

Bad behaviour has destroyed USD 1.06trn in banking industry profits since the GFC, though RegTech solutions could save USD 10-15bn p.a. in industry fines

Quinlan & Associates sees urgent need for revamp of employee compliance training

Hong Kong, 3 September 2019 – Quinlan & Associates, an independent strategy consulting firm specialising in the financial services industry, has released a thought leadership paper looking at risk culture deficiencies in the financial services industry. The report, titled *Fixing the Train(ing) Wreck*, analyses the cost of misconduct to the global banking industry since the GFC and how efforts to shape employee behaviour through compliance training have failed to deliver meaningful outcomes.

‘We estimate that bad behaviour has wiped out USD 1.06trn in profits for the top 50 global banks since the GFC in the form of write-downs, trading losses, fines, foregone revenue, and incremental compliance costs,’ said Benjamin Quinlan, CEO & Managing Partner and lead author of the report.

In response to heightened regulatory scrutiny, most banks have focused on bolstering their ‘Three Lines of Defence’ risk management framework, especially the first line (i.e. the business units) to drive greater individual ownership and accountability in an effort to encourage a movement from rule-based to value-based behaviour. Employee education has been a key focus for most institutions, with the industry spending USD 10bn p.a. on compliance training in 2018 (directing approximately three quarters at online delivery). However, ‘ongoing scandals provide a clear indication that a decade’s worth of compliance training has failed to shape industry risk culture in a meaningful way,’ said Mr. Quinlan.

Quinlan & Associates identified three fundamental issues associated with online compliance training that render it ineffective in driving cultural change: (1) employees loathe compliance training, and view training obligations as a tedious, box ticking exercise that detracts from their daily responsibilities; (2) eLearning is not taken seriously, with no repercussions for ignoring or failing training modules; and (3) a lack of employee alignment and support resulting in low information retention.

Mr. Quinlan believes financial institutions need to take a more strategic approach across the entire training value chain – including employee identification, material selection, employee incentivisation, and performance supervision – in order to properly augment employee mindsets. In particular, greater attention should be paid to employee engagement levels through improved monitoring of their eLearning activities, incorporating these insights into reviews and compensation / promotion decisions. He sees the appropriate use of such solutions as critical in driving behavioural outcomes.

‘The battle against unethical behaviour should always start with effective training, as an overhaul of employee mindsets is crucial in tackling the root cause of misconduct. With the banking industry racking up an average of USD 30bn p.a. in fines since the GFC, we believe this new breed of “CultureTech” has the potential to save the industry USD 10-15bn p.a. in misconduct-related penalties,’ said Mr. Quinlan.

About Quinlan & Associates

Quinlan & Associates is a leading independent strategy consulting firm specialising in the financial services industry. The Company is the first firm to offer end-to-end strategy consulting services. From strategy formulation to execution, to ongoing reporting, corporate training, and communications, Quinlan & Associates translates cutting-edge advice into commercially executable solutions. With a team of top-tier financial services and strategy consulting professionals, and a global network of alliance partners, Quinlan & Associates provides its clients with the most up-to-date industry insights from around the world, positioning the Company as a leader in this field.

To download the report, please visit www.quinlanandassociates.com.

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