

Anti-money laundering (AML) & combating financing of terrorism (CFT) key performance indicators (KPIs)



CBB regulation

With an increased focus on AML risks in financial institutions, regulators are striving to strengthen AML regimes and correct failures. Our analysis of AML-related penalties handed down between 1 January and 31 December 2019 reveals that, barring a massive USD9b penalty in 2014, 2019 could have been a record year with nearly twice as many actions as 2018 and total penalties doubling. From January to April 2019, authorities handed out around USD7.7b in AML fines – up from USD1.16b for the same period in 2018.

When implementing an AML framework, each staff member bears a certain responsibility which is why all employees are provided with annual awareness training. A recent development for financial institutions in the Kingdom of Bahrain is the CBB mandating (EDBS/KH/C/43/2020 dated 7 May 2020) AML key performance indicators for employees, units and departments and linking the KPIs with annual performance evaluations and remuneration.

AML key performance indicator frameworks

The CBB wants financial institutions to have objective metrics in place that define specific tasks, assign responsibilities and measure performance.

Broad objectives include:

- Employees should not be incentivised for exposing organisations to increased AML risk
- Performance measures should include AML-related responsibilities
- Responsibilities for compliance breaches and deficiencies should be appropriately attributed
- Quantitative measures and human judgement should both play a part in determining remuneration and bonuses – which should be linked to AML compliance

What is expected:

The CBB requires financial institutions to implement AML policies, procedures, processes and monitoring tools to ensure effective implementation and compliance with AML regulations.

The relative performance indicators should be specific and measurable. The AML KPI process broadly entails:

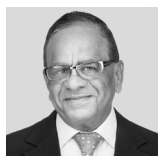
- Defining tasks, KPIs and measurement criteria for each department, unit & individual
- Mapping KPIs to AML procedures & monitoring processes
- Risk-rating tasks & assigning KPIs to individual process owners (wherever possible)
- Assigning weightage to AML KPIs when evaluating the performance of departments, units and individuals
- Updating job descriptions of relevant persons to include AML KPIs
- Linking AML KPIs to departments' performance evaluations
- Enhancing management's & employees' remuneration structures to include AML KPIs as a compliance parameter
- Including KPI frameworks in AML policies & procedures
- Obtaining senior management & board approval for AML KPI matrices

How it is done:

- Define each AML task and rate its risk
- Assign the task to a department, unit & individual
- Document steps for task performance
- List each task's KPIs
- Define measurement tools for performance
- Review performance based on multiple factors such as internal & external reports, compliance/MLRO reviews and regulatory reviews
- Maintain a matrix of tasks, KPIs & performance reviews
- Assign weightage to AML KPIs when evaluating performance

FRC team

Keypoint's financial regulatory compliance (FRC) team includes seasoned professionals with extensive experience in the financial crime, compliance, AML and risk management fields.



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