

Exercise 1 - Questions

Exercise “AML Compliance Program”

Instructions: If you work in a financial institution or other firm that is covered by AML laws, answer the questions using your own experience. If you cannot speak from your own experience, either contact a colleague who you can interview, or describe to your best knowledge how a firm can tackle the issues below.

- 1) To what extent has your organization implemented an ongoing process for **identification** of significant money laundering risks to which it is exposed? Describe the process below.

- 2) To what extent has the organization implemented measures to eliminate or reduce through **processes or internal controls** significant AML risks? Basic controls include segregation of duties, dual authorization of large transactions. Please give a few examples of effective internal controls to mitigate AML risk in your organization.

- 3) To what extent has the organization implemented an “**independent review**” of the AML compliance program? Describe the process below and explain what the role of the compliance team is in this process?

- 4) Please describe a few challenges you may encounter when providing AML **training** to business lines, and give examples of how you can overcome these challenges.

Exercise 2 - Questions

Exercise “Case Scenarios”

I and answer the questions.

- 1) A potential customer meets with an insurance agent to buy a life insurance policy. The agent asks the person for a Driver’s License or Passport. The potential customer shows a “passport” with no picture and when questioned by the agent says that it is a military passport and that military passports do not have pictures. When asked for another form of ID, the person, unable to produce another ID, becomes angry and questions whether this company wants the business or not.

What are potential AML issues or red flags? What should you do were the compliance officer of the insurance firm?

- 2) A notary is approached by a client, with the request to make a loan agreement for ABC LLC for the purchase of real estate. The financing for the purchase comes from X AG from Switzerland, a company that is affiliated with ABC LLC. The source of the financing from Switzerland is not clear.

What are potential AML issues or red flags? What should you do if you were the notary?

- 3) The Operations Department of a medium-sized insurance firm notices in an exception report that for the third Friday in a row a client - a restaurant owner - gave his insurance agent a payment in the amount just under the reporting threshold in money orders to add to his annuity. The insurance firm had already deposited the funds.

What are potential AML issues or red flags? What should you do if you were the compliance officer of the insurance firm?

- 4) An unemployed mason arrives at a local convenience store. The convenience store is an MSB (agent) and allows customers to make bill payments or make payments to pay off a credit card. The customer makes bill payments to his credit card in amounts just under the reporting threshold, several times in a month. The consumer is paying fees to the MSB to process each of these small payments instead of paying the credit card bill once per month.

What are potential AML issues or red flags? What should you do if you were the compliance officer of the MSB?

- 5) A local jewelry business applies for a corporate owner life insurance policy. In accordance with the insurance company's AML handbook, the dealer provides valid articles of incorporation and documents verifying its identity are accurate and complete. After a 6-month review of the customer, the AML officer notices on a monthly exception report that on the first of every month, the agent calls in requesting a loan, which the jewelry business owner immediately pays back with cash equivalents.

What are potential AML issues and red flags? What should the compliance officer of the insurance company do?

- 6) A lawyer is asked by his client to assist in the following real estate transaction: To sell a property (real estate) which has belonged to the family for many years. In order to avoid a penalty clause, the house will first be sold to the son of the current owner, and then to another person, a third party.

What are potential AML issues and red flags? What should you do if you were the lawyer?

- 7) A lawyer had accepted unsolicited funds directly into his escrow account from investors for the purchase of a company. A few days later, he was informed that the purchase of the company did not occur. A 3rd party to the transaction asked for the funds to be paid into an account in Eastern Europe.

What are potential AML issues/red flags? What should you do if you were the lawyer?

- 8) A customer arrives at the agent location of a reputable international money transmitter. He wants to send \$11,000 to his mother in Guatemala. He asks the teller if it is possible to avoid a large cash report to the authorities if he breaks down the transactions into smaller amounts. When the teller says no, the customer leaves and comes back later with sequentially numbered money orders of \$500 each to pay for the transfer.

What are potential AML issues/red flags? What should the teller do?