

Written evidence submitted by the International Compliance Association

The International Compliance Association is the leading professional body for the global regulatory and financial crime compliance community. Since 2001, ICA has enhanced the knowledge, skills and behaviour of over 150,000 professionals all over the world either through their internationally-recognised portfolio of professional qualifications (awarded in association with Alliance Manchester Business School, the University of Manchester) or through accredited in-company training. ICA has 15,000 members in 157 countries.

We aim to inspire, educate and enable the international compliance community to think more, perform better and help the right business to be conducted in the right way. We welcome the opportunity to take part in this consultation as we believe in the positive impact of enhanced professional education in respect of the issues addressed in the consultation, and recognise the challenges that compliance professional in particular face. The response will consider the work of OPBAS, the impact of the FinCEN Files and corporate liability for economic crime.

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The work of OPBAS and the profession body AML supervisors

The International Compliance Association (ICA) supports the raising of professional compliance standards in DNFSBs. ICA endorses a move to provide stronger guidance and requirements to those who require compliance training and qualifications including those who need an understanding of good practice in Anti Money Laundering, Customer Due Diligence, Anti Bribery & Corruption and Sanctions Compliance. This would help address the inconsistencies in compliance standards, skills and awareness in the sectors regulated by OPBAS.

An approach to raising standards should include increased sharing of best practice and lessons learned from the broader financial services sectors with the sectors under the remit of OFBAS.

This enhanced regime could include governmental and regulatory support for qualifications and training frameworks focussed on Anti Money Laundering and Financial Crime Compliance. In several jurisdictions in which ICA works, we see regulators and government agencies supporting (both in terms of recognition and providing financial subsidies) appropriate training and qualifications to those combatting financial crime in the regulated sector.

More focus should be placed on ensuring tailored and relevant training, education, and awareness for the Accountancy, Tax Advisory, Legal and Conveyancing sectors. Too often it is noted that firms adopt a “tick box” approach to training to satisfy regulatory requirements. Training, qualifications, and awareness must be relevant to the roles and sectors of the individuals engaged. Increased regulatory emphasis on this tailored approach would be welcomed in order to continue to raise standards and effectively manage risk for the range of stakeholders involved.

The impact of the FinCEN Files

ICA has responded to the FinCEN Files leak very carefully. We recognise that this arises from an unlawful disclosure of SARs within the US, something that is potentially punishable with imprisonment. At the same time, this is of significant public interest and should be addressed. Our

approach has been to recognise the information and draw particular attention to those elements that are already in the public domain. This publication has exposed / re-enforced two distinct issues:

- (1) The majority of regulated firms are focused on meeting regulatory objectives. It appears however that in the context of the FinCEN Files debate, there can be an inability to clearly articulate *why* these objectives matter, beyond a rather vague *to prevent money laundering and terrorist financing, reputational, regulatory and financial risk*. This suggests weaknesses in training provision, policy, and culture across regulated sectors. It is indicative of something of a 'tick box' approach to financial crime compliance, and many firms struggle to perceive value in a creaking regime, particularly in relation to the reporting of suspicious activity to the UK FIU. (The recent NCA annual report on the SARs regime noted 573,085 were submitted, which was a 20% increase on the previous year).
- (2) The FinCEN Files have also demonstrated a continued lack of understanding by the media and the wider public about the good work done by regulated firms in detecting and reporting suspicious activity and their ongoing liaison with Law Enforcement agencies to combat financial crime.

Corporate liability for economic crime

Over the last few years, the range of scandals linked to money laundering and linked financial crimes (e.g. Grand Corruption) have demonstrated the inconsistency and weakness in financial crime skills, knowledge, and training in many of the UK's regulated sectors. These scandals have dealt obvious harms to the UK's standing in the world, distort the economy and result in real harm and suffering to the ultimate victims of crime, be they citizens of developing countries denied funds for their public infrastructure due to corruption, or the victims of fraudsters and organised criminal groups involved in predicate crimes such as human trafficking, drug and wildlife crime.

As a professional membership body and provider of qualifications, training, and education in financial crime compliance, ICA supports a move to strengthen the requirements for corporates to ensure they provide appropriate resourcing and training to their staff involved in managing financial crime and compliance risks.

Traditional financial services firms (in particular banks) are at the forefront of innovative training and risk management approaches to combat financial crime, and ICA itself has helped support this by training over 150,000 professionals worldwide. However, despite these efforts, no organisation is immune from control failures and as such greater guidance from regulatory bodies for firms on what good practices are will help ensure firms develop appropriate systems and controls to defend themselves against potential corporate liability for economic crime.

An approach to recognising and signposting professional qualifications and training for those engaged in AML and Financial Crime Compliance would help to raise standards. In addition, the provision of government support financially for training (see the approach of regulators and industry bodies such as the Monetary Authority of Singapore (MAS) and the Institute of Banking & Finance in Singapore (IBF)¹ would help confirm the UK as a jurisdiction committed to transparency, combating money laundering and financial crime. Such a proactive approach from the regulatory community would send a clear message to industry that compliance should be at the core of their business and makes commercial sense.

¹ <https://www.ibf.org.sg/programmes/Pages/IBF-FTS.aspx>

It is important to ensure that any focus on increasing training and awareness standards for corporates also focusses on those in the (first) line of business activities such as sales (e.g. Relationship Managers in banks) and those in operational roles, not just staff in second line compliance teams. This reflects a global move to an acceptance that it is the business and its first lines that are responsible for owning and assessing financial crime risks - not a compliance function acting in isolation.

Many regulated firms take training and awareness of their staff and counterparties extremely seriously and devote significant resources and senior management commitment to effect training and communication to drive standards of good practice, and the right culture around financial crime.

Often however the standard of training and awareness is inconsistent across regulated sectors, and between firms of different size and scale. These inconsistent standards continue to represent a risk to the reputation and integrity of the UK economy as a whole and well as regulated firms. ICA would welcome increased efforts to share best practice in training and awareness through the range of industry bodies and intelligence sharing forums that already in place across the UK. To help firms training should focus on solving real world problems, be immersive and move beyond rote learning of laws and regulations.

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