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QUESTION 1

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 the bank
- 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:

Explanation:

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

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

ANSWER: A B

Explanation:

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

QUESTION 2

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:

Explanation:

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

QUESTION 3

Which key aspect of the Office of Foreign Assets Control's extraterritorial reach specifically relates to prohibited transactions?

- A. Prohibit or reject unlicensed trade and financial transactions with specified countries, entities, and individuals
- B. Prohibit or reject licensed trade and financial transactions with specified countries, entities and U.S. individuals
- C. Prohibit or reject licensed trade and financial transactions with specified countries, entities and nonU.S. individuals
- D. Prohibit or reject unlicensed foreign trade and financial transactions with specified countries, entities, and individuals

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 4

According to the Basel Committee on Banking Supervision standards, which statements best describe sound practices in relation to customer due diligence (CDD) policies and procedures? (Choose three.)

- A. Banks should identify its customers based on a general-rules based assessment without considering the expected size and use of the account.
- B. Banks should never allow for verification to be completed after the establishment of the business relationship since it would not be essential for the normal conduct of business.
- C. Banks should take into consideration the occasional banking transaction or the size/level of assets to build an understanding of the customer's profile and behavior.
- D. Banks should develop and implement clear acceptance policies and procedures to identify the types of customer that are likely to pose a higher risk of financing terrorism or money laundering.
- E. Banks should implement enhanced due diligence measures for entering business relationships with high-risk customers, such as approval by senior management.
- F. Banks should use CDD procedures based in another bank's standards when subject to the same criteria for handling funds of a shared customer.

Correct Answer: ACE

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fsa.go.jp/inter/bis/20140121-1/02.pdf>

QUESTION 5

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:

Explanation:

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

QUESTION 6

What type of information is received by government Financial Intelligence Units (FIUs)?

- A. STRs
- B. Client name screening results
- C. Compliance frameworks
- D. Politically Exposed Persons (PEPs) registrations

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.elibrary.imf.org/view/books/069/02365-9781589063495-en/ch03.xml>

International Information Sharing¹³⁴

Comprehensive and effective AMU/CFT regimes must allow for FIU-to-FIU information exchange that support international cooperation.¹³⁵ At the international level, FIUs share financial intelligence with other FIUs to support the analysis of STRs and intelligence gathering. With FIU-to-FIU information sharing, FIUs, domestic law-enforcement agencies and other domestic "consumers" of financial intelligence are able to seek and obtain information promptly from foreign governments to deter, detect, and prosecute money laundering, terrorist financing, and related crimes. The international FIU-to-FIU network facilitates the rapid exchange of financial intelligence across borders—a process that usually occurs faster through FIUs than through other government information-sharing channels.¹³⁶ It should be noted that although information exchanged between FIUs facilitates the development of financial intelligence, it cannot be used as evidence in criminal proceeding without the express consent of the providing FIU. Countries usually provide evidence to be used in criminal cases through mutual-judicial-assistance procedures, which tend to be time consuming. However, FIU-to-FIU exchanges of information should not be used as a substitute for them.

QUESTION 7

A large United States (U.S.) bank is performing due diligence on a non-U.S. bank. The non-U.S. bank has applied for a correspondent account at the U.S. bank. Which two steps should the U.S. bank take under the USA PATRIOT Act? (Choose two.)

- A. Verify the identity of the customers of the foreign bank
- B. Determine whether enhanced due diligence is necessary
- C. Assess the money laundering risk presented by the correspondent account
- D. Verify the identity of politically exposed persons in management positions at the non-U.S. bank

Correct Answer: CD

Section: (none)

Explanation



Explanation/Reference:

QUESTION 8

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: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 9

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 10

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 11

A financial institution (FI) has decided to revamp its compliance program to be more risk-based. Which option should the FI use as part of the new risk-based

compliance program?

- A. Leadership-based
- B. Predictive-based
- C. Transaction-based
- D. Data-based

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: https://www.ifc.org/wps/wcm/connect/e7e10e94-3cd8-4f4cb6f81e14ea9eff80/45464_IFC_AML_Report.pdf?MOD=AJPERES&CVID=mKKNshy

QUESTION 12

A recent anti-money laundering audit revealed several regulatory reporting violations and lapses with the organization's antimoney laundering policy. As a result, the compliance officer has created a followup 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 13

How can a 'free-look provision' as part of a life insurance policy help criminals to launder money?

- A. A policy owner can decide how to pay the premium within a pre-defined period.
- B. A policy owner is able to terminate the contract without penalties such as surrender charges.
- C. A policy owner has freedom to decide who the beneficiary of the policy will be and can in this way move money to a related third party.

D. A policy owner has freedom to decide who the beneficiary of the policy will be and can in this way move money to an unrelated third party.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 14

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 15

Based on studies executed by the Organization for Economic Cooperation and Development (OECD), which occupations are particularly vulnerable to the use of false identities and identity theft?

- A. Government officers
- B. Sea port officers
- C. Lawyers
- D. Laborers

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 16

According to recommendations from the FATF, what role does a country's Financial Intelligence Unit (FIU) play in safeguarding against money laundering?

- A. Analyzes data on STRs
- B. Assists the pursuit of criminal activity by producing suspicious transaction reports
- C. Generates currency transaction reports to send to the central bank
- D. Monitors monthly public statistics on the economy

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fatf-gafi.org/media/fatf/documents/recommendations/Guidance-PEP-Rec12-22.pdf> (23)

QUESTION 17

In which two ways do Financial Action Task Force-style regional bodies influence anti-money laundering and terrorist financing standards within their respective regions? (Choose two.)

- A. They issue typologies specific to their geographical region.
- B. They administer mutual evaluations of participating members.
- C. They enforce the laws of the member countries in their geographic region.
- D. They require participating countries to adopt laws in line with their recommendations.

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 18

A financial institution (FI) is being investigated for possible money laundering. When cooperating with law enforcement agencies, which additional steps should the FI ensure are taken? (Choose two.)

- A. Centralized control is maintained over all requests and responses to ensure completeness and timely responses.
- B. Make employees, including corporate officers, unavailable for interviews and refuse documents upon receipt of a subpoena.
- C. Subpoenas and other information requests should be reviewed by senior management and an investigations group or counsel.
- D. Address the document destruction policy to ensure the relevant documents are destroyed.
- E. Inquiries from the media are not answered directly, but rather are addressed by replying, "No comment."

Correct Answer: AE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 19

A director of a financial institution was convicted of laundering money as part of a Ponzi scheme and terminated. As a result of an internal investigation evidence proved that an employee assisted in the illegal activity. Which action should the institution take?

- A. Discipline the employee with no further action
- B. Discipline the employee and inform local authorities
- C. Since the employee was not charged, no further action is required
- D. Require all employees to complete additional anti-money laundering training

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 20

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 businesses with illicit funds

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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

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

A foreign politically exposed person (PEP) requests to add a beneficiary to a life 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 23

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:

Explanation:

Reference: [https://www.fatf-gafi.org/media/fatf/documents/brochuresannualreports/FATF30-\(19892019\).pdf](https://www.fatf-gafi.org/media/fatf/documents/brochuresannualreports/FATF30-(19892019).pdf)

QUESTION 24

Which steps should a financial institution (FI) take after receiving a request from law enforcement to keep an account open due to a criminal investigation? (Choose three.)

- A. Inform the customer that the account is under investigation by law enforcement.
- B. Ask for written documentation of the request.
- C. Freeze the account to prevent the customer from transferring the funds out.
- D. Maintain documentation of such requests for at least five years after the request has expired.
- E. Ensure that the request indicates the duration for the request.
- F. File a SAR/STR based on the law enforcement request.

Correct Answer: BDE

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fincen.gov/resources/statutes-regulations/guidance/requests-law-enforcementfinancial-institutionsmaintain>

The Financial Crimes Enforcement Network (FinCEN) is issuing the following guidance for financial institutions with account relationships that law enforcement may have an interest in ensuring remain open notwithstanding suspicious or potential criminal activity in connection with the account.¹ Ultimately, the decision to maintain or close an account should be made by a financial institution in accordance with its own standards and guidelines. Although there is no requirement that a financial institution maintain a particular account relationship, financial institutions should be mindful that complying with such a request may further law enforcement efforts to combat money laundering, terrorist financing, and other crimes.

QUESTION 25

One of the red flags of microstructuring is:

- A. depositing sequentially numbered checks.
- B. check deposits followed by ATM withdrawals using debt card in retail store.
- C. single activity in an account immediately following the opening of the account.
- D. frequent visits to make cash deposits of nominal amounts.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.acamstoday.org/developing-terrorist-financing-typologies-for-aml-programs/>

QUESTION 26

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 who 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:

Explanation:

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

QUESTION 27

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 28

What is an example of a legal risk a financial institution (FI) could face if it is sanctioned for failure to report suspected fraud activity?

- A. Foreign correspondents could terminate their relationships with the sanctioned bank.
- B. Clients of the bank might draw down the reserves of the bank and lead to liquidity issues.
- C. The bank could be forced to reimburse the victims of the fraudster for the losses suffered.
- D. The bank could see higher default rates on loans granted to companies owned by the fraudster.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 29

An employee of a financial institution (FI) receives an email from a client directing the employee to transfer funds from the client's account to another account overseas. The bank employee complies, but later, the FI discovers the email did not come from the client. Which type of cyber-enabled crime occurred?

- A. Phishing
- B. Spear phishing
- C. Spoofing
- D. Ransomware

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://digitalguardian.com/blog/what-is-spear-phishing-defining-and-differentiating-spearphishing-and-phishing>

A DEFINITION OF SPEAR-PHISHING

Spear-phishing is a targeted attempt to steal sensitive information such as account credentials or financial information from a specific victim, often for malicious reasons. This is achieved by acquiring personal details on the victim such as their friends, hometown, employer, locations they frequent, and what they have recently bought online. The attackers then disguise themselves as a trustworthy friend or entity to acquire sensitive information, typically through email or other online messaging. This is the most successful form of acquiring confidential information on the internet, accounting for **91% of attacks**.

QUESTION 30

An incoming urgent international wire transfer in U.S. dollars has been identified by the sanctions screening team. The transaction is a large rounded amount and the name of the beneficiary is “North Korean Cigars Company” with an address in an industrial zone in Tianjin, China. Which action should the sanctions team take?

- A. Hold the transaction and investigate the company before releasing the funds
- B. Block the transaction immediately because it contains a reference to North Korea
- C. Call the correspondent bank and ask if it has performed due diligence on the originator
- D. Release the transaction so that the Chinese correspondent bank will not be negatively impacted

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 31

Which trading pattern may be indicative of money laundering in capital markets?

- A. Free of payment asset transfer
- B. Remittance of a round dollar amount

- C. Trading on an account
- D. Transacting with multiple counterparties

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fatf-gafi.org/media/fatf/documents/reports/ML%20and%20TF%20in%20the%20Securities%20Sector.pdf>

QUESTION 32

When a financial institution (FI) receives a court production order from law enforcement, it should:

- A. be responsive and provide pseudonymized customer information to make sure it's compliant with data privacy regulations.
- B. be responsive, provide customer information and be able to provide information from branches and subsidiaries if necessary.
- C. raise this matter with the Data Protection Officer to ask for data exchange approval prior to sharing the customer's personal data with the law enforcement.
- D. raise this matter with the Board to ask for data exchange approval and include corporate lawyers to make sure there is a legal basis for such exchange.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 33

Which two methods can be used to structure casino-related transactions? (Choose two.)

- A. Playing at the same game
- B. Purchase of chips at multiple gaming tables
- C. Use of third parties to conduct transactions
- D. One time deposit of cash at a single gaming machine

Correct Answer: BC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 34

What core objective does the Egmont Group suggest would lead to an effective national Financial Intelligence Unit (FIU)?

- A. The FIU must operate from physically separated premises from other law enforcement agencies and government offices.
- B. The FIU meets the Egmont Group assessment criteria.
- C. The FIU must have absolute trust amongst national and international stakeholders before sensitive information will be exchanged with confidence.
- D. The FIU must be able to promote the value of the government's commitment to embed a corruption free society within the country.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.elibrary.imf.org/view/books/069/02365-9781589063495-en/ap01.xml>

QUESTION 35

One key aspect of promoting an enterprise-wide compliance culture within a financial institution (FI) is that the:

- A. first line of defense should establish its own policies independently.
- B. revenue generating business sectors should have precedence over compliance.
- C. relevant information should be shared throughout the organization.
- D. cost of compliance should increase proportionately to revenues.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: https://www.ifc.org/wps/wcm/connect/e7e10e94-3cd8-4f4c-b6f8-1e14ea9eff80/45464_IFC_AML_Report.pdf?MOD=AJPERES&CVID=mKKNshy (51)

QUESTION 36

Since its last regulatory examination, a financial institution has aggressively grown by adding profitable new products and services. The institution has not historically received regulatory criticism regarding its anti-money laundering compliance program. However, a recent regulatory examination cited significant deficiencies in the anti-money laundering program that were attributed primarily to the lack of oversight by the institution's leadership in implementing adequate controls over the new products and services.

Which area of international control should leadership first address to correct the weaknesses in the program?

- A. Anti-money laundering training
- B. Anti-money laundering policy
- C. Money laundering risk assessment
- D. Anti-money laundering compliance staff

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 37

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 38

Based on the USA PATRIOT Act, what action might the US take to demonstrate extraterritorial reach?

- A. Send requests for information to a non-US based financial institution (FI)
- B. Hand over potential penalties from the US to another government
- C. Freeze U. S. accounts that contain funds from the non-US FI
- D. Initiate a lawsuit in the home country of the non-US FI

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.congress.gov/107/plaws/publ56/PLAW-107publ56.htm>

QUESTION 39

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 liability 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 the 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 40

A precious metals dealer opens a new account with a bank. Which requires a referral to AML Investigations for further review?

- A. International outgoing wires to diamond dealers that are part of the diamond pipeline.
- B. Payments received on the account reference unknown companies in the instructions.
- C. International incoming payments from foreign companies in which the precious metals dealer has an established relationship.
- D. Multiple daily point of sale transactions from third parties that appear to be individuals.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.imf.org/external/pubs/ft/tnm/2014/tnm1401a.pdf>

QUESTION 41

Which location provides a law enforcement investigator the best opportunity for a productive investigative interview of a suspect?

- A. The residence of the suspect
- B. The office or work location of the suspect
- C. A neutral location such as a coffee shop or restaurant
- D. An interview room in the offices of a law enforcement agency

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 42

What national agency is responsible for analyzing and assessing the information it receives to substantiate possible existence of money laundering or terrorist financing activities?

- A. The Financial Intelligence Unit (FIU)
- B. FATF
- C. The Basel Committee
- D. The Wolfsberg Group

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: https://www.fatf-gafi.org/media/fatf/content/images/National_ML_TF_Risk_Assessment.pdf

QUESTION 43

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: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 44

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 a 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 45

Which scenario should be escalated as potentially suspicious activity?

- A. A retail chain deposits cash into several operating accounts and consolidates the funds into one account.
- B. A domestic business account receives a wire transfer from an international business with no history of such activity or business needs.
- C. A convenience store makes daily deposits or withdrawals primarily in cash.
- D. A corporate account deposits large checks and wire transfers on a frequent basis from existing customers.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.utica.edu/academic/institutes/ecii/conferences/Conducting%20a%20Money%20Laundering%20Investigation%20-%20C%20King.pptx>

QUESTION 46

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: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 47

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, if 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 48

Which statement identifies one of the duties of a government Financial Intelligence Unit?

- A. It serves as the central agency for the receipt of disclosures filed by reporting entities.
- B. It administers and enforces economic and trade sanctions based on a government's foreign policy and national security goals.
- C. It supervises and regulates banking institutions to ensure the safety and soundness of the nation's banking and financial system.
- D. It prosecutes suspected money launderers and terrorist financiers based on financial institution suspicious transaction report filings.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <http://fiu.gov.dm/about-us/functions-and-responsibilities>

QUESTION 49

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 50

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 51

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:

Explanation:

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

QUESTION 52

A large international bank has detected potentially suspicious activity in one of its customer accounts. Following an investigation, the bank has determined the activity to be typical of suspected money laundering.

To which entity should this activity be reported on a suspicious transaction report according to Financial Action Task Force?

- A. National Security Council
- B. Financial Intelligence Unit
- C. Local law enforcement agency

D. Federal law enforcement agency

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 53

An auction house dealing in fine art and antiques sells a well-known painting at a price of \$12 million to an agent bidding for a group of local investors. The same painting sold ten years prior at auction for \$5 million. The auction house receives payment for the painting via wire transfer from an account maintained in an offshore jurisdiction by the investor group. No beneficial ownership information is available for the account.

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

- A. The payment is received via wire transfer.
- B. An agent bids on the painting for a group of investors.
- C. The painting has more than doubled its value in ten years.
- D. Payment is received from an account in an offshore jurisdiction.
- E. Lack of beneficial ownership details for the originating account.

Correct Answer: BE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 54

Which statement about a multinational institution's ability to fully investigate unusual activity in all its foreign operations is correct?

- A. Local privacy and data protection laws may prevent an affiliate from sharing information.
- B. Certain account documents may be stored only in local language which will prohibit a global assessment.
- C. The institution should consult with the customer and request permission to conduct a full investigation into all the accounts.
- D. Enterprise-wide compliance oversight rules issued in the global institution's headquarters country will override any local limitations in other countries.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 55

Which is the first valid step in the Mutual Legal Assistance Treaties (MLAT) international cooperation process?

- A. The central authority that receives the request sends it to a local judicial officer to find out if the information is available.
- B. The central authority of the requesting country sends a commission letter of request to the central authority of the other country.
- C. The investigator may remove the evidence collected without asking permission to do so.
- D. An investigator from the requesting country visits the country where the information is sought and takes statements from the identified witnesses or suspects.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: https://www.unodc.org/documents/organized-crime/Publications/Mutual_Legal_Assistance_Ebook_E.pdf

QUESTION 56

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:

Explanation:

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

QUESTION 57

Under the Egmont Group Principles, information exchange among Financial Intelligence Units (FIUs) is conducted:

- A. without the expectation of reciprocity on how the information will be used.
- B. freely, spontaneously, and upon request, on the basis of reciprocity.
- C. only if the status of the foreign FIU is related to law enforcement.
- D. with set limits on the amount of financial and administrative information provided.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://egmontgroup.org/en/content/financial-intelligence-units-fius>

QUESTION 58

Who has the day-to-day responsibility of communicating and reinforcing the established anti-money laundering compliance culture and program?

- A. Business lines
- B. Senior management
- C. Board of directors
- D. Compliance officer



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: http://files.acams.org/pdfs/English_Study_Guide/Chapter_4.pdf

QUESTION 59

The ultimate goal of economic sanctions is to:

- A. protect the reputation of the country.
- B. prevent terrorists from profiting from trade.
- C. protect national security.
- D. reduce the profits of sanctioned countries.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.investopedia.com/articles/economics/10/economic-sanctions.asp>

Sanctions Can Take Many Forms

A sanction can be exercised in several ways. These include:

- **Tariffs** – Taxes imposed on goods imported from another country.
- **Quotas** – A limit on how many goods can be either imported from another country or sent to that country.
- **Embargoes** – A trade restriction that prevents a country from trading with another. For example, a government can prevent its citizens or businesses from providing goods or services to another country.
- **Non-Tariff Barriers (NTBs)** – These are non-tariff restrictions on imported goods and can include licensing and packaging requirements, product standards and other requirements that are not specifically a tax.
- **Asset freezes or seizures** – Preventing assets owned by a country or individual from being sold or moved.

QUESTION 60

In the summer, an institution identifies anti-money laundering concerns regarding a customer's account activity. The customer, an ice cream parlor, 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 61

An organization uses an automated surveillance system that generates a very large volume of antimoney laundering alerts.

The monthly volume of alerts has increased over the last year causing the compliance staff to fall significantly behind reviewing the alerts. As a result, the system settings are under review to determine if they are appropriate.

Which action should be included in the evaluation of system settings?

- A. Compare settings to organizations within its peer group
- B. Flag filters with no history of generating an alert for removal
- C. Review parameter settings based on the latest risk assessment
- D. Calibrate parameters based on staffing capabilities to clear alerts

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 62

What is the main role of the Egmont Group in combating money laundering and terrorist financing?

- A. To establish regulations that countries must use when establishing their own FIUs
- B. To find ways that FIUs can better cooperate amongst themselves and exchange information
- C. To require that all countries participate in a global repository for the sharing of information
- D. To create standards that countries can use when drafting laws to combat money laundering and terrorist financing

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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

QUESTION 63

A bank has opened a new account for a well-known attorney to manage client funds. During the first six months, bank staff observe the account receives multiple deposits via wire transfer. They also observe that the attorney withdraws cash, makes payments to various people, and transfers funds to the law firm's account online.

What is considered a red flag for potential money laundering in this situation?

- A. Withdrawing cash
- B. Making payment to various people
- C. Receiving multiple deposits via wire transfer
- D. Transferring funds to his law firm's account online

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 64

A Money Laundering Reporting Officer (MLRO) was aware that a strategically important client of the bank was sending money to human traffickers. However, the MLRO did not report the activity to law enforcement or move to exit the relationship. What is the legal term for the activity the MLRO engaged in?

- A. Avoidance
- B. Circumvention
- C. Negligent conduct
- D. Willful blindness

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.moneylaunderingnews.com/2018/08/the-bsa-civil-penalty-regime-recklessconduct-can-result-inwillful-penalties/>

Under the Bank Secrecy Act ("BSA"), the most onerous civil penalties will be applied for "willful" violations. That mental state standard might sound hard for the government to prove. For example, in criminal and civil tax fraud cases under the Internal Revenue Code, "willfulness" is defined to mean a voluntary and intentional violation of a known legal duty – a very demanding showing. But as we will discuss, two very new court opinions discussing a required BSA filing – a Form TD F 90-22.1, or Report of Foreign Bank and Financial Accounts, otherwise known as a FBAR – remind us that, under the BSA, a "willful" violation does not require proof of actual knowledge. A "willful" BSA violation only needs to be reckless, and the government can prove it through the doctrine of "willful blindness" or "conscious avoidance."

QUESTION 65

Which two mechanisms should be implemented to assist with cross-border money laundering investigations? (Choose two.)

- A. Countries should request Interpol to provide the required information.
- B. Countries should ensure that information received is protected from unauthorized disclosure.
- C. Countries should establish mechanisms allowing financial investigators to obtain and share information in respect of specific investigations.
- D. Countries should conduct separate investigations to ensure information is not unintentionally disclosed without the appropriate legal approval.

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 66

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 them 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 67

Which are social/economic consequences of money laundering? (Choose two.)

- A. Civil war
- B. Weakening financial institutions
- C. Increase in corruption and organized crime
- D. Increase in tax revenue
- E. Weakening of the country's infrastructure

Correct Answer: BC

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fatf-gafi.org/faq/moneylaundering/#:~:text=As%20for%20the%20potential%20negative,and%20exchange%20rates%20due%20to>

QUESTION 68

What might limit a compliance officer's ability to respond to a foreign law enforcement official's request to provide information with regard to an anti-money laundering investigation?

- A. Privacy and data protection laws in the compliance officer's country
- B. Whether there is a mutual legal assistance treaty between the countries of the compliance officer and the law enforcement official
- C. Whether the request has been processed by the foreign law enforcement official's embassy in the compliance officer's country
- D. Anti-money laundering laws that require the confidential treatment of Suspicious Transaction Reports in the law enforcement official's country

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 69

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: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 70

What are two purposes of the USA PATRIOT Act? (Choose two.)

- A. To strengthen United States' measures to prevent, detect, and prosecute international money laundering and financing of terrorism
- B. To subject to special scrutiny foreign jurisdictions, foreign financial institutions, and classes of international transactions or types of accounts that are susceptible to criminal abuse
- C. To administer and enforce economic and trade sanctions based on United States foreign policy and national security goals against targeted foreign countries and regimes, terrorists, and international narcotics traffickers
- D. To set standards and promote effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system

Correct Answer: AB

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.dni.gov/index.php/who-we-are/organizations/ise/ise-archive/ise-additionalresources/2116-usapatriot-act>

QUESTION 71

A bank provides trade financing for a company whose primary export is steel.

Which action by the company indicates possible money laundering?

- A. The company often deals with foreign currency exchanges.
- B. The company regularly understates the value of goods exported.
- C. The company frequently sells above or below its competitors' price.
- D. The company frequently transfers funds to other bank accounts located in other jurisdictions.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 72

A client who owns a swimming pool company requests to open 19 accounts at a bank, each with a debit card for its swimming pool technicians. When asked about the purpose of each account, the client explains that each technician needs a separate checking account to purchase pool chemicals. Which available source could be used in the bank's internal investigation on this client's activities?

- A. Client's credit bureau report
- B. Local law enforcement investigation report
- C. Interview swimming pool technicians and chemical suppliers
- D. Internet search showing how such business are typically operated



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 73

A compliance officer at a large financial institution has been tasked by senior management to lead a team in an internal review and potential revision of the institution's customer onboarding program following a regulatory enforcement action of another institution. Which step should the compliance officer perform first?

- A. Reviewing the institution's risk assessment
- B. Revising training materials for frontline staff
- C. Conducting enhanced due diligence on high risk customers

D. Resolving substantive discrepancies in customer verification

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 74

A financial institution's (FI's) compliance officer is developing targeted role specific training for those involved in managing the institution's Correspondent Banking relationships. Which key messages are important to be included in the training to align with the Wolfsberg Group's Principles? (Choose two.)

- A. Funds used in the financing of terrorism and associated activities do not necessarily always come from criminal activity.
- B. The respondent has sole responsibility for reporting suspicious activities regardless of the jurisdictions involved.
- C. The correspondent and the respondent pose the same risk to each other so the level of due diligence would be the same.
- D. Tier 1 banks can be subject to simplified due diligence provided enhanced due diligence is undertaken on the Directors.
- E. Through the sharing of information, FI's can help combat and fight against terrorism.

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.wolfsberg-principles.com/sites/default/files/wb/Wolfsberg-CorrespondentBanking-Principles-2014.pdf>

QUESTION 75

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 76

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:

Explanation:

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=gZzA0Ey5nB&sig=ACfU3U29fq8lwYh08XqdR1X7sWSISySPZw&hl=en&sa=X&ved=2ahUKEwiHwKHTjlvmAhWqwzgGHfW_AToQ6AEwC3oECAkQAQ#v=onepage&q=What%20are%20the%20regulatory%20risks%20to%20a%20bank%20employee%20who%20willfully%20violates%20antimoney%20laundrying%20laws&f=false

QUESTION 77

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 78

When a financial institution (FI) is requested to provide data and information to a law enforcement agency for matters related to financing of terrorism, assistance:

- A. can be refused on the ground of bank secrecy.
- B. cannot be refused on the ground of bank secrecy.
- C. can be refused on the ground of tipping-off.
- D. cannot be refused on the ground of tipping-off.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: https://www.fatf-gafi.org/media/fatf/documents/reports/AML_CFT_Measures_and_Financial_Inclusion_2013.pdf

QUESTION 79

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 80

A Trust and Company Service Provider (TCSP) providing services should have policies and procedures in place to identify critical information of the:

- A. general manager.
- B. signatory.
- C. controller.
- D. registered address.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fatf-gafi.org/media/fatf/documents/reports/RBA-Trust-Company-ServiceProviders.pdf>

QUESTION 81

An institution receives a request for credit from a local company that has been a client for many years. The information provided by the company indicates that its assets have increased substantially with the addition of several new subsidiaries.

Further research performed by the institution indicates the new subsidiaries are recently created shell companies.

Could this indicate potential money laundering?

- A. No, the company has been a client for many years.
- B. Yes, shell companies are typically created to manage tax liabilities.
- C. No, it is normal for a business to diversify by creating shell companies.
- D. Yes, the shell companies could have been created to hide beneficial ownership.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 82

Which two steps should a financial institution take when it receives a law enforcement request to keep an account open that may be associated with suspicious or criminal activity? (Choose two.)

- A. File a suspicious transaction report on the account owner(s)
- B. Maintain account records for at least five years after the request expires
- C. Ask for a written request from the law enforcement agency that defines the duration

D. Stop filing suspicious transaction reports because law enforcement will be monitoring the account

Correct Answer: BC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 83

Which are common types of economic sanctions? (Choose three.)

- A. Targeted sanctions
- B. Technological sanctions
- C. SWIFT network sanctions
- D. Sectoral sanctions
- E. Supervisory sanctions
- F. Comprehensive sanction

Correct Answer: ACF

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.cfr.org/background/what-are-economic-sanctions>



Summary

- Sanctions have become one of the most favored tools for governments to respond to foreign policy challenges.
- Sanctions can include travel bans, asset freezes, arms embargoes, and trade restrictions.
- The United States has more than two dozen sanctions regimes: some target specific countries such as Cuba and Iran, others are aimed at curbing activities including terrorism and drug trafficking.

QUESTION 84

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:

Explanation:

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

QUESTION 85

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 86

A foreign bank maintains a correspondent account in the US. According to an investigation carried out by US authorities, the specific correspondent account seems to have facilitated a transaction involving tainted funds. Which allows the US authorities to seize the funds of the foreign bank held with the US bank?

- A. The FinCEN CDD Final Rule
- B. The 6th EU AML Directive
- C. Regulations of the OFAC, US Department of Treasury
- D. The USA PATRIOT Act

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fincen.gov/fact-sheet-section-312-usa-patriot-act-final-regulation-and-noticeproposed-rulemaking>

Overview

Section 312 of the USA PATRIOT Act requires U.S. financial institutions to perform due diligence and, in some cases, enhanced due diligence, with regard to correspondent accounts established or maintained for foreign financial institutions and private banking accounts established or maintained for non-U.S. persons. The final rule issued today implements the general due diligence requirements pertaining to foreign financial institutions as well as the due diligence and enhanced scrutiny requirements pertaining to private banking accounts. The notice of proposed rulemaking addresses the enhanced due diligence requirements pertaining to correspondent accounts maintained for certain foreign banks.

I. International Correspondent Banking Provisions

General Due Diligence – the Final Rule

The final rule implementing section 312 requires certain U.S. financial institutions to apply due diligence to correspondent accounts maintained for certain foreign financial institutions.

QUESTION 87

Which should be provided to the board of directors or designated specialized committee when reporting SARs/STRs?

- A. All possible details of SARs/STRs filed during the reported period.
- B. Statistical data regarding SARs/STRs filed during the reported period.
- C. Names of all customers subject to SARs/STRs filed during the reported period.
- D. Copies of all SARs/STRs filed during the reported period.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fia.tc/wp-content/uploads/2018/04/FIA-SARGUIDE-0515-1.0.pdf>

QUESTION 88

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:

Explanation:

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

QUESTION 89

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:

Explanation:

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

QUESTION 90

In reviewing recent transaction activity, a compliance officer for a money transmitter notices 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 future
- C. Conduct further investigation to determine whether this is truly suspicious activity
- D. Immediately contact the customers and ask them why they are remitting money more often

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 91

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:

Explanation:

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

QUESTION 92

What can a compliance officer do in the absence of automated software to conduct U.S. Department of the Treasury Office of Foreign Assets Control (OFAC) sanction screens?

- A. Rely on a credit report from OFAC
- B. Conduct a key-word search on the Internet
- C. Use the consolidated Sanctions List Search screen on the OFAC website
- D. Obtain up-to-date copies of the OFAC's Specially Designated Nationals list

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

**QUESTION 93**

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.
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.
- C. 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: AC

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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

QUESTION 94

After a FATF mutual evaluation process, which are resulting actions for jurisdictions that are determined to have strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing? (Choose two.)

- A. Expect private statements from FATF regarding the level of compliance of the jurisdiction, when insufficient progress is made.
- B. Appeal to FATF for a technical compliance re-rating based on the jurisdiction's own experts criteria.
- C. Demonstrate a high-level commitment to swiftly resolve the identified deficiencies in the FATF mutual evaluation report.
- D. Request FATF for an extension of deadlines in order to provide local awareness on the improvements that are necessary to solve the deficiencies.
- E. Report to FATF on the implementation of their progress under the enhanced follow-up mechanism.

Correct Answer: CE

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increasedmonitoring-june-2021.html>

QUESTION 95

Which customer action would an insurance company consider to be a red flag for money laundering?

- A. Concern over the cancellation of the policy
- B. Lack of concern about the cost of the policy
- C. Repayments are consistent with the source of income
- D. Identifying beneficiaries of the policy

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://complyadvantage.com/knowledgebase/anti-money-laundering-insurance-sector/>

Key points for insurers to consider for their sanctions compliance policy include:

- **Risk-based:** Firms must select sanctions watchlists that align with the risk presented by their customers and the jurisdictions in which they operate.
- **Ongoing screening:** Firms must ensure that their sanctions program screens customers on an ongoing basis to accommodate changes in risk profiles.
- **Confirmation process:** When a customer is matched to a sanctions list, firms should have a process in place to confirm that customer's identity and inclusion on the list.
- **Error detection:** Sanctions programs should have fail-safe measures to catch employee errors or even deliberate attempts to circumvent the screening process.

QUESTION 96

The new compliance officer has reviewed the bank's anti-money laundering training program. The program consists of online training for all new employees within 30 days of hire date and annual refresher training to all employees. In addition, there is specialized training for areas that deal with higher risk products and customers.

Over the last year, there have been no regulatory changes and no new products or services have been introduced. The compliance officer wants to propose to the board of directors that the annual refresher training is still current and can be delivered unchanged to all employees.

Which two critical pieces of information could be missed by taking this approach? (Choose two.)

- A. Any new trends, developments, or risks
- B. Results of the previous year's risk assessment
- C. Changes to internal policies, procedures, and processes
- D. Links to enforcement actions identifying violations in other financial institutions

Correct Answer: BC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 97

Which product is considered to be of highest money laundering risk?

- A. Credit cards
- B. Savings accounts
- C. Time deposit accounts
- D. International wire transfers

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 98

What person or group is ultimately responsible for the institution's AML/CFT Program?

- A. The AML audit committee
- B. The AML/CFT Compliance Officer
- C. The Chief Executive Officer (CEO)
- D. The Board of Directors

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.sbp.org.pk/bprd/2020/C5-Annex.pdf> (13)



QUESTION 99

How can gatekeepers like lawyers, notaries, and company service providers play a key role in the fight against money laundering?

- A. Identifying challenges in keeping current and accurate beneficial ownership information depending upon the nature and activities of their client
- B. Facilitating tax optimization schemes by establishing trust and company structures in offshore locations
- C. Providing a public fiduciary function by performing the role of trusted third parties
- D. Implementing an internal AML program, which includes the detection and reporting of suspicious transactions

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: https://www3.weforum.org/docs/WEF_Gatekeepers_A_Unifying_Framework_2021.pdf

QUESTION 100

Which is the main objective when a financial institution (FI) conducts an investigation?

- A. Keep policies and procedures updated
- B. Keep all the documentation
- C. Know the customer
- D. Track the movement of the money

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 101

A compliance officer of a financial institution (FI) is reviewing an international wire transfer flagged by the system for incomplete beneficiary information. According to the Wolfsberg Group and Clearing House Associations' transparency standards, which should the compliance officer do first?

- A. Confirm the beneficiary and account number
- B. Request to obtain further information
- C. Escalate to management
- D. Verify the source of the funds involved

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: [https://ro.uow.edu.au/cgi/viewcontent.cgi? referer=&httpsredir=1&article=4643&context=theses](https://ro.uow.edu.au/cgi/viewcontent.cgi?referer=&httpsredir=1&article=4643&context=theses) (93)

QUESTION 102

The findings of an internal audit discover that a large group of employees do not know how to handle Politically Exposed Persons (PEPs). Which is the next course of action that should be taken?

- A. Create a company-wide training program.
- B. Revamp the compliance program to better identify PEPs.

- C. Ensure all new-hire individuals have in-depth knowledge of PEPs.
- D. De-risk all PEPs from the financial institution (FI) to ensure compliance.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.acamstoday.org/all-politically-exposed-persons-are-local/>

The term "politically exposed person" generally includes a current or former senior foreign political figure, their immediate family and their close associates. Interagency guidance issued in January 2001 offers banks resources that can help them to determine whether an individual is a PEP. More specifically:

- A "senior foreign political figure" is a senior official in the executive, legislative, administrative, military or judicial branches of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a senior foreign political figure includes any corporation, business, or other entity that has been formed by, or for the benefit of, a senior foreign political figure.
- The "immediate family" of a senior foreign political figure typically includes the figure's parents, siblings, spouse, children and in-laws.
- A "close associate" of a senior foreign political figure is a person who is widely and publicly known to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior foreign political figure.

QUESTION 103

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 104

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:

Explanation:

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

QUESTION 105

Which safeguard is in place for Financial Intelligence Units (FIUs) to share information securely according to Egmont?

- A. A computer with access to the Egmont Secure Web is accessible to all members of the FIU.
- B. Information sharing is conducted according to processes contained in Memoranda of Understanding.
- C. Intelligence is shared via messaging applications.
- D. Investigators are allowed to request information from a foreign FIU directly.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.elibrary.imf.org/view/books/069/02365-9781589063495-en/ap01.xml>

QUESTION 106

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 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 107

How can violations of anti-money laundering laws be a risk to individuals?

- A. Violations can result in civil and criminal fines and penalties against the individuals.
- B. Violations can result in additional legislation that the individuals have to comply with.
- C. Violations can result in enforcement actions that damage the reputation of the individual's employer.
- D. Violations can result in additional and more stringent anti-money laundering training for individuals.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 108

Which is a red flag for funds transfers?

- A. Funds transfers are received in numerous small quantities from entities that are in related industries.
- B. Funds transfers are repeatedly sent to the same beneficiary out of line with the business purpose.

- C. Funds transfers are repetitive and within expected patterns.
- D. Funds transfers are to a higher-risk geographic location with a known supplier within the same industry as the originator.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fmu.gov.pk/docs/Red-flags-for-banks.pdf>

QUESTION 109

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: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 110

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 funneled 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 111

An anti-money laundering analyst is reviewing a new customer list to confirm potentially high risk customers have been identified and subject to enhanced due diligence.

Which new customer warrants enhanced due diligence?

- A. A non-profit hospital
- B. A fundraising organization
- C. An employee benefit plan trust
- D. A medical practice limited partnership

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 112

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
- C. Encourage the teller to bring in more business from the ethnic community
- 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 113

Why do organized crime groups often use front companies? (Choose two).

- A. Because they are not registered, front companies are not subject to income and other sales taxes.
- B. Because using multiple front companies can make it easier to control an entire sector of the economy.
- C. Because they are generally subject to lighter due diligence requirements by banks and other financial services providers.
- D. Because front companies generally charge higher prices than legitimate companies, so profit margins are higher.
- E. Because they can use the company's bank accounts to commingle deposits with those of legal businesses.

Correct Answer: CE

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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

A **front organization** is any entity set up by and controlled by another organization, such as intelligence agencies, organized crime groups, terrorist organizations, secret societies, runaway slaves, banned organizations, religious or political groups, advocacy groups, or corporations. Front organizations can act for the parent group without the actions being attributed to the parent group thereby allowing them to hide from public view.

Front organizations that appear to be independent voluntary associations or charitable organizations are called **front groups**. In the business world, front organizations such as **front companies** or shell corporations are used to shield the parent company from legal liability. In international relations, a **puppet state** is a state which acts as a front (or surrogate) for another state.

QUESTION 114

The board of directors receives notice from the primary regulator of the bank that potentially suspicious activity has been identified and the bank president appears to be involved. The Board asks the compliance officer for advice. Which action should the compliance officer take when informed?

- A. Destroy all records relating to the matter
- B. Insist on the president's immediate resignation
- C. Inform the bank's legal counsel and follow their instructions
- D. Inform the president of the regulator's suspicions and ask for his advice

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 115

A company service provider in Country A sets up a corporate structure for a client from Country B, which is known for corruption. The corporate structure includes a holding company in Country A with a bank account in one of the international banks located there. During on-boarding, the client's wealth was estimated at \$7.52 million. Shortly thereafter, the client's father became president of Country B. During a routine client review two years later, it was identified that client's wealth had grown to \$510 million. What are two red flags that indicate money laundering or financial terrorism? (Choose two.)

- A. The client's account has not been reviewed for two years.
- B. During a routine client review two years later, it was identified that client's wealth had grown to \$510 million.
- C. The client is a family member of a PEP from a country known for corruption.
- D. The substantial growth in wealth during a short period of time.
- E. The holding company is in Country A with a bank account in one of the international banks.

Correct Answer: BC

Section: (none)

Explanation

Explanation/Reference:

Explanation:

High-risk: The risks here are significant, but are not necessarily prohibited. To mitigate the heightened risk presented, the financial institution should apply more stringent controls to reduce the ML/FT risk, such as conducting enhanced due diligence and more rigorous transaction monitoring. Countries that maintain a reputation for corruption or drug trafficking are generally considered high-risk. High-risk customers may include politically exposed persons (PEPs) or certain types of money services businesses or cash-intensive businesses; high-risk products and services may include correspondent banking and private banking.

QUESTION 116

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:

Explanation:

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

QUESTION 117

An EU Trust and Company Service Provider (TCSP) analyst notices some unusual activity while looking through a customer's financial statements and detailed general ledger. The customer is in the business of importing and exporting machineries. Which transaction indicator warrants further escalation to the compliance officer?

- A. Inter-company loans from the holding company to the subsidiary company to finance the shipment of machinery.
- B. The payment of virtual offices services overseas.
- C. The payment of consultancy fees to unrelated companies and service providers established in a foreign jurisdiction.
- D. The payment of company secretarial retainer fees to a foreign company in a tax efficient jurisdiction.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 118

A compliance officer is tasked with implementing an enterprise-wide anti-money laundering program for a bank, which operates in multiple countries. Not all the bank products and services are available in all countries.

Which three factors should be considered as part of the approach? (Choose three.)

- A. The types of customers serviced by the bank
- B. The customer onboarding platform that will be used
- C. The extent of anti-money laundering regulations in the various countries
- D. The anti-money laundering risk posed by the products and services offered by the bank
- E. The amount of resources needed to implement the anti-money laundering program in the countries

Correct Answer: BCD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 119

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 120

Which statement best describes a key aspect of the AML Directive of the EU regarding business relationships and transactions with high-risk third countries?

- A. Obligated entities should voluntarily consider the implementation of increased external audit requirements for branches and subsidiaries located in high-risk countries.
- B. Obligated entities, in accordance with the member state regulations, should determine at a national level the measures that can be used for enhanced due diligence.
- C. Obligated entities should implement additional mitigating measures complementary to the enhanced customer due diligence procedures, in accordance with a risk based approach.
- D. Obligated entities should not take into account specific circumstances when performing enhanced due diligence measures.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.nortonrosefulbright.com/en/knowledge/publications/8f84c163/the-eus-fifth-antimoney-launderingdirective-a-regulatory-compliance-perspective>

The EDD measures prescribed by 5MLD are:

- obtaining additional information on the customer and on the beneficial owner(s).
- obtaining additional information on the intended nature of the business relationship.
- obtaining information on the source of funds and source of wealth of the customer and of the beneficial owner(s).
- obtaining information on the reasons for the intended or performed transactions.
- obtaining the approval of senior management for establishing or continuing the business relationship.
- conducting enhanced monitoring of the business relationship by increasing the number and timing of controls applied.
- selecting patterns of transactions that need further examination.

The above checks are considered a minimum set of requirements to be applied by all firms when dealing with high-risk third countries. To ensure compliance, firms will need to assess the EU's list of these designated countries and update their due diligence processes.

QUESTION 121

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 122

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 123

A potential client calls a broker-dealer wishing to purchase securities. The client does not appear to be concerned with any fees associated with the account or price of the securities. Further information provided by the potential client indicates the individual may have relatives working for a company in which the potential client wants to invest. Which type of activity is the potential client attempting to commit?

- A. Transfer of value to relatives
- B. Usage as a deposit account
- C. Usage of insider information
- D. Transfer funds to a third-party



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.nasaa.org/wp-content/uploads/2021/10/1956-Uniform-Securities-Act-withNASAA-Updates-and-Commentary.pdf> (2)

QUESTION 124

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 employees 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 125

Which action should financial institutions with cross border correspondent banking activity be required to perform according to the Financial Action Task Force 40 Recommendations?

- A. Gather a list of their politically exposed customers
- B. Identify natural persons who own or control more than 5%
- C. Obtain senior management approval before establishing the relationship
- D. Obtain a third party independent review of the respondent's anti-money laundering program

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: [https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF% 20Recommendations%202012.pdf\(15\)](https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf(15))

QUESTION 126

A SAR/STR should be filed when the accountable institution identifies that:

- A. a customer makes a cash deposit in round dollars.
- B. cash transactions have values which avoid reporting thresholds.
- C. an alert is generated by a transaction monitoring system.
- D. an employee is not clearing alerts in a timely manner.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: https://www.fdic.gov/regulations/examinations/supervisory/insights/siwin07/article03_connecting.html

An effective SAR narrative should clearly detail:

- Who conducted the suspicious activity
- What instruments or mechanisms were used to facilitate the suspect transaction(s)
- When the suspicious activity took place
- Where the suspicious activity took place
- Why you (the filer) think the activity was suspicious
- How or by what method of operation the suspicious activity took place

QUESTION 127

What is a method of placement that can be used by a money launderer in a deposit taking institution?

- A. Depositing cash into the money launderer's account
- B. Sending a large number of funds transfers between accounts
- C. Withdrawing large amounts of cash from the money launderer's account
- D. Depositing cashier's checks and money orders into the money launderer's account

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.investopedia.com/terms/m/moneylaundering.asp>

QUESTION 128

Enhanced due diligence (EDD) may be bypassed for which situation?

- A. On-boarding a branch or majority-owned subsidiary of an EU or US FI located in a high-risk third country that fully complies with group-wide policies and procedures.
- B. On-boarding a subsidiary in a high-risk country with a complex ownership structure of a longstanding and reputable customer based in the EU or US.
- C. On-boarding a casino headquartered in the EU or US that is part of an international hotel chain, provides less than 50% of overall revenue and that fully complies with group-wide policies and procedures.
- D. On-boarding a reputable Politically Exposed Person (PEP) from the EU onto the wealth management arm of a US financial institution (FI).

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.trulioo.com/blog/enhanced-due-diligence>

QUESTION 129

Which measure to mitigate risk does the Basel Committee's Customer Due Diligence Principles suggest banks apply when accepting business from non-face-to-face customers?

- A. Certification of documents presented
- B. Requiring an in person interview with the customer
- C. Imposing a limit on permissible account activity for a defined period of time
- D. Requiring additional review of account opening documents by senior management

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

Explanation:

Reference: <https://books.google.com.pk/books?id=gy8qBAAAQBAJ&pg=PA219&lpg=PA219&dq=measure+to+mitigate+risk+does+the+Basel+Committee+Customer+Due+Diligence+Principles+suggest+banks+apply+when+accepting+business+from+non-face-toface+customers&source=bl&ots=f52JnPYdW4&sig=ACfU3U2egwrWQj86a6eLQQ3Ew4EcR2bSVQ&hl=en&sa=X&ved=2ahUKEwid85bjmJzoAhWiwOYKHXYJBEQQ6AEwCnoECBQQAQ#v=onepage&q=measure%20to%20mitigate%20risk%20does%20the%20Basel%20Committee%20Customer%20Due%20Diligence%20Principles%20suggest%20banks%20apply%20when%20accepting%20business%20from%20non-face-toface%20customers&f=false>

QUESTION 130

Which is a key goal of EU Directives on money laundering?

- A. Establish a consistent regulatory environment across the EU to prevent money laundering
- B. Address control of payments in EU countries to reduce money laundering
- C. Allow member states to discuss the draft legislation with the cooperation of the EU Financial Intelligence Units (FIUs)
- D. Build a network of financial institutions (FIs) that work together to prevent money laundering across the EU

Correct Answer: A
Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://complyadvantage.com/knowledgebase/eu-anti-money-laundering-directive/>

Investment Concerns:

EU AML/CFT compliance trends are also affected by investors, with the recent trends of environmental, social, and governance (ESG) risk factors, and European geopolitical friction serving to drive investors away from certain financial institutions. The EC has responded to investor concerns by moving to integrate environmental considerations (such as 6AML's environmental crime designation) into financial regulation as a way to ensure that the EU remains in a position of global leadership.

QUESTION 131

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 132

The bank's Compliance Officer is tasked with designing standards based on Basel's KYC principles. Which essential elements should be included in the program? (Choose two.)

- A. Appointing an independent audit function
- B. Conducting a money laundering risk assessment
- C. Documenting a customer acceptance policy
- D. Establishing on-going monitoring of high-risk accounts
- E. Reporting suspicious activity

Correct Answer: CE

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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

QUESTION 133

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 of 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 134

A law enforcement agent is conducting an investigation into a possible money laundering event. During the investigation, the officer will use:

- A. the follow the money approach.
- B. confirmed evidence obtained from financial intelligence units.
- C. a process to identify suspicious activity.
- D. a risk-based approach alert generating system.

Correct Answer: B

Section: (none)

Explanation



Explanation/Reference:

Explanation:

Reference: [https://www.fmu.gov.pk/docs/Anti-Money-Laundering-Act-2010-amended-upto-Sep.% 202020.pdf](https://www.fmu.gov.pk/docs/Anti-Money-Laundering-Act-2010-amended-upto-Sep.%202020.pdf)

QUESTION 135

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 136**

Financial institutions (FIs) perform AML risk assessments to ensure:

- A. a record for regulators indicating an AML risk assessment was completed at least once.
- B. internal audit assurance that all AML-related policy and procedures are board approved.
- C. satisfaction of the board of directors' approved risk appetite.
- D. proper controls surrounding higher-risk products, services, customers, and geographic locations.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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

QUESTION 137

In the follow-up process of the fourth round of Mutual Evaluations of the FATF, what happens when a country is placed on enhanced follow-up?

- A. If the country submits its implementation plan, it is freed from other enhanced measures that may be applied until the next evaluation by FATF.
- B. The country is required to remain on enhanced follow-up status until the next FATF mutual evaluation.
- C. The country undergoes a follow-up FATF assessment five years after the initial enhanced follow-up placement.
- D. The country has to report back its implementation plan at the first FATF general meeting after the adoption of the evaluation report by FATF.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fatf-gafi.org/publications/mutualevaluations/documents/4th-roundprocedures.html>



QUESTION 138

Which step should be taken to understand the types of financial institutions to whom the services are being offered when a correspondent bank permits “nested” relationships according to the Wolfsberg Group?

- A. Review peer-group clients by risk category
- B. Understand the type and volume of accounts serviced
- C. Evaluate the distribution of downstream correspondents and identify any direct or indirect issues
- D. Obtain independent audits or examination reports for “nested” relationships to determine risk levels

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <http://www.qfcra.com/en-us/whatwedo/AntiMoneyLaundering/Documents/Guidance%20on%20Correspondent%20Banking%20May%202018.pdf> (7)

QUESTION 139

A new AML Officer for a US-based money service business (MSB) is drafting procedures around types of activity that require further review. Which should be included? (Choose two.)

- A. A customer visiting multiple branches of the MSB on the same day in order to transfer funds internationally.
- B. A customer buying several money orders totaling over \$10,000 USD using debit card on the same day using government issued identification.
- C. A customer sending funds to a family member living in a high-risk jurisdiction that is subject to civil unrest.
- D. A customer buying multiple money orders for \$250 totaling \$2,000 USD.
- E. A customer attempting to buy money orders under \$3,000 USD in cash multiple times a day.

Correct Answer: AB

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fdic.gov/regulations/safety/manual/section8-1.pdf>

QUESTION 140

A financial institution has expanded its scope of services so that it is attracting the business of politically exposed persons (PEPs) who had previously never been part of the customer base.

Which two courses of action should the compliance officer include in the institution's procedures for considering PEPs as customers? (Choose two.)

- A. Conduct enhanced ongoing monitoring of the business relationship
- B. Expedite due diligence when a PEP is pre-approved by a member of senior management
- C. Obtain appropriate senior management approval for establishing a business relationship with a PEP from a high risk country
- D. Take adequate measures to establish the source of wealth and source of funds which are involved in the business relationship or occasional transaction

Correct Answer: AB

Section: (none)

Explanation

Explanation/Reference:

QUESTION 141

The main purpose of the US Treasury Department for OFAC's extraterritorial reach is to:

- A. accomplish the foreign policy and national security goals of the US.
- B. defend the US against questionable trade practices of its economic rivals.
- C. protect allied nations of the US from the economic threats of non-allied nations.
- D. align OFAC's and other countries' extraterritorial reach requirements.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.natlawreview.com/article/aggressive-extraterritorial-reach-us-economicsanctions-foreign-companyexposure-to>

C. Examples of enforcement actions based on the conduct of foreign parties

- *Computer servers in the U.S.:* Société Internationale de Télécommunications Aéronautiques SCRL (SITA) paid OFAC \$8 million to settle allegations that it provided airlines designated as SDNs with software and/or services that were provided from, transited through, or originated in the United States. In particular, OFAC alleged that SITA, a Swiss provider of commercial telecommunications network and information technology services to the civilian air transportation industry allowed its members, which included SDN airlines, to: (1) send messages to other industry parties (such as orders for aircraft maintenance and refueling) using an application that routed the messages through switches located in the U.S.; (2) use U.S.-origin software that allows shared users of a common terminal to manage processes such as check-in and baggage management; and (3) use a global lost baggage tracing and matching system that was hosted on servers in the United States, and maintained by a SITA subsidiary in the United States.[7]

QUESTION 142

The compliance officer for a private bank has been tasked with reviewing the procedure for authorized signatories on customer accounts to ensure it is in line with relevant Wolfsberg Anti-Money Laundering Principles for Private Banking.

Which three statements from the procedure are in line with Wolfsberg? (Choose three.)

- A. Where the Authorized Signatory is not a lawyer or accountant, due diligence as to the source of funds and wealth of the Authorized Signatory should be undertaken.
- B. The responsible private banker must establish the identity of a holder of general powers over an account (e.g. a signatory for the account) and, as appropriate, verify that identity.
- C. Where due diligence has been satisfactorily completed on all authorized signers, the responsible private banker may reduce the due diligence performed on the account holder and/or beneficial owner.
- D. The responsible private banker must obtain the necessary documentation establishing the authorized signer's authority to act on behalf of the account holder or beneficial owner (e.g. a Power of Attorney).
- E. If an individual has signing authority over an account but does not act on a professional basis as a manager of funds, the responsible private banker must understand and document the relationship between that authorized signer, the account holder, and, if different, the beneficial owner of the account.

Correct Answer: CDE

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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

QUESTION 143

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: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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

QUESTION 144

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: A

Section: (none)

Explanation

Explanation/Reference:**QUESTION 145**

Which response represents a high-level principle for FATF-Style Regional Bodies (FSRB)?

- A. Membership, mission, financial procedures, and budget
- B. Dependent with different experiences to strengthen the overall effort
- C. Access to documents and assistance with meetings
- D. Reciprocity for effective participation and recognition of work

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference:<https://www.fatf-gafi.org/media/fatf/documents/High-Level%20Principles%20and%20Objectives%20for%20FATF%20and%20FSRBs.pdf> (4)

QUESTION 146

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 147

To understand if the customer operates in line with the firm's risk appetite for a specific industry segment, a financial institution (FI) must:

- A. obtain the name and address, country identification number and date of birth of a non-customer who purchases a monetary instrument.
- B. obtain identifying information for beneficial owners through a completed certification form from the individual opening the account on behalf of the legal entity customer.
- C. obtain sufficient customer information to understand the nature and purpose of customer relationships for the purpose of developing a customer risk profile.
- D. obtain the name, date of birth for an individual, address and identification number from each customer before opening the account.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 148

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 149

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 150

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:

Explanation:

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

QUESTION 151

A local law enforcement officer, who is conducting a criminal investigation, requests information about a customer. Which two actions should the bank take? (Choose two.)

- A. Close the account immediately
- B. File a suspicious transaction report
- C. Monitor the account for suspicious activity
- D. Review the money laundering risk posed by the account

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 152

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 institution is not dealing with a sanctioned individual or entity

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 153

A bank maintains a number of United States (U.S.) dollar correspondent accounts for foreign financial institutions. Upon a routine review of a U.S. dollar correspondent account owned by Foreign Bank A, a number of transactions appear to have been originated by Foreign Bank B outside the expected activity for this account. These transactions appear suspicious and a suspicious transaction report was filed by the compliance officer.

Which step should the compliance officer take?

- A. File a report with the appropriate tax authorities in the jurisdictions of Foreign Bank A and Foreign Bank B
- B. Notify senior management of the money laundering risks by allowing Foreign Bank A to maintain its U.S. dollar correspondent account
- C. Notify Foreign Bank A of the discovery and seek documentation supporting Foreign Bank A was collusive and a willing partner with Foreign Bank B in the activity
- D. Notify other U.S. financial institutions who maintain U.S. dollar correspondent accounts for Foreign Bank A and Foreign Bank B in an effort to shut down the activity

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 154

Which factor should a financial institution (FI) consider prior to sharing customer records within the same jurisdiction?

- A. The availability of the institution's information sharing practices

- B. The degree to which the collected client data is complete
- C. The locally applicable restrictions regarding the disclosure of client information
- D. The potential different time zones within the same jurisdiction

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 155

At a small community bank, the compliance officer identifies unusual activity on a customer, who with his personal and company accounts, is the bank's largest depositor. The customer's companies have significant balances on their outstanding loans. The compliance officer notices that there is a lot of unusual movements of money between the customer's individual and business accounts. After filing a suspicious transaction report (STR), the compliance officer gets a call from law enforcement indicating that they want the bank to keep the account open while they conduct an investigation into the customer. How should the compliance officer escalate this information to the board of directors?

- A. By providing a copy of the STR to the board
- B. By informing the regulator to bring it up with their next meeting with the board
- C. By providing a high level summary of the activity and the interactions with law enforcement
- D. By providing a copy of the letter from law enforcement asking the bank to keep the account open.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 156

An anti-money laundering officer is conducting employee reviews. Which employee action warrants enhanced due diligence?

- A. The teller reviews customer profiles and makes notations of personal information to reportedly become familiar with bank customers.
- B. The private banker has recently taken long vacations which caused staff members to fall behind in their work to help cover bank duties.
- C. The branch manager reviews the daily hold report and releases holds on non-cash items once the bank receives credit from the paying bank.
- D. The bank chief executive officer lives in a lavish home and has requested the board to approve a membership payment at an exclusive country club.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 157

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:

Explanation:

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

QUESTION 158

An existing customer at a bank has recently expanded its services to provide check cashing for its customers.

Which factor indicates the bank should terminate this relationship?

- A. The bank has not updated its automated monitoring system.
- B. The business has no previous experience with this service.
- C. The business has not updated its anticipated activity with the bank.
- D. The business is now a Money Service Business and has not registered with FinCEN.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 159

Which action by a prospective customer during the account opening process requires further investigation?

- A. Listing a long-distance phone number
- B. Questioning reporting requirements
- C. Expressing knowledge of the financial industry
- D. Providing driver's license

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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

QUESTION 160

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 161

Which three definitions of money laundering are included in the expanded definition of the European Union Fourth Directive?

(Choose three.)

- A. The creation of shell companies to disguise the identity of its owners
- B. The conversion or transfer of property with knowledge that it is derived from criminal activity
- C. The acquisition or use of property knowing, when it was received, that it was derived from criminal activity
- D. The transfer of cash in excess of 15,000 euros across country borders regardless of whatever the cash was derived from criminal activity
- E. Concealing or disguising the nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that the property is derived from criminal activity

Correct Answer: BCE

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: https://books.google.com.pk/books?id=CMixCwAAQBAJ&pg=PA344&lpg=PA344&dq=european+4th+directive+Concealing+or+disguising+the+nature,+source,+location,+disposition,+movement,+rights+with+respect+to,+or+ownership+of+property,+knowing+that+the+property+is+derived+from+criminal+activity&source=bl&ots=nOUQRszJ6_&sig=ACfU3U1NigFiOY5Zkj30B9FIPI1UhyUMeg&hl=en&sa=X&ved=2ahUKEwibgbi9op3oAhVPfH0KHV0wBXoQ6AEwAHoECBIQAQ#v=onepage&q=european%204th%20directive%20Concealing%20or%20disguising%20the%20nature%2C%20source%2C%20location%2C%20disposition%2C%20movement%2C%20rights%20with%20respect%20to%2C%20or%20ownership%20of%20property%2C%20knowing%20that%20the%20property%20is%20derived%20from%20criminal%20activity&f=false

QUESTION 162

Which information must a United States financial institution retain for having foreign correspondent accounts as part of the USA PATRIOT Act record keeping requirements?

- A. Records identifying the owners of each foreign bank
- B. Section 314(b) information sharing results related to foreign correspondent accounts
- C. Purchase of monetary instruments of \$3,000 or more involving foreign correspondent accounts
- D. A suspicious activity report filed and the supporting documentation involving foreign correspondent accounts

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.moneylaunderingnews.com/2017/10/aml-information-sharing-in-the-u-s/>

QUESTION 163

What are four key elements that a KYC program should contain according to the Basel Committee requirements?

- A. Customer onboarding, sanction monitoring, customer acceptance, customer due diligence
- B. Customer identification, risk assessment, customer screening, monitoring
- C. Customer onboarding, risk monitoring, customer acceptance, enhanced due diligence
- D. Customer identification, risk management, customer acceptance, monitoring

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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

2. Customer identification

18. Customer identification is an essential element of KYC standards. A customer is defined as any person or entity that keeps an account with a bank and any person or entity on whose behalf an account is maintained, as well as the beneficiaries of transactions conducted by professional financial intermediaries. Specifically, a customer should include an account-holder and the beneficial owner of an account. A customer should also include the beneficiary of a trust, an investment fund, a pension fund or a company whose assets are managed by an asset manager, or the grantor of a trust.

19. Banks should establish a systematic procedure for verifying the identity of new customers and should never enter a business relationship until the identity of a new customer is satisfactorily established. Banks should "document and enforce policies for identification of customers and those acting on their behalf".⁸ The best documents for verifying the identity of customers are those most difficult to obtain illicitly and to counterfeit. Special attention should be exercised in the case of non-resident customers and in no case should a bank short-circuit identity procedures just because the new customer is unable to present himself for interview. The bank should always ask itself why the customer has chosen to open an account in a foreign jurisdiction.

20. The customer identification process applies naturally at the outset of the relationship, but there is also a need to apply KYC standards to existing customer accounts.

QUESTION 164

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 165

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 166

Which should authorities do to safeguard AML information exchanged with other countries?

- A. Protect exchanged information as they would protect similar information received from domestic sources.
- B. Require the use of non-disclosure agreements with anyone accessing the exchanged information.
- C. Use the court system to ensure confidentiality of exchanged information through court orders.
- D. Destroy the information once the investigation is complete.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://cfatf-gafic.org/index.php/documents/fatf-40r/406fatf-recommendation-40-other-formsof-internationalcooperation>

Safeguards on information exchanged

3. Exchanged information should be used only for the purpose for which the information was sought or provided. Any dissemination of the information to other authorities or third parties, or any use of this information for administrative, investigative, prosecutorial or judicial purposes, beyond those originally approved, should be subject to prior authorisation by the requested competent authority.

4. Competent authorities should maintain appropriate confidentiality for any request for cooperation and the information exchanged, in order to protect the integrity of the investigation or inquiry^[1], consistent with both parties' obligations concerning privacy and data protection. At a minimum, competent authorities should protect exchanged information in the same manner as they would protect similar information received from domestic sources. Countries should establish controls and safeguards to ensure that information exchanged by competent authorities is used only in the manner authorised. Exchange of information should take place in a secure way, and through reliable channels or mechanisms. Requested competent authorities may, as appropriate, refuse to provide information if the requesting competent authority cannot protect the information effectively.

QUESTION 167

Which three measures are contained in Financial Action Task Force 40 Recommendations for reporting suspicious activity? (Choose three.)

- A. The activity should be reported promptly to the country's financial intelligence unit.
- B. The financial institution has been contacted by law enforcement regarding the activity.
- C. The financial institution has grounds to believe the activity is related to terrorist financing.
- D. The financial institution has contacted the account holder to determine the activity of the account.
- E. The financial institution has reasonable grounds to suspect the funds are proceeds of criminal activity.

Correct Answer: ACE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 168

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:

Explanation:

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

QUESTION 169

Which actions are involved when a prosecutor instructs a bank to freeze the assets and bank accounts held by one of its clients? (Choose three.)

- A. Inform other banks in the same geographical area to freeze the client's assets if they are a member of that bank, too.
- B. Extend the account and asset freeze to the client's family members as a precautionary measure.
- C. Ensure the client and beneficiaries are unable to access any frozen assets during the freeze order.
- D. The institution does not need to comply with the request if the client's assets make the task unusually difficult or complex to access.
- E. An affidavit must accompany the freeze order for the bank to comply with the request.
- F. The institution should obtain a copy of the court order to freeze the assets of the named individuals.

Correct Answer: CF

Section: (none)

Explanation

Explanation/Reference:

QUESTION 170

Financial Intelligence Units (FIUs) are responsible for:

- A. the timely dissemination of cases to law enforcement agencies.
- B. responding to requests from law enforcement agencies for information contained in regulatory reports.
- C. sharing evidence with other FIUs.
- D. receiving confirmed reports about committed crimes from accountable and reporting institutions.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: https://knowledgehub.transparency.org/assets/uploads/helpdesk/Financial-IntelligenceUnits_Design-Mandate-Powers_2019_PR.pdf

QUESTION 171

When performing a risk assessment, which factors should be considered when identifying and measuring risk? (Choose two.)

- A. Customer composition
- B. Financial performance
- C. Product offerings
- D. Regulatory environment
- E. Company culture

Correct Answer: AD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 172

A periodic review of the account of a small household goods business reveals multiple shipments of goods to a country classified by the bank as high risk. They were transshipped through another country prior to the final destination. In the past three months, volumes over 25,000 units. The business has been a customer of a bank for 10 years.

Records show previous shipments to destinations primarily in Europe involving quantities of 5,000 units or less. Recent shipments are listed as being received by the same company as the earlier shipments and payments are being received from the same originator, but the unit price of the goods is three times higher than before.

Which two red flags indicate potential trade-based money laundering? (Choose two.)

- A. The shipments of the same goods are now going to a different location.
- B. The goods are transshipped through one or more jurisdictions for no apparent economic reason.
- C. The size of the shipments appear inconsistent with the exporter's previous business activities.
- D. The goods are shipped to a jurisdiction that the bank classifies as "high risk" for money laundering activities.

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 173

After review of the financial institution's enterprise-wide anti-money laundering risk assessment, the new compliance officer identifies several deficiencies that need attention.

Which deficiency could lead to the highest potential for unmitigated risk?

- A. The risk assessment is several years old and does not cover all current products and services.
- B. The risk assessment is revisited too frequently thereby diverting critical resources from other compliance tasks.
- C. The risk assessment is managed by a different team from the previous assessment therefore disrupting continuity of institutional knowledge.
- D. The risk assessment does not anticipate potential risks even though the financial institution has no immediate plans involving those risks.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 174

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 175

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 176

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 177

What do the Financial Action Task Force (FATF) mutual evaluations of each member assess?

- A. The levels of implementation of the FATF Recommendations
- B. The member's ability to send a representative to the plenary sessions
- C. If the member has a large enough economy to maintain its membership
- D. If the member has made any suggestions for updates to the FATF Recommendations

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fatf-gafi.org/publications/mutualevaluations/documents/more-about-mutualevaluations.html>

QUESTION 178

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:

Explanation:

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

**QUESTION 179**

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:

Explanation:

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

QUESTION 180

A high volume of incoming wire transfers generates an alert about a client. The funds are immediately debited by cash withdrawals and outgoing wire transfers. Which information should be reviewed first to investigate this alert/case?

- A. Open source information
- B. Adverse media search
- C. Customer profile
- D. Account activity

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://tier1fin.com/alessa/webinars/fraud-risks-wire-transfers/>

QUESTION 181

Which unusual or suspicious activity by a financial institution's (FI's) employee requires additional investigation and scrutiny?

- A. The employee avoids taking periodic vacations despite having accrued vacation time.
- B. The employee assists with transactions of a disclosed ultimate beneficiary.
- C. The employee lives a lavish lifestyle within their means.
- D. The employee is involved in a minimal number of unresolved exceptions.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 182

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:

Explanation:

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

QUESTION 183

A bank teller receives a written request from a police officer to review a previous customer's account on a pre-populated form with the officer's official letter head. The officer suspects the previous customer is engaging in smurfing. Which action should the bank teller perform?

- A. Provide the police officer information after AML compliance approval.
- B. Reject the request and escalate to the compliance officer.
- C. Provide the police officer information after management approval.
- D. Escalate the request to the compliance officer.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 184

When implementing a risk-based approach related to casinos, which risks are related to the customer as an individual?
(Choose two.)

- A. Transfer between customers
- B. Casual customers
- C. Improper use of third parties as customers
- D. Customer from a high-risk country
- E. Use of casino deposit accounts by the customer

Correct Answer: CE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 185

An AML training program should include which requirement?

- A. New tellers should receive training after their first year on the identification of suspicious or unusual activity.
- B. New lending staff should receive annual training on the preparation of currency transaction reporting.
- C. New staff should receive training during employee orientation or shortly thereafter on bank procedures.
- D. New operational staff should receive training shortly after hire on currency transaction reporting exemptions.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://bsaaml.ffiec.gov/manual/AssessingTheBSAAMLComplianceProgram/05>

Banks must provide training for appropriate personnel.^[20] Training should cover the aspects of the BSA that are relevant to the bank and its risk profile, and appropriate personnel includes those whose duties require knowledge or involve some aspect of BSA/AML compliance. Training should cover BSA regulatory requirements, supervisory guidance, and the bank's internal BSA/AML policies, procedures, and processes. Training should be tailored to each individual's specific responsibilities, as appropriate. In addition, targeted training may be necessary for specific ML/TF and other illicit financial activity risks and requirements applicable to certain business lines or operational units, such as lending, trust services, foreign correspondent banking, and private banking. An overview of the purposes of the BSA and its regulatory requirements are typically provided to new staff during employee orientation or reasonably thereafter. The BSA compliance officer and BSA compliance staff should receive periodic training that is relevant and appropriate to remain informed of changes to regulatory requirements and changes to the bank's risk profile.

QUESTION 186

Under the USA PATRIOT Act, in which scenario would the US not have jurisdiction?

- A. US bank subsidiaries located in foreign jurisdictions
- B. Foreign branch of a bank located in the US
- C. Foreign bank with a US correspondent account
- D. Shell banks operating in foreign jurisdictions

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.congress.gov/107/plaws/publ56/PLAW-107publ56.htm>

QUESTION 187

An accounting firm opened an account at a bank that is intended to be used as the operational account for the business.

After a few months, a comprehensive review of the account was triggered due to unusual activity on the account. Which most likely triggered the review?

- A. The account receives international payments that are substantially higher than other fees they typically receive.
- B. The account sends monthly donations to several charities that operate in the same communities as the accounting firm.
- C. The account receives several payments a day from multiple customers who operate in different industries.
- D. The account receives international wires from companies in the Middle East where the accounting firm has several branches.

Correct Answer: B
Section: (none)
Explanation



Explanation/Reference:

Explanation:

Reference: https://www.ifc.org/wps/wcm/connect/e7e10e94-3cd8-4f4cb6f81e14ea9eff80/45464_IFC_AML_Report.pdf?MOD=AJPERES&CVID=mKKNshy

QUESTION 188

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:

Explanation:

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

QUESTION 189

A compliance officer is reviewing the activity of the wire transfer department for the previous month and identifies an unusual wire transfer from a customer's account.

Which information should be included in the review of the customer's activity?

- A. Records of the recent deposit activity
- B. Wire transfer requests initiated by phone and internet
- C. Total number of wires processed each month over the previous year
- D. Whether the bank processes wire transfers through a correspondent bank

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 190

What does the Egmont Group's support for its members include?

- A. Issuing due diligence models for financial institutions
- B. Expanding and systematizing international cooperation in the reciprocal exchange of information
- C. Issuing strategic products for law enforcement agencies and FIUs on topics of international interest
- D. Expanding the ability of FIUs to enforce laws and exchange information globally to combat money laundering and terrorist financing

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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

QUESTION 191

A Money Laundering Reporting Officer's (MLRO) lack of action led to deficiencies in the bank's AML program and a civil monetary penalty being levied against the MLRO. Why was this direct action taken against the MLRO?

- A. The MLRO is the only individual that can be held responsible for AML program deficiencies.
- B. MLROs can be held to an individual accountability standard and face potential penalties for contributing to AML program deficiencies.
- C. The MLRO agreed to the civil penalty so that the bank would not be found liable for the AML program deficiencies.
- D. Action was brought against the MLRO because banks cannot be found liable for AML program deficiencies.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://complyadvantage.com/knowledgebase/anti-money-laundering/money-launderingreporting-officer/>

What Is A Money Laundering Reporting Officer (MLRO)?

Under the UK's Money Laundering Regulations 2007, all businesses within the regulated financial services sector are required to appoint a Money Laundering Reporting Officer (MLRO).

The MLRO — sometimes referred to as a 'nominated officer' — provides oversight for their firm's anti-money laundering (AML) systems, and acts as a focal point for related inquiries. The role involves a significant amount of responsibility: MLROs must have access to their firm's financial records in order to provide oversight and must make strategic decisions about activities relating to money-laundering and financial crime.

The duties of the MLRO may involve serious legal consequences that result in a civil and criminal action. MLROs take on significant personal liability within their firm: if AML protections are found to have been insufficient, a firm's MLRO may face steep fines and, in worst cases, prison sentences of up to 2 years.

MLRO is an extremely important position within a business, so it is vital that senior managers understand and think carefully about the role.

QUESTION 192

What action should a bank CEO's assistant take when the bank CEO expenses large sums of money to a charitable organization run by the bank CEO's direct family member?

- A. Report the actions to the Executive Board of the bank.
- B. Meet with the bank CEO to learn why the donations are being made.
- C. Investigate the charitable organization's relationship with the bank CEO.
- D. Submit the concern anonymously to the bank's internal Compliance Hotline.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 193

A compliance analyst is reviewing recent activity between a publicly traded company and a company in a high risk jurisdiction. Which detail suggests that escalation is warranted?

- A. The activity is a reputational risk to the financial institution.
- B. It is the first time the originator wires the beneficiary.
- C. Beneficiary is active in a related industry.
- D. Payments to the beneficiary are for large dollar amounts.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 194

What does the Financial Action Task Force (FATF) urge its members and all other jurisdictions to do when a jurisdiction is identified as having lax anti-money laundering / counter financing of terrorism controls?

- A. Apply counter-measures to that jurisdiction
- B. Consider customers from that jurisdiction as high risk
- C. Cease doing business with that jurisdiction immediately
- D. Apply economic sanctions until otherwise notified by FATF

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/public-statementoctober-2019.html>

QUESTION 195

Which activity would require an update to the first line training program?

- A. The implementation of a new system that provides information for monitoring customer accounts.
- B. The expansion to customer segments that will utilize newly established products.
- C. The maintenance of regulatory requirements for onboarding documentation collections of a customer base.
- D. The onboarding of a new customer type which was previously reviewed and risk rated.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 196

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. Each cash transaction always totals exactly \$8,000.
- 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 197

Which is a key role of FATF-Style Regional Bodies (FSRBs)?

- A. Support the system of mutual evaluation
- B. Setting regional standards for combatting money laundering
- C. Bring additional terrorist financing laws into action in the region
- D. Enforce the specific FATF laws in the region

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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QUESTION 198

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 199

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 200

The local manager of a remote mortgage origination department of a financial institution has just discovered that sanctions screening of new customers is not being performed.

Which action should the local manager take in this situation?

- A. Start screening new customers
- B. Immediately inform the regulators
- C. Immediately inform senior management
- D. Do nothing because the department only handles a very small number of mortgages

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 201

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 202

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. Recently a negative news search revealed political corruption 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 203

Upon receipt of a law enforcement or government request about a customer, a financial institution (FI) should immediately perform which task?

- A. Notify the board of directors that the customer is currently under investigation.
- B. File a suspicious activity report or suspicious transaction report.
- C. Contact the customer to inform them of the request.
- D. Review account activity for the customer to determine their overall risk.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 204

What is an aspect of the USA PATRIOT Act that has extraterritorial reach?

- A. To strengthen US measures to prevent, detect and prosecute international money laundering and financing of terrorism.
- B. To implement economic and trade sanctions based on US foreign policy.

- C. To mandate stricter money laundering controls across the continent.
- D. To require scrutiny of foreign financial institutions (FIs) and classes of international transactions that are susceptible to criminal abuse.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fincen.gov/resources/statutes-regulations/usa-patriot-act>

USA PATRIOT Act

The purpose of the USA PATRIOT Act is to deter and punish terrorist acts in the United States and around the world, to enhance law enforcement investigatory tools, and other purposes, some of which include:

- To strengthen U.S. measures to prevent, detect and prosecute international money laundering and financing of terrorism;
- To subject to special scrutiny foreign jurisdictions, foreign financial institutions, and classes of international transactions or types of accounts that are susceptible to criminal abuse;
- To require all appropriate elements of the financial services industry to report potential money laundering;
- To strengthen measures to prevent use of the U.S. financial system for personal gain by corrupt foreign officials and facilitate repatriation of stolen assets to the citizens of countries to whom such assets belong.

QUESTION 205

A compliance officer for a casino may suspect money laundering if an individual:

- A. invokes reporting requirements through a lump sum payment.
- B. refers to casino associates by their first name.
- C. purchases a low volume of chips with cash and turns them in for a casino check.
- D. requests to have winnings transferred to a bank account of a third party.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.americangaming.org/wp-content/uploads/2018/12/Best-Practice-2017.pdf>

QUESTION 206

A government has instituted 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 207

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 received. 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 208

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 209

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: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 210

Which Trust parties should be identified to determine the true nature of the Trust relationship according to Basel guidelines?
(Choose three.)

- A. Respondents
- B. Payees
- C. Trust Administrators
- D. Trustees
- E. Beneficiaries
- F. Settlers/grantors

Correct Answer: BDE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 211

Which actions should a compliance officer take when implementing an enterprise-wide approach to managing money laundering risks in institutions operating with multiple lines of business and in various jurisdictions? (Choose three.)

- A. Design systematic controls specific to local regulatory expectations.
- B. Create processes to obtain and review information in accordance with its global anti-money laundering policies and procedures.
- C. Adopt policies and procedures that comply with relevant laws and work to identify, monitor, and mitigate group-wide risks.
- D. Institute a risk-based approach utilizing the most recent risk assessment of only the head office.
- E. Establish jurisdiction centric committees where relevant laws are reviewed and analyzed to understand their impact on the organization.
- F. Implement a comprehensive baseline for managing risks by administering a process that applies policies and procedures on a group-wide basis.

Correct Answer: BDF

Section: (none)

Explanation

Explanation/Reference:

**QUESTION 212**

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 213

Which red flag should a compliance officer prioritize first for investigation?

- A. A loan is paid off in full with cash after the sale of the vehicle that was used as collateral for the loan.
- B. Several cross-border transfers are received and immediately wired to another beneficiary.
- C. A customer has 20 monthly transactions that are repetitive but less than \$500 USD per transaction.
- D. A convenience store cashes government checks for its customers in amounts less than \$1,000 USD per day.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 214

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 215

A compliance officer receives a report from the institution's monitoring system. One account was identified in multiple alerts for the amount of cash deposited and international wires sent.

Which two sources of information held within the institution will enable the compliance officer to determine whether the activity should be reported? (Choose two.)

- A. The signature card for the account
- B. The customer due diligence information on file
- C. The monitoring system parameters for identifying unusual activity
- D. Transaction records for the period during which the unusual activity occurred

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 216

According to the 5th EU Money Laundering Directive, member states require entities to apply enhanced customer due diligence measures with respect to business relationships or transactions involving highrisk third country nationals. Which are included in these requirements? (Choose three.)

- A. Obtaining the approval of senior management for establishing or continuing the business relationship
- B. Obtaining copies of passports for all authorized persons
- C. Establishing and verifying the address of the client
- D. Obtaining information on the reasons for intended or performed transactions
- E. Obtaining tax reference details for the client
- F. Obtaining information on the source of funds and source of wealth of the customer and of the beneficial owner(s)

Correct Answer: DEF

Section: (none)

Explanation

Explanation/Reference:

QUESTION 217

Which principles should be included in a FATF-Style Regional Body (FSRB) update? (Choose two.)

- A. Issue country-specific Mutual Evaluation reports
- B. Address AML/CFT technical assistance of individual members
- C. Identify jurisdictions with weak AML/CFT regimes
- D. Establish AML/CFT standards and typologies
- E. Protect the reputation and standing of FATF

Correct Answer: AD

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fatf-gafi.org/media/fatf/documents/High-Level%20Principles%20and%20Objectives%20for%20FATF%20and%20FSRBs.pdf>**QUESTION 218**

Which statements regarding the USA PATRIOT ACT best describe key aspects that have extraterritorial reach? (Choose three.)

- A. It allows for the US Attorney General to subpoena records from a foreign bank with US correspondent accounts, including those that are located outside the US.
- B. It allows foreign banks to voluntarily designate a registered agent in the US to accept service of subpoenas.
- C. It allows the Secretary of the Treasury to order a US financial institution (FI) to close a correspondent account when a subpoena has not been responded by a foreign bank in a timely manner.
- D. It obliges the government to trace the origin of the funds when a seizure of assets occurs in a correspondent account that has been opened and maintained for a foreign bank in the US.
- E. It excludes as foreign FIs businesses that would be considered broker-dealers, money transmitters, and currency exchangers.
- F. It allows federal banking supervisors to require records of the identity of the owners of a foreign bank from a FI operating in the US.

Correct Answer: ACE**Section:** (none)**Explanation****Explanation/Reference:**

Explanation:

Reference:

https://www.jonesday.com/-/media/files/publications/2007/10/extraterritorial-application-of-the-usapatriotac/files/extraterritorial-application-of-the-usa-patriot-ac/fileattachment/graves_ganguli.pdf<https://www.lawfareblog.com/long-arm-us-law-patriot-act-anti-money-laundering-act-2020-and-foreignbanks>**QUESTION 219**

What reputational risk consequence could a financial entity face for violating AML laws?

- A. Seizure of assets
- B. Monetary penalties
- C. Increased audit costs to monitor behavior
- D. Loss of high-profile customers

Correct Answer: B**Section:** (none)

Explanation

Explanation/Reference:

Explanation:

Reference:https://www.ifc.org/wps/wcm/connect/e7e10e94-3cd8-4f4c-b6f8-1e14ea9eff80/45464_IFC_AML_Report.pdf?MOD=AJPERES&CVID=mKKNshy

QUESTION 220

A bank sells reloadable open-loop prepaid cards to both customers and non-customers. What is a red flag associated with these cards that may indicate money laundering?

- A. A bank customer historically purchases several prepaid cards near year-end.
- B. A non-bank customer regularly loads large amounts of cash onto several prepaid cards.
- C. A non-bank customer consistently uses the bank to obtain cash advances using a prepaid card.
- D. A bank customer routinely purchases five prepaid cards in small even-dollar amounts on a monthly basis.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 221

A money service business (MSB) has implemented an automated transaction monitoring system. Upon reviewing an alert, an analyst suspects the activity may be indicative of terrorism financing. Which additional information would indicate the alert should be escalated for further investigation?

- A. The use of funds by a non-profit organization is consistent with the purpose for which it was established.
- B. The raising of donations takes place in an official, registered manner.
- C. Transactions in the name of an entity, a foundation, or association are linked to a trust fund.
- D. A customer donates to an organization that is a sanctioned entity.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 222

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 223

Which information should be gathered as part of enhanced due diligence (EDD) for a high-risk customer?

- A. Explanation:s for changes in marital status
- B. Details on individuals with control over the account
- C. Plans for traveling in business trips
- D. Personal references

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

- B. Details on individuals with control over the account
- C. Plans for traveling in business trips
- D. Personal references

Answer: B

Reference: <https://sanctionsscanner.com/knowledge-base/customer-due-diligence-cdd-15>

Why Is CDD Necessary?

- To detect customer risks.
 - To comply with the requirements of the relevant legislation and regulations.
 - Providing the requested products or services.
 - To prevent money laundering and terrorism financing.
 - For easier detection of unusual situations to help identify and analyze extraordinary events and conditions during the organization's relationship with other companies;
- There are many reasons, such as these.

QUESTION 224

Which entities require due diligence when the correspondent banking client is not controlled by its parent? (Choose two.)

- A. The parent of the correspondent banking client
- B. The clients of the correspondent banking client
- C. The entities exhibiting higher risk characteristics
- D. The third-parties providing services to the correspondent bank
- E. The correspondent banking client itself

Correct Answer: AE

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: https://www.ifc.org/wps/wcm/connect/e7e10e94-3cd8-4f4cb6f81e14ea9eff80/45464_IFC_AML_Report.pdf?MOD=AJPERES&CVID=mKKNshy

QUESTION 225

When should a financial institution (FI) exit a relationship? (Choose two.)

- A. The reputational risk to the FI posed by closing the account
- B. The request from law enforcement to close the account
- C. The FI's requirements for opening an account
- D. The suspicious conduct of the account holder
- E. The FI's stated policies and procedures for closing an account

Correct Answer: CE

Section: (none)

Explanation**Explanation/Reference:**

Explanation:

Reference: <https://www.fdic.gov/regulations/laws/rules/8000-1600.html>**QUESTION 226**

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 plan that enables effective management of the risk until a permanent plan can be developed

Correct Answer: D**Section: (none)****Explanation****Explanation/Reference:****QUESTION 227**

Which are the two most common controls a financial institution (FI) uses to identify suspicious moneylaundering activity? (Choose two.)

- A. Sanctions screening
- B. Adverse media information
- C. Governmental subpoena
- D. Search warrant
- E. Transaction monitoring rules

Correct Answer: BE**Section: (none)****Explanation****Explanation/Reference:**

Explanation:

Reference: <https://www.fatf-gafi.org/media/fatf/content/images/Updated-2017-FATF-2013-Guidance.pdf>

QUESTION 228

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 229

FATF recommends the incorporation of some measures in customer due diligence (CDD) programs including:

- A. conducting the risk assessment of products and services.
- B. conducting ongoing due diligence on the business relationship and monitoring of transactions.
- C. identifying the products and services and their suitability to customers.
- D. identifying the number of beneficial owners without the verification of their true identity.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: [https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF% 20Recommendations%202012.pdf\(15\)](https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf(15))

QUESTION 230

An individual opens an e-account in an off-shore gambling website using non-documentary verification and creates an ewallet on a mobile device. In order to add funds to the account, the individual uses a credit card, wire transfers, cryptocurrency, and a money service business. Which source of money represents more risk of money laundering?

- A. Wire transfer
- B. Cryptocurrency
- C. Money service business
- D. Credit card

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://complyadvantage.com/knowledgebase/money-laundering-crypto-exchanges/>

The specific benefits of cryptocurrency exchanges for money laundering methodologies are as follows:

- **User identities:** Cryptocurrency transactions are cryptographically secured and are identifiable only through a user's exchange account or crypto wallet address. While crypto exchanges and wallet service providers require customers to provide identifying information, it is possible to add additional layers of security to transactions via tumbler and mixing services.
- **Transaction speeds:** Cryptocurrency transactions take place quickly and, in some cases, in a matter of seconds, offering money launderers a greater level of efficiency than fiat currencies and the possibility of disguising funds before they are detected by AML controls.
- **Structured deposits:** Money launderers may use cryptocurrency exchange services to make multiple structured deposits of illegal funds in amounts that avoid triggering AML reporting thresholds.

QUESTION 231

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 232

The process of sending mass emails to unsuspecting customers to obtain personal identifiable information via trickery is known as:

- A. Spear phishing
- B. Voice phishing
- C. Bulk phishing
- D. SMS phishing

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://en.wikipedia.org/wiki/Phishing>



Email phishing [edit]

Most phishing messages are delivered by email, and are not personalized or targeted to a specific individual or company—this is termed "bulk" phishing.^[1] The content of a bulk phishing message varies widely depending on the goal of the attacker—common targets for impersonation include banks and financial services, email and cloud productivity providers, and streaming services.^{[1][2]} Attackers may use the credentials obtained to directly steal money from a victim, although compromised accounts are often used instead as a jumping-off point to perform other attacks, such as the theft of proprietary information, the installation of malware, or the spear phishing of other people within the target's organization.^[1] Compromised streaming service accounts are usually sold directly to consumers on darknet markets.^{[1][3]}

QUESTION 233

Which two actions should Financial Intelligence Units (FIUs) take when submitting a request to another FIU? (Choose two.)

- A. Send the same request to all FIUs
- B. Disclose the reason and purpose for the request
- C. Provide feedback on how the information was used
- D. Make best efforts to provide complete and factual information

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 234

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:

Explanation:

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

QUESTION 235

When investigating an AML event, which techniques would be used to investigate suspected mule accounts? (Choose three.)

- A. Reconcile the stated purpose of the account with actual transaction history and compare with peer groups.
- B. Determine if the suspected accounts are being accessed by a common person, telephone number, or device.
- C. Contact the appropriate law enforcement agency and report the account activity.
- D. Review the account history and determine if there are previous payments to charity accounts.
- E. Establish the frequency in which the funds are moved in and out of the accounts.
- F. Submit a SAR/STR to the national Financial Intelligence Unit (FIU).

Correct Answer: ADE

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://complyadvantage.com/knowledgebase/money-mule-money-laundering/>

Financial institutions must ensure that their AML program can detect when customers are being used as mules. In the first instance, this means implementing sufficient risk-based AML measures:

- **Customer due diligence:** The process of establishing and verifying a customer's identity and the nature of their business is a cornerstone of risk-based AML. Robust CDD is vital to the detection of money mules that are opening accounts on behalf of third parties.
- **Transaction monitoring:** Firms should monitor customer accounts for suspicious transaction patterns. Money mule accounts may be used to facilitate an unusual volume or frequency of transactions or may engage in unusual transaction patterns.
- **Screening:** Money mules may be acting on behalf of PEPs or other high-risk individuals. PEP and sanctions screening measures should be implemented to help firms expose customers' connections to high-risk individuals.

QUESTION 236

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 237

What correspondent banking risk factor increases the risk for a Correspondent Bank?

- A. Multi-national financial institution with global operations
- B. Offers international funds transfer to customers
- C. Major service provider to money service businesses
- D. Limited product offering to customers in high-risk jurisdictions

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Correspondent-BankingServices.pdf>

QUESTION 238

How should law enforcement obtain documentation from an institution when suspicious activity was identified? (Choose two.)

- A. Request copies of the relevant documents from the accountable institution.
- B. Pay an employee of the accountable institution to make copies of the documents.
- C. Request a Financial Intelligence Unit (FIU) share copies of suspicious transaction reports.
- D. Request the documents from the FIU.
- E. Acquire a search warrant to obtain the documents.

Correct Answer: AD

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.federalregister.gov/documents/2010/12/03/2010-29869/financial-crimes-enforcement-network-confidentiality-of-suspicious-activity-reports>

The BSA requires financial institutions to keep certain records and make certain reports that have been determined to be useful in criminal, tax, or regulatory investigations or proceedings, and for intelligence or counter-intelligence activities to protect against international terrorism. In particular, the BSA and its implementing regulations require financial institutions in certain industries^[2] to file a SAR when they detect a known or suspected violation of Federal law or regulation, or a suspicious activity related to money laundering, terrorist financing, or other criminal activity.^[3]

QUESTION 239

What is a tool governments and multi-national bodies can use to prevent the proliferation of weapons of mass destruction?

- A. Economic Sanctions
- B. Commission Rogatoire
- C. Account Monitoring Order
- D. Mutual Legal Assistance Treaties

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 240

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 241

A bank employee recently opened an account for a new restaurant. Daily cash deposits over a threemonth 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 242

When performing an investigation, which key steps should be taken to maintain and secure supporting documentation used to perform an investigation of a suspicious activity?

- A. Disseminate the rationale for the investigative approach and the objective basis for the determination.
- B. Perform the alerting transaction with alternative thresholds to ensure they are calibrated correctly.
- C. Ensure that a secure archive has information available to the client.
- D. Maintain a record of the transaction activity that generated the alert.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 243

Which is a key aspect in the FATF Recommendations that best describes the essential foundation for allocating resources in AML/CFT regimes for countries and financial institutions (FIs)?

- A. Implementing targeted financial sanctions
- B. Performing country peer-to-peer evaluations
- C. Enforcing mutual legal assistance
- D. Applying a risk-based approach

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fatf-gafi.org/media/fatf/documents/PF-Public-Consultation-DraftAmendments.docx>

QUESTION 244

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:

Explanation:

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

QUESTION 245

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:

Explanation:

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

QUESTION 246

A comprehensive set of risk-based guidelines for maintaining business relationships is being developed. Which situation indicates that the institution should terminate the relationship with a client?

- A. The client does business in countries with active terrorist organizations.
- B. The client conducts international financial transactions exceeding U.S. \$500 million.

- C. The client exceeds the criteria of an acceptable risk model created by another institution that is not similar in size and complexity.
- D. The client exceeds the criteria of an acceptable risk model created by the institution and does not perform acceptable remedial actions.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <http://www.fatf-gafi.org/media/fatf/documents/reports/Risk-Based-Approach-BankingSector.pdf>

QUESTION 247

A bank receives a wire transfer that references the sale of equipment to a sanctioned company. The bank's operations team removes the sanctioned company reference and allows the wire transfer to process. This is a description of what type of activity?

- A. U-turn payment
- B. Cover payment misuse
- C. Layering
- D. Wire stripping

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 248

Which key factor would result in the decision for a financial institution (FI) to exit a client relationship?

- A. After assessing all risk factors the level of residual client risk exceeds the FI's risk appetite.
- B. The client is a registered charity known to remit funds to high risk geographies where there is limited due diligence information available.
- C. Closing the client accounts will help reduce the number of transaction monitoring alerts.
- D. Client transactions generate ongoing transaction monitoring alerts that did not result in any SAR/ STR filings.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 249

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: AD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 250

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 251

OFAC-issued regulations apply to which entities? (Choose two.)

- A. Intermediaries transacting with US banks
- B. Foreign banks with US customers
- C. Foreign subsidiaries of US banks
- D. US branches of a foreign bank
- E. Foreign import-export companies

Correct Answer: AC

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://bsaaml.ffiec.gov/manual/OfficeOfForeignAssetsControl/01>

OFAC Compliance Program

While not required by specific regulation, but as a matter of sound banking practice and in order to mitigate the risk of noncompliance with OFAC requirements, banks should establish and maintain an effective, written OFAC compliance program that is commensurate with their OFAC risk profile (based on products, services, customers, and geographic locations). The program should identify higher-risk areas, provide for appropriate internal controls for screening and reporting, establish independent testing for compliance, designate a bank employee or employees as responsible for OFAC compliance, and create training programs for appropriate personnel in all relevant areas of the bank.

QUESTION 252

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 253

Which risks could an employee face for violations of AML/CFT laws and regulations? (Choose three.)

- A. Being designated as a Politically Exposed Person (PEP)
- B. Being named on a government sanctions list
- C. Fines and imprisonment
- D. Being placed on FATF greylist
- E. Expulsion from the Wolfsberg Group
- F. Loss of employment

Correct Answer: CDE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 254

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
- C. The person in the United States who can receive service of legal process for the correspondent bank
- 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:

Explanation:

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 255

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 the 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 the purchase to be made in the names of the private companies

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 256

Which is a FATF characteristic used to assess a country's effectiveness of its AML regime?

- A. Funds supporting and proceeding from crime or terrorism are prevented from entering the financial sector.
- B. Legal persons are prevented from misuse for money laundering or terrorist financing.
- C. Supervisors appropriately supervise, monitor, and regulate financial institutions (FIs).
- D. FIs adequately apply preventive measures.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference [https://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology%202022% 20Feb%202013.pdf](https://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology%202022%20Feb%202013.pdf)(19)

QUESTION 257

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

- A. Representing a client in court
- B. Understating 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 258

A New York-based lawyer is interested in purchasing a luxury condo in Manhattan listed at \$30 million for a client based in the Caribbean. The client does not want to be named on the deed and wants the purchase to be made under the name of a limited liability company (LLC). The client states that the reason for this arrangement is that he is a high level government official who is concerned about his privacy if the purchase were to be made in his name. The funds for the purchase are to be wired from several accounts in various countries. Which two facts lead to gathering more information about this potential client before moving forward with the transaction? (Choose two.)

- A. The client is from a Caribbean country
- B. The use of an LLC to make the purchase
- C. The client is a high level government official
- D. The funds are coming from several accounts in various countries.



Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 259

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:

Explanation:

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

QUESTION 260

A startup virtual currency exchange has registered as a money services business and will commence operations in six months. The company will provide digital wallets to customers to hold their virtual currency after purchase. Customers will have the option to conduct purchases of the virtual currency and transfer the currency to and from the digital wallet. The startup must develop an anti-money laundering compliance program prior to launch.

Which two anti-money laundering responsibilities should be considered before business launch?

(Choose two.)

- A. A customer onboarding process
- B. Transaction limits consistent with risk appetite
- C. Employees to handle complaints in a timely fashion
- D. Mechanisms to monitor and protect customers' digital wallets from cyber-attacks

Correct Answer: BD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 261

Which assessments are involved in the processes of mutual evaluation and follow-up by the FATF?

- A. Risk assessments and technical standards assessments
- B. Technical compliance assessments and effectiveness assessment
- C. Sanction risk assessments and the country's National Risk Assessment
- D. Country audit assessments and transaction monitoring assessments

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: [https://www.fatf-gafi.org/publications/mutualevaluations/more/more-aboutmutualevaluations.html?hf=10&b=0&s=desc\(fatf_releasedate\)](https://www.fatf-gafi.org/publications/mutualevaluations/more/more-aboutmutualevaluations.html?hf=10&b=0&s=desc(fatf_releasedate))

QUESTION 262

Which are red-flag indicators of possible money laundering through online gambling? (Choose two.)

- A. The player is identified as a Politically Exposed Person (PEP).
- B. The player opens several accounts under the same name using different IP addresses.
- C. The customer uses their credit card to fund an online gambling account.
- D. The player deposits small amounts of funds into their online gambling account.
- E. The customer logs on to the account from multiple countries.

Correct Answer: DE

Section: (none)

Explanation

Explanation/Reference:

QUESTION 263

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 264

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 was 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 265

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 266

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 267

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:

Explanation:

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

QUESTION 268

Which statement is true regarding the FATF standards for SARs/STRs information sharing within a financial group?

- A. FIs must retain copies of SARs/STRs and supporting documentation for five years from the date of filing the STRs.
- B. FIs cannot share customer information at all since it is confidential.
- C. Financial institutions (FIs) should establish sufficient safeguards concerning the confidentiality of information shared for AML purposes.
- D. FIs must require approval from regulators to share SARs/STRs information and supporting documentation.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.fia.tc/wp-content/uploads/2018/04/FIA-SARGUIDE-0515-1.0.pdf>

QUESTION 269

A compliance officer at a financial institution (FI) received an investigation request for a customer from a local law enforcement agency. Which action should be taken by the FI?

- A. Obtain approval from the Financial Intelligence Unit (FIU) before submitting the customer's information.
- B. Omit some responses to meet the regulatory deadline.
- C. Assign employees responsible for the customer to the investigation team.
- D. Consider retaining qualified, experienced legal counsel.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 270

Which methods are typically used to launder money using insurance companies? (Choose two.)

- A. The policy holder overpays the policy and moves the funds out of the policy despite paying early withdrawal penalties.
- B. The policy holder enters a sibling as a beneficiary of the insurance policy rather than themselves.
- C. The policy holder purchases a bond and redeems it at a discount prior to its full term.
- D. The policy holder uses an offshore company to pay the insurance installments.
- E. The policy holder is strongly interested in how many costs are incurred when taking out an insurance policy.

Correct Answer: AD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 271

Bank A is a non-United States (U.S.) bank that has \$5 million in a correspondent account at a bank in New York City. The Worldwide Terrorist Syndicate (WTS) has \$1 million in its account at a non-US branch of Bank

- A. The U.S. government has initiated forfeiture action against the WTS.

Which potential action can the U.S. take under the USA PATRIOT ACT pursuant to the issuance seizure warrant?

Seize Bank A's \$5 million correspondent account in the U.S.

- B. Seize WTS' \$1 million account at the non-U.S. branch of Bank A.
- C. Seize \$1 million from Bank A's correspondent account in the U.S.
- D. Seize \$5 million from the non-U.S. branch of Bank A where the WTS' account is located.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 272

An analyst for a broker-dealer finds a client has been systematically purchasing securities at a high price but selling the same securities only when the price falls. Which type of activity is this trading pattern indicative of?

- A. The account is being used as a depository account.
- B. The client is potentially transferring value from one party to another.
- C. The account is being used for cuckoo smurfing.
- D. The client has potential insider knowledge.



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://sanctionsscanner.com/blog/understanding-the-cuckoo-smurfing-technique-in-moneylaundering-203>

In the **Cuckoo Smurfing**, criminals are saving money in bank accounts that seem innocent and ordinary. When finding these accounts, it is usually done with the help of internal members of banks that help criminals. In the first stage, the criminal inserts the money into a financial system. When entering the system, they usually buy casinos or international currency. Afterward, money is allocated to other accounts by making many complex bank transactions in order not to understand the source of the money to be laundered. Thus, the process becomes difficult to monitor. At the last stage, the money is returned to the criminal. In order not to understand the money laundering activities in these return transactions, the process should be kept confidential, and the sources should be shown as legitimate sources.

QUESTION 273

A new accounts representative recently opened an account for individual whose stated employment is tutoring students. Which customer action indicates possible money laundering?

- A. Continually making weekly small cash deposits
- B. Periodically initiating wire transfers to another account owned by a relative
- C. Transferring all funds to another bank on the same day of large cash deposits
- D. Opening a savings account and makes frequent transfers from the checking account

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 274

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 275

A benefit of using bearer shares in corporate formations is that bearer shares are:

- A. widely accepted in the financial world.
- B. entered in the register of owners.
- C. associated with lower costs in setting up a company.
- D. easily transferred so the holder claims ownership.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.investopedia.com/terms/b/bearerform.asp>



KEY TAKEAWAYS

- A bearer form security is one that has no records of ownership in the issuer's books and the only evidence of ownership is physical possession of the certificate.
- To transfer ownership of a bearer security, the owner signs the certificate and sends it to the issuer's transfer agent—the certificate is then canceled and a new certificate is issued to the new owner.
- Bearer bonds pay regular payments requiring the holder to send in coupons to receive payments.
- Bearer stock securities pay dividends that are delivered to the owner upon presentation of a dividend coupon to the issuer.
- Some countries ban bearer securities due to concerns over tax evasion and money laundering.

QUESTION 276

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:

Explanation:

Reference: [https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF% 20Recommendations%202012.pdf](https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf)

QUESTION 277

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 278

A local law enforcement officer notifies the bank compliance officer that he is working on an insurance fraud scheme that appears to be running transactions using the account of a bank employee. The law enforcement officer refers to a kiting suspicious transaction report filed by the compliance officer and requests further information.

What action should the compliance officer take?

- A. Inform the board of directors
- B. Call the employee and demand an explanation
- C. Allow access to the bank's documents immediately
- D. Provide the information to the law enforcement in response to a formal written request

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 279

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 future
- C. Conduct further investigation to determine whether this is truly suspicious activity
- D. Immediately contact the customers and ask them why they are remitting money more often

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 280

What does the Basel Committee's Customer Due Diligence for Banks paper suggest that a bank needs to have in place when establishing an account for a corporate business entity?

- A. An understanding of the structure of the company
- B. A policy requiring all identified beneficial owners to undergo a national police check
- C. A process to ensure that the approval of senior management is obtained prior to opening the account
- D. A fee structure that reflects the banks' costs in monitoring the risks associated with entity's business activities

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

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

QUESTION 281

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 282

Which is a key reason why a financial institution (FI) conducts an enterprise-wide AML risk assessment?

- A. The need to assess money laundering and terrorist financing risks and ensure there are adequate controls to mitigate those risks.
- B. The identification of specific risk categories (i.e., export, inactivity, layman, and false locations) unique to the bank.
- C. The need to understand its overall budget needs for each department and for internal audit.
- D. The board of directors and senior management are required to have an AML risk assessment for the bank.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 283

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:

QUESTION 284

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 285

A company service provider in Country A sets up a corporate structure for a client from Country B, which is known for corruption. The corporate structure includes a holding company in Country A with a bank account in one of the international banks located there.

During on-boarding, the client's wealth was estimated at \$7 million. Shortly thereafter, the client's father became president of Country

B. During a routine client review two years later, it was identified that client's wealth had grown to \$510 million.

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

- A. The client is from a country known for corruption.
- B. During a routine client review two years later, it was identified that client's wealth had grown to \$510 million.
What are two red flags that indicate money laundering or financial terrorism? (Choose two.)
The substantial growth in wealth during a short period of time.
- C. The client is a family member of a PEP from a country known for corruption.
- D. The holding company is in Country A with a bank account in one of the international banks.

Correct Answer: BC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 286

The bank's internal financial intelligence unit (FIU) has reviewed activity related to a politically exposed person (PEP); the activity in the account contains a large, round number, one time wire to an obscure organization. Which would not be a sufficient reason to file a SAR/STR?

- A. Beneficiary is largely unknown
- B. Maintain the bank's reputation
- C. Wire is a large amount
- D. Customer activity is unreasonable

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 287

The compliance officer at a crowdfunding website is in charge of monitoring new crowdfunding projects. Recently, the number of crowdfunding 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 288

One example of an external factor that will affect an organization's AML risk includes:

- A. acceptance of new customer types.
- B. introduction of mobile banking for all clients.
- C. political system changes in a specific jurisdiction.
- D. introduction of a new product which will be offered to wide range of clients.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: https://www.ifc.org/wps/wcm/connect/e7e10e94-3cd8-4f4cb6f81e14ea9eff80/45464_IFC_AML_Report.pdf?MOD=AJPERES&CVID=mKKNshy

QUESTION 289

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 290

One area of responsibility for the Board of Directors when implementing a successful AML program is to:

- A. ensure the appointment of a qualified chief AML officer.
- B. create a culture of compliance based on the profit expectation.
- C. manage the day-to-day processes of the compliance program.
- D. hire a third-party firm to be responsible for the AML compliance.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: https://www.fmu.gov.pk/docs/AML_CFT_Guide_for_Accountants.pdf (30)

QUESTION 291

According to the Basel Committee on Banking Supervision, banks should deal with high-risk customers by:

- A. maintaining segregated records to enable easy inspection by law enforcement in case of a subpoena.
- B. assigning those customers to specified private bankers for better monitoring of their offshore transactions.
- C. performing enhanced due diligence including enhanced ongoing monitoring of the account activity.
- D. seeking approval from the board of directors before establishing the relationship.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.bis.org/bcbs/basel3.htm>

QUESTION 292

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:

Explanation:

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

QUESTION 293

A branch manager for a small community bank has a new customer who deposits four 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: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 294

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:

Explanation:

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

QUESTION 295

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 296

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:

Explanation:

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

QUESTION 297

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:

Explanation:

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

QUESTION 298

A money transmitter's nation-wide agent network remits funds to a country in Africa on behalf of an immigrant community based in the United States. A terrorist group is known to operate openly in this African country. In reviewing transaction records, the compliance officer detects a pattern where two customers together visit the same agent each week and remit the same amount of funds, \$2,500, to the same recipient in the country in Africa. What should alert the compliance officer to possible money laundering or terrorist financing activity by the two customers?

- A. The customers always visit together.
- B. The customers always visit the same agent.
- C. The funds are being sent to the same recipient each week.
- D. The dollar amount of each transaction is just below the record keeping threshold.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 299

Which type of sanctions are most likely to be used in order to avoid escalating violent conflicts and/or proliferation of weapons?

- A. Financial prohibitions
- B. Export and import restrictions
- C. Arms and related materials embargo
- D. Asset freeze

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://collections.unu.edu/eserv/UNU:6431/UNSanctionsandPreventionConflict-Aug2017.pdf> (3)

QUESTION 300

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:

Explanation:

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

QUESTION 301

Which private banking situation requires due diligence actions to be implemented according to the AML principles of the Wolfsberg group?

- A. A local wealthy individual wants to become a customer of a local retail bank.
- B. A beneficial owner of an exchange house wants to open an account with the bank.
- C. A wealthy individual from a high-risk country wants to open an account with a private bank.
- D. A new customer asks to set up an exchange house using the bank as the correspondent.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 302

Which transaction should result in a SAR/STR filing?

- A. A small business owner deposits checks totaling \$9,950 USD on a daily basis without providing a legitimate purpose.
- B. A small business owner deposits \$25,000 USD in cash proceeds with a business equipment bill of sale.
- C. A national food-chain restaurant with multiple cash transactions at various branch locations.

D. A national food-chain restaurant makes multiple, anticipated cash transactions that are above the daily reporting threshold.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://aml-cft.net/library/suspicious-transaction-report-str-suspicious-activity-report-sar/>

QUESTION 303

A private banker of a major international bank is onboarding a new private investment company. The banker has verified the identity of the two directors, a husband and wife, who are equal shareholders. The funds in the account will be provided solely by the wife.

The banker was later informed by the company that an additional director and shareholder will be added to the company although the new shareholder will not provide funds.

What is the next step for due diligence in respect to the additional director and shareholder according to the Wolfsberg Anti- Money Laundering Principles for Private Banking?

- A. Refuse to open the account as it is not usual for an individual to be a director and shareholder of a private investment company without providing funds.
- B. Seek to further understand the relationship between the shareholders and undertake due diligence on the source of funds and wealth for each of the shareholders
- C. Verify the identity of this individual, including due diligence in respect of background and reputation, and undertake due diligence on her source of funds and wealth
- D. Seek to further understand the relationship between the shareholders and verify the identity of the individual which may include due diligence in respect to her background and reputation

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 304

How should a compliance officer respond to law enforcement agencies' request for information on a customer undergoing an investigation?

- A. Collaborate with the financial institution's (FI's) designated department to determine the appropriate course of action to comply with the request.
- B. Gather all requested documentation and send via secure email to the requesting authority.
- C. Share details of the investigation with respective colleagues who deal with this customer type on a daily basis.

D. Freeze account assets and advise the customer that assets will not be released until the investigation has been completed.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.acams.org/en/resources/aml-glossary-of-terms>

QUESTION 305

Which method to finance terrorism involves falsifying transaction-related documents?

- A. Bribery
- B. Black market peso exchange
- C. Trade-based money laundering
- D. Informal value transfer system

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 306

What are two requirements of United States financial institutions when conducting business with an international financial 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 307

What are two aspects of the Wolfsberg Anti-Money Laundering (AML) Principles for Correspondent Banking? (Choose two.)

- A. At least one person, aside from the person sponsoring the relationship, should approve the correspondent relationship.
- B. Correspondent banking is an inherently high risk business and all correspondent bank relationships should be reviewed on an annual basis.
- C. Factors such as politically exposed person involvement and downstream (nested) correspondents increase the risk inherent in a correspondent relationship.
- D. An Institution may assign a low risk rating to a correspondent bank located in a jurisdiction deemed to have an adequate AML environment (e.g., Financial Action Task Force member country) without needing to consider other factors.

Correct Answer: AB

Section: (none)

Explanation

Explanation/Reference:

Explanation:

Reference: <https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/wolfsberg-standards/8.%20Wolfsberg-Correspondent-Banking-Principles-2014.pdf>

QUESTION 308

An analyst reviewing trade finance transactions notices an increase in price of 25% over 12 months for commodities with the same specification and quantity. Which action should the analyst take?

- A. Produce an investigation report that finds evidence to substantiate the analyst's suspicion and submit a SAR/STR.
- B. Produce an investigation report that considers client activity and factors that may have legitimately affected transaction cost.
- C. Produce an updated due diligence record for the client so that monitoring can be enhanced.
- D. Produce a SAR/STR that describes apparent trade-based money laundering and submit to the Financial Investigation Unit (FIU).

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 309

Which situations would require a financial institution (FI) to update its ML/TF risk assessment? (Choose two.)

- A. When new products, services or customer types are introduced

- B. When new board members are elected
- C. When the AML compliance team hires new employees
- D. When the institution faces a merger or acquisition
- E. When opening a sales point in a new location in the same city

Correct Answer: DE

Section: (none)

Explanation

Explanation/Reference:

Explanation:

