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CAMS

Certified Anti-Money Laundering Specialist (the 6th edition)



Version 1.0

Exam A

QUESTION 1

A bank account is established for a new business customer. The business was established five years ago with an address in another state. The business website contains few details other than stating it is a real estate business.

One principal has an international telephone number and appears to be living in another country. The other principal works out of a recreational vehicle.

What warrants enhanced due diligence in this scenario?

- A. Shell company
- B. Human trafficker
- C. Politically exposed person
- D. Money laundering through real estate

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 2

A branch manager for a small community bank has a new customer who deposits for EUR 50,000 checks into one account. Shortly thereafter, the customer goes to another branch and asks to transfer all but EUR 1,500 to three accounts in different foreign jurisdictions.

Which suspicious activity should be the focus of the suspicious transaction report?

- A. The customer opened the account with four large checks
- B. The customer goes to a different branch to make this transaction
- C. The customer transfers almost all of the funds out of the account
- D. The customer asks to transfer funds to accounts in three different foreign jurisdictions



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 3

A government has instituted a new anti-money laundering laws which require all financial institutions to obtain certain information from its customers.

Which step should an institution located in this jurisdiction take to ensure compliance?

- A. Change procedures to require that the necessary information is obtained
- B. Change procedures and systems as necessary and provide employee training
- C. Send a notice to customers asking them to provide the necessary information
- D. Change systems to ensure the required information is automatically obtained from all customers

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 4

An anti-money laundering audit identifies a significant weakness in how transaction monitoring alerts are cleared. Audit sampling identified potentially suspicious activity that was cleared as not suspicious. Management accepts the audit finding and develops a remediation plan.

What is the role of the auditor during the correction phase?

- A. Directing the remediation of the deficiency in a timely manner
- B. Developing procedures to provide sufficient risk-based documentation for clearing alerts
- C. Providing training to the alert clearing department on the importance of effective alert clearing
- D. Validating the successful remediation of the issue once management indicates the issue is resolved

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 5

Which method to launder money through deposit-taking institutions is closely associated with international trade?

- A. Forming a shell company
- B. Using Black Market Peso Exchange
- C. Structuring cash deposits withdrawals
- D. Investing in legitimate business with illicit funds

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Reference: http://fraudaid.com/Dictionary-of-Financial-Scam-Terms/black_market_peso_exchange.htm



QUESTION 6

A customer opens a corporate account with a broker-dealer on behalf of several beneficial owners, with a stated long-term investment goal. The customer deposits \$25.5 million into the account and three days later transfers \$5 million to an overseas bank. Shortly thereafter, the customer begins making numerous purchases of pesos. The compliance officer receives a query regarding the movement of funds. Within a month of account opening, the customer depletes the account.

Which two red flags should prompt the firm's compliance officer to take action? (Choose two.)

- A. The new account deposit is \$25.5 million
- B. A corporate account is opened on behalf of several beneficial owners
- C. The compliance officer receives the query regarding the movement of funds
- D. The customer's stated investment goal is not reflective of account activity

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 7

What should countries do to help prevent non-profit organizations from being abused for the financing of terrorism according to the Financial Action Task Force 40 Recommendations?

- A. Allow for freezing assets of non-profit organizations
- B. Require all non-profit organizations to register with the country's financial intelligence unit
- C. Ensure non-profit organizations cannot be used to conceal or obscure the diversion of funds intended for legitimate purposes to terrorists' organizations
- D. Create laws that forbid non-profit organizations from completing cross-border transactions without first running them through known terrorist data bases

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Reference: <http://www.fatf-gafi.org/media/fatf/documents/reports/BPP-combating-abuse-non-profit-organisations.pdf> (p.9)

QUESTION 8

An employee hears a colleague on the telephone with a customer giving advice on how to ensure that a suspicious transaction report will not be filed as a result of a future transaction.

What action should the employee take?

- A. Report the conversation to the local police
- B. Report the conversation to the compliance officer
- C. Tell the colleague that it is against policy to give such advice
- D. Ignore the situation because the colleague is the relationship manager for that customer

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 9

The USA PATRIOT Act requires United States (U.S.) financial institutions to collect certain information from non-U.S. banks that hold a correspondent account.

Which two pieces of information must a non-U.S. bank provide to its U.S. correspondent to enable them to comply with this requirement? (Choose two.)

- A. The name and address of all shell banks the bank maintains accounts for
- B. The name and address of all beneficial owners who own 25% or more of the bank
- C. Prompt notice of any suspicious activity it detects on any customer who uses the correspondent account
- D. The name and address of a U.S. person who is authorized to receive service of legal process for the bank

Correct Answer: BC

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.sec.gov/about/offices/ocie/amlsourcetool.htm>

QUESTION 10 What are two legal risks of having inadequate privacy policies and procedures? (Choose two.)

- A. Diminished reputation
- B. Industry of regulatory sanctions
- C. Charges of deceptive business practices
- D. Higher marketing and public relations costs

Correct Answer: AB

Section: (none)

Explanation

Explanation/Reference:

QUESTION 11

The vice president of the foreign correspondent banking department at a large United States bank has been notified that a foreign bank with an offshore license wants to open a correspondent account.

Which two things must the vice president acquire under the USA PATRIOT Act? (Choose two.)

- A. A list of all the customers of the correspondent bank
- B. A list of the types of businesses served by the correspondent bank
- C. Information relating to the foreign bank's anti-money laundering program
- D. The identity of 10% owners of the correspondent bank, unless it is publicly traded

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 12 What is an example of the integration stage of money laundering involving a bank or another deposit-taking institution?

- A. Depositing illicit funds into an account set up for a front company
- B. Directing third parties to exchange illicit cash for negotiable instruments
- C. Wiring illicit funds from an account at one bank to an account at another bank
- D. Using illicit funds that had previously been deposited to purchase a luxury vehicle

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Reference: https://www.moneylaundering.ca/public/law/3_stages_ML.php

QUESTION 13 Which aspect of the USA PATRIOT Act impacts foreign financial institutions?

- A. Requiring enhanced due diligence for foreign shell banks
- B. Expanding sanctions requirements to a U.S. financial institution's foreign branches
- C. Expanding the anti-money laundering program requirements to all foreign financial institutions
- D. Providing authority to impose special measures on institutions that are of primary money-laundering concern

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.imf.org/external/np/leg/sem/2002/cdmfl/eng/tompki.pdf> (8)

QUESTION 14

The compliance officer at a crowd funding website is in charge of monitoring new crowd funding projects. Recently, the number of crowd funding projects has significantly increased.

Which red flag indicates the highest anti-money laundering risk?

- A. Those with the largest number of donors
- B. Projects that get funding within days of their start
- C. Projects with the highest monetary success threshold
- D. Projects that start and close and are fully funded within a very short period

Correct Answer: D

Section: (none)

Explanation



Explanation/Reference:**QUESTION 15**

Which two statements in the Wolfsberg Group's "Suppression of the Financing of Terrorism" define the role financial institutions should play in the fight against terrorism? (Choose two.)

- A. Financial institutions need to assist competent authorities in fighting terrorist financing through prevention, detection and information sharing.
- B. Financial institutions need to continuously analyze the types of activity related to terrorist financing and develop models that in the long term will drive down terrorism.
- C. Financial institutions should have financial intelligence units dedicated to the investigation of activity that would lead to the detection of terrorist financing as a means to decrease global terrorism.
- D. Financial institutions should apply extra due diligence whenever they see suspicious or irregular activities, especially when customers are engaged in sectors or activities that have been identified by competent authorities as being used for the financing of terrorism.

Correct Answer: AD

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/The-Wolfsberg-Group.pdf>

QUESTION 16

What is the appropriate compliance control for identifying politically exposed persons (PEPs) according to the Basel Committee's paper on Customer Due Diligence for Banks?

- A. Determining that a local figure is a PEP
- B. Reviewing when a relationship is established
- C. Reviewing relationships at account opening and on a periodic basis
- D. Requiring that the customer discloses that they are a PEP or an associate of a PEP

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Reference: http://www.menafatf.org/sites/default/files/Newsletter/PEPs_in_relat_on_to_AMLCFT.pdf



QUESTION 17 What are two sources for maintaining up-to-date sanctions information? (Choose two.)

- A. U.S. Federal Bureau of Investigation's National Security Letters
- B. U.S. Department of the Treasury Office of Foreign Assets Control
- C. U.S. Department of the Treasury – Section 311 – Special Measures
- D. Financial Action Task Force's list of High Risk and Non-Cooperative Jurisdictions

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:

Reference: https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_lists.aspx#search

QUESTION 18

A bank has maintained an account for a European charity for several years. The charity provides clothing to persons in need in various countries with active terrorists' cells.

Which action by the charity indicates possible terrorist financing?

- A. The charity frequently withdraws cash from the bank
- B. The charity has branch locations located in various countries
- C. The charity receives cash donations primarily from European countries
- D. The charity maintains a bank account for non-business-related expenses

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.fatf-gafi.org/media/fatf/documents/reports/FATF%20Terrorist%20Financing%20Typologies%20Report.pdf>

QUESTION 19

A politically exposed person (PEP) maintains an account at a bank. Last month a money laundering analyst filed a suspicious transaction report about unusual wire deposits originated by unknown individuals in the home country of the official.

To whom should this situation be escalated?

- A. The board of directors
- B. The line of business executive
- C. The bank's anti-money laundering officer
- D. The Financial Action Task Force's PEP Hotline

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 20

Which two individuals are ordinarily beneficial owners of a private banking account according to the Wolfsberg Anti-Money Laundering Principles for Private Banking? (Choose two.)

- A. Those two are authorized signers on the account
- B. Those who have legal title to a controlling share interest in the customer
- C. Those who generally have ultimate control through ownership or other means over the funds in the account
- D. Those who are the ultimate source of funds for the account and whose source of wealth should be subject to due diligence

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/wolfsberg-standards/10.%20Wolfsberg-Private-Banking-Principles-May-2012.pdf> (2)

QUESTION 21

What are two requirements for monitoring and reporting suspicious activity for correspondent banking according to the Wolfsberg Principles? (Choose two.)

- A. Incorporate suspicious activity monitoring into periodic reviews
- B. Incorporate due diligence results such as customer risk ratings
- C. Utilize downstream correspondents to investigate and report suspicious activity
- D. Investigate and report suspicious activity only for the correspondent bank's clients

Correct Answer: BC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 22 When should the anti-money laundering risk assessment be updated?

- A. Every two years
- B. After a merger or acquisition

- C. When the board of directors changes
- D. When instructed to by the Financial Action Task Force

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/faqs/17.%20Wolfsberg-Risk-Assessment-FAQs-2015.pdf> (10)

QUESTION 23

A customer brings \$15,000 worth of chips into a casino and plays various games. The customer redeems all the remaining chips and requests a wire transfer of the proceeds to an unrelated third party.

What are two red flags that indicate money laundering? (Choose two.)

- A. Customer redeeming all remaining chips
- B. Playing various games before cashing out
- C. Bringing \$15,000 worth of chips into the casino
- D. Requesting a wire transfer to an unrelated third party

Correct Answer: AD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 24

A United States (U.S.) bank was recently alerted by law enforcement of an increase in sale of large denomination U.S. bank notes to casas de cambio. They suspect that a Mexican syndicate is operating a money laundering scheme in the bank's jurisdiction.

Which two steps should be taken to trace funds through the bank to assist law enforcement in their investigation? (Choose two.)

- A. Identify the money laundering scheme and submit a suspicious transaction report
- B. Identify if there is a decrease in the sale of large denomination U.S. bank notes to casas de cambio by the bank
- C. Identify deposits by casas de cambio that include third-party items including sequentially numbered monetary instruments
- D. Identify multiple wire transfers initiated by casas de cambio to jurisdictions outside of Mexico that bear no apparent business relationship with that casa de cambio

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 25

Which two factors assist a money laundering investigation that involves multiple countries? (Choose two.)

- A. Law enforcement and other authorities should have access to financial information that is pertinent to the investigation.
- B. Every country should share all their information with foreign law enforcement and government authorities to facilitate rapid investigations.
- C. Law enforcement and other authorities should be allowed to establish and utilize joint investigative teams with law enforcement in other countries.
- D. Law enforcement and other authorities should not expedite information sharing between countries to ensure that all information is provided at the same time to avoid premature conclusions.

Correct Answer: BC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 26

A popular restaurant in town has begun depositing less cash than it has in prior years. In a review of the customer's accounts, you notice that credit card receipts have increased with no explanation.

The account officer discovers that the restaurant has installed a privately-owned automated teller machine (ATM) onsite and has begun construction on a patio dining area.

Which red flag should trigger additional investigation?

- A. Privately-owned ATM
- B. Lower cash deposits
- C. Increased credit card receipts
- D. Construction of the new patio dining area

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 27

An organization's automated surveillance system identifies large fluctuations in customer activity. As a result of an audit, the compliance officer is informed that the system is not generating alerts when activity is consistently abnormal over a long period of time. Currently the organization is evaluating new alert scenarios in an attempt to address this problem.

Which type of scenario is helpful in mitigating this weakness?

- A. Peer
- B. Income
- C. Mapping
- D. Below-the-line

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 28

Upon a routine account review a money laundering investigator identified a number of large round dollar wire transfer deposits into a business account owned by a local auto repair shop. The wire transfers all originated from a country that is a known financial secrecy haven with poor anti-money laundering controls. The investigator concludes there appears to be no legitimate business purpose for the wire transfers and files a suspicious transaction report. The owner of the auto repair shop is popular in the community and is a well-known philanthropist.

To whom should the investigator escalate these concerns?

- A. Audit committee
- B. Chairman of the Board
- C. The owner of the auto repair shop
- D. The bank anti-money laundering officer

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 29

A compliance officer learns from an Information Technology (IT) source of a potential new financial service being discussed by the new product approval committee.

What is the correct next course of action?

- A. Request that the new product approval committee include the compliance officer.
- B. Go to the board of directors and try to shut the new service down immediately because the committee did not communicate with the compliance officer.
- C. Get as much information as possible from the source so that potential risks can be researched and a report prepared and presented to the head of marketing.
- D. Start initial research into potential risks but wait until notified that the service has been approved by the committee before initiating extensive research.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 30

What is the goal of the Egmont Group in providing a forum for Financial Intelligence Units (FIUs) around the world?

- A. To improve international laws to combat money laundering and the financing of terrorism and foster the implementation of domestic programs.
- B. To provide a forum for FIUs to improve cooperation in the fight against money laundering and the financing of terrorism and to foster the implementation of domestic programs in this field.
- C. To improve communication with law enforcement in the fight against money laundering and the financing of terrorism and to foster the implementation of domestic programs in this field.
- D. To improve cooperation with state and federal governments in the fight against money laundering and the financing of terrorism and to foster the implementation of domestic programs in this field.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Reference: https://en.wikipedia.org/wiki/Egmont_Group_of_Financial_Intelligence_Units

**QUESTION 31**

A compliance officer at an insurance company has been reviewing the transaction activity of several clients.

Which transaction is considered a red flag for potential money laundering?

- A. A client paid the quarterly life insurance premium using money orders from two different banks.
- B. A client from a high-risk jurisdiction recently purchased property insurance for a real-estate development.
- C. A corporation owns several affiliates and recently opened separate group life insurance policies for each of the affiliates.
- D. A client established a \$100,000 charitable annuity with a non-profit organization that provides health and safety assistance internationally.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 32

The branch manager notices that a number of customers come in weekly and always use the same teller to process their deposits. The manager notices that the customers and the teller, who are from the same ethnic group, are speaking in a foreign language and every once in a while the customers from local ethnic restaurants will bring the teller lunch. The commercial customers that visit the teller generally deposit the same amount of cash each time they come in.

How should the branch manager respond to this activity?

- A. Transfer the teller to another branch
- B. Conduct further investigation before taking any other action
 - Encourage the teller to bring in more business from the ethnic community
- C.

D.

Suggest to the teller to send the customers to other tellers to avoid the opportunity for collusion

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 33 A law enforcement official calls a bank inquiring about a customer who is currently under investigation. The law enforcement official requests information about the customer.

How should the bank respond?

- A. Confirm the customer is either a current or former customer
- B. Inform the board of directors before responding to the request
- C. Provide the requested information to help aid in the investigation
- D. Request a formal letter be submitted to verify the validity of the request

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://ico.org.uk/for-organisations/guide-to-freedom-of-information/receiving-a-request/>

QUESTION 34

A bank compliance officer has implemented enhanced monitoring rules that have identified some unusual activity that may be indicative of human trafficking.

Which red flag should prompt additional transactional review?

- A. Wire transfer activity from countries with significant migrant populations
- B. Cash deposits that occur in cities where the customer resides and conducts business
- C. Cash deposits that occur in cities where the customer does not reside or conduct business
- D. Cash deposits that occur in cities where the customer does not reside or conduct business followed by same-day withdrawals

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 35

The compliance officer for a private bank has been tasked with writing a policy on how the bank will deal with intermediaries.

Which two aspects should be included in the policy in respect of intermediaries to align it with the Wolfsberg Anti-Money Laundering Principles for Private Banking? (Choose two.)

- A. When an intermediary introduces clients to the bank, it is not necessary for the bank to perform due diligence on the intermediary's clients.
- B. Where an intermediary introduces clients to the bank, the bank must obtain the same type of information with respect to an introduced client that would otherwise be obtained by the bank, absent the involvement of the intermediary.C. Where an intermediary manages assets on behalf of a number of clients and is the account holder with the bank, but that intermediary does not conduct the same level of due diligence as the bank, it is necessary for the bank to undertake due diligence on the intermediary's clients.
- D. Where an intermediary manages assets on behalf of a number of clients and arranges for the opening of accounts for its clients with the bank, and that intermediary is a financial institution subject to similar regulations, it is necessary for the bank to perform due diligence on the intermediary's clients.

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/faqs/20.%20Wolfsberg-FAQs-on-Intermediaries-May-2012.pdf> (2)

QUESTION 36 A non-U.S. bank wants to open an account at Bank A, which is a U.S.-based bank.

Which information must Bank A obtain under the USA PATRIOT Act?

- A. A complete client list from the non-U.S. bank
- B. The identity of owners and percentage of ownership of the non-U.S. bank
- C. The structure and identity of the management team at the non-U.S. bank
- D. The details of the non-U.S. bank's anti-money laundering compliance training program

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 37 Which insurance product is particularly vulnerable to money laundering?

- A. Annuity
- B. Casualty
- C. Collateral
- D. Regulated pension

Correct Answer: A

Section: (none)

Explanation

**Explanation/Reference:****QUESTION 38**

What is an essential element of Know Your Customer (KYC) standards according to the Basel Committee's Customer Due Diligence for Banks paper?

- A. Annual staff training
- B. A customer acceptance policy
- C. The same KYC requirements must be applied in all cases
- D. All completed KYC documents must be reviewed by a senior manager not involved in the account opening process

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.bis.org/publ/bcbs77.pdf>

QUESTION 39

A foreign bank operating under an offshore license wants to open a correspondent account with a United States (U.S.) bank. The foreign bank plans to provide payable through account services to some of its customers.

What must the foreign bank provide to the U.S. bank under the USA PATRIOT Act?

- A. A list of politically exposed persons who are owners of the correspondent bank
- B. A list of account holders at the financial institution who will use the payable through account
The person in the United States who can receive service of legal process for the correspondent bank
- C.

D.

A list of anti-money laundering training records for the financial institution employees monitoring payable through account transactions

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Reference: https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/CBDDQ-Capacity-Building/Wolfsberg%27s_CBDDQ_Capacity_Building_Guidance_Final%20V1.1.pdf

QUESTION 40

An institution has made the decision to exit a client relationship due to anti-money laundering concerns. Prior to starting the close out process, the institution receives a written request from a law enforcement agency to keep the account open. The client is the subject of an ongoing investigation and law enforcement wants the institution to continue to monitor the account and report any suspicious activity.

What is primary consideration the institution should keep in mind when deciding whether to agree to this request?

- A. The anticipated cost of complying with the law enforcement request
- B. The number of suspicious transaction reports previously filed on the client
- C. The fact that the institution has a solid record in complying with law enforcement requests
- D. Whether the institution can continue to meet its regulatory obligations with the accounts open

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 41

An immigrant residing in the United States opens a bank account that includes a debit card. Several months later, the transactional monitoring system identifies small deposits into the account followed by corresponding ATM withdrawals from a country bordering a conflict zone.

How should the bank respond?

- A. Block any further activity
- B. File a suspicious transaction report
- C. Initiate an investigation into the activity
- D. Contact the customer if the transaction activity continues

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 42

A customer living in a high-risk jurisdiction makes frequent, large cash deposits at a bank. The same customer sends small wire transfers to unrelated parties in other high-risk jurisdictions.

What are two red flags that may indicate money laundering? (Choose two.)

- A. The bank allows cash deposits
- B. The client resides in a high-risk jurisdiction
- C. Wire transfers are to high-risk jurisdiction
- D. Large cash deposits are from a high-risk jurisdiction

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://aml-cft.net/library/banks-amlcft-red-flags/>

QUESTION 43

A retail bank has just acquired a credit card business. The bank's anti-money laundering policy requires that new employees are trained within 30 days of their hire date and refresher training is delivered to all employees on an annual basis.

Is the bank's existing anti-money laundering training adequate to be delivered to employee of the newly acquired credit card business?

- A. Yes, the existing training covers the bank's policies, procedures, and processes.
- B. No, anti-money laundering training needs to be delivered face-to-face for credit card businesses.
- C. No, anti-money laundering training needs to be tailored and focused on the risks specific to the business.
- D. Yes, the existing training covers the anti-money laundering regulations that the bank is required to follow.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 44 Which method do terrorist financiers use to move funds without leaving an audit trail?

- A. Extortion
- B. Cash couriers
- C. Casa de cambio
- D. Virtual currency

Correct Answer: B

Section: (none)

Explanation

**Explanation/Reference:**

Reference: <https://www.fatf-gafi.org/media/fatf/documents/reports/FATF%20Terrorist%20Financing%20Typologies%20Report.pdf> (24)

QUESTION 45 Why do governments and multi-national bodies impose economic sanctions?

- A. To impede kleptocracy
- B. To enforce foreign policy objectives
- C. To combat an imminent terrorist threat
- D. To prevent fraudulent international trade transactions

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Reference: https://en.wikipedia.org/wiki/Economic_sanctions

QUESTION 46

In reviewing recent activity, a compliance officer for a money transmitter that several customers are each remitting the same amount of money but much more frequently.

How should the institution respond?

- A. File a suspicious transaction report
- B. Instruct the tellers not to process remittances for these customers in the futureConduct further investigation to determine whether this is truly suspicious activity
Immediately contact the customers and ask them why they are remitting money more often
- C.

D.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 47

In the summer, an institution identifies anti-money laundering concerns regarding a customer's account activity. The customer, an ice cream, has deposited a lot of checks drawn on banks in foreign countries, sent large number of high dollar international wires to different countries, made cash deposits of a few hundred dollars every few days and written multiple checks for a few hundred dollars to the same dozen payees every two weeks. Which two transaction types warrant investigation? (Choose two.)

- A. Regular cash deposits
- B. The wires to foreign countries
- C. Repeated checks to the same payees
- D. Checks drawn on banks in foreign countries

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 48 Which three methods are commonly used by an accountant to launder money?
(Choose three.)

- A. Representing a client court
- B. Understanding income to take a tax loss
- C. Overstating income to hide excess cash
- D. Acting as a conduit for transferring cash between accounts
- E. Acting as a designee for someone who wishes to hide their identity



Correct Answer: CDE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 49

A bank located in Arizona is considering a loan application for a new client. The collateral for the loan is a property in Florida.

The loan will be in the name of a limited company (LLC) whose ownership is not disclosed to the bank. The LLC was established by a New York-based attorney.

The loan will be repaid by the LLC in monthly wire transfers of \$9,000 which is more than the required monthly payment.

Which aspect indicates potential for money laundering?

- A. The LLC's ownership is not disclosed to the bank
- B. The collateral, a property in Florida, is not located in Arizona
- C. The repayment in the amount of \$9,000 indicates potential structuring
- D. The attorney associated with the account is outside the bank's lending area

Correct Answer: AC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 50

What is a key risk associated with Correspondent Accounts according to the Basel Customer Due Diligence paper?

- A. It is not used on a daily basis
- B. The service fees are insufficient to cover the cost of managing the account
- C. The respondent bank's customer acceptance and know your customer policies are ineffective
- D. The volume and value of transactions passing through the account may not be in line with the original correspondent agreement

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 51

A law enforcement agency is reviewing a suspicious transaction report (STR) filed by a financial institution for suspicious activity on a client's account. Subsequently, the agency requests further information.

Which supporting documentation might the law enforcement agency request from the institution to facilitate its investigation?

- A. Previously filed STRs on the same customer
- B. Account opening documents and account statements
- C. Copies of promotional materials sent to the customer
- D. A copy of the institution's STR policy and procedures

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 52

A new compliance officer is reviewing the bank's anti-money laundering program and notices that the risk assessment was completed six months ago. Since that time, the bank acquired another financial institution, re-named the internal records group, and streamlined cash handling procedures.

Which factor causes the compliance officer to update the bank's risk assessment?

- A. The bank acquired another institution
- B. The internal records group has been re-named
- C. The cash handling procedures were streamlined
- D. The risk assessment was completed six months ago

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 53

The Wolfsberg Anti-Money Laundering Principles for Private Banking require new clients to be approved by whom?

- A. The board of directors

- B. Only the private banker
- C. The private banker's supervisor
- D. At least one person other than the private banker

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/wolfsberg-standards/10.%20Wolfsberg-Private-Banking-Principles-May-2012.pdf> (04)

QUESTION 54

Which two factors should increase the risk of a correspondent bank customer and require additional due diligence according to the Wolfsberg Anti-Money Laundering Principles for Correspondent Banking? (Choose two.)

- A. The customer is located in a Financial Action Task Force member country and provides services primarily to a local individual customer.
- B. The customer is located in a Financial Action Task Force member country and the bank's head of information security is a politically exposed person.
- C. The customer is located in a Financial Action Task Force member country and provides services to other correspondent banks in neighboring countries.
- D. The customer is located in a non-Financial Action Task Force member country and services mostly commercial customers who engage in international trade.

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 55

In which two ways does a government Financial Intelligence Unit interact with public and private sectors? (Choose two.)

- A. It governs the methods of investigation used by competent authorities
- B. It mediates disputes between financial institutions and investigative authorities
- C. It receives and analyzes disclosures filed by financial and non-bank institutions
- D. It disseminates information and the results of its analysis to competent authorities

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

Reference: <http://pubdocs.worldbank.org/en/834721427730119379/AML-Module-2.pdf>

QUESTION 56

What do Financial Action Task Force (FATF)-style regional bodies do for their members to help combat money laundering and terrorist financing?

- A. They provide technical assistance to members in implementing FATF recommendations
- B. They assist member countries in penalizing entities that violate FATF standards and recommendations
- C. They work with members on areas of concern outside of anti-money laundering and terrorist financing
- D. They supervise member country financial institutions relating to anti-money laundering and terrorist financing

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Reference: [https://www.fatf-gafi.org/media/fatf/documents/brochuresannualreports/FATF30-\(1989-2019\).pdf](https://www.fatf-gafi.org/media/fatf/documents/brochuresannualreports/FATF30-(1989-2019).pdf)

QUESTION 57

What are the regulatory risks to a bank employee who willfully violates anti-money laundering laws?

- A. Investigation and reputational damage
- B. Fines and suspension from the industry
- C. Criminal investigation and imprisonment
- D. Enforcement actions including fines against the financial institution

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Reference: https://books.google.com.pk/books?id=qKlr7ldWCqsC&pg=PA9&lpg=PA9&dq=What+are+the+regulatory+risks+to+a+bank+employee+who+willfully+violates+anti-money+laundrying+laws&source=bl&ots=qZzA0Ey5nB&sig=ACfU3U29fq8lwYh08XqdR1X7sWSISySPZw&hl=en&sa=X&ved=2ahUKEwiHwKHTjlvmAhWqwzgGHfW_AToQ6AEwC3oECAkQAQ#v=onepage&q=What%20are%20the%20regulatory%20risks%20to%20a%20bank%20employee%20who%20willfully%20violates%20anti-money%20laundrying%20laws&f=false

QUESTION 58

What are two requirements with respect to supporting documentation that is used to identify potentially suspicious activity, according to Financial Action Task Force? (Choose two.)

- A. It must be retained for at least five years
- B. It must be retained for at least seven years
- C. It must be kept in a manner so that it can be provided promptly
- D. It must only be released to the government through a subpoena process

Correct Answer: AC

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>

QUESTION 59

What are two reasons physical certificates present a money laundering risk to broker-dealers? (Choose two.)

- A. The trade information on a physical certificate can be easily altered
- B. Physical certificates do not expire and may be held by the owner for perpetuity
- C. There is little information readily available to the broker confirming the source of the funds
- D. Physical certificates may be provided to nominees for deposit or settled in off-market transactions

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 60

An automotive parts company in South America sends multiple \$500,000 wire transfers per week to ABC Holdings Ltd. in Asia referencing payment for silk flower shipments. Research reveals Sunrise Holdings, Ltd is registered in the British Virgin Islands with no available ownership information.

What are two red flags that indicate how trade-based money laundering could be occurring in this instance? (Choose two.)

- A. The transaction involves the use of front (or shell) companies
- B. The packaging is inconsistent with the commodity or shipping method
- C. Significant discrepancies appear between the description of the commodity on the bill of lading and the invoice
- D. The type of commodity being shipped appears inconsistent with the exporter or importer's regular business activities

Correct Answer: AC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 61

The branch manager calls the compliance officer and informs her that a law enforcement officer has just left the branch and was asking a lot of questions and left a business card.

What should the compliance officer do?

- A. File a suspicious transaction report
- B. Follow up to verify that the officer received all necessary information
- C. Verify that the reported officer was an actual authorized representative
- D. Require the branch manager to write a detailed memo about the request

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 62 What is a major economic consequence of money laundering through the use of front companies?

- A. Placing more emphasis on manufacturing
- B. Weakening of the legitimate private sector
- C. Creating a more competitive pricing environment
- D. Aligning management principles between criminal enterprises and legitimate businesses



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Reference: <http://people.exeter.ac.uk/watupman/undergrad/rtb/effects2.htm>

QUESTION 63

An institution is about to release a new peer to peer (P2P) funds transfer product to provide much needed remittance services to an under-banked population segment in the country.

The service allows customers to transfer funds through a mobile banking application to individuals worldwide entering only a name and mobile number. The new service charges less than comparable market solutions and offers real time transfer of funds. The customer onboarding process is conducted at branch locations with identity verification.

Which three present the highest anti-money laundering or sanctions risk and will require controls prior to launch? (Choose three.)

- A. Customer onboarding
- B. Cross-border functionality
- C. Real time transfer of funds
- D. Servicing the under-banked population
- E. Limited access to counterparty information

Correct Answer: ACE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 64

What is true regarding disclosure to a law enforcement agency by a financial institution of the supporting documentation for a suspicious transaction report?

- A. Documentation must be provided as quickly as possible using email
- B. The financial institution may notify the account holder of the request
- C. Confirm that the request originated from a representative of the law enforcement agency
- D. A copy of all the documentation released must also be provided to the account holder's attorney

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.sec.gov/about/offices/ocie/aml2007/fin-2007-g003.pdf>

QUESTION 65 As a result of an audit, a policy exception was identified that had been approved by the compliance officer. The auditor determined that the policy exception is a violation of a regulatory requirement.

What should the auditor do?

- A. Advise the compliance officer on how to appropriately respond to policy exceptions.
- B. Include the regulatory violation in the audit report and report it to the board of directors.
- C. Consult with legal counsel to determine if the approval of the policy exception was acceptable.
- D. Include the regulatory violation in the audit report and recommend the compliance officer be subject to disciplinary action by the board of directors.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 66 A foreign politically exposed person (PEP) requests to add a beneficiary to a file insurance policy.

How should the request be processed to mitigate risk?

- A. Perform due diligence on the beneficiary
- B. Determine the source of wealth and source of funds
- C. Decline the request if the beneficiary is a foreign PEP
- D. Decline the request to add a beneficiary due to increased risk

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 67 Which requirement is included in the Fourth European Union Directive on money laundering?

- A. It requires obliged entities to consider politically exposed persons as high risk for life
- B. It requires obliged entities to conduct enhanced due diligence on all prepaid card holders
- C. It requires member countries to maintain registries of the beneficial owners of legal entities
- D. It requires member states to enact economic sanctions against countries that do not cooperate with Financial Action Task Force recommendations

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32018L0843&from=EN>

QUESTION 68 A bank maintains a relationship with a customer who owns a small bakery business.

Which customer action indicates potential money laundering?

- A. The customer continually makes regular cash deposits
- B. The customer has multiple bank accounts at several locations
- C. The customer purchased property insurance that is twice the value of the business
- D. The customer recently wired a large amount to a foreign jurisdiction where family is located

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 69

A U.K. real estate agent has three foreign clients interested in purchasing an apartment building, valued at £30 million, in the outskirts of London as an investment property. The clients are not willing to have their names provided to the bank. The clients want to purchase to be made in the names of three private companies for privacy reasons. The plan is to wire the funds into an account held in the name of another private company at a bank in London.

Which red flag should stop the agent from discussing this potential purchase further?

- A. The clients are foreign
- B. The clients have the funds necessary to fund a £30 million purchase
- C. The clients are not willing to have their names provided to the bank
- D. The clients want to purchase to be made in the names of the private companies



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 70 What is a key objective of the Egmont Group?

- A. To find ways to promote the development of Financial Intelligence Units and the sharing of expertise.
- B. To safeguard the financial system from illicit use and combat money laundering and promote national security.
- C. To issue binding standards that establish consistently operated Financial Intelligence Units in member jurisdictions.
- D. To provide best practices for financial institutions on how to report suspicious activity to best share the information with law enforcement.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://egmontgroup.org/en>

QUESTION 71

The compliance officer for a bank is reviewing on-boarding documents for a new business account for a domestic corporation. The officer is unable to verify the identity of the beneficial owners of the company. Only information on the nominee owners was provided, and none of the listed addresses are local. The purpose of the business and future expected activity were disclosed to include cash letters, money orders and international remittance transfers.

Which red flag identifies a heightened money laundering risk?

- A. Expected activity was advised to include cash letter and money orders
- B. The nature and purpose of the business include international remittance transfers
- C. The names provided at account opening are identified as the corporation's representative nominees
- D. Account signer's government issued identification lists addresses outside of where the branch account was opened

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 72 Law enforcement submitted a request to a bank for information regarding one of its customers.

How should the bank respond according to Financial Action Task Force Guidance?

- A. Provide all information requested to support the investigation
- B. Ensure that the request will not violate any local privacy regulations or legislation
- C. Ensure the information is necessary to the investigation before responding to the request
- D. Contact the customer informing the person of the investigation to ensure the bank provides correct information

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 73

How should a financial institution respond to a verbal request from a law enforcement agency to keep an account open to assist in an investigation?

- A. Agree to keep the account open
- B. Request a subpoena to maintain the account
- C. Request a letter on the agency's letterhead
- D. Request a search warrant from the local court

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Reference: http://files.acams.org/pdfs/English_Study_Guide/Chapter_5.pdf (12)

QUESTION 74

A bank operates in multiple countries and offers a variety of products and services. The compliance officer recently joined the bank and wants to better understand the inherent level of anti-money laundering risk across the entire organization.

Which two factors should be considered? (Choose two.)

- A. The Transaction Monitoring program
- B. The Customer Due Diligence program
- C. Countries that the bank operates in
- D. Products and services offered by the bank

Correct Answer: AB

Section: (none)

Explanation

Explanation/Reference:

QUESTION 75

A bank is preparing for its anti-money laundering independent review, which is performed every two years under the direction of the compliance officer. The bank's corporate audit department will conduct the review. The compliance officer will review the final report before it is released to the Board of Directors.

What is the issue with this situation?

- A. Independent reviews must be performed annually
- B. The review must be performed by a group outside of the bank
- C. The final report must be presented directly to the board of directors
- D. There is a conflict of interest with the management of the review process

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 76 Which method is used to launder money in casinos?

- A. Purchase chips with cash and play at a table
- B. Purchase chips with cash and redeem for cash
- C. Purchase chips with cash and redeem for a check
- D. Purchase chips with cash and sell to another person for cash



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 77

Financial Action Task Force (FATF)-style regional bodies are created and obliged to understand the inherent money laundering and terrorist financing risks in the region of the world they serve.

What is one of the methods they use to understand these risks?

- A. They require member countries to develop statistical metrics over money laundering and terrorist financing crimes
- B. They require participating financial institutions of their members to file suspicious transaction reports to the regional body
- C. They conduct global research on money laundering and terrorist financing trends and report their findings in their own typologies report
- D. They conduct regional-level research and analysis of the money laundering and terrorist financing methods and trends using standards and templates used for FATF typologies reports

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.fatf-gafi.org/media/fatf/documents/recommendations/Private-Sector-Information-Sharing.pdf> (18)

QUESTION 78

A bank's anti-money laundering section receives an anonymous tip that a customer might be engaging in possible money laundering. Which two facts should be considered during the course of an investigation into this matter? (Choose two.)

- A. The customer has had a long-standing account at the bank
- B. The customer is on the exempt list for currency transaction reporting requirements
- C. The customer is issuing a number of wires to several relatively high-risk jurisdictions
- D. The customer's account has had a large volume of activity, but the month-end balance is usually low

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 79 A bank employee reviews wire transactions looking for indications of wire stripping.

Which two actions should the employee take to complete appropriate bank procedures? (Choose two.)

- A. Compare the wire transaction as it enters and after it leaves the bank
- B. Check for suspicious phrases usually used to conceal originator or beneficiary identity
- C. Identify large incoming wire transactions received on behalf of a foreign client with no explicit reason
- D. Identify wire transaction activity to or from a financial institution located in a higher risk jurisdiction

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.lexology.com/library/detail.aspx?g=79732c5e-b4bf-456a-9604-712f44f5a930>



QUESTION 80

Who has the ultimate responsibility within a bank for ensuring that the bank has a comprehensive and effective Bank Secrecy Act / anti-money laundering (BSA/AML) program and oversight framework that is reasonably designed to ensure compliance with applicable regulations?

- A. Senior management
- B. Board of directors
- C. Business line managers
- D. BSA/AML compliance officer

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 81

A compliance officer provides an overview of the bank's anti-money laundering program to a group of new tellers during employee orientation.

Which training element should be delivered to this audience?

- A. Results of recent risk assessments
- B. Large cash transaction reporting procedures
- C. The financial institution's surprise cash audit policy
- D. Past check fraud losses incurred by the financial institution

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 82 Which red flag indicates high potential for money laundering in a real estate purchase?

- A. The purchaser is a nominee
- B. The purchaser had a previous bankruptcy
- C. The purchaser owns a cash intensive business
- D. The purchaser is not a resident where the property is located

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 83

A compliance officer at a small community bank has been asked to review existing customer onboarding policies and procedures to ensure they adequately address anti-money laundering risks.

How should customer due diligence be implemented?

- A. With an annual compliance review and approval of customers
- B. With a one-time event conducted at initial customer onboarding
- C. As an ongoing activity that may vary commensurate with the risk profile of the customer
- D. As applicable to customers that pose higher money laundering or terrorist financing risk

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 84

A bank compliance officer discovers cash deposit activity inconsistent with the expected and historical cash activity within the personal accounts of the chairman of the board. The cash activity appears structured to avoid the local legal filing requirements for large cash transactions, and a suspicious transaction report (STR) was filed.

How should the compliance officer report the filing of the STR to the board of directors without revealing the existence of the filing to the subject?

- A. Inform the legal counsel of the bank
- B. Follow the financial institution's established STR reporting policy
- C. Notify the financial institution's regulator to disclose the activity
- D. The compliance officer and the chief executive officer should jointly interview the chairman

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 85

Under which two circumstances may law enforcement be given access to a financial institution customer's financial records? (Choose two.)

- A. If the person is named in a suspicious transaction report

- B. If law enforcement serves a legal summons or subpoena
- C. If the investigation of a customer is made public in the media
- D. If law enforcement has circumstantial evidence to suspect money laundering

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 86

Findings from a regulatory examination report states that the job descriptions of personnel outside of the compliance department do not include references to anti-money laundering responsibilities.

Which action should the firm take?

- A. Update all job descriptions to include anti-money laundering responsibilities
- B. Respond that only compliance personnel have anti-money laundering responsibilities
- C. Send an email to all staff stating that personnel must observe the anti-money laundering policy
- D. Reply that a description of anti-money laundering responsibilities is included in the annual training

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 87 What must be materially true regarding transactions for United States (U.S.) sanctions laws to have jurisdiction?

- A. Transactions are traced to illegal proceeds
- B. Transactions are processed by a U.S. person
- C. Transactions are stripped of beneficial owner information
- D. Transactions are identified as proceeds of foreign corruption

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Reference: https://www.treasury.gov/resource-center/faqs/Sanctions/Documents/faq_all.html

QUESTION 88

How does the Financial Action Task Force (FATF) communicate its findings regarding jurisdictions with strategic anti-money laundering / Counter Financing of Terrorism deficiencies?

- A. By issuing documentation to the private sector
- B. By issuing two formal documents three times per year
- C. By issuing informal communication to FATF members
- D. By issuing four formal documents to the deficient jurisdictions

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 89

A recent anti-money laundering audit revealed several regulatory reporting violations and lapses with the organization's anti-money laundering policy. As a result, the compliance officer has created a follow-up matrix to document progress in correcting the identified deficiencies.

To whom should the compliance officer provide regular updates of corrective action to help ensure the appropriate oversight?

- A. Audit management
- B. Human Resources
- C. Business line managers
- D. Designated board committee

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 90

A corporate services provider in a European Union (EU) country has a prospect from an African country who deals in oil and gas. The prospect intends to develop an oil terminal in his home country with a \$75 million dollar loan secured by a third party, which is a trust formed in a Caribbean island with a holding company based in a European secrecy haven. A young lady is presented as an ultimate beneficial owner who has gained her wealth through a fitness studio in her home country.

What are two red flags that could indicate money laundering or financing terrorism? (Choose two.)

- A. A loan worth \$75 million with a third-party guarantor
- B. The guarantor company's ownership structure is overly complex
- C. The prospect wishes to have a corporate structure with a holding company in EU country
- D. The ultimate beneficial owner is young lady who has gained her wealth through a small business

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 91

The anti-money laundering compliance officer for a small money transmitter has several agent locations in the same geographic area in the United States. The customers are immigrants from Country A and the majority of the funds are remitted to Country A.

In a meeting with one of the agents, it is recently discovered that two new customers have been coming in three times a week and sending funds to the same recipient in Country B. Each cash transaction always totals exactly \$8,000.

What should alert the agent to possible money laundering activity by the two customers?

- A. They remit funds to the same person
- B. They have been coming in three times a week
- C. It is unusual for customers to remit to Country B
- D. Each of their transactions is just below the cash reporting threshold

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 92

A bank receives an anonymous tip from an employee about another employee through its confidential hotline.

Which activity warrants further review?

- A. A mortgage officer works with home loan applicants to resolve adverse credit issues
- B. An employee in bookkeeping accepts funds transfer requests from customers via telephone
- C. An employee in accounting works with customers to help understand how to reduce service charges
- D. A teller distributes bank brochures to customers who regularly conduct cash transactions below reporting limits

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 93

A bank located in New York has identified suspicious transactions at a correspondent bank in China. For one of the international customers, the correspondent bank is not following agreed upon protocols.

Which factor indicates that the bank should terminate the relationship?

- A. The correspondent bank has opened branches in a country on the Office of Foreign Assets Control list.
- B. The compliance officer at the correspondent bank is currently being investigated due to bribery allegations.
- C. The correspondent bank has recently exceeded acceptable limits in the primary banks' recently developed risk model.
- D. The primary institution has requested transactional details from the correspondent bank to aide in their investigation.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 94

Which two channels can be utilized during a cross-border money laundering investigation to assist in gathering information according to Financial Action Task Force? (Choose two.)

- A. Contacting existing liaison officers in the foreign jurisdiction
- B. Exchanging information between national law enforcement agencies
- C. Contacting the potential suspect or their family members to request information
- D. Submitting only formal requests for information to a financial intelligence unit

Correct Answer: AB

Section: (none)

Explanation

Explanation/Reference:

QUESTION 95

During a law enforcement investigative interview regarding potential money laundering, the suspect starts making assertions and statements that the investigator believes are false.

How should the investigator respond?

- A. Inform the suspect that deception is obvious and continue the interview
- B. Advise the suspect that the interview will be terminated if there is suspicion of deception
- C. Direct the interview in another direction until there is better rapport before returning back to the troubling questions
- D. Ask questions of a material nature about the suspected false statements without revealing the suspected deception

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 96

A bank employee recently opened an account for a new restaurant. Daily cash deposits over a three-month period are close to \$9,500.

What are two red flags that indicate possible money laundering or terrorist financing? (Choose two.)

- A. The restaurant is located in a different city
- B. The daily cash deposits are so close in amount
- C. It is a new account that has daily cash deposits
- D. The new account demonstrates a steady flow of income

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 97

A customer has held an account at a bank and has lived locally for over 25 years. Historically he has come into the bank monthly to deposit a \$1,500 retirement check from the company where he worked. He is well known at the bank and often brings the staff cookies. Over the past four months, he has come into the bank every Monday, Wednesday, and Thursday to make \$3,000 cash deposits into his account. A review of his account shows that an \$8,500 check made out to cash clears his account each week. The bank has decided to file a suspicious transaction report (STR).

What is the important fact to include in the STR?

- A. The recent change in the timing of deposits and withdrawals in the account
- B. The customer's work history and the amount of his monthly retirement check
- C. The fact that the account holder is well known to the bank staff
- D. The fact that the customer has lived in the area and has banked at this bank for 25 years



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 98

A financial institution receives a regulatory enforcement action because of deficiencies in its anti-money laundering program.

Which action should the board of directors take?

- A. Terminate the compliance officer and staff
- B. Purchase and install a new suspicious activity monitoring system
- C. Hire an attorney with instructions to protest the enforcement action
- D. Instruct the compliance officer to develop a plan to remediate the institution's anti-money laundering program

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 99

A banker in the credit department wants to assess the risk of all customers, and contacts the compliance officer to request a list of customers with suspicious transaction report filings.

What should be done to protect suspicious transaction report information?

- A. Provide the suspicious transaction report information to the credit department
- B. Decline to provide the suspicious transaction report information to the credit department
- C. Seek approval from the board of directors to disclose the suspicious transaction report information
- D. Contact the credit department manager to determine how the suspicious transaction report information can be provided

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 100 Which two aspects of precious metals pose the highest risk of money laundering? (Choose two.)

- A. Some precious metals can be formed into other objects, making easier to transport
- B. Precious metals have high intrinsic value in a relatively compact form and are easy to convert into currency
- C. The value of precious metals can be inflated easily, making it easy to increase the amount of money laundered
- D. Precious metals can be readily used in many high-tech commercial applications, making them all the more valuable

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:



QUESTION 101 Which two methods have terrorist groups used to diversify their revenue stream and to fund their operations? (Choose two.)

- A. Human trafficking
- B. Engaging in civil conflict
- C. Smuggling cultural artifacts
- D. Engaging in wire transfer activity

Correct Answer: AB

Section: (none)

Explanation

Explanation/Reference:

QUESTION 102 Which two statements are true regarding the European Union Money Laundering Directives? (Choose two.)

- A. They apply to member states of the European Union
- B. They require member states to enact laws and/or regulations to comply with the directives
- C. They set forth non-binding best practices for financial institutions within the member states
- D. They have extraterritorial impact and apply to states that have diplomatic relations with member states

Correct Answer: AB

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32015L0849&from=FR>

QUESTION 103

A compliance officer was recently reviewing transactional data for an international charity and found transactions that present a higher risk.

Which reason is cause for terminating the banking relationship?

- A. The charity has had a high a high turnover rate of official positions
- B. The charity has several incoming international funds transfers
- C. The flow of funds both in and out are complex and hard to trace
- D. The charity is headquartered in a country on the Office of Foreign Assets Control list

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:**QUESTION 104**

Which action does the Financial Action Task Force (FATF) recommend be taken against jurisdictions that have strategic deficiencies?

- A. Conduct due diligence
- B. Apply counter-measures
- C. Add the jurisdiction to the United Nations' list of sanctioned jurisdictions
- D. Create an action plan to address the deficiencies without the support of the FATF

Correct Answer: B

Section: (none)

Explanation

**Explanation/Reference:**

Reference: <http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/public-statement-october-2018.html>

QUESTION 105

A client opens a bank account for a multi-level marketing company. The debits and credits of the account are numerous and very involved. Further, there are a lot of international transactions. Also, funds are being tunneled from the company to the client's personal account in another jurisdiction.

Which two steps should law enforcement take in investigating this matter? (Choose two.)

- A. Determine who are the signatories on the account
- B. Ask the bank for the history of this multi-level marketing company
- C. Examine the flow of money from the company to the individual in an effort to determine if it is legitimate
- D. Examine possible Suspicious Activity Report information received from the local Financial Intelligence Units

Correct Answer: AC

Section: (none)

Explanation

Explanation/Reference:**QUESTION 106**

Which method is used to launder money via wire remittances sent through a bureau de change or money services business? A.

A customer in country A makes a weekly small wire transfer to the bank account of an individual in country B.

- B. A customer in country A makes frequent wire transfers to a single customer in country B that are slightly under the legal reporting threshold.
- C. A large number of wire transfers are sent from a large number of senders in country A to a large number of recipients in country B during the period of December 1 to December 15.
- D. A customer in country A receives four small wire transfers from four different individuals located in country B on December 21. The aggregate of the wire transfers falls below the legal reporting threshold.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 107

Historically, a tour guide has made monthly cash deposits averaging \$10,000. Over the past three months, the monthly deposits have averaged \$100,000. When the financial institution questions the increased deposits, the tour guide explains that there have been numerous conventions in town so business has increased substantially.

Which further action(s) should the financial institution take?

- A. Immediately terminate the relationship B.
Schedule a periodic review of activity
- C. Perform further investigation, it appropriate report the activity to the authorities and consider terminating the relationship D.
Perform further investigation, if appropriate report the activity to the authorities and place a limit on future transactions

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 108

One key aspect of the Office of Foreign Assets Control's extraterritorial reach includes the blocking of certain non-United States initiated transactions for or through the United States (U.S.) for benefit of a restricted person or entity.

Under which three circumstances are U.S. banks required to block transactions? (Choose three.)

- A. The transactions are to, or go through, a blocked entity
- B. Those that are by, or on behalf of, a blocked individual or entity
- C. Those that are by or on behalf of a blocked individual and a licensed entity
- D. Those that are in connection with a transaction in which a blocked individual or entity has an interest
- E. Those that are in connection with a transaction in which a blocked individual or entity has no interest

Correct Answer: ABD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 109

To ensure compliance with economic sanctions established by governmental authorities in the jurisdictions where it operates, a financial institution requires that all new and existing customers be screened at onboarding and quarterly thereafter.

Is this step sufficient to ensure compliance?

- A. No, screening should occur promptly after list updates
- B. Yes, this is recommended by the international guidance
- C. No, it is necessary to screen and perform enhanced due diligence on new relationships
- D. Yes, screening all existing customer relationships ensures the institutions is not dealing with a sanctioned individual or entity

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 110 What is the currency threshold under the European Union Fourth Anti-Money Laundering Directive?

- A. 3,000 Euros
- B. 5,000 Euros
- C. 10,000 Euros
- D. 15,000 Euros

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.acams.org/aml-resources/eu-fourth-aml-directive/>

QUESTION 111

What are two requirements of United States financial institutions when conducting business with an international institution as a result of the USA PATRIOT Act? (Choose two.)

- A. Performing enhanced due diligence on shell banks
- B. Performing due diligence on correspondent accounts
- C. Visiting the head office of the international financial institution
- D. Complying with Special Measures issued under the USA PATRIOT Act

Correct Answer: AD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 112

What are two risks to institutions for violating anti-money laundering laws as demonstrated by the 2012 HSBC settlement with United States authorities? (Choose two.)

- A. Forfeiture of assets
- B. Civil money penalties
- C. Loss of bank charter/license
- D. Imprisonment of bank employees

Correct Answer: AB

Section: (none)

Explanation

Explanation/Reference:

QUESTION 113

When must a United States (U.S.) bank block or reject an international funds transfer when there is an Office of Foreign Assets Control designated party to the transaction?

- A. Only if the U.S. bank is involved in the funds transfer
- B. Only if a U.S. person or entity is the ultimate beneficiary
- C. Only if a non-U.S. person or entity is the ultimate beneficiary



D. Only if the U.S. bank's correspondent informs it of the involvement of the designated party

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 114

A law enforcement agent calls a bank anti-money laundering investigator for supporting information about a suspicious transaction report that was filed the previous month.

How should the investigator respond?

- A. Refer the agent to the bank's compliance officer
- B. Send the information to an address provided by the agent
- C. Share the requested information during the telephone call
- D. Require a search warrant before releasing the information

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 115

Which action should countries take related to the financing of terrorist acts in accordance with the Financial Action Task Force 40 Recommendations?

- A. Oppose
- B. Sanction
- C. Prosecute
- D. Criminalize

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.fatf-gafi.org/publications/methodsandtrends/documents/fatf-action-against-terrorist-financing-feb-2019.html>

QUESTION 116

A client is a wholesale auto business that operates as a used car lot. The client regularly ships vehicles internationally. In a four-month period, the client received wires totaling \$ 1,250,000 from a dealer in Benin in West Africa. All wires originated from Benin and were in increments of \$50,000.

Account debits made to the account were payable to various transport companies. All incoming checks reference various vehicles purchased. Dock shipping receipts produced by the client to support account activity identify the vehicles but cannot easily be tied to the wires receives.

What is the suspicious behavior?

- A. The dock shipping receipts match the vehicles
- B. Vehicles are regularly shipped internationally
- C. Wires received are in large, even dollar amounts
- D. Account debits are payable to transport companies

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 117

A high-volume dealer of precious metals and stones in a high-risk jurisdiction is approached by a new customer interested in selling gold worth \$200,000. The customer was referred by a longtime family friend of the dealer and provides no indication of background or business purpose for the sale. The dealer agrees to make the purchase based solely on the reference.

What is the money laundering red flag?

- A. The customer was referred by a longtime friend of the dealer
- B. The precious metals dealer is operating in a high-risk jurisdiction
- C. A new customer is selling gold worth \$200,000 to a high volume dealer
- D. The customer provides no background information or business purpose for the transaction

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 118

What does the Financial Action Task Force 40 Recommendations address on transparency of beneficial ownership?

- A. Gatekeepers
- B. Correspondent banking
- C. Payable through accounts
- D. Legal persons and arrangements

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Reference: <https://www.fatf-gafi.org/documents/news/transparency-and-beneficial-ownership.html>

QUESTION 119

A compliance officer identifies a potentially significant risk in a popular financial product. Further investigation reveals there is no mitigating control.

Which course of action should the compliance officer take?

- A. Launch a long-term project to remediate the control deficiency
- B. Note the risk and address it during the next round of policy and procedure review
- C. Immediately cease providing the product and only offer it after effective permanent mitigation is implemented
- D. Implement a temporary mitigation that enables effective management of the risk until a permanent plan can be developed

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 120

Which factor should a bank consider before sharing information about a customer with its broker-dealer affiliate in the case of an investigation?

- A. Whether the broker-dealer affiliate can rely on the due diligence done by the bank
- B. Whether there is a mutual legal assistance treaty in place between the two institutions

- C. Whether privacy and data protection rules permit the bank to share the information with the affiliate
- D. Whether both institutions have an account or are in the process of opening an account for the customer

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

