

## CAMS.84q

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## CAMS

**Certified Anti-Money Laundering Specialists**

## Exam A

### QUESTION 1

An anti-money laundering specialist at a large institution is responsible for information senior management about the status of the anti-money laundering program across the organization.

Which report is the most useful?

- A. The total credit exposure for non-cooperative countries and territories
- B. Results of related audits and examinations
- C. Details on inquiries received from law enforcement
- D. Notification of management changes in the different major divisions

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

### QUESTION 2

What is most valuable when using the internet as an investigative source?



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- A. A team of AML investigators
- B. A reference list of websites known to yield credible information
- C. A combination of independent thinking and technical skills
- D. A powerful search engine

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 3**

What should senior management do in order to promote a culture of anti-money laundering compliance?

- A. They should include compliance with AML procedures as condition of employment
- B. They should attend all training sessions with front-line employment
- C. They should have close ties with the independent auditors of the AML program
- D. They should base employee compensation on the amount of suspicious activity they detect

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 4**

What is the result of an increased awareness of the potential for gatekeepers to assist in money laundering in recent years?

- A. The IMF has raised the profile of gatekeepers, requiring that countries regulate them
- B. Lawyers who represent money launderers can more easily be prosecuted
- C. Accountants are no longer considered gatekeepers, since they are not permitted to set up companies or trusts
- D. The FATF recommendations cover lawyers performing financial transactions

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 5**

Which three are principles found in the document "Principles of information Exchange between Financial Intelligence Units (FIUs)"?

- A. The exchange of information between FIUs should take place as informally and as rapidly as possible and with no prerequisites, while guaranteeing protection of privacy and confidentiality of the shared data
- B. Differences in the definition of offenses that fall under the competence of FIUs should be before free exchange of information takes place
- C. The Egmont principle of free exchange of information at the FIU level should be possible on the basis of reciprocity, including spontaneous exchange

D. It should be possible for communication between FIUs to take place directly and without intermediaries

**Correct Answer:** ACD

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 6**

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

- A. The complexity of the product
- 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 7**

Which three characteristics make non-profit organizations vulnerable to misuse for terrorist financing?

- A. Enjoying the public trust
- B. Having access to a considerable sources of funds
- C. Being listed as government nonprofit organization
- D. Having a global presence for national and international operations and financial transactions

**Correct Answer:** ABD

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 8**

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 9**

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 10**

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 11**

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 12**

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 13**

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 14**

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 15**

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 16**

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 17**

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 18**

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 19**

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 20**

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 21**

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 22**

Which AML standards have force of law?

- A. Standards as defined in the Third European Union Money Laundering Directive (2005/60/EC)



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- 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 23**

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 24**

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
- 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 25**

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 26**

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 27**

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 28**

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 Political 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 29**

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 30**

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 31**

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 32**

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 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**

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 37**

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 38**

What facilitates law enforcement agent obtaining evidence from authorities in a foreign country relating to criminal activity?

- A. Mutual Legal Assistance Treaties (MLAT)
- B. Patriot Act Communications System
- C. The World Wide Network of Information Sharing
- D. MLAT Executive Agreement

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 39**

Which of the following is the most common risk with a Personal or Private Investment Company (PIC)?

- A. They are almost always owned by politically exposed persons
- B. They are usually established in financial secrecy havens
- C. They often lack transparent ownership
- D. They are not publicly traded

**Correct Answer:** C

**Section:** (none)

### **Explanation**

### **Explanation/Reference:**

#### **QUESTION 40**

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 41**

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 42**

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 43**

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 44**

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 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**

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 47**

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 48

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?



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- 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 49

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

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- A. A certified specialist in the anti-money laundering field
- 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 50**

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 51**

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 52**

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 53**

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 54**

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 55**

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 56**

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 57**

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?

- 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 58**

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 59**

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 60**

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 61**

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 62**

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 63**

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 64**

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 65**

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 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**

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 68**

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?



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- 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 69**

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 70**

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 71**

A junior account manager within an international private bank in Country A was asked by one of his valued customers, who has held an account for several years in the institution, about depositing a large sum of cash into her account. The junior account manager informed his customer that his bank does not accept cash. The

junior account manager later reviewed a customer activity report and noticed a number of smaller dollar wires from banks in neighboring Country B, which has lax currency controls, that totaled about as much as the customer intended to deposit.

What should the junior account manager do?

- A. Close the account
- B. File a suspicious transaction report with the Financial Intelligence Unit
- C. Notify the anti-money laundering specialist of his bank, but do not call the customer
- D. Offer the customer a more secure method of depositing in the hope of learning something more during the conversation

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 72**

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 73**

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 74**

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 75**

Bank A is located in Country A. A wire transfer from Bank B located in Country B is processed by Bank A, where the funds are being moved to a customer at Bank C located in Country C. The wire transfer is deemed suspicious by Bank A.

Who should Bank A file a suspicious transaction report on?

- A. The transaction in Country A
- B. Bank B in Country A
- C. The transaction in Country B
- D. Bank C in Country C

**Correct Answer:** A

**Section:** (none)

**Explanation**



**Explanation/Reference:**

**QUESTION 76**

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:**

**QUESTION 77**

Which three are the most commonly used risk criteria?

- A. Country Risk
- B. Customer Risk
- C. Reputation Risk
- D. Product and Service Risk

**Correct Answer: ABD**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 78**

Which statement is true about when an institute becomes aware that a particular employee is under investigation by law enforcement as a result of a subpoena or warrant?

- A. Under no circumstances can the employee be interviewed by the institution without the consent of law enforcement for fear of tipping the employee off
- B. If an independent investigation provides grounds to interview the employee, they can be interviewed and, if necessary, terminated but not advised that they are under investigation
- C. The employee can and should be interviewed, as well as notified of the investigation to demonstrate the seriousness of the offence and to get the employee's full attention and cooperation
- D. The institute has a duty as an employer to inform the employee he or she is under investigation by law enforcement, but must not inform them that a warrant or subpoena has been received

**Correct Answer: B**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

#### **QUESTION 79**

In relationship to life insurance business, the third European Directive states that Member States may allow the identity verification of the beneficiary under the policy after the business relationship has been established, but before which events?

- A. At or before a premium payment has been accepted for the policy purchased
- B. At or before the policy is issued to the beneficiary by the insurance company
- C. At or before the time of payout or before the beneficiary intends to exercise rights vested under the policy
- D. At or before 30 days of the relationship being established under the policy

**Correct Answer: C**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

#### **QUESTION 80**

What is an indicator of suspicious activity?

- A. A customer who pay back a late loan all at once after collecting on a bad debt
- B. A convenience store that brings in \$20s and \$10s and requests small bills and change
- C. Large and frequent credit balances on a credit card resulting in request for refunds
- D. An online retailer that uses a third-party payment processor to facilitate its transactions

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 81**

What is the primary action a financial institution should take before formulating its anti-money laundering program?

- A. It should perform a comprehensive risk analysis
- B. It should determine how extensive and well-trained the compliance staff is
- C. It should consult with its correspondent banks to determine the nature and extent of their AML programs
- D. It should ensure that its training modules for all employees cover all relevant AML issues

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 82**

When an institution files an STR with regard to a particular account, what steps should the institution take visa account?

- A. The institution should close the account due to the obvious risk it represents
- B. The institution should keep the account open due to the need to continue to monitor the account
- C. The institution should consult its counsel and AML compliance officer and determine whether closing the account is in accord with the institution's procedures
- D. The institution should not close the account due to the risk of tipping off the customer and upsetting the criminal investigation

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 83**

What are three factors a financial institution should examine with regard to a new customer who is opening up a new account? Choose 3 answers

- A. The country or location where the customer is from or does business
- B. The type and size of the business the customer runs
- C. The legal structure of the customer's business
- D. The previous financial institutions where the customer has banked

**Correct Answer:** BCD

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### **QUESTION 84**

In May 2002, the Wolfsberg Principles on Private Banking were revised and included a section that prohibits the use of internal non-client accounts in a manner that would prevent officials from appropriate monitoring movements of funds or keep clients from being linked to the movement of funds on their behalf.

What is another name for these internal, non-client accounts?

- A. Trust accounts
- B. Correspondent accounts
- C. Concentration accounts
- D. Pay through accounts

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

Reference: <http://www.wolfsberg-principles.com/privat-banking.html> (1.2.2, 5th bullet)



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