC have designed a framework of qualifications based on the Standards of Competence. Within this framework awarding bodies will design and put forward for mapping against the Standards a coherent series of qualifications, reflecting the different roles and levels of responsibility within the compliance and AML functions.

Qualifications are proposed for compliance and AML at two distinct levels:

- Level 4 Professional – targeted primarily at AML and compliance managers and senior professionals.
- Level 3 Support professionals – targeted at managers/team leaders and some specialists.

The qualifications are organised around a set of core units (which all candidates must achieve) and option groups, which allow candidates to select units most appropriate to the responsibility of their particular jobs.

3 The future

The Standards were formally adopted as National Occupational Standards of Competence by Government Education Bodies in November 2006. Qualification mapping has commenced and the qualification framework and validation should be in place by early 2007.

The Standards have been designed with a global perspective so that they are readily usable by international organisations, regulators and governments as a guide in structuring the drive for competency and fitness and properness within the industry.

FSSC and *ICA* will be liaising with jurisdictions on a cooperative basis in an attempt to have a set of global Standards of Competency for compliance and AML put in place in 2007.

In an ideal world all jurisdictions should insist that the AML and compliance functions within an organisation are staffed by competent professionals who are fit and proper to carry out the role effectively. Education and training is an integral part of the continuous battle against AML, terrorist financing and fraud. Too often we are approached at the *ICA* by individuals who state that they have just been appointed as the MLRO/compliance officer of the organisation and could we tell them what their job is and how they should carry it out.

<http://www.pbookshop.com>

Martyn Frost, FCIB TEP is a consultant with Lane–Smith & Shindler LLP in Manchester having previously worked for over 30 years with a major UK trust company. As well as being an editor of Trust Quarterly Review, Martyn is also an editor of the Wills and Trusts Law Reports. Martyn has been a member of STEP Council for a number of years and has served on a variety of committees. He was a Deputy Chair and is heavily involved in STEP representation regarding money laundering and regulation. Martyn is the author of several books on trust and estate issues and lectures frequently on these issues both in the UK and internationally.

<http://www.pbookshop.com>