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Exam A

QUESTION 1

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



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- 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 2

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 3

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 4

According to the Second European Union Money Laundering Directive, what may knowledge of criminal conduct be inferred from?

- A. Subjective, factual circumstances
- B. Objective, factual circumstances
- C. Objective, non-factual circumstances
- D. Subjective, non-factual circumstances

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 5

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

- 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 6

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. The 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 7

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 8

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?



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- 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 9

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 10

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 11

What should a bank focus on to ensure on-going compliance with its AML program?

- A. It should ensure that it develops and provides on-going targeted training of all current and new employees
- B. It should subject all new employees to criminal background checks before being hired
- C. It should review and update its transaction monitoring system
- D. It should ensure that the regulators have reviewed and have approved the bank's AML program

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 12

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 13

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 14

Which activity is most likely to facilitate money laundering through on-line systems with inadequate controls?

- A. Conducting a large volume of transactions
- B. Providing continuous worldwide access
- C. Conducting anonymous transactions
- D. Conducting large value transactions

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 15

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 16

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 17

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 18

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?



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- 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 19

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 20

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 21

A remittance company received a money order from a senior political figure in the Philippines to transfer a large sum of money to a charity group in the Philippines. A review of the charity group revealed a director having close ties with a known terrorist group primarily financed through kidnapping and extortion.

What is a key risk indicator associated with terrorism financing?

- A. The sender is a Politically Exposed Person (PEP) and should be subject to enhanced due diligence
- B. A large sum sent by money order to a charity
- C. There is no risk relating to terrorism financing when the charity group is operating legitimately in that country
- D. There is a link between the charity group and a known terrorist group

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 22

In performing a risk analysis, which factor(s) should a financial institution review?

- A. The level of its gross revenue
- B. Recent regulatory actions against financial institutions of comparable size
- C. Its customer base, location, products and services
- D. The adequacy and completeness of its STR filings

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 23

What should law enforcement provide when asking an institution to keep an account open?

- A. An explanation of the underlying conduct that is being investigated
- B. A written request with an explanation of the scope of the investigation
- C. An in-person visit by an investigating official to explain the reasons why the account must remain open
- D. A written request on government agency letterhead with the appropriate signature

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 24

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 25

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 26

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 27

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 28

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 29

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



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Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 30

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 31

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 32

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 33

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

Correct Answer: ACD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 34

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 closed
- 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 35

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-practice manipulation analysis
- D. Develop a system to monitor all the activity

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 36

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 37

A commission rogatorie would be used in which gateway to obtain information from another country?

- A. An FIU request under the Egmont principles
- B. An MLAT request



- C. A supervisory channel request with the Basel Committee
- D. A FATF request

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 38

The purpose of an anti-money laundering program should be to do what?

- A. Detect all illegal activity perpetrated by customers
- B. Avoid criticism and sanctions from government regulators
- C. Focus monitoring efforts on riskier transactions and customers
- D. Detect and report cash structuring and suspicious wire transactions

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 39

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 40

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 41

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 42

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 43

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 44**

What are the European Union Directives on Money Laundering?

- A. They are voluntary codes of best practice for the financial sector
- B. They are written by the Wolfsberg Group
- C. They require members to implement certain laws of prevent money laundering
- D. They require financial institutions to report suspicious activity to the Egmont Group in Brussels

Correct Answer: C

Section: (none)

Explanation**Explanation/Reference:****QUESTION 45**

Why do government entities around the world believe that a risk-based approach to AML/CFT compliance is a preferable prescriptive measure?

- A. It is easier for examiners to make subjective criticisms
- B. It is more flexible, effective and proportionate
- C. It allows institutions to focus their attention on only high risk customers
- D. It allows the creation of hard and fast rules that must be followed

Correct Answer: B

Section: (none)

Explanation**Explanation/Reference:****QUESTION 46**

When providing reporting of STRs to the board, which of the following should be provided?

- A. A numerical summary of all the STRs

- B. A numerical summary of all the STRs and a summary of key STRs, including PEPs, key employees
- C. A summary of all key STRs, including PEPs and key employees
- D. All the STRs filed with the national FIU

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 47

Why do trusts established in certain offshore jurisdictions make good vehicles to launder money?

- A. Names of the settlor and beneficiaries are not publicly available
- B. Trust are typically set up to minimize taxes
- C. Offshore jurisdictions are unfamiliar with trusts
- D. Trusts may hold assets of significant size

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 48

What are some of the methods for sharing information and cooperating on an international basis? Choose 3 answers

- A. Mutual Assistance Legal Treaties
- B. International Money Laundering Information Network



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- C. Regulatory sharing through Supervisory Channels

D. Issuant subpoenas

Correct Answer: ABC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 49

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 50

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 51

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 52

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 53

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 54

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 55

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 56

What should an effective anti-money laundering training program include?

- A. Computer-based modules titles differently for each job description in the bank
- B. Random testing of employees to ensure proper understanding of policies
- C. Real-life money laundering examples
- D. Lists of anti-money laundering regulations

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 57

When should new business products to evaluated for AML concerns?

- A. After they have been implemented so there is empirical data to review
- B. Before they are launched into the market
- C. At the time of the next enterprise risk assessment
- D. On an annual basis

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 58

A compliance officer is looking to update an institution's private bank procedures. What should be included as recommended by the Wolfsberg AML Principles on Private Banking?



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- A. Approval of Politically Exposed Persons (PEPs) by at least one person other than the relationship manager
- B. Dedicated automated AML monitoring of client activity
- C. Review of client files annually if there are unusual transactions
- D. The institution's senior management has primary responsibility for the relationship

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 59

Which action should be taken regarding a particular account once suspicious activity is reported by the institution?

- A. Notify the client that the transaction has been reported
- B. Freeze the funds pending notification from the competent authority
- C. Secure all supporting documentation
- D. Immediately close the account

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 60

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 61

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 62

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 63

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 64

What are some of the shortcomings in using letters regulatory? Choose 3 answers

- A. They can be time-consuming
- B. They are based on a pre-existing mutual treaty between the countries
- C. They are usually restricted to obtaining evidence that can be used for prosecution and other judicial proceedings
- D. They must be approved in advance by the countries judicial authorities

Correct Answer: ABD

Section: (none)

Explanation

Explanation/Reference:

QUESTION 65

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 66

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
- D. Trade finance

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 67

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 68

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



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- 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 69

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 70

An AML compliance officer receives notice of government update including the names of the latest terrorists sanctioned by the United Nations Security Council. Which would be the most appropriate step to take?

- A. Notify the Board of Directors
- B. Update the monitoring software containing sanctioned persons
- C. Inform the customers that their funds will be frozen
- D. Update training information to include the latest names

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 71

An account officer who maintains an excellent relationship with the finance manager for a correspondent bank customer learns that many records for the correspondent bank have been requested by law enforcement. In the interest of maintaining a good relationship with the customer, the account officer sets up a meeting to discuss the legal request with the customer. The account officer intends to discuss points related to the investigation during the meeting.

What should an anti-money laundering specialist recommend?

- A. Discuss all the points being investigated by law enforcement to ensure the correspondent bank is well prepared when approached
- B. Let the account manager's manager know what conversations have taken place with the customer and document the account file accordingly
- C. Limit discussions about the investigation with the customer and be satisfied that the account manager has provided proper notice to the customer
- D. Cancelled the meeting as he has already behaved inappropriately by alerting to the investigation

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 72

What are three elements of a sound Customer Due Diligence Program?

- A. Determination of what type of customer the financial institution will accept
- B. Training as to how and to what extent to identify prospective customers
- C. Obtaining date of birth and address of a prospective customer
- D. Determination of who in the institution should be assigned to the prospective customer as a liaison

Correct Answer: ABC

Section: (none)

Explanation

Explanation/Reference:

QUESTION 73

On who does the ultimate responsibility for an institution's anti-money laundering program rest?

- A. The designated AML Compliance Officer
- B. The institution's Board of Directors
- C. All employees with customer contact
- D. The government regulator examining the AML program

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 74

Which statement about U.S. Specified Unlawful Activities (SUA) is true?

- A. At least one SUA must be proven in order to pursue a money laundering conviction
- B. SUAs are generally limited to a small sub-set of crimes
- C. In order to secure a conviction, the defendant must be proven to have known the precise nature of the source of funds
- D. SUAs are limited to crimes that occur within the borders of the U.S. and its territories and possessions

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 75

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 76

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))



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