# VincìWorks

# The story behind Anti-Money Laundering: Know Your Risk

The way forward for risk based AML training

# Introduction

On 26 June 2017, the UK implemented the Fourth EU Money Laundering Directive. This flipped money laundering regulations around, putting the onus on firms to first and foremost identify the risk that a particular client poses. To do so, staff working on the front lines of AML need a new set of skills. Tick box exercises on CDD can't cut it any more under the new regulations. Firms must assess the risk that any particular client poses, and understand what measures are required to effectively counter these threats.

If you remember staring at a computer screen for an hour, then battling through a never ending series of multiple choice questions, perhaps you're familiar with old style training. This usually comprised of screens of text written by a committee designed to get you to memorise entire chunks of legislation in the hope you would remember it when faced with a potentially tricky situation.

# Radical new regulations, a new approach to training

The Fourth Money Laundering Directive, the EU-wide regulation that the UK's Money Laundering Regulation 2017 is based on, mandates a radically new way of thinking about the risks of money laundering and terrorist financing. Rather than the somewhat tick-box exercise of blanket exemptions from due diligence for certain customers under the old regime, now a risk assessment must be conducted for everyone.

It's also the job of everyone in the regulated sector to know how to evaluate risks and report money laundering concerns. To do so, one must be able to both spot red flags and understand how to implicitly assess the level of the risk in any given situation.

AML: Know Your Risk is designed as a tool to support informed risk based decision making, presenting users with various scenarios where they assess the facts of a situation and make a risk based judgement. Uniquely, a user's risk assessment is ranked against other professionals in their industry and shows a live average score. Because it is inherently subjective, there's no 'right' risk score. Instead, the course seeks to cultivate a community of practice around AML risk.

Training users to evaluate risk creates a much more dynamic learning experience, one that actually takes into account the principles of the Fourth Directive. Traditional AML courses that simply present knowledge followed by binary yes / no questions fail to take into account the fact that the rules of the game have changed. VinciWorks has consulted with the world's leading law firms on designing immersive scenarios, relevant to a person's job role and their industry, that can illuminate money laundering concerns and train users to think with a risk-first approach.

Because many people are not new to AML training, the new course has a built-in mechanism for identifying veterans of anti-money laundering training. Users collect experience points as they go through the course, both by answering questions correctly and reading up on additional information about money laundering. A user who knows AML and understands the principals of the new regulation can breeze through the course in as little as 10 or 15 minutes, provided they can answer all the questions correctly.

If someone doesn't know what to do in a particular scenario, or gets a question wrong, they have to undertake additional reading in order to earn the experience points required to complete the course.

## A personalised journey through AML

The fundamental concept is to reflect the user's knowledge and experience of AML training in the course so it feels more like a personalised journey through the requirements of the Fourth Directive. The scenarios in the course follow a pattern, presenting the area of concern, such as politically exposed persons or client due diligence, then taking the users through a multi-part simulation that requires them to draw on their skills and knowledge to answer what they would do in that situation.

In this course, VinciWorks has innovated AML training in multiple ways. Empowering users to work their way through the course in the best way for them through accumulating experience points; immersive scenario-based learning that tests users' knowledge and understanding of applying AML procedures in the real world and training them to assess the risk in a situation, instead of just applying tick-box procedures.

Knowledge is presented in the form of additional readings that are embedded within a scenario. Thus when a user starts to get to grip with the situation they are being asked to evaluate, they have the option to dive right in and answer the questions or read the additional information on the subject. The more they read, the more experience points that are gained.

## The cutting edge of scenario based learning

Traditional courses, and for that matter traditional approaches to education, take a 'talk first, ask questions later' approach to learning. This methodology has long been criticised for testing memory, not understanding. Scenario based learning (SBL) uses interactive scenarios to support problem solving abilities. This approach tasks course users with working through a storyline, based around a complex problem, which they are required to solve before moving on. In this method, users apply subject knowledge, critical thinking and problem solving skills in a real-world context.

Scenario based learning comes from the principles of situated learning theory as outlined by Lave & Wagner, 1991. This posits that learning best takes place in the context that it is going to be used. Kindley, 2002, further argued that knowledge is best acquired and better understood when situated in its context. VinciWorks' learning methodology follows this educational theory in its scenario based learning courses.

In AML: Know Your Risk, this methodology is presented as a series of characters, any one of which a course user might encounter in their day to day work. The user must investigate the story, apply their knowledge of money laundering procedures (available as additional readings alongside each scenario) and decide what course of action to take.

# Fully customisable for every business

The course, like all VinciWorks products, is fully customisable. From amending specific questions to adding entire new custom scenarios, the course can be changed to put a firm's AML policies and procedures in one place, enabling users to review them before they begin. For firms that work internationally, users have the option of reviewing AML legislation and procedures from whatever jurisdictions they operate in. Further, the course can be translated into multiple languages. For firms based offshore, a special version of the course is available.

This enables learning and development managers to specify how well their users have to do to complete the course. For instance, an expert user who answers every question correctly can pass with 50% of the available experience points. However, an L&D manager might decide that all users, even expert ones, must pass with 80% of available experience points. This then directs the users to spend more time inside each scenario, going through the additional readings as well as answering the questions in order to pass with more experience points. This 'gamification' of the course turns the course around to put the user in the driving seat.

*VinciWorks, a leader in compliance training for the world's largest law firms for the last decade, is investing in the next generation of AML compliance training that more effectively trains users to counter the next generation of AML threats and respond to this new generation of AML regulations.*

*The Fourth Directive presents a radically different, risk based approach to dealing with money laundering and terrorist financing, and VinciWorks' AML: Know Your Risk course matches it with a radically different, risk based approach to money laundering and terrorist financing training.*

To learn more, email training@vinciworks.com or call +44 208 815 9308.