



# Role of HR in AML and KYC

An interview with

**Daniel Peak, Chief Executive Officer, World-Check**

## **What should banks keep in mind in the recruitment process, from the anti-money laundering (AML) and Know-your-Customer (KYC) point of view?**

There is a lot to be said for somebody who has done it before, but maybe that is stating the obvious. What we have learnt in AML is that there is a learning curve and one can usually tell who really understands what they are talking about and can separate the theoretical from the practical. The first thing I would look for in somebody is a hands-on approach, and somebody who comes from a background that fits with what the institution is trying to accomplish. It is very valuable to hire a person who has actually seen an AML project through to a point it was actually producing results and they can actually articulate some of the things that made them give results. One of the things I might ask is instances of risks that they had actually identified. There are two approaches one can take - for the same amount of cost you can implement a system that supposedly does everything, yet at the end of the day it didn't accomplish anything, never identified any risk. Or one can put in a system that identifies more risks for the organization and shifts the situation to where the bank is actually identifying potential for threat before the event actually happens. If a bank is hiring a person with a background in simple screening procedures, in such a person I would

be very interested to know what they are going to accomplish for the financial institution, and not just from the point of view of keeping the regulator satisfied. In other words the person should know that the bank is screening not only for the commonly known high risk-profile individuals or entities, but also for those who are three of four relationships removed from that person. For example, Osama Bin Laden would not present himself to a financial institution in Mumbai. However, a person who is connected to him through a network of relationships might try to open a bank account or conduct a transaction. The person the bank recruits must understand how to look for such relationships during the AML and KYC process.

## **Should banks screen employees for AML and KYC, in addition to screening customers?**

This will depend on data privacy laws of the country in which the bank or financial institution is operating in. However, the fact is that all financial institutions should screen their existing and future employees simply so that they get to know if any of their employees have a background or past instance in financial fraud. I think it would be a wise thing to do.

## **In your experience, are there many banks doing this globally?**

Yes, without a doubt! No bank wants

to hire someone who has been convicted for any kind of crime or dishonesty. Screening and background checks are essential, starting with a simple thing like, is the person really that person, or is he/she a different identity. Did they get a degree from the educational institutions mentioned, and have they actually worked in the organisations mentioned in their resume? One also needs to check to find out if they are influentially or politically and whether they or their family have every been accused of bribery or corruption. Finally if things go wrong, the bank will be held responsible for picking the wrong candidate, and this will subject it to a substantial operational and reputational risk.

## **What is the strategic role of Human Resources department with respect to AML and KYC?**

Human resources departments have to do much more than just go through the motions of hiring, retaining and developing talent. They need to ensure that the organization does not repeat past mistakes or flaws in recruitment policies and practices. Especially with AML and KYC posing a serious threat to banks, both from the point of view of customers and employees, due diligence by the HR department can go a long way in saving the bank or financial institution from reputational loss. ■