The Regulatory Compliance Maturity Model (RMM) for Anti-Money Laundering (AML)

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The Governance, Risk and Compliance Technology Centre (GRCTC) is a joint Enterprise Ireland - IDA Ireland initiative that supports industry-led research, development and innovation. The GRCTC is hosted by UCC, with NUI Galway and UCD as academic partners. The GRCTC offers a focus on ‘smart regulation’ and forms part of the government’s strategy to enable and encourage more “IFS enterprises to invest in RD&I ... to stimulate collaborative approaches between enterprises ... and research institutes.” (IFS2020)

The Problem with AML

AML (& CFT) remains an elevated area for supervisory enforcement. Despite the abundance of legislation and an increased regulatory focus on costly enforcement activities, financial services companies:

- Struggle to find a way to demonstrate that they have the right processes, effectively deployed, and embedded in their organisation’s culture.
- Require significant time to identify where their AML processes are weak.
- Have no clear way to demonstrate to regulators and other key stakeholders that they are both proactive and efficient in handling AML risk awareness and compliance issues.
- Have no access to independent benchmarks showing how they compare to their industry peers in the area of AML.

Regulators have also broadened their focus of attention from process compliance to include a focus on cultural risk behaviours and attitudes.

“Boards must understand the culture of their organization, and must be vigilant in watching for serious culture issues that need rectification.... [they must] periodically use a variety of formal and informal techniques to monitor risk culture.” (Published by the G30, 2013 A)

The Solution: The Regulatory Compliance Maturity Model Solution Suite

The Regulatory Compliance Maturity Model (RMM) for AML suite consists of 3 offerings supported by a data hosting infrastructure in UCC.

1. The Regulatory Compliance Maturity Model
2. The AML Cultural Embedding Diagnostic
3. The AML Performance Self-Diagnostic.

The RMM offerings provide a new and independent way for organisations to identify strengths and opportunities for improvement, demonstrate their commitment to AML Risk Awareness and Compliance, compare their performance to their peers whilst simultaneously identifying a roadmap for further improvement.
1. The Regulatory Maturity Model
Identifies 17 process areas across 5 domains. Each process area component clearly delineates five-stages of Capability; from a poorly performing process (CL1) delivering poor results to an outstanding, well embedded high capability process delivering superior results (CLS5). It describes implementation activities that must be deployed to effectively meet AML compliance obligations and verifies that an organisation has the correct AML processes deployed and embedded in an AML Risk Aware and Compliance Culture. It also provides a means for developing an evolutionary roadmap to plan enterprise wide process improvement, and facilitates benchmarking of AML process performance at both the business unit level and enterprise level.

2. The AML Cultural Embedding Diagnostic
The AML Cultural Embedding Diagnostic complements the RMM and examines how well the appropriate AML risk aware and compliance behaviours and attitudes are embedded across 7 key cultural factors. It also facilitates peer benchmarking of cultural embedding of AML behaviours and attitudes either at unit or organisational level, or even between organisations.

3. The AML Performance Self-Diagnostic
Allows senior compliance executives to establish their AML capability in a matter of hours via a self-assessed gap analysis. This can be done either across the enterprise or at a business unit level. It also facilitates peer benchmarking of AML performance capability against others who have completed the AML performance self-diagnostic.

Immediate Next Steps
The development of the RMM Solution Suite is at an advanced stage and is currently being piloted. Throughout its development the RMM has benefited from industry collaboration, and we now need further commitment to support the work and bring the solution to fruition in the marketplace. To do this we are seeking to run additional pilots in a number of institutions to further validate our research and facilitate publishable anonymised outcomes.

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And Finally ... What can the RMM do for you?

- Investing in the RMM can help you improve your regulatory assessment outcomes and empower your conversations with your regulatory authorities.
- Make it easier for Senior Management to demonstrate to regulatory authorities active engagement in the monitoring and management of Money Laundering/Terrorist Financing risk.
- Create a positive profile for regulation generally and specifically with international bodies such as FATF, FSB, OECD, etc.