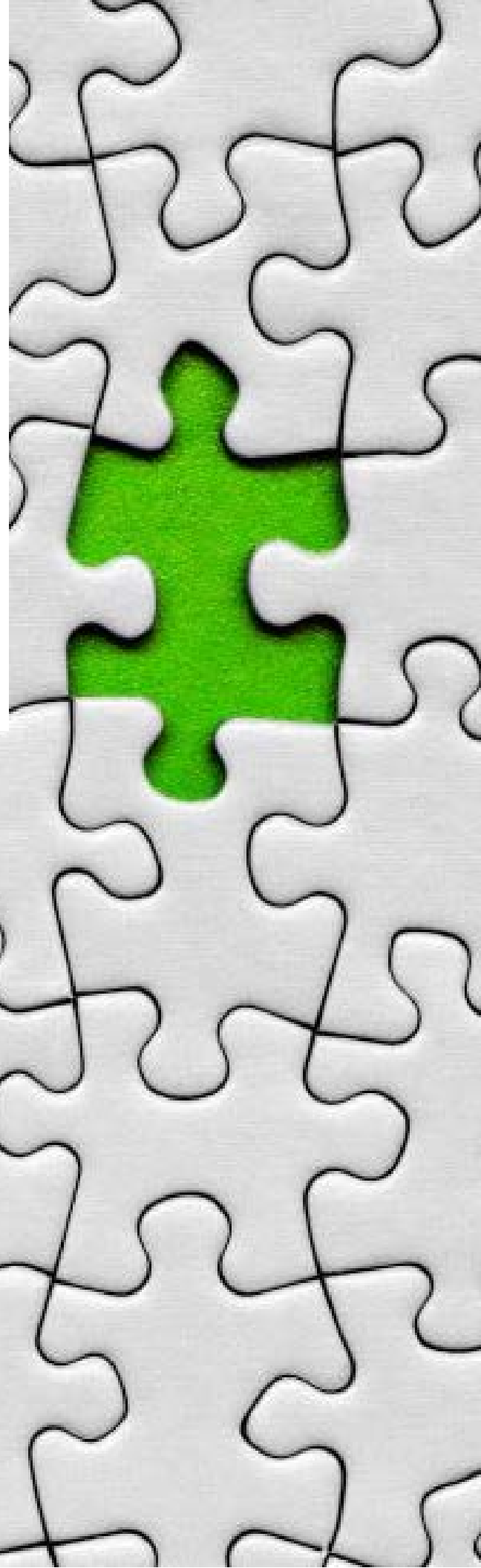


Deloitte.

Regulatory Learning Framework

Optimizing compliance
learning strategies to
mitigate risk



Regulatory Learning Framework—Executive summary

The Regulatory Learning Framework is a tool for Banking and Securities organizations to assess their current learning strategies to identify opportunities to build more effective and consistent regulatory learning programs

Background

Since the financial crisis in 2008, regulatory compliance remains a significant, strategic issue for the Banking & Securities sector. Regulators are increasingly moving toward more unique penalties for noncompliance, such as restrictions on certain business activities or increased liquidity requirements, that may impact a firm's competitive advantage and shareholder value. An effective compliance learning strategy has become imperative for Banking & Securities organizations to help their people consistently remain up to date with rapid changes in the regulatory environment while protecting the business from the risks of noncompliance.

A collaborative effort between Deloitte and leading financial institutions has led to the development of a learning framework as a means to collectively align on the elements of a highly effective learning approach to manage compliance- and regulatory-related training.

About this document

This document details the Regulatory Learning Framework and its components and highlights leading industry practices for further reference and comparison.

Contents

- Overview—Introduction to the Framework and its structure
- Applying the Framework—A deep dive into the Framework's key components:
 - Planning
 - Design and Development
 - Delivery and Administration
 - Metrics and Reporting
 - Governance
 - Market Sensing
- Getting started—Guidance for applying the Framework

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Overview

Why now?

Over the past five years, the number of regulations and their complexity has grown dramatically, resulting in both increasing costs to remain compliant and risk of noncompliance. After many years of this cycle, Banking and Securities organizations are searching for a means to become more proactive and efficient in how they train their people to comply.

Steady Increase in Regulations...

Regulatory agencies continue to introduce new requirements, with many companies continuing to divert resources to remain in compliance

More Complex Reporting Requirements...

Regulators are shifting away from volume and completion statistics to reporting on the effectiveness, retention, and efficacy of regulatory learning programs

The Need for Greater Coordination...

Many organizations have not found the recipe for harmonizing the needs of the business, learning, and regulatory subject matter experts (SMEs), making staying ahead even more difficult

Greater Market Scrutiny...

Regulators continue to take a more active role in monitoring compliance and adherence to both the explicit and implicit meaning of regulations

The Regulatory Learning Framework serves as a resource to help organizations meet the ever-growing regulatory compliance training burden


Regulatory environment

Banking and Securities organizations are subject to high volumes of regulations coming from a number of different sources, oftentimes resulting in uncoordinated requests requiring significant resources, and sometimes resulting in duplicative effort by the organization

Regulatory agencies*

Federal Reserve (Fed) Regulates bank holding companies and certain subsidiaries, financial holding companies, securities holding companies, savings and loan holding companies, and any firm designated as systemically significant by the FSOC (Financial Stability Oversight Council). Also regulates state banks that are members of the Federal Reserve System, US branches of foreign banks, and foreign branches of US banks
Federal Deposit Insurance Corporation (FDIC) Regulates federally insured depository institutions, including state banks that are not members of the Federal Reserve System and state-chartered thrift institutions
Office of the Comptroller of the Currency (OCC) Regulates national banks, US Federal Branches of foreign banks, and federally chartered thrift institutions
National Credit Union Administration (NCUA) Regulates federally chartered or insured credit unions
Consumer Financial Protection Bureau (CFPB) Regulates banks, credit unions, securities firms, mortgage-servicing operations, foreclosure relief services, debt collectors, and other institutions to protect consumers

These agencies are making a **significant impact** on Banking and Securities organizations and are **reshaping the operating environment** in which they work

- 
- Regulations brought forward by these agencies have resulted in:
- Over **2500** unique rules and regulations
 - **Increased scrutiny** into regulatory compliance, including compliance training and training retention
 - **Restrictions** on business activities or liquidity requirements based on “noncompliance” with regulations

Spotlight

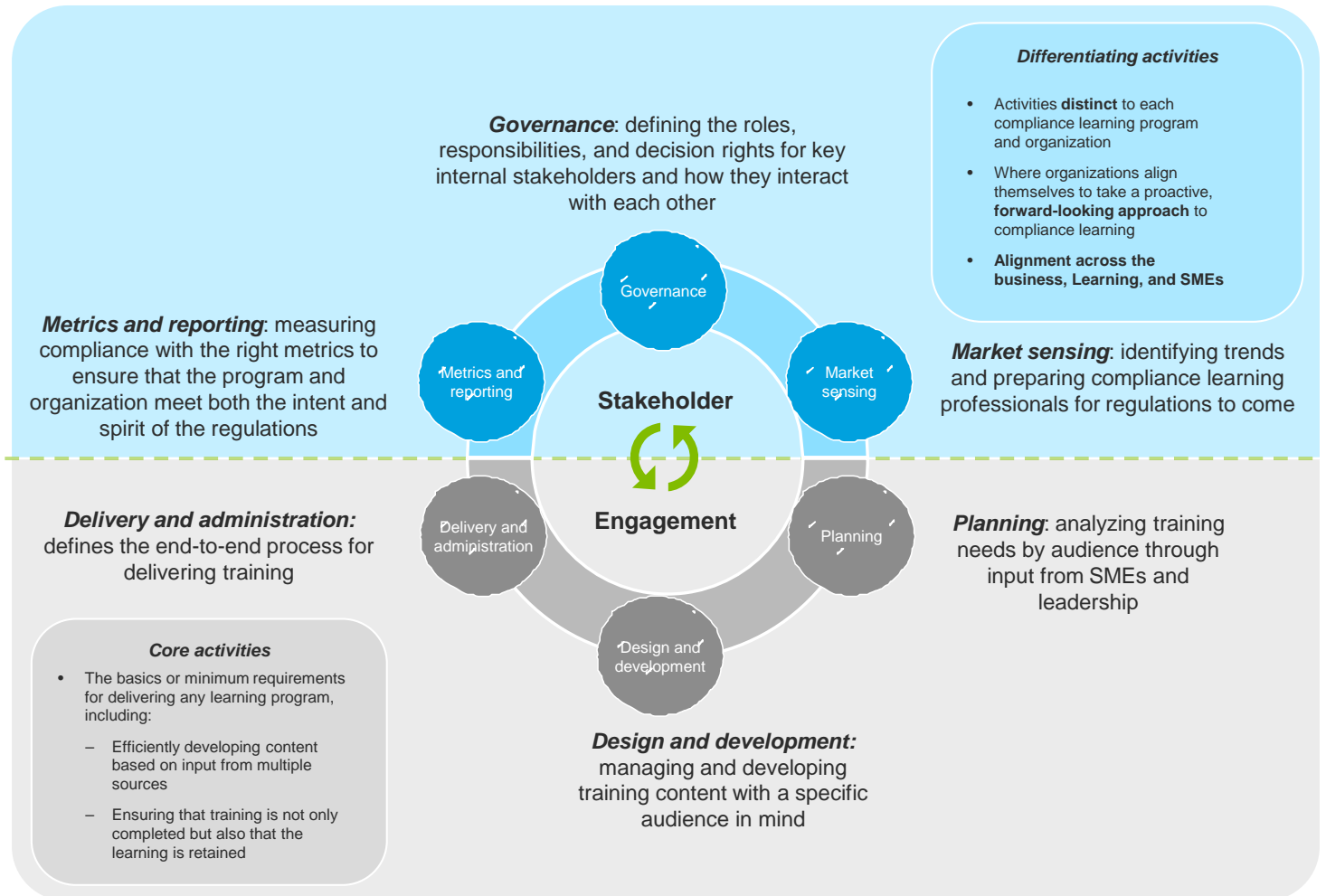
According to a Deloitte report on enforcement actions in the banking industry, **UDAAP** and **AML** have received the most regulatory scrutiny in recent years.¹ Additionally, the passing of the DoL Fiduciary regulation may highly impact Asset Managers in 2017.²

*Please note this is not an exhaustive list of regulatory bodies.

Source: [Enforcement actions in the banking industry: Trends and lessons learned](#)

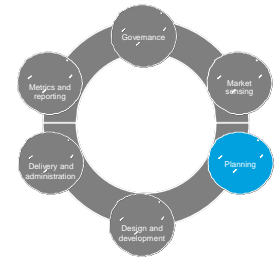
Source: [US Labor Department seeks public comment on proposal to protect consumers from conflicts of interest in retirement](#)

The Regulatory Learning Framework



Applying the Framework

Planning



Standardizing the needs assessment process in order to define annual regulatory learning needs and documentation requirements to satisfy regulations and define the timing and target outcomes




Assess Readiness	Define Strategy	Prioritize Needs
<p>Planning begins with a biannual assessment of needs against capabilities and results.</p> <ul style="list-style-type: none"> Clearly articulate annual goals for regulatory learning Gain input from key stakeholders around success of regulatory learning programs and areas for improvement Review rolling training plans and determine areas of strength or in need of improvement 	<p>An organization's regulatory learning strategy is often defined independent of other learning programs, yet should be aligned with enterprise approaches.</p> <ul style="list-style-type: none"> Define the process for developing a regulatory learning strategy and integrating it into existing planning exercises In line with the Governance Model created, determine a process for incorporating stakeholder input so it has teeth and is transparently incorporated into BAU 	<p>Once training needs are gathered, prioritize activity based on risk, impact, time-sensitivity, and impacted audiences.</p> <ul style="list-style-type: none"> Develop a baseline scoring mechanism for prioritizing regulatory learning needs Leverage demand planning and forecasting analytics to view the priorities across the business Develop reporting and metrics that are used during planning cycles and for ongoing prioritization

Assuming your organization has foundational learning needs assessment capabilities, how can you take them to the next level?

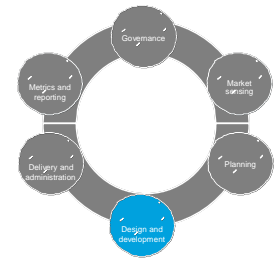
- Clearly articulate and document the compliance learning strategy and how it is complementary to, or distinct from, the enterprise learning strategy. Leading organizations look for synergies between the two. Leading organizations:
- Are moving beyond planning spreadsheets that are limited by both form and function. Visualization tools are being applied to better communicate training needs analysis results at a broad scale. These results are then linked to forecasting of delivery, timelines, audience impacts, and content development resource requirements for funding purposes.
- Have developed front-to-back and back-to-front documentation processes that capture all touchpoints and decisions: from the identification of a training need, through the decision process to develop training, to the delivery and launch of a specific course.
- Typically segment compliance training at three levels: level 1 enterprise requirements, level 2 Line of Business (LOB) requirements impacting large employee populations, and level 3 LOB requirements impacting smaller employee populations. Some compliance training organizations are more heavily focused on level 1 and 2 requirements, tightly coordinating level 3 with LOB ownership.

Where Are You?

- Do you have a clearly documented compliance training strategy?
- How closely is your compliance training team tied to enterprise learning?
- Are you able to easily understand your global compliance training requirements through the use of consistent needs analysis templates and visualization tools?
- Do you have front-to-back and back-to-front documentation in place?



Design and development



Creating a comprehensive regulatory training curriculum through design that incorporates feedback from training, compliance, and business representatives



Analyze Audience and Delivery	Define Instructional Strategies	Develop Content
<p>Different groups of employees may have differing needs that should be incorporated into planning and content development.</p> <ul style="list-style-type: none"> Segment learner audience based on identified regulatory training needs Ascertain training approach needed to address objectives Determine the appropriate delivery mechanisms based on the learning objectives and learner needs 	<p>Identify how to engage with the learner and present the content, and which trainers or delivery mechanisms will be most effective.</p> <ul style="list-style-type: none"> Determine the most effective approach to design and deliver the content based on learner needs Base strategies on predetermined learning objectives Select delivery strategy, which could include: presentation, video, discussion, etc. Assess infrastructure for delivering content; investment may be required 	<p>Developing content in a compliance setting requires closer connection with subject matter experts (SMEs) to align with regulatory needs.</p> <ul style="list-style-type: none"> Work with SMEs from the LOB, function, or Compliance to clearly articulate both the explicit and implicit regulatory needs for which training is being created Develop an ongoing process for assessing content creation in terms of meeting the regulation's goals

While the traditional instructional design capability and vendor support ecosystem that exists in most organizations will exist for the foreseeable future, there have been significant advances in learning platforms and delivery strategies driven by two primary factors. The first is an intense focus on learner experience and a move away from page-turner slide presentations to more immersive learning. The second is the renaissance in learning platform vendors that deliver primarily mobile content, are highly contemporary in their design, and focus on short-form rather than long-form training.

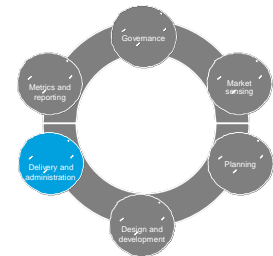
- Compliance training is often dense, heavily focused on regulatory language that is not easily comprehended, and difficult to absorb.
- Leading compliance training organizations are actively exploring ways to transform their compliance training content strategies to take advantage of the next generation of design and development techniques.
- While not a universal truth, some compliance training organizations have been heavily staffed with former compliance professionals who might not have experience in learning design and development. New design and development strategies are challenging what might be the traditional skillset in the organization.

Where Are You?



- How is your regulatory training organization utilizing recent innovations in learning design and development?
- To what degree are you piloting new methods of training delivery for compliance-related content?
- How do you proactively keep up with the vendor marketplace to explore opportunities for new content strategies?
- What is the mix on your team of former compliance functional SMEs and team members who have formal L&D backgrounds?

Delivery and administration



Delivering a top-notch learning program, including all aspects of end-to-end delivery and post-learning assessments

Manage Logistics	Market and Communicate	Implement and Follow up
<p>Like any standard learning offering, overseeing delivery of compliance learning programs should be managed in accordance with leading practices.</p> <ul style="list-style-type: none"> Align regulatory training calendar with Business as Usual (BAU) training calendar Plan ahead for SME availability. Regulatory learning may be more technical and require SME support for delivery. Incorporate this into planning schedules 	<p>Special focus should be given to promoting regulatory learning programs and their completion.</p> <ul style="list-style-type: none"> Utilizing the Audience & Delivery Analysis, identify learner preferences for training delivery Define the desired compliance training brand and build a communications strategy that reflects it Leverage messaging from executives as needed to reinforce the compliance training messaging, its connection to your organization's culture, and the business value 	<p>While standard practice is to assess learning success, regulatory learning assessments may be more involved.</p> <ul style="list-style-type: none"> Conduct surveys, interviews, and/or observations to evaluate whether the training achieved its stated objectives Link training assessment results to operational performance scorecards and risk assessments to identify hot spots that may require additional training



Steps toward Success

Assuming you have a core learning delivery infrastructure in place for training assignments, registration, and reminders/escalations, there may be incremental improvements you can make to optimize your regulatory training delivery and administration strategy. Leading organizations:

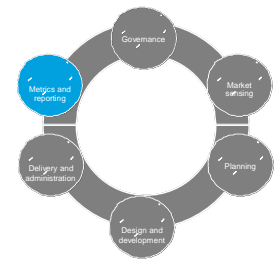
- Leverage planning and forecasting activities during the planning phase to identify instructor requirements and source accordingly, earlier rather than later.
- Create a targeted and contemporary communications and brand strategy to effectively market regulatory learning beyond the course itself.
- Measure the effectiveness of a compliance training course at the point of delivery, and leverage retention analysis to identify areas of potential hot spots or risks.
- Use automated survey tools with consistent assessment questions to gather Kirkpatrick Level 1 and Level 2 feedback..

Where Are You?



- Do you integrate regulatory training delivery with BAU training requirements from a calendar perspective?
- Do you prepare regulatory training subject matter experts to deliver live learning in a manner that is highly engaging and effective versus lecturing and reading slides?
- How effectively do you design your training assessment questions and how consistently do you deliver them, both immediately after learning and beyond?

Metrics and report



Measuring and reporting on compliance

Measure Compliance

Measuring compliance can take many forms, but should ultimately result in data that can be shared both with leadership and regulators.

- Define specific Key Performance Indicators (KPIs) that are targeted to change as a result training
- Remember to consider both explicit and implicit impacts and goals for the regulation and training

Measure Efficacy

Measuring efficacy requires the organization to dig deeper into the data and determine if the training has been utilized, is being retained, and supports a cultural and behavioral change.

- Utilize knowledge and behavioral assessments that show retention of compliance knowledge over time and application to the job
- It is leading practice to tie compliance learning into the culture of the organization. Therefore, demonstrating efficacy may go beyond quantitative measures

React to Results

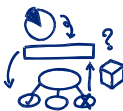
Once results have been gathered and synthesized, it is important to respond to the data, relay findings to leadership, and develop remediation plans where needed.

- Utilize results to identify and target knowledge and performance gaps and improve future compliance training
- Tie metrics to indicators of “bad” behavior to predict outliers and manage consequences. More specifically, tie results to end-of-year metrics.



Many organizations rely on Kirkpatrick Level 1 ratings and completion statistics to meet core compliance reporting requirements for internal audit and regulators. However, regulators are now asking for proof points of application and retention that go beyond the traditional measures. Leading organizations are:

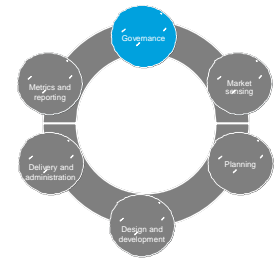
- Improving their demand planning and forecasting processes to better anticipate employee training assignments and resource allocation. This process allows organizations to improve line of sight to role-specific training requirements and avoid scheduling or volume challenges to specific audiences.
- Moving beyond Kirkpatrick Level 1 analysis by developing retention analytics techniques that blend short survey responses on knowledge and application with business data indicating areas of risk in specific employee populations. This provides visibility for more targeted interventions.
- Leveraging advanced analytics and data visualization tools to improve reporting capabilities. This enables the compliance and learning functions to better communicate compliance training effectiveness to key business stakeholders and regulators.



Where Are You?

- What tracking mechanisms are in place?
- What visualization tools do you use?
- What forecasting and planning tools do you use and are they successful?

Governance



Defining the roles, responsibilities, and decision rights of Compliance, Learning, and the business to manage compliance training, and how they interact with each other to meet regulations

Develop Compliance Governance	Refine ownership and Approval Process	Create Interface with Regulators
<p>Empower stakeholder groups to collaborate to meet the organization's needs.</p> <p>Identify key roles and responsibilities across compliance, risk, audit, learning, and business stakeholders</p> <ul style="list-style-type: none"> • Develop an interaction model with appropriate checks and balances so input is balanced across stakeholders • Review and assess the reporting hierarchy of the compliance and learning organizations for alignment, ownership, and consistency across the firm 	<p>Solidify ownership of regulatory learning, including approval of content and prioritization.</p> <ul style="list-style-type: none"> • Outline a compliance training development process or value chain • Identify regulatory learning stakeholders and their respective decision-making authority across the value chain • Create and implement an escalation process for issue and conflict resolution • Review budget and annual forecasting processes so compliance learning is appropriately prioritized 	<p>Governance can support better alignment across the organization and create a better, more consistent relationship with regulators.</p> <ul style="list-style-type: none"> • Create a market-facing communication response team within the regulatory learning team that owns organizing responses to regulators • Develop/support market-facing forums for collectively organizing and interpreting how your organization responds



Steps toward Success

While recognizing that organizations' regulatory learning strategies will differ, a recent trend has been to appoint a head of regulatory training in the compliance organization, placing greater ownership of the regulatory training strategy in that area. Other organizations have a decentralized regulatory training capability, where ownership of the strategy resides within an LOB, function, or in enterprise L&D.

- The leadership model chosen is driven by an organization's perspective on centrally controlled versus LOB-controlled activities.
- Regardless of the operating construct, it is leading practice to have tight coordination and partnership between Learning and Compliance to enable key training processes. Other key stakeholders to the compliance training strategy may include LOB or functional compliance officers, internal audit, regulatory affairs, and LOB or functional business leadership.

Leading organizations:

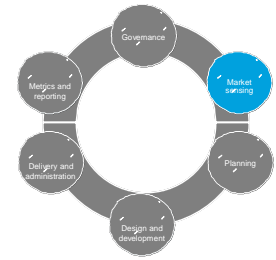
- Structure a governance model to include key stakeholder groups in planning and delivery of compliance training, with appropriate sub-working groups to drive specific tasks and decisions.
- Have established response protocols and playbooks that go beyond BAU to respond to regulator-driven directives, MRAs, and consent orders.
- Spend a considerable amount of time on audience analysis and segmentation to mitigate issues associated with too much training delivery or redundancy across various trainings to the same audience.



Where Are You?

- Would your organization benefit from a Head of Regulatory Learning, either within Corporate L&D or directly reporting into Compliance?
- Do you have a governance model in place that appropriately informs and engages the right stakeholders in decision making?
- Do you have a process in place to respond to regulator-driven compliance training matters that go above and beyond BAU?

Market sensing



Optimizing the organization to proactively identify trends and prepare for future regulations to come

Monitor Marketplace Trends

Proactive compliance means the organization must stay in-the-know about changing market demands.

- Develop a market-facing strategy for staying abreast of changes
- An effective market-facing strategy includes gaining access to a learning knowledge base or other external information channels
- Provide compliance professionals with sufficient training to maintain their knowledge

Respond to Marketplace Trends

Formalizing the process for responding to regulatory changes can enable the organization to respond more quickly and nimbly to future challenges.

- Working within your defined governance model, formalize your “chain of command”—when a need is identified, determine who is informed, how it is documented, and who is responsible for following up
- Support ongoing interaction with regulators. Being proactive is key for staying ahead.

Influence and Refine Planning

After a need is acknowledged and communicated, the compliance learning life cycle will begin again.

- Prioritize upcoming compliance needs; determine sequencing of learning initiatives
- Determine processes for ad-hoc programs. For example, if a response is required for an MRA, how does the organization respond?



Leading compliance training teams are not only able to respond to requests from the business or regulators, but are also focused on anticipating them. Compliance learning officers are tasked with understanding the regulatory landscape impacting their clients and proactively identifying potential learning needs. Leading organizations:

- Create vehicles for regulatory learning officers to share their perspective on the impact emerging compliance trends will have on the workforce with both their business clients and the regulatory learning leadership team.
- Connect regulatory learning leadership to the regulatory affairs communication channel to stay in front of the organization’s relationship with regulatory bodies.
- Include key inputs for market-sensing activities in regular planning cycles to anticipate impacts to specific audiences, training delivery timelines, and development of resource requirements.

Where Are You?

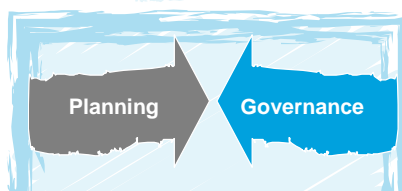

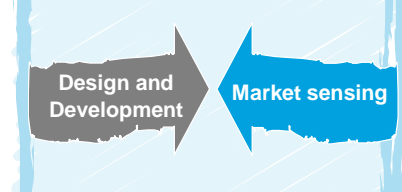
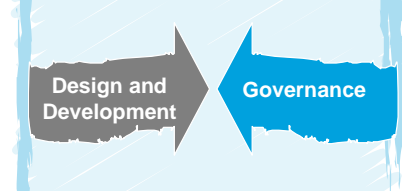
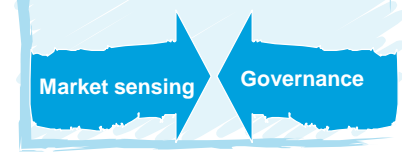


- Do you expect your regulatory learning team to have a market-sensing capability?
- Do you have a channel for communicating compliance developments with your team?
- Do you have a process in place to escalate potential impacts to your regulatory learning needs based on proactive identification of an issue arising in the marketplace?

Getting started

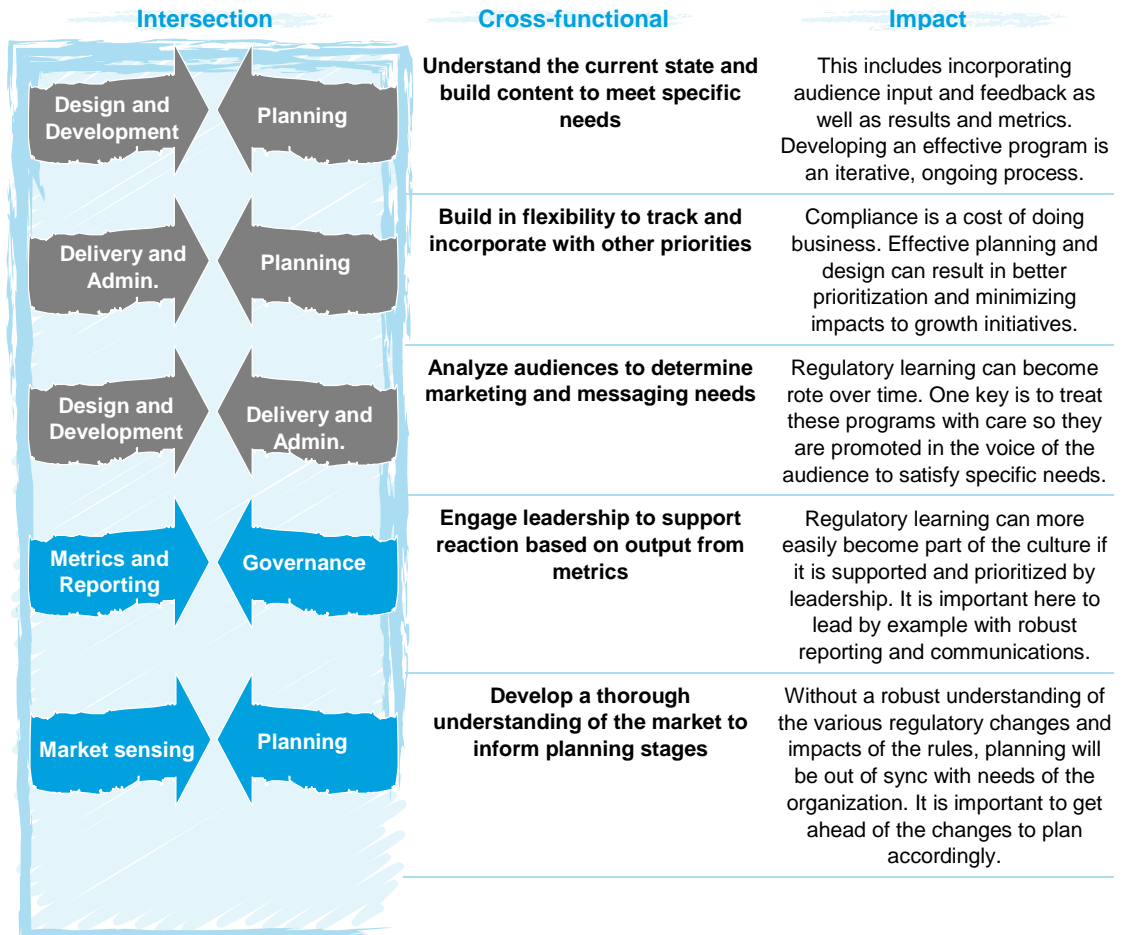
Key interaction points

Understanding and reacting to Activity Domain interactions is key for making the framework come to life for your organization

Intersection	Cross-functional	Impact
 <p>Planning → Governance</p>	<p>Define regulatory learning strategy by incorporating SME guidance</p>	<p>Planning should be influenced by ongoing expertise from internal subject matter experts. Leading practice often includes a partnership between Compliance, Learning, and the business</p>
 <p>Metrics and reporting → Governance</p>	<p>Develop effective reporting measures for retention and application to the job</p>	<p>Measure impact of regulatory learning using metrics beyond completion, including retention and application. The results should inform the decisions that need to be made by the governance structure</p>
 <p>Design and Development → Market sensing</p>	<p>Consider both the implicit and explicit goals of the regulation</p>	<p>Regulations are often considered with both explicit (clearly articulated) and implicit (implied) goals. Be sure these are understood where appropriate and incorporated into the design accordingly.</p>
 <p>Design and Development → Governance</p>	<p>Formalize process to report and react</p>	<p>Organizations must respond to feedback and make adequate and timely changes to training so the right message is delivered and received and that the learning has stuck</p>
 <p>Market sensing → Governance</p>	<p>Create interface with regulators</p>	<p>Oftentimes the question of “who owns the response” can result in slowed decision making and inconsistencies. Clearly articulating ownership is an important step for alleviating these concerns.</p>

Key interaction points (cont.)

Understanding and reacting to Activity Domain interactions is key for making the framework come to life for your organization



Banking and securities learning roundtable overview

The Roundtable was established in 2015 to **connect peer executives** responsible for learning and development from banking institutions in the US. The goal of the roundtable is for executives to **share leading practices** about critical issues facing the banking and securities sector and create viable solutions that could help institutions respond.

Roundtable meetings are held quarterly, with topics of interest prioritized by the members. Output from the sessions is captured and published for future industry use. For information, please contact:



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We would like to thank the following participating institutions for their contributions at our quarterly Roundtable meeting

- American Express
- Bank of America
- Blackrock
- Citigroup
- Goldman Sachs
- JP Morgan Chase
- Oppenheimer Funds
- PNC Financial

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