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CAMS

Certified Anti-Money Laundering Specialists

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Exam A

QUESTION 1

What are three risk factors a financial institution should examine with regard to a proposed new product?

A. The complexity of the product



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B. The need to verify the identification of the customer

C. Whether the product is easily transferable

D. Whether other financial institutions are marketing the product

Correct Answer: ABC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 2

In some instances, a financial institution may receive a warrant from law enforcement authorities to search its premises. A search warrant is a grant of permission from a court for a law enforcement agency to search certain designated premises and seize specific categories of items or information. Generally, what is the required threshold for the requesting agency to establish in order to obtain a search warrant of a financial institution?

A. Reasonable belief

B. Probable cause

C. A preponderance of the evidence

D. Clear and convincing proof

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 3

An anti-money laundering specialist at a financial institution has received a legal request to provide all transaction records for a specific individual since 2004. Which three items should be delivered?

- A. Monthly statements and transaction activities for that individual since 2004
- B. All wire transfer for that individual since 2004
- C. All security trading activities for that individual since 2004
- D. Signature cards from accounts opened by that individual since 2004

Correct Answer: ABC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 4

How do payable through accounts (PTAs) differ from normal foreign correspondent accounts?

- A. The customers do not have to worry about sanctions list screening such as OFAC
- B. The customers have the ability to directly control funds at the correspondent bank
- C. The customers can contact the correspondent bank directly to send wire transfers
- D. The customers can hide their identity through the use of cover payments in U.S. dollars

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 5

What is the term for trading through multiple accounts, where an individual generates offsetting profits and losses and transfers of positions through accounts that do not appear to be commonly controlled?

- A. Ponzi scheme
- B. Market Manipulation

- C. Net Trading
- D. Wash Trading

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 6

The Wolfsberg Principles for Private Banking list circumstances that would require additional due diligence, including activities that involve which three of these choices?

- A. Foreign jurisdictions
- B. High Risk Countries, including those identified by credible sources as having inadequate Anti-Money Laundering standards
- C. High Risk activities, involving clients and beneficial owners whose source of wealth originates from activities known to be vulnerable to money laundering
- D. Public officials, including those individuals who have or had positions of public trust

Correct Answer: BCD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 7

Which three are examples of best practices terms of ensuring an adequate AML program?

- A. Engage an independent party to perform a periodic review of the program
- B. Review applicable domestic and international AML guidance
- C. Perform a risk analysis on a regular basis and compare it to the coverage of the AML program
- D. Review the accuracy of account opening applications

Correct Answer: BCD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 8

Which three statements are true regarding the extraterritorial reach of laws and legislation of the U.S.?

- A. The criminal anti-money laundering law can apply to transactions that occur partially overseas
- B. Economic and trade sanctions by OFAC may pose extraterritorial risks for financial institutions and businesses outside the U.S.
- C. The extraterritorial reach covers all transactions throughout the global economy
- D. The defendant does not need to know the funds came from an illegal activity under state, federal or foreign law

Correct Answer: ABD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 9

What is a criterion for FATF membership?

- A. The country should be democracy
- B. The country should be a member of a FATF-style regional body
- C. The country should have already implemented all of the FATF Recommendations
- D. The country should have already implemented the standards of the European Union Directives

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 10

In which type of banking transaction is price manipulation, as a form of money laundering, a common practice?



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- A. Redeeming an annuity
- B. Sending a wire transfer
- C. Issuing a letter of credit
- D. Subscribing to a cash management account

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 11

Which two aspects of the security broker dealer industry increase its exposure to money laundering? Choose 2 answers

- A. The routine use of wire transfers from, to or through multiple jurisdictions
- B. They easy conversion of holdings to cash with significant loss of principal
- C. Disposing of cash through securities purchases
- D. Fast paced transactions conducted electronically

Correct Answer: CD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 12

To ensure that an institution's anti-money laundering program is current, which step should be taken?

- A. The program should be evaluated and updated at least every six months by the Board of Directors
- B. The program should be reviewed by a federal law enforcement officer for gaps in controls
- C. The program should be sent to the institution's government regulator on a periodic basis
- D. The program should be reassessed at least annually

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 13

A prospective AML officer comes highly recommended by a bank's up-stream correspondent institution of similar size and make-up, located in a different city in the same country. The bank is interested in hiring the individual. What should be the next step taken by the Board of Directors?

- A. Do a thorough background check
- B. Confer with its regulatory agency to determine whether it is appropriate to hire the person
- C. Hire the individual, relying on the recommendation of its correspondent
- D. Hire the individual on a probationary basis so that the institution can determine if the individual is sufficiently experienced and capable

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 14

Which type of transactions present the highest risk?

- A. Wire transfers from a publicly listed company
- B. Payroll payments
- C. Social insurance payments
- D. Foreign exchanges

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 15

According to experts, what is the most effective way to prevent money laundering through financial institutions?

- A. Ensuring that transaction monitoring systems can identify terrorist financing
- B. Collecting information on beneficial owners and foreign customers
- C. Instituting a policy prohibiting the acceptance of funds intended for terrorist financing
- D. Implementing a sound customer due diligence program

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 16

What should a compliance officer do during an ongoing investigation into a client's activities by a competent authority?

- A. Ensure communication with regulatory and law enforcement authorities is conducted only through the Board of Directors
- B. Communicate only in writing regulatory and law enforcement authorities in line with applicable local laws
- C. Communicate with regulatory and law enforcement authorities in line with applicable local laws
- D. Only provide information that is specifically and directly requested

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 17

How can dealers in high-value items be at risk for money laundering?

- A. The value of precious metals such as gold and silver is constantly fluctuating.
- B. Carrying large amounts of gems of high value is physically easy
- C. Paperwork is not required to ship precious metals and gems
- D. Drug dealers prefer cash to precious metals and gems

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 18

In the FATF 40 recommendations, the focus of AML efforts has been expanded beyond Financial Institutions. Which three businesses and/or professions are covered? Choose 3 answers

- A. casinos, when customers engage in financial transactions equal to or above a designated Threshold
- B. Real estate agents when they are involved in transactions for clients concerning buying and selling properties
- C. Dealers in art, when they engage in any cash transaction with a customer at or above a designated threshold
- D. Trust and company service providers

Correct Answer: BCD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 19

When requested by law enforcement via legal process to provide records or documentation, what should the officers of financial institution do?

- A. Provide all records and documents the officer believes would be pertinent to the law enforcement agent's investigation
- B. Refuse to provide any records or documents until the agent narrows the scope of the request down to what he or she actually needs
- C. Not act on the legal process until the bank officer has contact w4h the agent and learns what the agent is investigating
- D. if there is no basis for contesting the request, provide what is requested

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 20

Which AML standards have force of law?



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- A. Standards as defined in the Third European Union Money Laundering Directive (2005/60/EC)
- B. Standards as defined by the United Nations (UN)
- C. Standards as defined by World Bank / International Monetary Fund (IMF)
- D. 40 Recommendations

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 21

What are some red flags pertaining to potentially suspicious transactions by a customer? Choose 3 answers

- A. Having multiple addresses and/or moving frequently
- B. Having a commercial account with cash deposits
- C. Have a common address with several other bank clients
- D. Having multiple individuals use the ATM card connected with the account in different cities

Correct Answer: ACD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 22

An anti-money laundering expert is hired by a new Internet bank to assess the money laundering threat to the bank. What is the most important recommendation for the expert to make given it is an on-line bank?

- A. The bank should limit the amount of money which can be processed per transaction

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- B. The bank should ensure that prospective new customers can be properly identified
- C. The bank should set up automated programs to analyze transactions for money laundering activity
- D. The bank should ensure that a firewall is set up to protect the transactions

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 23

Why is the Mutual Legal Assistance Treaty (MLAT) a gateway for international cooperation?

- A. They provide a legal basis for transmitting evidence that can be used for prosecution and judicial proceedings
- B. They receive reports of suspicious transactions from financial institutions to disseminate to local Law enforcement and foreign FIUs
- C. They obtain intelligence that might lead to evidence
- D. They issue the Prmc4es of Information Exchange Between Financial intelligence Units (FIUs)

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 24

Which element is generally required of all anti-money laundering programs?

- A. A computer-based suspicious activity monitoring system
- B. A qualified compliance officer to manage the program
- C. Annual in-person AML training for all employees
- D. An enhanced due diligence program for all new customers

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 25

After an institution files an STR with regard to a particular account, a law enforcement agent requests the institution to keep the account open until advised otherwise by law enforcement.

What steps should the institution take?

- A. The institution should close the account in order not to be caught in the middle of a law enforcement investigation
- B. The institution should follow the request of the law enforcement agent and keep the account open
- C. The institution should request a written letter from the law enforcement (agency signed by an appropriate authorized signature)
- D. The institution should keep the account open only if doing so comports with the bank's own AML procedures

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 26

A customer has held an account at a local credit institution for 10 years. The account has received deposits twice weekly for the same amount and has never shown signs of suspect behavior. Monitoring software indicated that in the past few months the account has received several large deposits that were not in line with the account history. When asked, the customer states she recently sold a piece of property, which is supported with a proof of sale. What should the compliance officer do next?

- A. Investigate these unusual transactions further
- B. Contact the local FIU for advice
- C. File an STR with the competent authorities
- D. Document reasons for not filing a STR

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 27

What is one recommendation of the Basel Committee's 2001 paper "Customer Due Diligence for Banks"?

- A. Numbered accounts should not be allowed
- B. Certain types of private banking can be exempt from KYC procedures
- C. Banks should develop clear descriptions of acceptable customers
- D. Politically Exposed Persons (PEPs) should not be accepted as customers

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 28

Which example describes the vulnerability of the securities sector for money laundering?

- A. A non-U.S. person seeks to open a brokerage account with a U.S. broker-dealer
- B. A broker-dealer must have a customer identification program in place
- C. Broker-dealers generally have a higher percentage of inexperienced staff
- D. Compensation for broker-dealers is generally based on commissions

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 29

In addition to monitoring for suspicious activity, what are electronic monitoring systems also valuable for?

- A. Identifying how customers are using products
- B. Highlighting the skills of the system analysts
- C. Proving to the Board of Directors that the FIU is doing its job
- D. Meeting mandatory regulatory requirements for system implementation

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 30

In which three situations is correspondent banking most vulnerable to money laundering? Choose 3 answers

- A. When allowing foreign banks to use the correspondent account to conduct large financial transactions on behalf of their customers
- B. When allowing the correspondent bank account to be used as a payable through account (PTA)
- C. When allowing the correspondent bank account to be used by other banks
- D. When allowing financial institutions, without proper due diligence, to access correspondent network for routing their financial transactions

Correct Answer: ABC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 31

How does a regulatory body typically obtain international assistance in a money Laundering inquiry?

- A. By filing a request under Egmont guidelines
- B. By submitting a request for overseas assistance to the corresponding supervisory body
- C. By contacting the FATF, Organization for Economic Co-operation and Development, or other international organizations and seeking their intervention
- D. By communicating with the Head of Compliance for the financial institution

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 32

Federal law requires all U.S. financial institutions to secure and maintain all records and supporting documentation used in suspicious activity reporting for how many years?

- A. 2 years
- B. 5 years
- C. 10 years
- D. No requirement

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 33

What is a major money laundering risk associated with a number of prepaid cards as opposed to credit or debit cards?

- A. The risk of losing the prepaid cards
- B. The inability to load the card with cash
- C. The global access to cash through ATMs
- D. The anonymous access to funds

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 34

An audit completed the previous week revealed that a private banking customer submitted incomplete documents when establishing an account earlier in the year. The customer received weekly electronic fund transfers from a narcotic-producing jurisdiction. While the relationship manager who opened the account is on leave for 5 weeks, the customer requests that the institution remit a substantial sum to a country that represents a high risk of money laundering. The relationship manager is a friend of the anti-money laundering specialist. What should the anti-money laundering officer do first?

- A. File a suspicious transaction report with the competent authority
- B. Investigate the transfer of funds
- C. Suspend the transfer until the relationship manager returns
- D. Postpone the follow-up on the audit finding

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 35

Why would a credit card account likely not be used in the placement stage of money laundering?

- A. Customer identification is required
- B. Cash payments are generally restricted
- C. Credit refunds have a waiting period
- D. Credit cards can access ATMs globally

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 36

What are some red flags financial institutions should be aware of when trying to verify the identity of a customer? Choose 3 answers

- A. Customer having unusual documents from a foreign country
- B. Customer being new to the community
- C. Customer having no permanent address
- D. Customer not having a connected phone

Correct Answer: ACD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 37

A compliance officer is looking to modify procedures covering correspondent banking relationships. Which three would be recommended under the Wolfsburg Principles on Correspondent Banking? Choose 3 answers

- A. Prohibition on offering products or services to shell banks
- B. Risk-based rating of central banks and regional development banks
- C. Periodic risk-based reviews of cents



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- D. Assessing the regulatory status and history of the client

Correct Answer: ACD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 38

When an institution conducts an internal investigation into an account following a law enforcement inquiry, it should consider a number of factors to independently determine if the account should be dosed. Which three considerations should be made when making the determination about closing an account? Choose 3 answers

- A. The institution's policies and procedures for closing an account
- B. Oral requests by a law enforcement agency or prosecutor for the account to be dosed
- C. signed written requests by a law enforcement agency or prosecutor on official letterhead for the account to remain open
- D. The level of seriousness of the underlying conduct

Correct Answer: ACD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 39

A profitable commercial customer who operates an import-export business has multiple accounts with the same institution at branches in different locations. The

customer receives funds from a jurisdiction perceived as highly corrupt according to Transparency International ratings. The customer makes frequent transfers among the accounts and prefers to manage the accounts separately. What should the institution do to mitigate the risk associated with these accounts?

- A. File a suspicious transaction report
- B. Diminish the importance of the subjective Transparency International rating
- C. Conduct a trade-price manipulation analysis
- D. Develop a system to monitor all the activity

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 40

What should be part of an institution's monitoring and STR filing process? Choose 3 answers

- A. Review on a regular basis of all high-risk accounts and transactions
- B. Review of STR filing trends and typologies
- C. Periodic training on the identification of red flags
- D. Requirement that the Board of Directors approve the filing of an STR

Correct Answer: ABC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 41

Pursuant to the Third European Union Money Laundering Directive, how long after being out of prominent office should a person NOT be considered to be a Politically Exposed Person (PEP)?

- A. 1 year
- B. 2 years
- C. 3 years
- D. 4 years

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 42

Which method most likely indicates the placement stage of laundering dirty money in a land based casino?

- A. Transferring substantial amounts of money from a client's credit card to a client's casino's VIP account
- B. Buying casino chips against a bank draft
- C. Redeeming smaller denomination casino chips for largest denomination chips
- D. Using cash to buy casino winnings from legitimate winners at a premium

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 43

A compliance officer at a small local bank reads in the newspaper that a high ranking local public official, who is a long-standing account holder, is being investigated by the competent authorities for accepting bribes. The compliance officer immediately checks the official's account and new account the official opened at the bank a few weeks ago. The compliance officer's investigation of these accounts discloses that the official's long-standing account had no unusual activity and that the recently opened had no activity since it was opened. What should the compliance officer do next?

- A. Wait until the new account receives funds and confirm their source
- B. Call the competent authorities to assess the need to file a suspicious transaction report
- C. Meet with staff who opened the account to understand its nature and purpose
- D. Call the office to confirm the need for multiple accounts

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 44

What is a key element required to ensure an anti-money laundering compliance program is effectively embedded into an institution's culture?

- A. An internal audit
- B. Ongoing training
- C. Peer review
- D. A record retention policy

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 45

In 2004, Consolidated KYC Risk Management was issued by the Basel Committee on Banking Supervision (BCBS). What is a key message in this document?

- A. KYC Risk Management required a yearly consolidation effort
- B. KYC Risk Management means as established decentralized process for promulgating policies and procedures
- C. Policies and procedures should be designed not merely to comply strictly with all relevant laws and regulations
- D. Consolidated KYC risk management for a group is critical and trumps jurisdictional rules that limit information sharing

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 46

In order to protect investigative materials from disclosure when conducting an internal investigation of any employee of a financial institution, legal counsel of that financial should_____?

- A. Request formal company authorization to conduct the investigation. Such authorization should be granted, if possible, by the board of directors or audit committee
- B. Refuse to provide any records or documents to law enforcement because the bank has client privilege with its bank customers
- C. Let the bank hire any and all contract investigators to conduct the internal investigation. That way Legal is not a party to the action and may remain independent

- D. Not mark files or documents with privileged and Confidential: Attorney-Client Privilege and/or Work-Product. Those marks will only encourage law enforcement or opposing attorneys to seize those files

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 47

Which situation is the highest risk for money laundering and terrorist financing activity?

- A. A customer purchases casino chips, using small denomination bank notes, but does not engage in game play before redeeming the chips for a casino check
- B. A customer purchases casino chips and engages in significant game play before requesting a casino check for the remainder
- C. A customer purchases casino chips using a credit card and engages in minimal game play before redeeming the chips for a casino check
- D. A customer purchases casino chips using credit from an account at an affiliated casino and engages in significant game play before redeeming the chips for a casino check

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 48

The marketing department presents a business plan targeting individuals holding important public positions. What are some steps the financial institution should implement as part of the plan to target such individuals?

- A. Investigate the source of funds
- B. Determine the purpose of the account
- C. Determine if the client appears on the Basel Committee on Banking Supervision's list of public officials
- D. Take all reasonable steps to check the background of the individual based on public information

Correct Answer: ABD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 49

The Board of Directors and the senior management of a financial institution should ensure that which three are established and followed with regard to an effective AML program?

- A. There is a strong compliance program
- B. International guidance is followed and understood
- C. They are kept informed of all major AML issues
- D. Regulatory compliance is made part of all relevant job descriptions

Correct Answer: ACD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 50

What is operational risk?

- A. The potential for loss of public confidence in an organization's integrity
- B. The potential for loss resulting from too much credit or loan exposure to one borrower
- C. The potential for loss due to inadequate processes, people, systems, or external events
- D. The potential for lawsuits, fines, and penalties increasing an organization's expenses

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 51

How should a financial institution deter money laundering through new accounts? Choose 3 answers

- A. Document the identity of the party opening the account
- B. Query owner's names against FATF database

- C. Determine the beneficial owner(s) of the account
- D. Seek to determine the source of deposited funds

Correct Answer: ACD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 52

What are three indicators of money laundering associated with using electronic funds transfers? Choose 3 answers

- A. Funds transfers to or from a financial secrecy haven without an apparent business reason
- B. Regular and frequent transfers from the account of a large company said to be payment for goods bought on credit
- C. Funds transfers are received or sent from the same person to or from different accounts
- D. Payment or receipts with no apparent link to legitimate contracts, goods or services

Correct Answer: ACD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 53

A quarterly review is conducted on a retail customer's account at a bank located in a jurisdiction with currency reporting thresholds. A number of large deposits of financial instruments drawn on other institutions in amounts under thresholds were noted. This activity did not fit the account's historical profile. A suspicious transaction report will most likely be filed if what also occurred?

- A. The customer has defaulted on a large loan with the bank
- B. The deposited financial instruments were sequentially numbered
- C. Four deposits were made during this period that exceeded the thresholds
- D. The customer purchased financial instruments exceeding the threshold on three occasions

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 54

What kind of person should perform the independent testing of an institution's anti-money laundering program?

- A. A certified specialist in the anti-money laundering field



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- B. A former anti-money laundering officer from a similar institution
C. A person who reports directly to the Board of Directors or a Board Committee
D. A retired government regulator or federal law enforcement officer

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 55

What is suspicious activity or red flag with regard to a customer's activity? Choose 3 answers

- A. Paying the tellers he deals with a regular gratuity
B. Exchanging small denomination bills for large ones
C. Engaging in wire transactions with an offshore account
D. Asking about the bank's fee schedule for a series of transactions

Correct Answer: ABC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 56

An anti-money laundering specialist working at a bank just received a legal request from a law enforcement agency mandating the release of all financial transaction records relating to an account at the bank. The specialist immediately recognizes the account as one owned by the bank Chief Executive Officer's brother. During research to gather the requested documents, the specialist finds several internal memos he had sent to the bank president with concerns regarding possible suspicious activity relating to this account. The specialist recalls the bank president verbally responded to each memo with an explanation of the activity and indicated there was no cause for concern. What should the specialist do with respect to these internal memos?

- A. Place these memos in his personal files in case they are subsequently requested
- B. Ask the bank president to document his instructions to the specialist
- C. Call the law enforcement agent and suggest he modify the legal request to include these memos
- D. Advise the bank's senior legal advisor of the situation

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 57

Which customer transaction with a securities dealer would indicate the highest suspicion of money laundering?

- A. Frequent trades in unlisted securities throughout the day on a regular basis
- B. Recurring transfers of money into a brokerage account subsequently invested in short-term securities
- C. A high level of account activity with very low levels of securities transactions
- D. Investment in securities with a significantly lower risk than the customer's expressed risk tolerance

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 58

An anti-money laundering specialist has just developed and implemented an anti-money laundering program. What is the most effective resource to evaluate the effectiveness of the program?

- A. The regulator authorities
- B. A member of senior management
- C. The anti-money laundering specialist
- D. A qualified independent party/auditor

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 59

An anti-money laundering officer for a financial institution has been conducting a monthly self-assessment.

The officer reviews the accounts increase in compliance with a long standing know your Customer policy. The self-assessment for the latest month shows a significant increase in compliance deficiencies for the first time in more than a year. What is the next course of action for the anti-money laundering officer to take?

- A. Inform the Board of Directors promptly of the Know Your Customer policy trend over the last six months.
- B. Determine if there is a readily identifiable cause for the deficiencies
- C. Implement a revision to the account-opening training program
- D. Revise the policy to simplify Know Your Customer compliance before the report is issued

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 60

To guard against acquisition or control of a financial institution by money launderers or their associates, what should supervisory agencies require?

- A. Adequate surety bonds, cash deposits, or equivalencies
- B. Comprehensive compliance programs
- C. Prospective owners have prior experience in the area of finance
- D. Thorough due diligence on prospective owners

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 61

What is one of the indicia of a Black Market Peso Exchange?

- A. A wire transfer from a third party not connected with a transaction
- B. A large deposit of pesos converted into U.S. dollars
- C. A transfer of U.S. dollars to Central or South America to be converted into pesos
- D. An illegal entity that exchanges pesos for U.S. dollars for illegal immigrants

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 62

What are some useful tools or methods in conducting an internal AML investigation? Choose 3 answers

- A. Reviewing documents, particularly of relevant accounts
- B. Interviewing knowledgeable employees of the institution
- C. Subpoenaing the owners of the relevant accounts
- D. Exploring leads through internet searches

Correct Answer: ABD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 63

What poses the greatest money laundering risk for a financial institution offering on-line services to customers?

- A. There is a greater difficulty in matching the customer with the provided identification documentation
- B. There is a lack of human review of the customer's transactions
- C. Institutions offering on-line services have no possibility to properly verify the identity of their customers
- D. Customers have direct access to their accounts without being detected

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 64

Which action should an FIU consider taking when it has information that might be useful to another FIU?

- A. In accordance with Wolfsberg guidelines, submit the information to the other FIU in written form
- B. Supply the information to the other FIU spontaneously as soon as the relevance of sharing the information is identified
- C. Take no action until contacted by the other FIU
- D. Request approval from the Egmont Group prior to sharing the information with the other FIU

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 65

Which statement is true about banking regulatory agencies having the authority to obtain information from regulated institutions?

- A. The regulatory agencies may only obtain information from the regulated institution's books and records by virtue of a search warrant
- B. A search warrant may be substituted by a court subpoena compelling the institution to produce the information to the regulatory agency
- C. The agencies authority to conduct examinations negates the need for a warrant or subpoena
- D. If a regulatory agency intends to prosecute a regulated institution, a warrant or subpoena must first be granted before the information can be obtained

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 66

When and how should an institution appraise the AML risk of a newly developed product?

Choose 3 answers

- A. The institution should request the Compliance Officer to review and evaluate the AML risk prior to the product going live
- B. The institution should roll the product out on a preliminary basis to determine what risks develop with regard to the product
- C. The institution should review previous administrative actions to determine if the product has created problems for other institutions
- D. The institution should evaluate where, how and to what extent the product is going to be used

Correct Answer: ABD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 67

Which precaution will a money launderer take to avoid detection when sending electronic transfers?

- A. Using cover payments for all electronic transfers
- B. Varying the amounts of transactions and using reputable organizations
- C. Using round dollar amounts, so funds appear to be gifts or loans
- D. Misspelling names to foil watch-list filtering systems

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 68

When the minimum CDD standards of the home and host countries differ, the offices in the host countries should follow which requirements?

- A. Local rules and regulations

- B. The minimum required
- C. The higher standard of the two
- D. The CDD standards required by the home country

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 69

Which three areas do FATF's 40 recommendations cover? Choose 3 answers

- A. International Cooperation
- B. Prescriptive sentences for predicate offenses
- C. Financial systems and their regulation
- D. The criminal justice system

Correct Answer: ACD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 70

Which primary international authoritative body designates sanctions?

- A. Organization of Economic Co-operation and Development (OECD)
- B. Financial Action Task Force (FATF)
- C. International Monetary Fund (IMF)
- D. United Nations (UN)

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 71

What was cited by the Wolfsberg Group in its Statement on the Suppression of the Financing of Terrorism as being vulnerable to terrorist financing?

- A. Private banking
- B. Correspondent banking
- C. Alternative remittance



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- D. Trade finance

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 72

In many jurisdictions, financial institutions are prohibited from hiring a person who has been convicted of what type of offense?

- A. Kidnapping
- B. Offenses involving dishonesty
- C. Driving while under the influence
- D. Protests of government action

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

Reference: http://www.capitol.hawaii.gov/hrscurrent/vol07_ch0346-0398/HRS0378/HRS_0378-0003.htm (See 9th point)

QUESTION 73

In general, what is an element that a financial institution or business does not have to specifically address in an anti-money laundering program?

- A. A system of internal policies, procedures and controls
- B. A designated compliance officer with day-to-day oversight over the AML program
- C. An ongoing employee training program
- D. A description of its OFAC program to address government watch list screening

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 74

Which three procedures should a compliance officer looking to revise an institution's CTF efforts include in accordance with the Wolfsberg Group's Statement on the Suppression of the Financing of Terrorism?

- A. Consulting applicable lists and taking appropriate actions to determine if customers appear on such lists
- B. Reporting matches from lists of known or suspected terrorists to relevant authorities
- C. Maintaining customer information to facilitate timely retrieval of such information
- D. Reviewing only original identification documents when verifying customers

Correct Answer: ABC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 75

A customer comes into a financial institution and deposits a large amount of cash. He has never done that before. When asked about the deposit, he indicates he recently sold a used car and received cash.

He does not trust forms of payment and is wary of counterfeit money orders. What should the bank do?

- A. The bank has received a plausible explanation, so it should do nothing
- B. While the explanation appears plausible, the institution should, for a period of time, monitor the account for cash transactions and suspicious activity

- C. While the explanation may be plausible, the institute should nonetheless file a Suspicious Transaction Report to protect itself
- D. The institution should close the account before another issues arise

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 76

How can a financial institution verify the nature and purpose of a business and its legitimacy?

- A. By reviewing a copy of the corporation's latest audited reports and accounts
- B. By undertaking a company search or other commercial inquiries to see that the institution has not been, or is not in the process of being dissolved or terminated
- C. By reviewing the company's website
- D. By using an independent information verification process, such as by accessing public and private databases

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 77

Which three criteria does a shell bank meet according to the Wolfsberg Principles on Correspondent Banking? Choose 3 answers.

- A. It does not conduct business at a fixed address in a jurisdiction in which it is authorized to conduct business.
- B. It does not employ one or more individuals at its fixed address where it is authorized to conduct business or maintain operating records at that address
- C. It is not subject to AML laws that require it to implement an AML program
- D. It is not subject to inspection by the banking authority that licensed it to conduct banking activities

Correct Answer: ABC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 78

An anti-money laundering specialist has been asked to create internal anti-money laundering policies, procedures and controls for a recently chartered offshore financial institution.

Which three should be included? Choose 3 answers

- A. Basel Committee on Banking Supervision's capital adequacy requirements for the host country
- B. A training program for senior management and staff
- C. An anti-money laundering compliance program, internal audit program, and procedure manual
- D. Compliance requirement of host and charting countries

Correct Answer: BCD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 79

A customer comes into the bank and appears to be ill-at-ease waiting in the teller line. When the customer gets to the teller, he become exceedingly nervous and asks for a large cashier's check to be cashed and disbursed to him in \$100 bills.

What should the teller do after completing the transaction?

- A. Confer with the bank's account going forward
- B. File a SAR on the customer
- C. Monitor the customer's account going forward
- D. File a CTR on the customer by the end of the day

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 80

Which three should real estate agents include in the criteria to assess their company's potential money laundering and terrorist financing risks when implementing a reasonable risk-based approach?

- A. Credit Risk
- B. Customer Risk
- C. Transaction Risk
- D. Geographic Risk

Correct Answer: BCD

Section: (none)

Explanation

Explanation/Reference:

Reference: <http://www.fatf-gafi.org/media/fatf/documents/reports/RBA%20Guidance%20for%20Real%20Estate%20Agents.pdf> (page 20, second paragraph)

QUESTION 81

According to the Financial Action Task Force 40 Recommendations, Designated Non-Financial Businesses and Professionals include which entities?

- A. Commodities traders
- B. Money services businesses
- C. Hawala operators
- D. Real estate agents

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

Reference: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%20\(approved%20February%202012\)%20reprint%20May%202012%20web%20version.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%20(approved%20February%202012)%20reprint%20May%202012%20web%20version.pdf) (page 19, DNFBPs: customer due diligence, bulleted point (b))

QUESTION 82

A compliance officer is conducting a review of the automated transaction monitoring system. What would be most likely to result in a change in the monitoring system parameters?

- A. The local paper runs stories that sully the institution's reputation in the marketplace
- B. Law enforcement issues a subpoena for a particular customer's account records
- C. The national Financial intelligence Unit issues new risk indicators
- D. The institution's creditworthiness thresholds change

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



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