



VinciWorks

Anti-Money Laundering Bringing Relevance to the Heart of Training



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Anti-Money Laundering

Bringing Relevance to the Heart of Training

After interviewing leading experts in AML and instructional design, it has become clear that the single most significant factor in delivering effective training is relevance. Training that isn't relevant is boring, unengaging and of limited effect. Training that resonates with the user, that feels like it was written with his or her particular industry, practice area or job role in mind, works.

Content that isn't engaging isn't going to stick and will ultimately waste the learner's time. Boring content, along with a lack of interaction, reduces the effectiveness of training. With regulators increasingly taking a deeper look at the content of training, not just completion records, training that merely 'ticks the box' with a one-size-fits-all approach will ultimately fail.

When it comes to compliance training, relevance is the antidote to boredom.

Training is vastly more effective when it focuses on scenarios employees could realistically face. Very often, compliance training sticks with theory and which doesn't offer relevant context. Going into legalistic definitions of archaic principles doesn't help people do their job better. Employees need relevant information which helps them do their jobs, keep compliance in mind, and protect their organisations from criminals and harm.

Training that is based on a user's role in an organisation, and that keeps a worker's specific responsibilities, geographic location, and areas of expertise in mind, creates a training experience with relevance at its heart.

This guide presents a strong business case for making relevance an important factor when choosing which AML training to enrol your staff in. It covers the industries with the highest risk of money laundering.



Accountancy sector

Accountants are key gatekeepers for the financial system, facilitating vital transactions that underpin the UK economy. Accountancy services remain attractive to criminals due to the ability to use them to gain legitimacy, create complex corporate structures or transfer value. Accountants have a significant role to play in ensuring their services are not used to further a criminal purpose. The Code of Ethics of the ICAEW (The Institute of Chartered Accountants in England and Wales) expects accountants to demonstrate the highest standards of professional conduct and to take into consideration the public interest. Signing up to the code means accountants must be aware of their money laundering duties.

The UK National Risk Assessment of Money Laundering and Terrorist Financing 2017 (NRA) concluded that there is a particularly high risk of criminals exploiting accountancy services for the purposes of money laundering and determined that high-end money laundering and cash-based money laundering remain the greatest areas of risk in the UK. It also discovered that the traits or characteristics for identifying criminal activity are becoming increasingly blurred and that professional services, such as accountancy, provide a gateway for criminals to disguise the origins of their funds.

Accountancy service providers and Trust or Company Service Providers have a significant role to play in ensuring their services are not used to further a criminal purpose. The NRA has stated that there is the possibility that negligent or unwitting accountants are risking involvement in money laundering: “Some of those accountants involved in money laundering cases are assessed to be complicit or wilfully blind to money laundering risks, though the majority of these cases are likely to involve criminal exploitation of negligent or unwitting professionals.”

Law enforcement agencies have observed accountants reviewing and signing off accounts for businesses clearly engaged in criminal activity which have facilitated the laundering of the proceeds of crime. Other times, accountants have been unwitting accomplices. Additionally, there is a risk of accountants misusing client funds and performing high-value transactions for clients with no clear business rationale. High-end money laundering is often facilitated by the formation of trusts and companies. This is often done by hiding beneficial ownership, undermining due diligence checks and frustrating law enforcement investigations.

Accountants were identified as being at risk of being used to facilitate tax evasion and VAT fraud. Clients can be looking to engage in tax evasion and launder the proceeds. The use of the proceeds of tax evasion, VAT fraud and other financial crime is always money laundering.

Accountancy firms must also do their utmost to counter the money laundering risks, such as by having an up to date risk assessment to assess and mitigate the specific risks to their business. Being aware of the specific risks to your firm is an important step in tackling money laundering. The risk-based approach has replaced the older rules-based approach as the key method for firms to counter money laundering. This means accurately

assessing what risks face clients, countries, and the business itself, then taking steps to mitigate them.

Accountancy firms of all shapes and sizes are and always will be vital links in the money laundering chain. Everyone working in a firm has the potential to stop the chain and cut off the link criminals, terrorists and gangsters need to fund their enterprises. The better employees are trained, the less criminals and terrorists will be able to clean their ill-gotten cash. Every suspicious transaction reported or red flag brings a victim of crime one step closer to justice, and is the only way the villains of the world can be put out of business.



Legal Sector

In March 2019, the SRA wrote to 400 firms asking to see their risk assessments, a requirement under the Money Laundering Regulations 2017. Of all responses, 21% were not compliant as they did not address all risk areas, or the firms sent something other than a risk assessment.

Nearly 65% of firms were using templates which were little more than a copy and paste approach and failed to understand the risks specific to their firm. In 2022, the SRA wrote to all 7,000 firms who fall under the scope of the Money Laundering Regulations and asked them to confirm they have a firm risk assessment in place. This is in addition to in-depth visits and calling in more risk assessments for review.

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Legal services remain highly attractive to criminals due to the credibility and respectability they convey, helping to distance the funds from their illicit origins and integrate them into the economy. While there are some legal professionals who are complicit in money laundering, the majority of cases involve those who are wilfully blind or negligent.

Milan Patel, Director of ALD Legal Solicitors in Harrow, was one such solicitor who was wilfully blind with regard to his involvement. He was instructed by a Saudi Arabian resident to purchase a property in the UK on his behalf. Patel did not conduct enhanced due diligence on his Saudi client despite the higher risk of money laundering from that country. The client did not provide any identification documents until four days before the sale of the property.

Patel ignored the red flags presented by his client's place of residence. The Solicitors Disciplinary Tribunal found Patel guilty of having failed to have sufficient regard to money laundering regulations. He was struck off and ordered to pay costs of £27,412 for this and other dishonest conduct.

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Financial Services Sector

According to the latest FCA survey, over one million prospective customers and 375,000 existing customers were turned away because of prospective financial crime. The financial sector is of critical importance to the UK economy. Financial services are at particular risk of falling prey to high-end money laundering, as criminals often use them to try to launder large amounts of illicit funds.

Large volumes of criminal money flowing through the UK could result in criminal and regulatory penalties being imposed on financial institutions by UK, EU and US authorities. This could in turn lead to major financial institutions withdrawing from the UK.

In 2017, the UK government published its second national risk assessment (NRA) on money laundering and terrorist financing. It identified that financial services are a crucial gateway for criminals seeking to launder money.

The NRA notes that the UK's banking sector is still vulnerable to a wide range of money laundering methods, from basic retail banking services being exploited as an entry point for illicit funds from organised crime groups to the use of complex trading arrangements to obscure the origin of funds from overseas.

In January 2017, Deutsche Bank, Europe's largest investment bank, was hit with a £500 million fine from multiple regulators. The bank facilitated a \$10bn money laundering scheme involving the Moscow, New York and London branches shifting roubles between Cyprus, Estonia and Latvia in a manner that was "highly suggestive of financial crime." The regulators said, "the bank missed numerous opportunities to detect, investigate and stop the [money laundering] scheme due to extensive compliance failures, allowing the scheme to continue for years."

The scheme involved "mirror trades", whereby stocks were purchased in roubles in Moscow and sold at the same price in London. The roubles were being converted to dollars through trades that "had no discernible economic purpose" in an "unsafe and unsound" manner.

Between 2010 and 2014, Russian criminals moved at least \$20bn out of the country in a vast money laundering scheme, with British banks thought to have handled \$740m of this money. HSBC, RBS and Coutts were all found to have processed some of the money, and other large banks such as Barclays, the Royal Bank of Scotland and Lloyds were among several other banks facing questions.

Large amounts of this money, after being processed in the UK, disappeared to offshore companies. The banks claimed that they do have units dedicated to preventing financial crime, but that the vast amounts of payments make it difficult to determine each case of money laundering. HSBC was found to have processed \$543.3m in “Laundromat” money, mainly funnelled through its Hong Kong branch, while the Royal Bank of Scotland processed \$113.1m. Coutts, the bank used by the Queen, accepted \$32.8m in payments via its office in Zurich. Other large banks involved in the “Laundromat” scheme include Citibank and Barclays.

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firms to counter money laundering. This means accurately assessing what risks face clients, countries, and the business itself, then taking steps to mitigate them.

Financial and banking firms of all shapes and sizes are and always will be vital links in the money laundering chain. Everyone working in a firm has the potential to stop the chain and cut off the link criminals, terrorists and gangsters need to fund their enterprises.

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Cryptocurrency Businesses

Cryptocurrency business might be new to compliance training, but that isn't stopping the regulators from imposing regulations and controls on the industry. The Fifth Money Laundering Directive introduced stringent controls on cryptocurrency businesses, with exchanges being required to register with the relevant authorities in their jurisdictions, conduct customer due diligence, and prepare suspicious activity reports where these are deemed necessary.

These businesses are now obliged entities for AML purposes, in a manner similar to traditional financial institutions, such as banks. They are obligated to implement measures to counter money laundering and terrorist fundraising such as customer due diligence and transaction monitoring. They are also required to maintain comprehensive records and report suspicious transactions.

The UK's National Risk Assessment for money laundering said that digital currencies actually pose the lowest risk for money laundering when compared to cash, financial services, banks and accountants.

Nevertheless, businesses in the cryptocurrency space must implement a money laundering training plan to ensure their staff are trained and ready to counter the risk of money laundering. When it comes to compliance training, relevance is the antidote to boredom. Content that isn't engaging isn't going to stick and will ultimately waste the learner's time. Boring content, along

with a lack of interaction, severely harms the effectiveness of training. And with regulators increasingly taking a deeper look at the content of training, not just completion records, training that merely 'ticks the box' with a one-size-fits-all approach will ultimately fail.

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Training that is based on a user's role in an organisation, and that keeps a worker's specific responsibilities, geographic location, and areas of expertise in mind, creates a training experience with relevance at its heart.

VinciWorks' new anti-money laundering training takes relevance to the heart of training. Utilising realistic scenarios, role-specific content, laws and procedures applicable in the jurisdiction, real-life case studies and featuring a fresh, bold new design, VinciWorks anti-money laundering course is suitable for any business, any user, anywhere.

Being aware of the specific risks to your firm is an important step in tackling money laundering. The risk-based approach has replaced the older



rules-based approach as the key method for firms to counter money laundering. This means accurately assessing what risks face clients, countries, and the business itself, then taking steps to mitigate them.

Cryptocurrency businesses of all shapes and sizes fall under the regulated sector and are therefore vital links in the money laundering chain. Everyone working in a firm has the

potential to stop the chain and cut off the link criminals, terrorists and gangsters need to fund their enterprises.

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Property sector

In March 2019, HMRC raided 50 estate agencies suspected of failing to register under anti-money laundering rules. A tougher stance on money laundering by the authorities has rippled around the UK property market.

Estate agents are considered key to HMRC's anti-money laundering efforts, with property businesses being described as 'on the front lines in the fight against money laundering and terrorist financing.'

Agents should meet clients face to face and assess whether the explanation of the client's wealth stacks up. Last year, at least £4.4 billion of UK properties was purchased by individuals with questionable wealth.

But the government has introduced a tough new law to help counter money laundering in real estate. Unexplained Wealth Orders (UWOs) were introduced to help stem the huge sums of ill-gotten gains washing through the UK. They allow investigators to ask anyone with assets of more than £50,000 to explain how they can afford them if it appears their income is insufficient.

Three London homes worth more than £80m were recently frozen by the High Court in the second-ever use of anti-corruption orders to stop foreigners laundering cash in the UK. The Unexplained Wealth Orders (UWOs) were sought against a foreign official who was not named in court. The National Crime Agency demanded that the subject of the probe explain the source of their wealth. The homes cannot be sold or given a new owner until the investigation is over.

Being registered with HMRC for anti-money laundering procedures is a critical stage in the fight against money laundering. This means suspicious activity can be reported to the National Crime Agency (NCA). Suspicious Activity Reports (SARs) from estate agents represented only 0.13% of the total tally of SARs last year, which is quite low, considering the huge money laundering risk the property market faces.

Property firms must also do their utmost to counter the money laundering risks, such as by having an up to date risk assessment to assess and mitigate the specific risks to their business. Countrywide were recently fined £215,000 for failing to ensure adequate money laundering checks.

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VinciWorks' AML training features

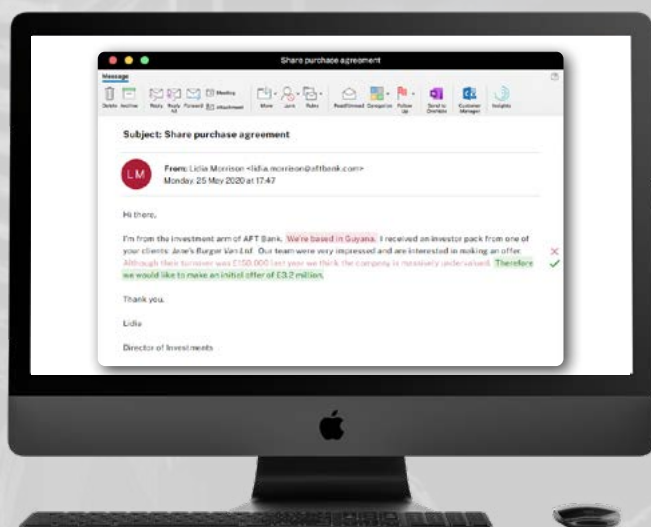
VinciWorks' new anti-money laundering training takes relevance to the heart of training. With realistic scenarios, role-specific content, laws and procedures applicable in the jurisdiction, real-life case studies as well as a fresh, bold new design, our anti-money laundering training is suitable for any business, any user, anywhere. The training begins with a dynamic “course builder” to ensure the training will be 100% relevant to each user.



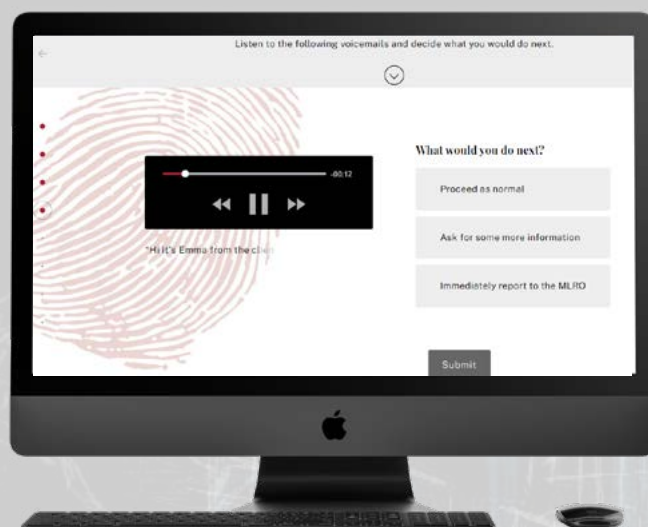
Begins with a “course builder” to instantly create the most relevant training for each user



100% customisable – Change every word, add relevant policies, include custom modules and more



Innovative red flag “email” assessments enabling your firm to track and assess the frequency of money laundering indicators



Interactive “voicemail” assessments to test each user’s understanding of how to respond to relevant scenarios