

## Connecting Rules with Roles!

### Introduction

Let's face it! It's easy to read rules and regulations, but what we need to do is go one step further and understand the implications for our organizations, departments, teams and so on.

During my career in regulatory compliance, one of my key roles was to interpret rules & regulations to find the applicability within my organization. What I found is, having the right approach and the structure are important for not only analyzing the rule or regulation, but also with creating a plan of action and implementing it.

If you read a rule or regulation, it could feel daunting, but fear not, it's easier than you think. Remember, you don't have to do this alone. Utilize the tools and people in your organization as well. It could very well be a team effort.

The goal is to align the impacted rules with roles in your organization. Each person should understand the full scope and impact on their day-to-day responsibilities.

Typically, applicable rules & regulations for your organization impact more than one department. We need to ask ourselves some simple questions, such as:

1. How does it impact my organization? Broadly or narrowly?
2. Which departments will be impacted? Remember, with the corporate workflow, it usually takes at least two departments to finalize an approval or process.
3. What about specific teams? A regulation could entail a change with a certain regulatory technology. Think monitoring for transactions, customer profile changes, ACH, and a lot more.
4. What would the efforts entail? In some aspect, you will have to update your policies, procedures, reference guides and training materials.
5. How do we train and/or communicate with our staff on how to incorporate the new changes into their day-to-day responsibilities? This is the most important part. If staff do not understand what to do, then all your efforts will be wasted. That's why we need a plan!!

*Note: One thing to keep in mind with proposed rules & regulations. If the expected change occurs 6-12 months in the future, remember things change. Such as your organization (especially after year-end), regulatory landscape, economy and more. I'm not saying to not go through my proposed steps but keep it in the back of your mind.*

During my process, I try to put everything within a framework and most of the time the words speak for themselves. As I'll show you, you don't have to be a Rocket Scientist. 1) It's not relevant to our industry, and 2) As long as you use your resources, everything should be much easier to identify.

## Part I: Needs Analysis

To figure out the right applicability for your organization, you need to do a certain level of due diligence. This means gathering facts from various sources to get a full picture of the rule or regulation.

As a standard practice, I always go right to the regulators website and read the rule or regulation directly from the source. This way I don't have to rely on interpretations and/or guidance to get the basic facts. It sounds a little obvious, but a top-down approach will work in your favor.

Also, look at the resources you have available in-house to see if there is anything I can leverage. You should have experts in your organization that are skilled in various disciplines. During these steps, I'd want to interact with folks in my organization to not only to apprise them in advance but see how can work together with our different disciplines. This is where relationships can really assist. Relationships are a key ingredient in any firm and can help make the process easier.

After you finish reading the rule or regulation, you should be able to quickly determine your level of understanding or the amount of additional information you need to get a full grasp. The best way to think of it is, can you explain it to someone else? That is the key since we need staff in our organization to action based on the results of your findings.

Let's look at an example. In 2020, the Anti-Money Laundering Act of 2020 was issued. The changes included provisions that:

- establish new federal-level beneficial ownership disclosure and transparency requirements;
- expand the BSA's purpose and mandate a review of the AML/CFT regulatory framework;
- promote public-private partnership and engagement opportunities on AML/CFT matters;
- introduce new staffing options and programs to enhance AML/CFT expertise;
- promote international cooperation on financial crime matters, while protecting financial intelligence from misuse;
- strengthen enforcement tools to deter money laundering and other forms of financial crime;
- invigorate BSA whistleblower provisions; and
- expand the BSA's regulatory scope to include businesses that provide services involving "value that substitutes for currency."

Source: [R47255 \(congress.gov\)](https://www.congress.gov/bills/116/47255/text/senate/1)

Right at the onset, you are probably thinking, "how am I possibly going to dissect this Act?" Remember the old saying, "Rome wasn't built in a day." It's the same philosophy. Even though this is a massive rule, you need to take a step-by-step approach. Sometimes with a rule like this, we will need others to participate to figure out the applicability to each department.

For purposes of this exercise, we are only going to look at one provision from the AML Act of 2020.

- Establish new federal-level beneficial ownership disclosure and transparency requirements.

After I review the provision and discuss internally, I also want to look for interpretations, legal opinions and so on. There is always a wealth of information from experts. Everyone has an opinion and interpretation. Make sure you only look at experts in the field with a good history and following.

Let's start filling out our template.

**Rule/regulation and provision:** AML Act of 2020, provision #1: Establish new federal-level beneficial ownership disclosure and transparency requirements.

**Status:** Released in January 2021. One year to get in compliance.

**Purpose:** Gather beneficial ownership information from reporting companies and report to FinCEN.

Great, we are making progress. Since we gathered a good part of the information, we are onto the next phase of analyzing the provision. This is where you will get more granular with your information and see where it applies within your organization.

## PART II –Analyzing

This is where the fun begins. Dissecting the provision even further. Remember what I said earlier? In my opinion, the best way to understand a rule/regulation is to be able to explain it well to someone else. Can you do it yet? Maybe, but don't let your confidence get the best of you. The AML Act of 2020 was intense when it rolled out. Within my organization at the time, we assembled a working group. This was extremely helpful and provided clarity on a lot of the provisions.

Turning back to our example. On the surface, it seems generic and high level. But upon further examination, there are big implications for an organization.

Within this provision, there are key points to highlight. I'll place them in a table for further clarity.

Area	Explanation	Comments
Identifying beneficial ownership	This provision imposes a federal requirement for identifying beneficial owners of certain legal entities (i.e., the natural persons who own or control, directly or indirectly, such entities).	The AML Act of 2020 has established a federal requirement for identifying the beneficial owners of corporate entities.
What is a beneficial owner?	AMLA 2020 defines as a beneficial owner "an individual who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise (i) exercises substantial control over the entity or (ii) owns or controls not less than 25 percent of the ownership interests of the entity."	There are certain exceptions, including with respect to minors, intermediaries, employees, persons with a right of inheritance and creditors.
"Reporting Companies"	"Reporting companies" must file beneficial ownership information with FinCEN (Broad classes of companies are exempt, including partnerships, trusts, certain regulated, nonprofit, and government entities, and certain large companies with a minimum number of employees and amount of revenue).	Make sure you understand which of your customers fall into the concept of "reporting companies."

With penalties, it is not just monetary, it conjures up different elements of risk. If an organization is penalized for any type of financial crime, it is never a good look. It could lead to reputational, compliance, legal and other risks. You don't want to hinder the growth of your organization. The risk element here is large, but easily containable.

As I go through each part, I put it into context. What is it about and who needs to get involved? I start at a high level and then I start getting more into the details.

Let's keep working through the facts and insert them into our template.

**Rule/regulation and provision:** AML Act of 2020, provision #1: Establish new federal-level beneficial ownership disclosure and transparency requirements.

**Status:** Released in January 2021. One year to get in compliance.

**Purpose:** Gather beneficial ownership information from reporting companies and report to FinCEN.

**Impacted departments:** Compliance, Operations, IT, front office,

**Teams:** Onboarding, Branch support, transaction monitoring,

**Internal contacts:** **Tom** (IT), **Susan** (Compliance), **Bill** (Legal), **Dan** (Operations), **Mike** (Front office) and **Jill** (Legal).

Once you start putting the facts into your template, you can start to see an easier path to success. The question that usually comes up often is how do I know who to involve? This is where knowing your organization and what people do within. Remember, you want to assemble a backbone of support. The more aligned you are, the better the outcome. Well, maybe not better, but it could be more efficient and time saving.

Now we have a good basis of knowledge, we can move onto the planning phase. A plan is only as good as the execution.

### PART III—Creating a plan!

Without a plan, you are destined to fail. This is where a lot of people get tripped up and don't execute properly. There are some basic questions to answer in order to formulate an appropriate course of action. These questions, or something similar, helps put everything in perspective. These are some questions I'd like to answer before putting pen to paper.

- How much time do we have to get in compliance? This is essential for planning purposes.
- Are we getting the necessary support from management? This includes funding, sponsor, personnel, and messaging (Tone from the top).
- Do we have all the right players involved at this point? This is not dire yet since you can always add or subtract.
- Do our players have enough time for the effort involved? Try to figure out how many hours or days each player can assist. \*
- Can someone put together the technology requirements? There is going to be at least some IT involvement.
- Can someone assist who is part of training and communications? Getting the word out is very important. Not only for initial training, but ongoing as well.

\*Note: you must remember that everyone has a full-time job, this project would obviously be in addition to their day-to-day responsibilities. Be conscious of that while planning. Also, the amount of involvement could change over the course of the period so having back-ups is another planning item to consider.

If you have these questions answered to your satisfaction, then it's time to map out your plan. As mentioned, as we have gone through this example, there are staff members involved with different disciplines.

Based on all the information uncovered, we have six solid months to get in compliance. It sounds like a decent amount of time, but you need to consider the work involved. It's possible that you might need more resources.

Here is quick example of what a high-level plan could look like from a PM:

Type	Purpose	Timing
PM Set-up	Set Goals and project objectives, success metrics, clarify stakeholders and roles, budget, develop training & communication plan, outline timeline and schedule. Approval might be required for each task, keep that in mind.	Before Day 1
Kickoff meeting	Disseminate the plan and discuss roles, responsibilities, timeline, and expectations.	Day 1
Ongoing touchpoints	This should be continuous during the project and might continue after launch. Be sure to get updates from each stream and find out if there any roadblocks or issues. I utilize a PowerPoint where each stream lead provides RAG status on each deliverable. Also, document all the discussions. This will be helpful for lookback purposes.	Day 8 – 120
Management briefings	Discuss status, issues, and details of each stream and the metrics overall.	Day 8 -125 (Bi-weekly)

Training & Communications Plan	Begin communications to staff. As the actual date approaches, consider getting more specific and impact with the information. Training begins development. After launch, she be able to transition to the training team.	Day 60 - 210
Go live date	At this point, the implementation should have been tested and approved. Staff are starting to use. Touch base with managers.	Day 121
Monitor activities	Weekly basis	Day 121 - 150
Project Close-out	Everything has been transitioned to the appropriate teams responsible. Review lessons learned and hand-off to BAU.	Day 151

After you have all the facts, the right people involved and management support, you can move on to the execution phase.

#### **PART IV–Executing**

So far, we have come along way. From defining the requirements to this point of executing. While in this phase, it is essential that you function as a Project Manager and ensure this project is completed.

During this phase, you will have to keep tabs on everyone involved. As the project progresses, you need to keep everyone in line and make sure they complete their responsibilities.

A great way to keep everyone honest is to have reoccurring meetings. As a PM, communication must be robust. Here are some on-going considerations to implement:

- Work with each stream lead to ensure the project is moving along (IT, Compliance, Legal...).
- Touch points on a periodic basis. This could start weekly and then go less frequently.
- Apprise management of your progress. This could be an email, but most likely using this example, it might be a committee comprised of senior management.
- If needed at this point, you might want to consider a communications campaign for the relevant audiences.
- Provide necessary communications and training.

The communications and training should start towards the tail end of this part. This must be well thought out. Using our example, let us consider what it could look like:

- Audience: Let's consider this a firm-wide initiative
- Communications: starting two months prior to the launch, send out comms starting out with an introductory communication leading to more substance towards the launch date. After the launch date, this should be a combination of refresher information, tips & tricks, and reference materials. This consideration is based on how adults learn and retain information.
- Training: Since this is a firm-wide initiative, it might be very difficult to train everyone in-person since your organization is large and spread out geographically. In this case, I would consider e-learning to the firm, but use more customized training for staff that need to perform specific functions relating to this regulation.

Remember, that knowledge can dwindle over time, so it is essential that refresher training is done to reinforce the concepts at some point in the future. If the training is in the form of e-learning, think about doing it again in the future.

As a PM, you are responsible for the overall execution. If something goes wrong, you will be held accountable. Don't let that scare you, accountability is a good thing, especially if you are executing the plan appropriately.

We have done it. Now we move on to the post efforts.

## **PART V – Post efforts**

Sometimes a project can live on for days, months or even years. Especially one that contains multiple provisions such as the AML Act of 2020. When I look at the post efforts, I am mostly looking at performance measurements. At the onset of the project, you have defined metrics that show the progress throughout. Be very conscious of the details and use what you learn. It is never too late to update your plan.

What I typically do is create a refresher type campaign. Depending on the topic and audience, each plan will be different. If we take the example we have been discussing, the AML Act of 2020, this is a comprehensive act, and it will have to be well thought out. Here is my example:

- Communications: after the launch, continue the communications campaign for a period of at least 3 months. Afterwards, gauge if additional communications are necessary.
- Training: it's important to look at performance measurements. If staff members are not executing portions of the new provisions correctly, they will be noticed in reporting, management discussions and observations. This analysis could lead to more direct training.
- Reference materials: any supporting materials must be created so staff can ideally function on their own. Try to put yourself in the position of staff member. What would you need to be successful? I usually create cheat sheets (1-2 pages), Frequently asked questions (FAQ's) and instruction videos (not too long, consider staff's attention span).

What about performance measurements? With any project, we need to measure what went right and what went wrong. Sometimes I leverage the Kirkpatrick model which evaluates the performance in different areas such as Reaction, Learning, Behavior, and Results. Each area is important, but I try to focus a little more on change in behavior.

If you want more information on the Kirk [What is The Kirkpatrick Model? / Kirkpatrick \(kirkpatrickpartners.com\)](http://kirkpatrickpartners.com)

## **Part VI - Conclusion**

When you look at rules and regulations, they do not have to be so daunting. If you take a step-by-step approach, loop in the right subject matter experts, and run it like a PM, this can be done without any incidents. If you are concerned that this is more than you can manage, make sure you have the right support. This is something that you cannot mess around with.

My biggest suggestion is to find an approach and style that works for you. The process I went over works for me as I have been tweaking it over the years. Make sure you cover all bases and have quality control checks along the way.

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Narrowing down rules to roles requires an attention to detail and not merely doing a tick the box exercise. Care has to be undertaken with consideration of the risks involved.