

Selling Compliance as a Service to Your Customer
Striking a Balance Between Customer Service and Bank Security
by Dr. Linda Eagle

The *USA Patriot Act* and *Sarbanes-Oxley* have forever altered the already complex world of regulatory compliance in banking. However, adhering to these more stringent regulations doesn't have to conflict with nurturing good customer relations or improving customer retention. Rather, you must present compliance as a service to your customers, and your tellers, platform and call centers must be taught to communicate that message in their daily work. Remember that the main reason customers put their money in banks in the first place is for safekeeping. There are many places to invest money with higher rates of return than banks, but none is as secure. By letting your customer know how and why you are complying with banking regulations, you are selling security.

Sales, Service and Security

The difficult balance facing banks is the line between attracting customers into the branches by creating the “know your customers as friends” feeling, and the required performance of security and compliance regulations. Add to this mix the competition of online banking — and financial institutions have a real challenge on their hands.

In a day and age when customers have limited time to run bank errands, the convenience and accessibility of online banking is very appealing. To stay competitive, bank branches market themselves as the friendly, neighborhood bank where everyone knows you. However, fostering this warm, fuzzy feeling can be hard to maintain while asking to verify the identification of a long-term customer, or explaining the purpose of filing a Currency Transaction Report.

Preparing Your Tellers is Key

Fortunately, providing customer-friendly service that leads to retention and new-product sales does not have to undermine bank security and compliance. Requesting identification, reviewing account or transaction activity, or verifying application information needn't be communicated as overly intrusive, or as an implication of mistrust — but rather as safeguards in place to protect customer assets, identity, and financial history. Thorough teller training prepares your tellers to handle each transaction accurately, quickly and courteously while never losing sight of security procedures. The key is to educate your front-line staff about how to present the benefits of compliance procedures to ensure that they are comfortable when dealing with their customers; and explain that increased security measures actually lower the customer's risk. Teaching your tellers that following compliance procedures is in both the customer's and bank's best interest gives them the support they need when a customer balks at handing over identification, or complains when asked to adhere to a specific bank policy. A standard protocol, when enforced confidently, ensures bank stability, and reassures customers with the feeling of asset safety as well as fraud and identity protection. Selling compliance as a service should also be supported with documentation detailing the benefits of the new regulations, and the measures the bank is taking to comply.

Risks of Not Being Vigilant

Lapses in proper compliance impose costly risks to banks. In March 2004, *The Wall Street Journal* reported that a well-known financial institution was under investigation for possible “know your customer” violations. A former customer of the institution was convicted of acting as an unlicensed money transmitter. This customer had a number of Central and South American clients in a “pooled” account that shielded their identity, and reportedly took deposits and transmitted money on their behalf. The financial institution, acting as the customer’s bank, allegedly accepted deposits without asking specific reporting questions that might have raised red flags. As a result, the financial institution had no idea who the customers were or, in many cases, where the funds were being transferred from, leading to the violations.

The Final Word

Educating tellers and other front-line personnel on compliance is the best defense a bank has in identifying suspicious or fraudulent activities while avoiding regulatory risk. Teaching how to communicate these requirements to customers is the best offense a bank has in providing quality service and a positive customer experience.

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