

# The Role of Anti-Money Laundering Goals among Commercial Banks in Promoting Employee Task Performance: Feedback as a Mediator

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**Abstract**—Under the guidance of the current risk-based anti-money laundering (AML) regulation, the performance of bank employees in AML work is under pressure and becoming increasingly important. The aim of this survey of 608 employees in commercial banks involved in AML work in China was to identify the factors involved in the internal regulation that promote higher task performance of AML employees. Applying goal setting theory to the AML context in banking sectors, this paper uses a SEM model to investigate the relationships between AML goal clarity, goal challenge, feedback of the work, and employees AML task performance. Results indicate that AML goal clarity, goal challenge are both positively associated with AML task performance. Furthermore, feedback is also an important mediator which should be assigned to a banks internal control system that promotes employees AML task performance. It is concluded that setting a clear and challenging AML regulatory goal is significant in the AML internal control system in banking sectors. Also, commercial banks can possibly make an important contribution to bring about compliance feedback process internally with their employees for AML work, and also externally with the supervision from the government. By implementing adequate communication, employees AML task performance would be promoted, and thereby improve the effectiveness of daily stressful AML compliance work in banking sectors.

**Index Terms**—Anti-Money Laundering (AML), Commercial banks, Risk-based approach, Task performance, Behavioral management, Internal Control

## I. INTRODUCTION

The international anti-money laundering (AML) standards and regulations are getting increasingly stringent. According to the results and recommendations from the 4th round of FATF (Financial Action Task Force) mutual evaluation, the effectiveness of AML work in China still needs to be improved. In line with the international AML risk-based approach (RBA), in 2021, the People's Bank of China adjusted a new Regulation on the Measures for the supervision and administration of

anti-money laundering and anti-terrorist financing of financial institutions, which requires financial institutions to continuously improve the performance of anti-money laundering work, to fulfill AML obligations more effectively and professionally, especially in manual analysis and comprehensive judgment for the suspicious transactions. Both Ofoeda et al.(2020) [1] and Aridzzi et al.(2020) [2] pointed out that financial institutions, especially the banks, are still the main channels for money laundering nowadays. Thus, the new circumstances both domestic and overseas emphasize more on the effectiveness of AML work in banking sectors.

In addition to the regulation, AML compliance ability, for the commercial banks themselves, is not only related to their reputation but also the guarantee of their development and innovation [3]. And compliance professionals within financial institutions have become foot soldiers in the fight against money laundering risks [4]. Therefore, an increasing amount of attention has been paid to explore the key to the effective implementation of the risk-based AML regulation, which is the employees relating to this work. The antecedents of employees AML effectiveness are the focus of the industry and academia [5]. For example, sufficient expertise and skills of AML employees, to adapt to the changing factors, have been considered essential in AML work to reduce job uncertainties in a dynamic environment [6,7]. And banks with more experienced employees are more likely to establish strong and efficient AML controls [8]. Also, work commitment is another factor, Araujo (2010) finds that the efficiency of AML work and the willingness of their employees to work against money laundering influence each other [9]. As many of the major findings revealed, many employees regard AML as a difficult task under the pressure of current supervision, and the biggest difficulty of implementing AML work is their limited ability and accessible resources of doing anti-money laundering work [10,11].

Existing researches have examined capacity or engagement of employees and their associations with AML work effectiveness, however, less attention has been paid to factors affecting AML employees

performance. *The Executive Summary of Enterprise Risk Management Integrating with Strategy and Performance*(2017) release by COSO(Committee of Sponsoring Organizations of the Treadway Commission) proposed to integrate enterprise risk management with performance. The lack of a relatively comprehensive explanation of "AML task performance" is not conducive to the effectiveness of AML internal regulation. Particularly, under the new AML regulations in China, what problems hinder employees use risk-based approach in commercial banks is still worth studying. This paper, targeting the employees of commercial banks, identifies the main factors affecting their AML task performance and validate their measurement constructs, explores how to ensure the effective implementation of AML inner control regulation in banking sectors.

## II. THEORY AND HYPOTHESES

### A. Goal Setting Theory

Goal setting theory is a cognitive theory of motivation serves as a research paradigm in organizational science, which based on the proposition that human conscious intentions are projected as goals, and behavior is subsequently regulated by those goals [12]. The two main dimensions of goal content are specificity/clarity and difficulty/challenge. In addition, more than setting goals,

the most common variable related to goal-setting effectiveness is feedback [13,14,15,16]. Furthermore, there is another integrated goal setting model, regarding as the high performance cycle [12]. The model also starts with specific and difficult goals, and with following commitment to these goals, adequate feedback, high self-efficacy, ability, and suitable task strategies, high performance will be obtained.

Moreover, referring to Hood et al. (2001) [17] and Bergström et al. (2011) [18], in the decision-making process of risk-based AML work, the first stage is setting goals and standards. A better approach of doing AML work is that banking sectors setting goals and standards, while the public partner legitimize the content of these rules [18]. As a result, goal setting theory is appropriate and reasonable to guide AML work under the new circumstances. Therefore, taking the goal setting theory as the theoretical basis, a hypothesized model is made and illustrated in Fig.1. This paper first examines the direct effects of AML Goals Clarity on employees AML task performance and AML Goals challenge on employees AML task performance. Then, it examines the indirect influences among AML Goals Clarity, AML work feedback and employees AML task performance, as well as AML Goals challenge, work feedback and employees AML task performance.

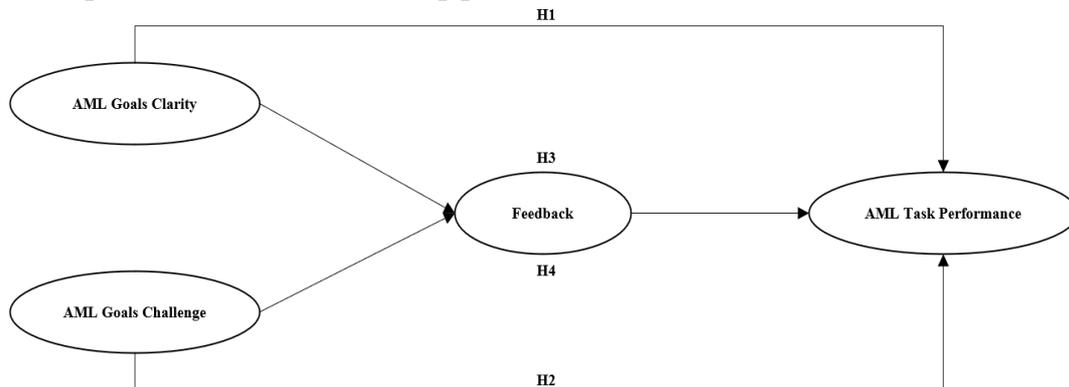


Figure 1. The hypothesized model.

### B. Proposed Definition of Task Performance in AML Work in Commercial Banks

Employee job performance is referred as the degree to which employees behaviors are effective in meeting organizational objectives [19]. Task behaviors means the fulfillment of core job responsibilities and assigned tasks that are essential for the organizational mechanical core [20,21]. Literature indicates that the basic antecedents to the task performance behaviors relate to cognitive ability and experience [20] which are specifically defined in job description [22]. In addition to these, according to the FATF Recommendations, for the employees involved in AML work in commercial banks, they are obliged to undertake full analysis of suspicious transactions and to customer due diligence (CDD) principle, which are the key contents of AML work. And all the work are required to conform to AML process norms such as maintaining all necessary records on transactions. Wang(2018) [23]

also construct performance Indicators on Core Obligations of AML work, which include (1) CDD, (2) Special Measures for High Risk Customers and Business, (3) Customer Identity Data and Transaction Record Preservation, (4) Large and Suspicious Transaction Reports. Therefore, we define task performance in AML work as taking essential Anti-Money Laundering measures effectively, professionally, and sufficiently, meeting the objectives in their organization, mainly including but not limited to those 4 core responsibilities mentioned above.

### C. AML Goals and Employee Task Performance in Commercial Banks

Zweig and Webster(2004) believes goal orientation is a useful construct for understanding learning and performance [24]. Followed the goal setting theory, more specific the goals are, higher performance of staff would

be driven. Also, Participants in AML work made a strong plea for having a clear set of guidelines or industry benchmark best practice [25]. Specific guidelines lightens the responsibility of employees by prescribing when to report or not [26]. Recent studies in AML also suggest that the bank's internal control objectives are conducive to ensure AML staff comply with relevant policies, operating procedures and improve AML effectiveness [27]. Though AML goals can provide guidance and support to employees, however, a problem is that overall goal on anti-money laundering may seem rather straightforward, but meanwhile, regarding how particular acts of "terrorism" and "illicit funding" are to be identified and counteracted, the goals are ambiguous [18]. In addition, since clear guidance may absolve staff of responsibility, there is a conflict between over-guidance and firms taking a risk-based approach [25]. At the same time, the researchers also call for more research to reveal the impact of goal setting with different degrees of specificity or clarity on task performance, because Staw and Boettger (1990) [28] found that too precise goals may reduce the performance level of assigned tasks. Hence, it is necessary to examine whether clarified goals are significant affecting AML task performance. Taking internal regulatory goal clarity of AML work set by banking sectors as a variable, and the goal clarity here is the extent to which the work targets set out clearly and specifically with the aim that the AML work can be understood by the person who is responsible for the achievement of the AML internal control goals, a hypothesis is made:

1) Hypothesis 1: Goal Clarity of AML work has a positive impact on employees AML task performance.

As goal setting theory suggested, in order to motivate better performance, the goal involved should be difficult but attainable. People work harder for more challenging goals [29]. In the same vein, Chen(2015) argues that the severe situation of international AML and the regulatory suggestions of AML organizations guide commercial banks to strengthen the internal control system construction of AML work, and strict and comprehensive internal control objectives of AML are conducive to improving the effectiveness of AML work of commercial banks [27]. It seems a challenging internal control goal would help improve performance. However, on the other hand, researchers argue that current AML goal is way too challenging for AML employees to accomplish, and that may lead to low-efficiency. With the continuous development of fin-tech and the deepening of "risk-based" principle, anti-money laundering work is in a new situation. Staff in banking sectors are facing greater stress and challenge in this context. The complexity of AML work requires employees being more professional. The staff engaged in anti-money laundering should be comprehensive talents, familiar with financial knowledge, foreign exchange business and relevant laws [30]. The basic AML work of employees is heavy and inefficient while only a few leading Banks have started to develop advanced anti-money laundering information technology system [10,31]. Araujo (2010) [9] believes an appropriate anti-money laundering policy design will directly affect the willingness of anti-money laundering of employees .

In other words, a difficult AML goal may not be a good one. Moreover, Mainelli (2005) reveals that the UK is more heavily regulated but its AML regulations are not perceived as being more effective at detecting and deterring money laundering than the regulations in other jurisdictions [12]. These raise a question that whether a difficult goal positively impact task performance of AML staff. Therefore, followed the goal setting theory, hypothesis 2 is made:

2) Hypothesis 2: Goal challenge has a positive impact on AML task performance.

#### *D. AML Performance Feedback and Employee Task Performance in Commercial Banks*

Performance feedback represents information about the effectiveness of ones work behavior [32]. And feedback is an important variable related to goal-setting effectiveness [13,14,15,16]. Similarly, regarding anti-money laundering, studies reveals that feedback is a critical factor affecting AML effectiveness. It is difficult to support AML regulation without feedback [33]. Harvey (2004) argues that being able to feedback whether the report was useful or not to staff will encourage them to report again. Unfortunately, feedback to financial services institutions regarding the quality and quantity of suspicious activity reports (SARS) is inadequate [33]. Also, feedback from the authorities, the police services, the regulator and the FIU seems to be quasi absent. Many stated that there is a lack of information exchange between compliance and police services. The same applies to feedback from and information exchange with the regulator [26].

Although in goal setting theory, feedback is often considered to play a moderating or interactive role, but in the practice field of AML work, feedback is more like a mediator in the whole AML decision-making process. Several statements have also been developed in the literature that strengthening the daily behaviors of employees through feedback and guidance can effectively improve the efficiency of AML work [34]. Gao and Xu (2007) considered the feedback is an essential intermediate process of the AML decision making system [35]. The decision maker uses the feedback from the results to review how well the whole process was executed. And such reflection on past processes can form a basis of the intelligence phase for future AML decisions.

Integrating these findings, we proposed that AML Goals would influence employee task performance through feedback. Specifically, goal challenge could positively influence their employees task performance through their work feedback, and goal clarity could positively influence their employees task performance through their work feedback. Accordingly, this study proposes the following hypotheses:

3) Hypothesis 3: Feedback to employees in AML work mediates the effect of Goal clarity on employees AML task performance.

4) Hypothesis 4: Feedback to employees in AML work mediates the effect of Goal challenge on employees AML task performance.

III. MEASURES

A. Data Issue

The data used in this paper comes from the investigation of the “current situation of anti-money laundering work of China's commercial banks” supported by the National Social Science Fund "Research on anti-money laundering and anti-terrorism financing in China free trade areas under the risk-based perspective". With the support of the Fund, we participated in training, seminars and meetings of commercial banks, doing on-site interviews and surveys. During September and December 2021, 8 semi-structured interviews were conducted with compliance professionals who play a key-role in the decision-making process and implementation of AML work. These interviews help us gain an understanding of the real difficulties and perceptions with their experiences that apply the regulations in daily AML work. In addition, the opinions of these decision-maker and practitioners provide a useful insight into AML practices and also on the effects of the ‘AML internal control’, on the background of the previous assumptions about the importance of revealing the latent functions and effects of AML Goals. An initial questionnaire was formed based on the interview. Then, after the preliminary research of collecting data and analysis, an updated interview of 10 experts was done, asking them whether these questions covered the major content of their risk-based AML daily behavior now and minor revise was done on the survey.

The items were manually coded by clustering the initial codes as it is recommended that for the first-time or small-scale studies, code on hard-copy printouts first, not via a computer monitor [36]. 35 items in total were generated from the interviews with managers in banks as well as referring to literature, and finally 17 items were used to test this hypothesis model(see Table I). A questionnaire was used to collect empirical data. The questionnaire uses a five-point Likert scale. From the 649 samples collected by the research group over the period from 2021.08-2021.10, 41 samples with missing values on the items involved in this study were removed. 608 bank employees respondents were used as effective samples. According to the statistical results of China anti-money laundering report (2018), it shows that the major sources of suspicious transaction reporting

agencies are nationwide large-scale commercial banks, accounting for 80.5% of the total number of reporting agencies. And the number of reports from small and medium-sized local urban banks and rural banks accounts for 8.9% and 7.9% respectively. Referring to this result, this paper selects about 80% of the employees from national commercial banks, 20% of the employees from local commercial banks. Data were analyzed descriptively using SPSS version 19. In the collected sample, there were 376 employees in compliance department (61.8%) and 232 employees in other department (38.2%). The education level of employees was distributed as follows: 187 (30.8%) had masters degrees and above, 343 (56.4%) had bachelors degrees and 78 (12.8%) had a high school education or college diploma. The respondents working experience was distributed as follows: the majority of the respondents with 220 (36.2%) worked for 7-10 years in the banking sectors, followed was 165 (27.1%) employees worked for 3-6 years, 115 (18.9%) employees worked for more than 15 years in banking sectors, 57 (9.4%) employees worked for no more than 3 years, 51 (8.4%) respondents worked for 11-15 years in bank industry.

B. Preliminary Analysis

In our analysis, we adopted structural equation modeling(SEM) since it provides a maximum-likelihood estimation of the entire system in a hypothesized model, and enables the assessment of variables with the data [37]. And a two-step strategy was used to test the hypothesized model [38]. First, to examine the factor structure of the model, each representing a different sub-scale, were tested with maximum likelihood confirmatory factor (CFA) analysis using AMOS(version 22), which is regard as a best-known statistical procedure for testing a hypothesized factor structure [39,40]. As item parceling would increase reliability and improve the ration of N to these characteristics [41], finally, through the internal consistency test, 14 items were retained (see Table 1) by deleting items with the correlation coefficient of single pair of total items lower than 0.4. Reliability statistics shows that the Cronbachs Alpha is 0.946. And the KMO and Bartlett test reveals that Sample adequate Kaiser-Meyer-Olkin measurements is 0.925. The correlation between Challenge and Clarity is 0.669, which is acceptable.

TABLE I. EXPLANATORY FACTOR AND MEASUREMENT INDICATORS

Factor	Item Code	Variable measurement indicator	Means	Standard Deviation	Cronbachs $\alpha$
AML Goal Clarity	CLA1	The bank has an appropriate and sound internal suspicious transaction information processing guideline.	3.26	1.467	0.91
	CLA2	I usually keep abreast of the update anti-money laundering policies and work objectives.	3.27	1.538	
	CLA3	I am very clear about my responsibilities and procedures in the anti-money laundering work.	3.29	1.535	

AML Goal Challenge	CHAL1	The overall anti-money laundering work in the bank is under great pressure.	3.36	1.488	0.90
	CHAL2	The task of manually investigating suspicious transactions is difficult.	3.40	1.490	
	CHAL3	The identification of customer information is full of challenge.	3.27	1.472	
Feedback	FB1	Clear feedback was provided on the quality of reported suspicious transactions.	3.21	1.412	0.92
	FB2	Further supervision and guidance was offered on anti-money laundering work.	3.14	1.489	
	FB3	Effectively supervise and guide on the rectification of the problems was provided.	3.12	1.470	
Task Performance	TP1	The key suspicious transaction reports I submitted fully analyzed customer identification and transactions.	3.07	1.479	0.96
	TP2	The suspicious transaction report I submitted conforms to the regulation.	3.13	1.496	
	TP3	I can fully fulfill all the duties required by the anti-money laundering work.	3.12	1.519	
	TP4	The quality of my anti-money laundering work meets the requirements of my responsibility.	3.06	1.525	
	TP5	I have the necessary knowledge and experience to make reasonable judgment on abnormal transaction data.	3.12	1.453	

Secondly, the construct validity of each potential variable was tested. According to three principles of convergence validity proposed by Fornell and Larcker (1981) [42], reliability of individual items (>0.5) [43,44], composite reliability (CR>0.7) [43] and average variance extracted (AVE>0.5) [44] are tested. All indexes of this study meet the above criteria (as shown in Table II) and

have convergence validity [42]. In addition, the AVE of each variable is greater than the square value of the correlation coefficient of the isomorphism, which shows that each research variable has a differential validity [42]; the correlation coefficient between any two potential variables is used to test that it is significantly less than 1, which shows that the scale has a differential validity [44].

TABLE II. FIRST-ORDER CONFIRMATORY FACTOR ANALYSIS

Construct	Measurements	Parameter significance analysis				Factor loading	Item reliability	Composite reliability	Convergent validity
		Unstd.	S.E.	t-value	P	Std.	SMC	CR	AVE
1. Clarity	CLA1	1.000				.850	.723	.928	.811
	CLA2	.920	.033	28.126	***	.966	.933		
	CLA3	.917	.033	28.043	***	.882	.778		
2. Challenge	CHAL1	1.000				.917	.841	.900	.750
	CHAL2	.897	.035	25.734	***	.820	.672		
	CHAL3	.927	.034	27.353	***	.859	.738		
3. Feedback	FB1	1.000				.820	.672	.907	.765
	FB2	.969	.033	29.626	***	.957	.916		
	FB3	1.012	.031	32.624	***	.841	.707		

	TP1	1.000				.966	.933	.951	.797
4. Task Performance	TP2	.924	.023	39.541	***	.882	.778		
	TP3	.904	.026	35.167	***	.850	.723		
	TP4	.940	.024	39.139	***	.880	.774		
	TP5	.897	.023	39.481	***	.882	.778		

Note:(1)\*\*p<.01; \*\*\*p<.001(two-tailed);N=608.

Then, we performed SEM analysis to measure the fit and path coefficient of the hypothesized model. The value of  $\chi^2/df$ , the goodness of fit index (GFI), the adjusted goodness of fit index (AGFI),the GFI comparative fix index (CFI), Bollen’s incremental fit index (IFI), Tucker-Lewis index (TLI), standardized root mean square residual (SRMR), root mean square error of

approximation (RMSEA), non centrality parameter (NCP), and minimum value of the discrepancy (FMIN) were adopted to estimate model fit. The recommended reference values of these indices are shown in Table III. As the model fit is good and acceptable, the proposed model was then assessed using SEM analyses.

TABLE III. MODEL FIT

Fit indices	Model Value	Reference Value	Overall Model Fit
$\chi^2/df$	2.60	<3.00	Yes
GFI	.955	>0.90	Yes
AGFI	.933	>0.90	Yes
CFI	.986	>0.90	Yes
IFI	.986	>0.90	Yes
TLI	.982	>0.90	Yes
SRMR	.047	<0.05	Yes
RMSEA	.051	<0.10	Yes
NCP	113.432	>NCP saturated(.00) <NCP independence(8023.78)	Yes
FMIN	.304	>FMIN saturated(.00) <FMIN independence(13.17)	Yes

IV. RESULTS

As the sample influences  $\chi^2$  [45,46,47], when sample size are larger than 200,  $\chi^2$  would be large and it is not necessary to consider P value. Except for considering sample size [48], when taking the  $\chi^2$  and the degree of freedom to measure model fitness, Chin and Todd (1995) [49] required that the standard should not be over three. The results indicate that the hypothesized model fit the data well ( $\chi^2/df=2.6$ , GFI=0.955, AGFI=0.933,

CFI=0.986, IFI=0.986, TLI=0.982, SRMR=0.047 and RMSEA=0.051, see Table 3). As shown in Fig.2, after measuring the path relationship between observed variables and latent variables of the model with Amos, according to the results, explanatory variance( $R^2$ ) of each variable to overall model, respectively, is: Feedback ( $R^2=0.53$ ), Task Performance( $R^2=0.52$ ), which are all above 0.34, revealing that the explanation of the research model is at acceptable range.

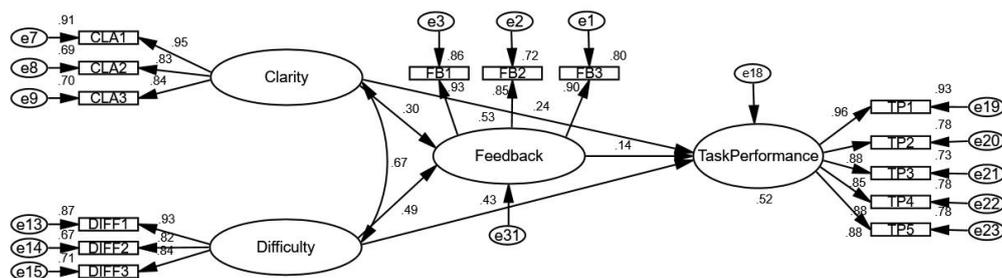


Figure 2. Structural equation modeling of the hypothesized model (Standardized estimate).

In addition, the result shows, the challenge of the internal control objective of anti-money laundering has a significant positive impact on the AML task performance of employees ( $t=8.183$ ,  $p < .01$ , see Table IV). The impact is even greater than the AML goal clarity (see Table V). Hypothesis 1 in our proposed model was supported. This result is contrary to some previous conclusion that the challenging and complex regulatory goals of AML work in banks, to some extent, will lead to low efficiency of employees. As Kingdon (2004) indicates, five million transactions per day, five million individual accounts, over three million customers, hundreds of product types, and no clear signature or pattern associated with money laundering [50]. For employees, these AML work is far more challenging, it is overloaded. However, the result is consistent with the current trend of international standards or domestic regulation from the government that penalties and sanctions would be more severe for the

AML violations of the institutions or noncompliance. In other words, the requirements interpret that a difficult or challenging AML goal is significant. This study shows that the challenge of AML regulatory target has a significant positive impact on employees' AML performance.

Second, the clarity of the AML regulatory goal has a significant positive impact on the performance of employees' AML work ( $t=5.088$ ,  $p < .01$ , see Table4). Hypothesis 2 in our proposed model was supported. This is consistent with the response from staff in practices and the theoretical research conclusions of most scholars. As the clarity of AML targets received by banking employees is an important factor affecting their performance, it is very important to set up a clear and comprehensive internal AML regulatory target which can easily be absorbed and applied by the staff.

TABLE IV. REGRESSION WEIGHTS OF SEM MODEL

			Estimate	S.E.	C.R. (t-value)	P
Feedback	<---	Clarity	0.285	0.044	6.535	***
Feedback	<---	Challenge	0.464	0.045	10.236	***
Task Performance	<---	Challenge	0.439	0.054	8.183	***
Task Performance	<---	Clarity	0.241	0.047	5.088	***
Task Performance	<---	Feedback	0.155	0.052	2.959	0.003

Note:\*\* $p < .01$ ; \*\*\* $p < .001$

TABLE V. STANDARDIZED REGRESSION WEIGHTS OF SEM MODEL

			Estimate
Feedback	<---	Clarity	0.303
Feedback	<---	Challenge	0.489
Task Performance	<---	Challenge	0.427
Task Performance	<---	Clarity	0.236
Task Performance	<---	Feedback	0.143

In addition, as the results of the direct effects of goal clarity and the direct effect of goal challenge on task performance were both statistically significant, in order to investigate the indirect effects of the dependent variable, we performed percentile bootstrapping and bias-corrected percentile bootstrapping at a 99% confidence interval with 10,000 bootstrap samples [51]. We followed the suggestions of Preacher and Hayes (2008) [52], and calculated the confidence interval of the lower and upper bounds to test whether the indirect effects were significant. As shown in Table 6, the results of the bootstrap test confirmed the existence of a positive and significant mediating effect for feedback between goal clarity and task performance ( $Z=2.444$ ), and positive and significant mediating effects between goal challenge and task performance ( $Z=2.667$ ). However, from direct effect and indirect effect we can see, the direct (unmediated) effect of clarity on task performance is .241. That means

when goal clarity goes up by 1, task performance goes up by 0.241. When goal clarity goes up by 1, task performance goes up by 0.044. And the indirect of goal challenge on task performance is also smaller than the direct effect of goal challenge on task performance. Also, through the feedback of AML work, the AML regulatory goal challenge will significantly and positively affect the employee task performance, and the impact is greater than the mediating effect of goal clarity on employee task performance. This result reveals that it is undeniable that in order to do a good job in AML, in addition to effective supervision and incentives, feedback should be given to the anti-money laundering work as there is indeed a mediating role, so that employees can understand whether the measures they taken is effective or not, whether the information such as customer identification is sufficient. Feedback is conducive to the improvement of the AML work performance.

TABLE VI. UNSTANDARDIZED DIRECT, INDIRECT, AND TOTAL EFFECTS OF THE HYPOTHESIZED MODEL

Variable	Point Estimate	Product of Coefficients		Bootstrapping			
				Bias-Corrected		Percentile	
				95%CI		95% CI	
		SE	Z	Lower	Upper	Lower	Upper
<b>Total Effect</b>							
Clarity→Task Performance	.285	.049	5.816	.187	.380	.195	.384
Challenge→Task Performance	.511	.049	10.429	.414	.614	.411	.607
<b>Direct Effect</b>							
Clarity→Task Performance	.241	.052	4.635	.141	.340	.144	.343
Challenge→Task Performance	.439	.054	8.130	.329	.544	.328	.542
<b>Indirect Effect</b>							
Clarity→Task Performance	.044	.018	2.444	.013	.084	.101	.081
Challenge→Task Performance	.072	.027	2.667	.017	.126	.017	.126

Note: Unstandardized estimating of 10,000 bootstrap sample, \*p<0.05, \*\*p<0.01

V. DISCUSSION

This paper provides insight into central issues that a challenging and clear AML regulatory goal is conducive to improve the AML employee task performance. It includes empirical study on the relationship between the AML goal clarity and goal challenge on their employees AML task performance under the changing context of risk-based approach. And the work feedback as a mediator highlights the importance of work review and information exchange process in banks.

First, we developed and examined a model linking AML internal regulatory goal with employee task performance by applying goal setting theory. Although past studies have stated the importance of improving AML internal regulation effectiveness [16,53], this is the first empirical study to link AML internal regulatory goal and AML task performance, and investigate the direct and indirect effects of AML goals on employee task performance with the feedback as a mediator. Since banks under the severe AML supervision require employees to perform better in AML work, the main contribution of this work is thus this model, which may help to assess the influence of specific banks AML goals on a number of employee task performance.

Furthermore, we contribute to the AML literature in two aspects. Firstly, the results of this empirical study support the conclusion of some prior scholars that feedback has an effect with regard to provide effective information to help employees improve their AML work [34,35]. Our results have shown that there do exist an indirect path through feedback to influence employee task performance. Secondly, while quite a lot of preview work suggest that sanctions and penalties of AML noncompliance business should be reinforced in China [54,55,56,57], little has offered an empirical data as an

explanation. Our findings show that if employees can be made to feel that they are facing a challenging goal in AML work, in a wider context, to feel that they are facing a severe regulation, then their AML task performance can be enhanced due to this mechanism. The reasons may as follows: (1) a challenging AML regulatory goal may push employees to adapt to changes in the external environment more actively, and better play the initiative role to fulfill the obligations of AML work. (2) a challenging internal AML regulatory goal may lead to some improvements of the internal control system in banks. And with the help of a more comprehensive and challenging risk management measures, employees' AML behaviors would be standardized and promoted. This also gives a good reason why sanctions and penalties of AML noncompliance business should be reinforced. This result is also in accordance with the international requirements and domestic AML regulation in China nowadays. According to the recent conclusion from the 4th mutual evaluation on China's anti-money laundering and anti-terrorist financing work, in the report that officially announced by FATF on April 17, 2019, the implementation of NO.35 recommendation about sanctions in China is partially compliance, which means the sanction work in China still need to be improved. This result offers another angel and it may be easier to let practitioners convinced that a challenging goal and severe regulation embed into AML practices would lead to higher task performance.

Finally, our conclusions extend Wang's (2018) [23] work by developing measurements and examining employee performance indicators on AML work. The items measuring AML task performance based on literature [23,58,59], FATF reports and interviews are another contribution to AML literature as well as practice to test employees AML task performance. And this study

also support previous arguments that employees in AML work, are likely to have a clear guidance or goals of their work. A better focus on AML goal clarity, applying in routine jobs, may lead to improvements of AML work effectiveness.

#### *A. Practical Implications*

In order to achieve a sound risk management goal in banking industry, banks are challenged to adopt and pursue amount of compliance practices. This challenge relates to AML internal regulatory decisions and goals conducted by top management and employees implementing them. Based on the results, we suggest that measures for strengthening AML risk management should be guided by clear and challenging goals, supported by adequate work feedback.

First, the commercial banks should further establish and improve the AML internal regulatory goals along with the changing environment. Although, under the risk-based AML supervisions, commercial banks are given more autonomy, with which they can define the suspicious transaction identification standard by themselves, judge the risk level independently, revise the report standard independently, adjust the number of suspicious transaction reports independently etc. Commercial banks, however, must not confuse the independent decision-making process with the easier standards and lower requirements. The internal AML goals and standards in banks should be higher than the requirements of national regulations and international standards and update them to cope with changing context. Therefore, commercial banks need to strengthen the top-level AML goal design, start from the top management, set up a comprehensive, strict and challenging AML internal control objective, and continue to improve the goal.

According to the information released by all the branches of the central bank's official website, in 2020, the government further strengthened the punishment for anti-money laundering violation or noncompliance institutions in China. There were 537 number of penalties with a total amount of 526 million RMB penalties, which is far more than the number of 468 punishments records and 173 million RMB in 2019. Moreover, 1,000 managers and employees who violated anti-money laundering regulations were also punished, with a fine of 24.68 million RMB. Along with this severe external regulation trend, as well as the result of this paper, the bank's AML regulatory goal need to be promoted to the strategic level of the bank, setting a challenging AML internal regulatory goal. A difficult and challenging regulatory goal does not mean it should be too difficult to achieve, but it should get enough attention from AML employees and improve the effectiveness of AML work.

Second, clarifying the AML internal regulatory goals over time and establishing a clear AML work responsibility system is essential. Define different responsibilities and ensure staff clearly know what goals they should achieve is essential. Drawing on the documents of the People's Bank of China on strengthening the anti-money laundering performance

management of financial practitioners and related internal control construction of anti-money laundering, commercial banks need to set up clear goals for different positions, departments and branches in AML management system, let them fully understand the bank's AML goals, tasks and work measures, and promote each department to fulfill its responsibilities.

In addition, establishing an effective feedback channel for AML work is essential. Through vertical information transmission from top to bottom, goals and requirements may not be fully understood. The lack of understanding on the international AML norms by the participants is one of the reasons for failure of financial institutions in Russia in complying with AML regulation [60]. Therefore, firstly, the feedback need to be given to the employees about whether they understand their own responsibility correctly and toward a shared common goal. And secondly, after evaluate the performance of employees, feedback regarding to efficiency and how to revise work measures should be given. Also, as Antoinette Verhage(2009) [61] mentioned, even there is a feedback mechanism provided by the FIU in the U.S., the financial institutions are obliged to file reports, they have very little information (other than the standard criteria) on the basis of which they can decide whether to report to the FIU or not. Therefore, we also suggest commercial banks regularly communicate with the regulated institutions and let them provide corresponding information and guidance. For the external regulations, like the people's Bank of China, should give feedback to the commercial banks according to the report they received and the supervision they did, so as to help commercial banks understand the real whole situation of AML work. Moreover, unblock some information sharing channels of AML work, break some of restrictions of the different banks, let them cooperate with each other may also be useful for feedback process. During the feedback process, the clarity and adequacy of information should also be paid attention.

#### *B. Limitations and Directions for Future Research*

This section addresses some limitations in our research and suggests related directions for future research. First, all of our data were collected from employees self-reports, although recent research suggests that self-reported data are not as limited as commonly expected, it may also raise the possibility of CMV(Common Method Variance) [6]. We suggest that future researchers collect the data from both employees and their supervisors in AML work when it is available. Our second limitation is that in addition to the national wide sample in China, some of the provinces may still not be covered or was covered with a small sample and this also limits the generalizability of our findings to similar conditions. Thirdly, by firstly applying goal setting theory in AML regulatory context, we concerned only AML internal control goals and feedback, while obviously other effects like employee ability, AML commitment is necessary to understand the real effects of a whole AML regulatory activities. Future research could construct these elements to inquire into their mediating or moderating effects or

their separate effects of different dimensions on AML employee task performance.

#### CONFLICT OF INTEREST

The authors declare no conflict of interest.

#### AUTHOR CONTRIBUTIONS

Gao Zengan analyzed the research idea and framework, leading us to do interviews. Liao Minchao and Jin Jiamin conducted the research. Liao Minchao wrote the paper; all authors had approved the final version.

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