

Pedagogic Overview of Compliance Training

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1. Introduction

Compliance training is probably the fastest-growing corporate e-learning application. Given the increasing regulatory and corporate focus on compliance, this sector is likely to remain one of the most important corporate e-learning applications during the next few years. This paper attempts to define the pedagogical needs of compliance training and propose instructional strategies for creating an effective compliance training program.

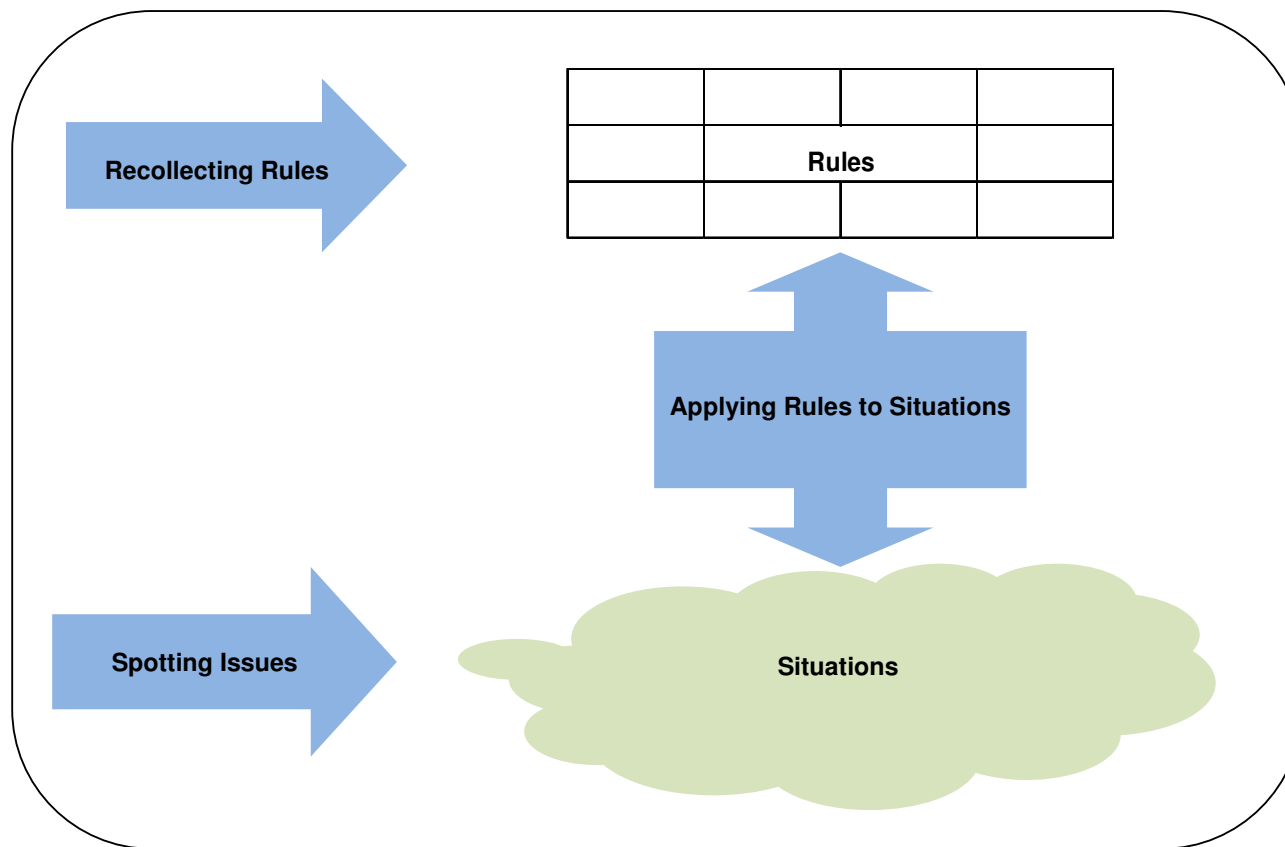
2. Structural Deconstruction

As the first step towards defining the pedagogical needs of compliance training, let us look at the components of such training.

Laws, Rules, Policies and regulations	These are the core set of authoritatively-established laws, rules, policies, etc. which are the objects of the compliance training intervention. The applicable authority may be a legislative body, governmental regulatory authority, industry association, corporate management committee, etc. The laws, rules and policies possess an internal structure (preambles, rule, sub-rule, exception, etc.) and are often accompanied by an interpretative practice (use of precedents, cases, hierarchies of interpretation, interpretative notes, etc.). The laws, rules, policies change over time and are likely to vary from jurisdiction to jurisdiction.
Actual Situations	These are the actual situations which the learner is likely to encounter and which will require an application of the relevant laws, rules and policies. These situations may cover a wide range of interpersonal, business, accounting and ethical contexts. Almost invariably, for effective compliance, the learner is required to assess the situation and make one or more decisions based on his or her recollection and interpretation of the relevant laws, rules and policies. An effective compliance training program will create a rich set of situations which closely mirror the situations the learner is likely to come across.
Prior Cases	These are prior situations (whether actual or hypothetical) in which the relevant laws, rules and policies were either applied or not applied. They can serve as an extremely rich set of situations to guide the learner.
Expert & Practitioner Perspectives	These are perspectives of experts and practitioners who have dealt with the applicable situations, laws, rules and policies. They can serve as an extremely rich set of perspectives to guide the learner.
Explanations and Guides	These are content components which provide the following types of information relating to the applicable laws, rules and policies: (a) Purposes; (b) Scope and Application; (c) History; (d) Authority Chain; (e) Penalties and Consequences; (f) Summaries and Explanations; (g) Interpretations and Guides; (h) Relevant Cases and Perspectives; and (i) Related Rules.

3. Challenges Posed by Compliance Training

Compliance training poses a unique set of challenges derived from the nature of the discipline. The principal goal of such training is for learners to be able to apply rules to real-life situations. For this, they may need to recollect the rules as well as spot problems in realistic situations.



Typically, the main thrust of compliance training is to expose, correct and minimize *failure modes* (i.e., situations in which the laws, rules and policies are not appropriately applied). The following are the types of failure and success modes.

Failure Mode	Description	Instructional Remedy
Recognition Failure	The learner fails to recognize the application of a rule to a given situation.	The learner should be presented with numerous situations with a view towards prompting recognition of issues and applicable laws, rules and policies.
Recollection Failure	The learner recognizes the application of a rule to a given situation but fails to properly recollect the rule.	The learner should be presented with exercises to test his or her memory of the applicable laws, rules and policies.
Interpretation Failure	The learner fails to properly interpret how a properly-recollected rule is applied to a given situation.	The learner should be presented with numerous situations with a view towards prompting proper interpretation of issues and applicable laws, rules and policies.
Motivation Failure	The learner is able to apply the correct rule to the situation, but decides to violate the rule anyway.	The learner should be familiarized with the penalties and consequences of the non-compliance event.
Successful Application	The learner is able to apply the correct rule to the situation.	The learner should be familiarized with the benefits of the compliance event.

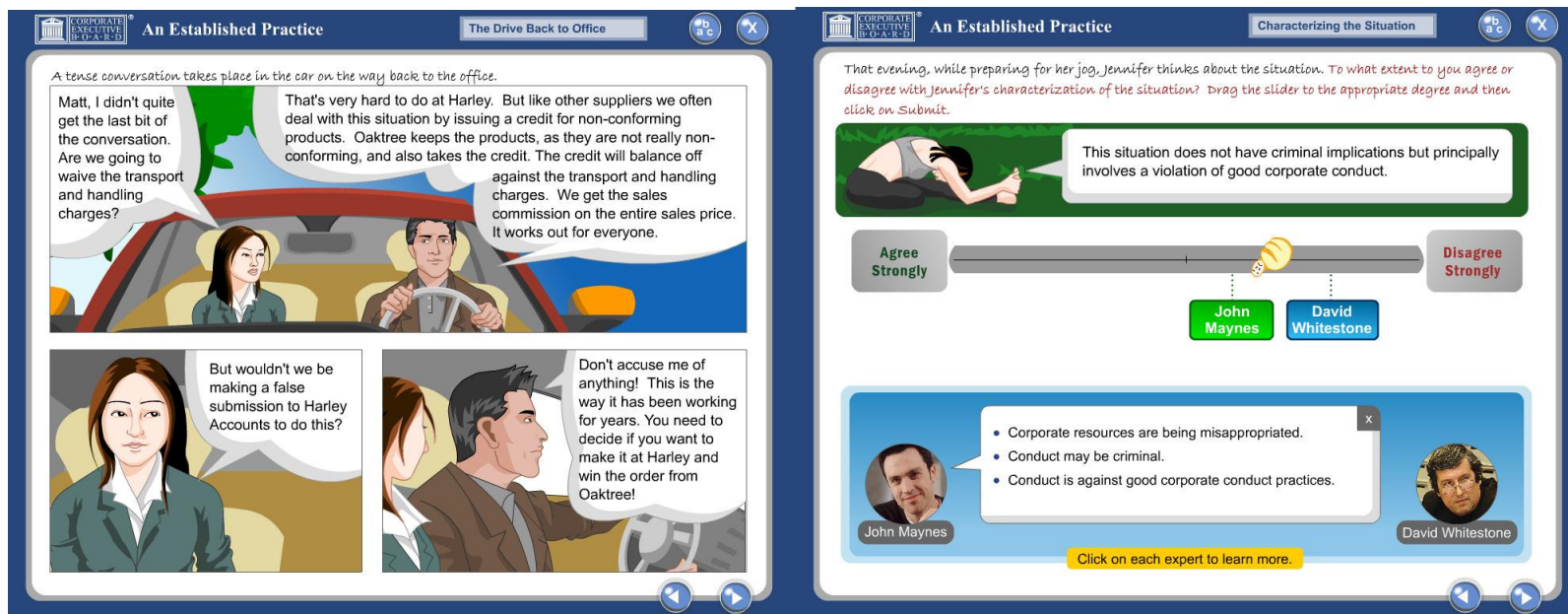
4. Instructional Design Strategies for Compliance Training

Given the components and challenges of Compliance training, we recommend deployment of an appropriate blend of Instructional Design strategies for effective compliance training. The following are some of the key strategies that may be deployed.

4.1. Scenario-Based Learning

In this paradigm, learners are **immersed** in work situations and required to make decisions at various steps. They learn concepts by **participating** in scenarios and receiving feedback on their decisions. This feedback can be prescriptive or include expert/practitioners perspectives.

This is a highly effective Instructional Design approach in the compliance context, especially for first time learners.



An Established Practice | The Drive Back to Office

A tense conversation takes place in the car on the way back to the office.

Matt, I didn't quite get the last bit of the conversation. Are we going to waive the transport and handling charges?

That's very hard to do at Harley. But like other suppliers we often deal with this situation by issuing a credit for non-conforming products. Oaktree keeps the products, as they are not really non-conforming, and also takes the credit. The credit will balance off against the transport and handling charges. We get the sales commission on the entire sales price. It works out for everyone.

But wouldn't we be making a false submission to Harley Accounts to do this?

Don't accuse me of anything! This is the way it has been working for years. You need to decide if you want to make it at Harley and win the order from Oaktree!

An Established Practice | Characterizing the Situation

That evening, while preparing for her job, Jennifer thinks about the situation. To what extent to you agree or disagree with Jennifer's characterization of the situation? Drag the slider to the appropriate degree and then click on Submit.

This situation does not have criminal implications but principally involves a violation of good corporate conduct.

Agree Strongly | Disagree Strongly

John Maynes | David Whitestone

- Corporate resources are being misappropriated.
- Conduct may be criminal.
- Conduct is against good corporate conduct practices.

John Maynes | David Whitestone

Click on each expert to learn more.

4.2. Case-Based Learning

In this paradigm, learners are presented with real **cases** of non-compliance and are expected to **analyze** these at various levels.

This is also a very effective Instructional Design approach, especially for returning users who have been trained in the basic concepts earlier. It requires a higher degree of application of rules to situations as compared to the first strategy of scenario-based learning.

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4 A Phony Company

Having discovered that his suspicions may be correct, Chris investigates the past transactions in the Go-Through Communications account. He discovers that funds are regularly transferred to the account of Phony Cards, a phone card manufacturing company in France.

Chris also discovers that a company based in Sierra Leone, Coming-Thru Communications is a partner of Go-Through Communications. An additional search reveals that Coming-Thru Communications is under an investigation for suspicious financial transactions. This discovery leads Chris to believe that Go Through Communications is certainly involved in some illegal activity. He also suspects that Phony Cards may not even be a real company that deals in phone cards.



Go-Through
Communications



Phony Cards

If Chris' suspicion is correct, what type of a company is Phony Cards?

- Offshore company
- Correspondent company
- Shell company
- Trust


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5 Turns Out to be Money Laundering


Chris reports the matter to the authorities, and further investigations reveal the following:



Another bank in London had already reported Go-Through Communications for similar suspicious transactions.



Coming-Thru Communications is already under investigation by the French authorities for suspicion of money laundering.



Phony Cards is indeed a shell company.



Oswald also has links with a company in Ghana that is also under investigation for drug trafficking.

The London authorities arrest Oswald and are awaiting more evidence from the other countries involved.

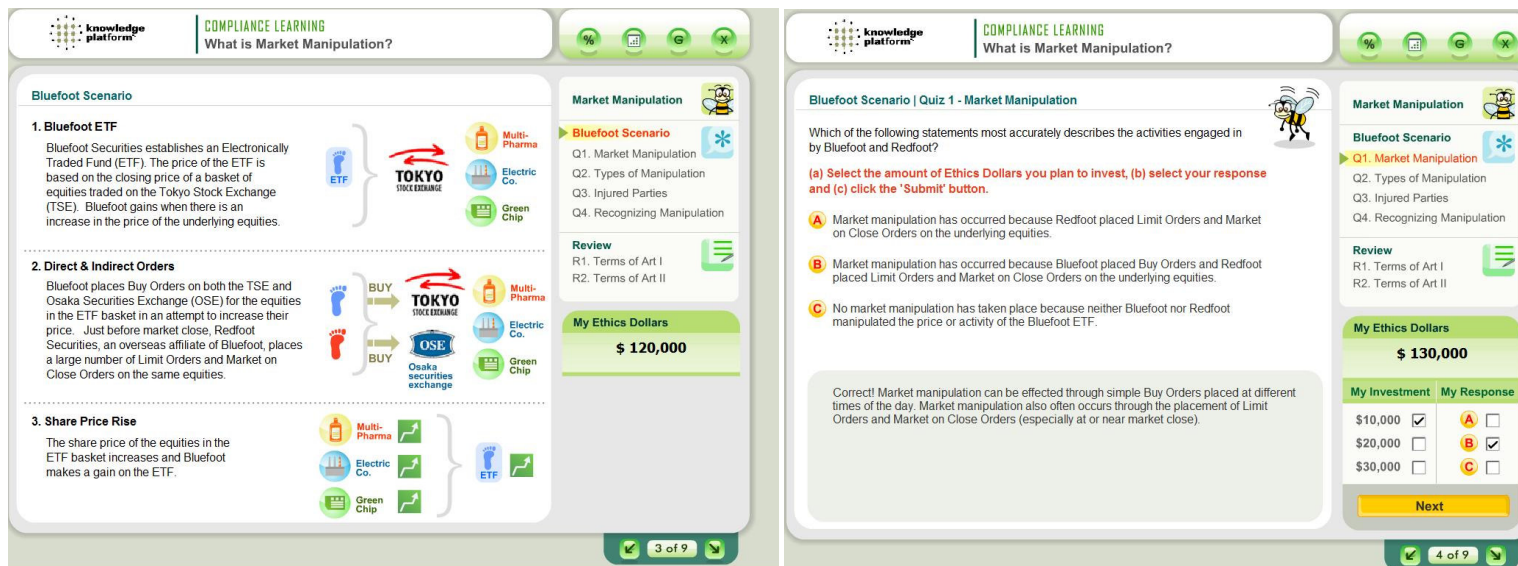


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4.3. Games-Based Learning

In this paradigm, learners are required to **compete** to achieve a game-based result. They could compete against a standard or against each other. The learning occurs as part of the competitive process.

This is a highly effective Instructional Design approach that helps increase motivation levels in learners.



The screenshot displays a compliance learning interface with two panels. The left panel, titled 'Bluefoot Scenario', contains three sections: 1. Bluefoot ETF, 2. Direct & Indirect Orders, and 3. Share Price Rise. Each section includes a brief description and a diagram showing the flow of orders and investments between Bluefoot, Multi-Pharma, Electric Co., and Green Chip. The right panel, titled 'Bluefoot Scenario | Quiz 1 - Market Manipulation', contains a question about market manipulation, a list of four options (A, B, C, D), a 'Review' section with two items (R1, R2), and a 'My Ethics Dollars' section showing a balance of \$120,000. Below the quiz, there is a feedback message: 'Correct! Market manipulation can be effected through simple Buy Orders placed at different times of the day. Market manipulation also often occurs through the placement of Limit Orders and Market on Close Orders (especially at or near market close)'. At the bottom of the right panel, there is a table for 'My Investment' and 'My Response'.

My Investment	My Response
\$10,000 <input checked="" type="checkbox"/>	A <input type="checkbox"/>
\$20,000 <input type="checkbox"/>	B <input checked="" type="checkbox"/>
\$30,000 <input type="checkbox"/>	C <input type="checkbox"/>

4.4. Daily Learning/Incident Based

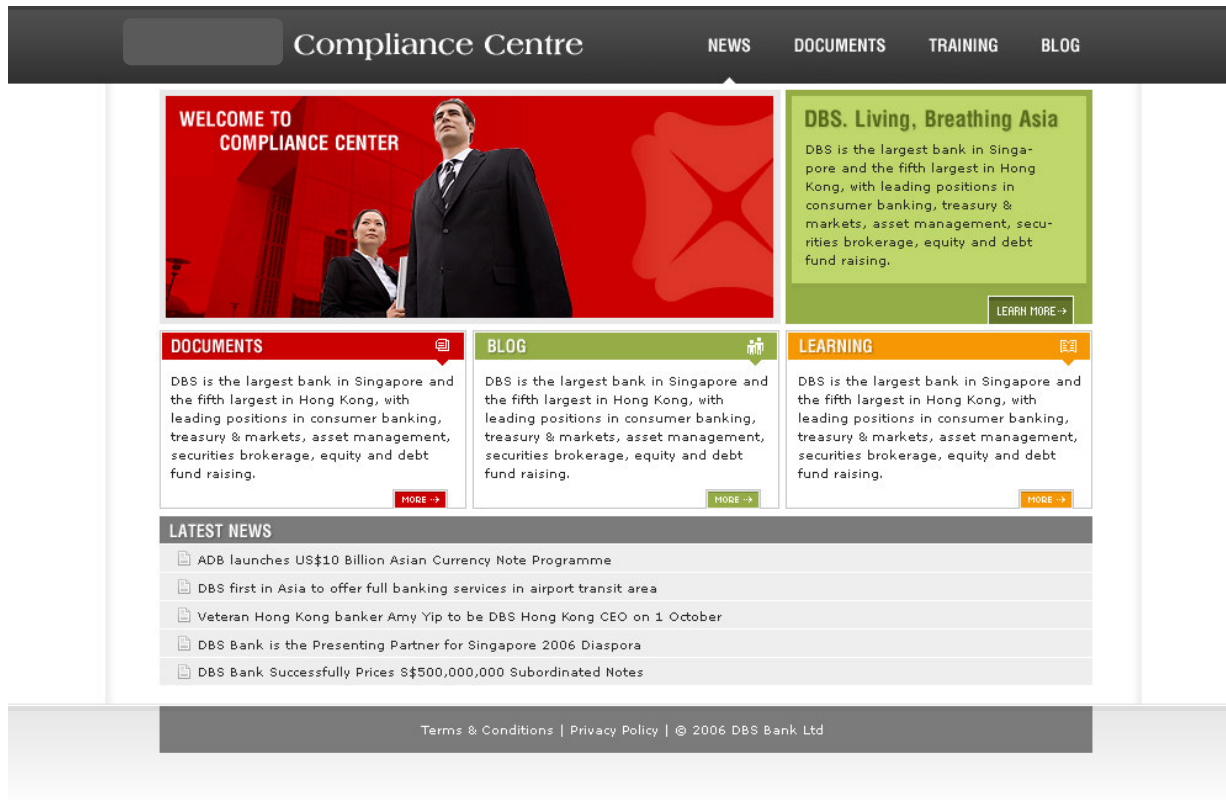
In this paradigm, the learner is **pushed** (through e-mail or PDA) 3-5 minute modules on a daily or other periodic basis. This content can be a mix of concepts and current/relevant events.

Content pushed in this manner ensures learner attention on a regular basis while avoiding a possibility of information overload. It also helps build a **culture of compliance** in the organization, by making it a part of the daily work life of employees.



4.5. Just-in-Time Learning

Learning is most effective when it is delivered when people need it. In this paradigm, learners access a **learning centre** on an as-needed-basis to obtain access to courses, Top 10 Lists, FAQs, Documents, News items and Expert Perspectives. This is another very effective way to build a culture of compliance in the organization.



The screenshot displays the 'Compliance Centre' website interface. At the top, a dark navigation bar contains the title 'Compliance Centre' and menu items for 'NEWS', 'DOCUMENTS', 'TRAINING', and 'BLOG'. Below this is a large red banner with the text 'WELCOME TO COMPLIANCE CENTER' and an image of two professionals. To the right of the banner is a green box titled 'DBS. Living, Breathing Asia' with a 'LEARN MORE' button. Below the banner are three columns: 'DOCUMENTS' (red header), 'BLOG' (green header), and 'LEARNING' (orange header). Each column contains a snippet of text and a 'MORE' button. At the bottom, a 'LATEST NEWS' section lists several news items with document icons. The footer contains 'Terms & Conditions | Privacy Policy | © 2006 DBS Bank Ltd'.

5. Conclusion

The principal need of Compliance Training is for the learners to be able to apply rules to situations. For this to happen, learners need to recollect rules, interpret them and spot instances of non-conformance to these rules in scenarios and cases. In order to serve these pedagogical needs effectively, we recommend using a combination of several instructional and delivery strategies, such as scenario or case based learning and periodic or JIT delivery mechanisms.

Authorship and Contacts

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