

Banker's Academy BRIEFINGS

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Addressing the Need for Standardized AML Training in Kenya

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For decades, Kenya has served as the predominant business hub for both Central and Eastern Africa. Bordering six African countries as well as the coast of the Indian Ocean, Kenya's location makes it easily accessible and appealing for a variety of profitable activities, including tourism, investing, communications, and more recently, money laundering.

Until now, as in many countries, criminals have taken advantage of Kenya's robust economy and still-developing Anti Money Laundering policies to launder money related to drug trafficking, international terrorism and other criminal activity. In response to these crimes, Kenya has enacted the Proceeds of Crime and Anti Money Laundering Act to protect the country from money laundering, and prevent and deter future criminal activity.

For financial institutions in Kenya, it is vital that their staff understand and comply with the Act. By implementing an ongoing AML training program, financial institutions will not only build a knowledgeable staff, but will ensure compliance with Kenya's laws and regulations and aid in the prevention and detection of money laundering.

The Proceeds of Crime and Anti Money Laundering Act

The Proceeds of Crime and Anti Money Laundering Act redefines money laundering and money laundering offenses, and creates new methods for investigating and recovering the proceeds of crime. The Act also expands money laundering reporting requirements. Under the Act, someone is engaged in money laundering if s/he:

- Conceals, disguises, converts, transfers or removes known illegal funds.
- Enables or assists any person who has committed a money laundering offense, whether in Kenya or elsewhere.
- Removes or obscures any property acquired directly or indirectly a result of money laundering.

Additionally, under the Act, a person has committed an offense if s/he does any of the following:

- Discloses information to another person that is likely to prejudice a money laundering investigation.
- Knowingly makes a false statement or provides fraudulent documentation in a money laundering investigation.

It is also an offense if a financial institution fails to comply with any of the requirements or regulations in the Act. As Kenya's most significant piece of AML legislation to date, it is vital that all financial institutions in the country fully understand and meet the terms of the Act. Failure to meet the law's requirements will result in severe penalties, damaged reputations and a significant loss of profits.

Types of Training Needed

The best defense Kenyan financial institutions have today against money laundering and other financial crimes is training for all their employees on the laws and regulations governing AML with regard to their positions. Employees must be trained on the following:

- Stages of money laundering (placement, layering and integration).
- Detecting the red flags of money laundering and recognizing activities that may indicate money laundering.
- Preventing money laundering.
- Reporting and recordkeeping techniques and obligations.
- Central Bank of Kenya (CBK) requirements.
- Customer Due Diligence (CDD) and Know Your Customer (KYC) practices.
- Proper filing of Suspicious Transaction Reports (STRs).
- Penalties of non-compliance.
- Amendments to the Proceeds of Crime and Anti Money Laundering Act.
- Any additional Kenyan or international legislation regarding money laundering.

AML training serves a dual purpose in terms of immediate and future prevention of money laundering. Through training, employees will learn how to spot the red flags of money laundering, follow proper reporting procedures, and establish the knowledge and skills to protect their customers from risks. Additionally, training will help Kenyan financial institutions to not only understand their domestic AML requirements, but to be familiar with the legislation regulating AML in the countries with which they have relationships.

Implementing Training

Ongoing AML training is most effective if it is delivered by an accredited training provider who has a history of providing high-quality financial education. Both classroom and eLearning training are proven methods for financial institutions to receive excellent compliance ratings and increase all employees' comprehension while keeping them interested and involved. The most effective AML training programs are those that are:

- **Standardized.**

With a standardized and controlled compliance training program, the financial institution can ensure that the content covered in the training is the same each time the student takes the program. Therefore, if an auditor or regulator questions the content of the training, the financial institution can easily demonstrate the uniformity and adequacy of the content.

- **Role-based.**

When training has been customized for each job or role within the financial institution, it is easier for examiners to evaluate the content of the training. Compliance and AML examinations include evaluating training and audit systems within the institution. Therefore, having customized training that provides the institution's policies and procedures will ultimately help to increase compliance ratings.

- **Certifiable.**

Upon finishing the training program, employees will receive a certificate attesting to their mastery of the content covered. Financial institutions can then use these certifications to track the progress of their staff, and present the certification documents to auditors and examiners as proof that their employees are adequately trained and are compliant with Kenya's AML legislation.

- **Versatile.**

Because the internal environments of all financial institutions are different, the method of training chosen should ultimately be tailored to their unique training needs. Depending on the needs of their employees, AML compliance training can be provided through classroom based, instructor-led sessions, or through an eLearning format that can be accessed from anywhere, at any time. Whichever method a financial institution chooses, training should prepare employees to adhere to the law while performing all of their duties, thus reducing exposure to costly penalties for non-compliance. Good compliance training should always allow a financial institution to readily demonstrate its compliance with Kenya's laws and regulations.

Final Word

It is increasingly important for financial institutions in Kenya today to become familiar with all AML legislation in their country, such as The Proceeds of Crime and Anti Money Laundering Act. The most effective way for financial institutions to ensure that their employees know how to detect and prevent money laundering, and that they are meeting the legal compliance training requirements measured by Kenya's examiners and auditors, is to implement an AML training program that addresses compliance with the country's laws and regulations. As Kenyan legislation continues to develop and change with the global financial services industry, a standardized, role-based and certifiable training program is the best protection financial institutions have against the criminal activities associated with money laundering.



Dr. Linda Eagle is Founder & President of The Edcomm Group Banker's Academy (www.bankersacademy.com)—a 23-year-old education and consulting firm dedicated to serving Banks, Credit Unions, Money Services Businesses (MSBs) and all areas of the Global Financial Community with thousands of generic and customized training programs in areas such as BSA/AML, Regulatory Compliance, Teller Training, Systems Training, Sales and Service Training, and many more.

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