

Nightmare on Compliance Street

by Dr. Linda Eagle

It's bank management's worst nightmare: An examiner disguised as Joe Customer approaches a teller, and asks about the bank's policy on sharing personal information or how long the bank holds funds from an out-of-state check. The blank look on the teller's face reveals all as he struggles to recall the appropriate policies. The resulting penalties to the bank finally rouses the bank manager from his contented slumber like a bad Freddie Kruger moment.

A Wakeup Call

The truth is that world events like 9/11 and the Enron scandal have resulted in new regulatory guidelines being imposed by a very concerned and serious Federal Government on an already intensely regulated banking industry. It's more important than ever that the bank's front line be adequately trained, and that documentation of this training is accurate and easily retrievable.

Updated Manuals Don't Equal Compliance

Banks have traditionally relied on quick-fix training sessions or a mass distribution of replacement manual pages to update their employees on regulatory changes. This method is ineffective and very dangerous when considering the penalties, both monetary and criminal, imposed on non-complying banks and their employees.

Even if these methods were effective, and all employees could recite all regulations verbatim, bank examiners require on-the-spot formal documentation to certify that employees have been adequately trained. Often no such certification exists and banks are cited for lack of proper training, even though their training is up-to-date.

When Freddie Comes Calling

It could happen to you. Witness this real-life nightmare that occurred at a large metropolitan commercial bank: A teller processed a transaction depositing a check for \$6,500 into a customer's checking account. Recent bad experiences with kiting had caused the bank to change their Reg CC Funds Availability policy. They extended their case-by-case holds from 3 days to 7 and included any check greater than \$5,000 regardless of where it was drawn.

The bank was to communicate this change by sending updated policy manual pages to the Assistant Managers of each branch. The Managers were instructed to conduct a meeting on the changes with all branch staff and replace the appropriate manual pages with the update. However, this particular branch had recently let go of their Assistant Branch Manager and was in the process of hiring a new one. The Head Teller was to absorb her duties until the bank appointed a new Assistant Manager.

Thus begins the horror. The pages got lost on the Assistant Manager's desk. The Head Teller, swamped with her own work, never received notice that the bank's policy had changed. The extended hold was never placed on the check, and because the funds were unavailable, the bank lost the money. To make matters worse, the bank was sued by the

recipient of the bad check when his lawyer, in an attempt to recoup his client's funds from the bank with the "big pockets," discovered that the teller violated the bank's policy on Reg CC. Total loss to the bank: \$536,500 plus legal expenses. *Ouch!*

eLearning as the Dream Team

You *can* keep Freddie Kruger at bay! In this ever-changing regulatory environment, training methods have changed too. Banks can now offer their employees compliance training that is fast-paced, up-to-the-minute accurate, convenient, as well as entertaining and effective. E-learning programs allow bank employees to receive vital training right at their own desks when it is convenient for them. The programs include integrated testing to document mastery of the material. These records are then housed in a Learning Management System, allowing the results to be at the fingertips of bank management. Often these programs provide certification, evidencing that the employee completed the training within the required competency. Additionally, these programs provide an easily-accessible, permanent reference source available to the front lines to answer compliance related questions.

The Final Word

Bankers can now divest themselves of manuals, mixed-up replacement pages, time-consuming training sessions and the risk of substantial penalties. Instituting a comprehensive e-learning compliance training program can lead to sweet dreams. Sleep well.

Dr. Linda Eagle is Founder & President of The Edcomm Group Banker's Academy—a 21-year-old education and consulting firm dedicated to serving Banks, Credit Unions, Money Services Businesses 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.

[Edcomm Banker's Academy](#) is headquartered in New York, NY. For more information, email linda.eagle@edcomm.com or call 888.433.2666/+1.212.631.9400.