

1. Suppose a new account holder makes an unusually large initial deposit. According to recommended CDD policies, you should
 - ☐ A. review the depositor's credit report from all three major credit reporting agencies rather than from just one.
 - ☐ B. ask why he chose your location.
 - ☒ C. write to the depositor's prior institution for a reference.

2. Monitoring customer transactions allows you to identify any that deviate from what is _____ for that customer.
 - ☐ A. occasional and unexplained
 - ☐ B. prudent and profitable
 - ☒ C. normal and expected

3. One of the key reasons for monitoring is to detect unusual transactions by customers who are categorized as
 - ☐ A. criminal customers who go out of business.
 - ☒ B. genuine customers who later become involved in illegal activities.
 - ☐ C. poor credit risks.

4. If your due diligence shows an account applicant to be a criminal, you should
 - ☐ A. turn that account applicant away.
 - ☒ B. file a Suspicious Activity Report (SAR).
 - ☐ C. give the applicant an account but plan to monitor it closely.

5. You need to verify the legal status of a new business account. You should
 - ☐ A. ask for names of suppliers and customers who can attest to the business's legal status.
 - ☒ B. ask to see incorporation or association documents, a partnership agreement or a business license.
 - ☐ C. check to see whether the business is on file with your local chamber of commerce or Better Business Bureau.

6. If a company is engaged in a particularly high-risk, cash-intensive business, you should
- ☒ A. automatically refuse to open the account without first contacting FinCEN.
 - ☐ B. request invoices from its suppliers.
 - ☐ C. consider interviewing management and making periodic on-site visits.
7. Which of the following names two entities that are exempt from the BSA's definition of a "legal entity?"
- ☐ A. An SEC-registered investment company and a limited liability corporation
 - ☐ B. A publically-held corporation and a state-regulated insurance company
 - ☒ C. A trust and a partnership
8. What is the purpose of recording the types of instruments used in a transaction, as well as how the funds were generated?
- ☒ A. To determine the customer's source of funds
 - ☐ B. To determine the customer's creditworthiness
 - ☐ C. To predict how long the customer will remain with your institution
9. Suppose a person opening an account lives outside your service area. According to recommended CDD policies, you should
- ☒ A. write to the person's prior institution for a reference.
 - ☐ B. ask why he chose your location.
 - ☐ C. verify the person's address by checking his report.
10. For which one of the following entities must you identify as a beneficial owner one person with control, as well as anyone who owns 25 percent or more equity?
- ☐ A. A private for-profit corporation
 - ☐ B. A nonprofit corporation
 - ☒ C. Any legal entity that opens a private banking account that is subject to FinCEN's private banking account rules
11. Suppose someone is opening an account over the Internet. According to recommended CDD policies, one of the things you should do is
- ☒ A. require her to come in to complete the paperwork.
 - ☐ B. write to her prior institution for a reference.
 - ☐ C. ask her to transmit copies of her ID documents.

12. Pets for Less, a nonprofit animal shelter, is opening an account at your institution. Who in the organization would you identify and verify as a beneficial owner?
- ☐ A. Program managers
 - ☐ B. The executive director
 - ☒ C. Every individual and legal entity whose equity in the organization is 25 percent or more
13. A risk assessment of a particularly cash-intensive business should involve an examination of several factors. Which option names two of these factors?
- ☒ A. Primary business activity; geographic locations
 - ☐ B. Purpose of the account; the business's average tax liability
 - ☐ C. Volume of currency transactions; number of employees
14. Imagine you've been asked to conduct a risk assessment of a particularly cash-intensive business. An important factor to consider is how _____ the business is in providing that information.
- ☐ A. technically sophisticated
 - ☐ B. creative
 - ☒ C. cooperative
15. Which of the following names two products and/or services that meet the CIP rule's definition of an "account?"
- ☒ A. Auto loan; savings account
 - ☐ B. Trust; money order
 - ☐ C. Cashier's check; credit card account

Suppose a new account holder makes an unusually large initial deposit. According to recommended CDD policies, you should

- ☐ A. review the depositor's credit report from all three major credit reporting agencies rather than from just one.
- ☐ B. ask why he chose your location.
- ☒ C. **write to the depositor's prior institution for a reference.**

Basic customer identification and CDD guideline objectives:

- Keep terrorists from misusing financial system
- Prevent identity theft
- Protect financial institutions from illegal activities
- Protect financial institution reputations
- Simplify compliance with statutes and regulations
- Assist compliance with safe and sound banking practices



Knowledge
Assessment

Knowing your customers through appropriate **due diligence** has *a/ways* been important. But what do you suppose brought about a law commanding that financial institutions have a written CIP? Can you recall the event that led to the creation of this legislation?

Correct

Right! Additional BSA requirements were passed following the Sept. 11, 2001, terrorist attacks on the United States.

Continue

1973

Watergate
break-in

1984

Eastern Bloc
boycott of
Olympics

1991

Persian Gulf
conflict

2001

Terrorist
attacks

2005

Hurricane
Katrina

"Customer" - any person opening a new account that doesn't already have one with your institution

"Person" - includes individuals, businesses and other entities

"Account" - a formal banking relationship

Genuine customers

Criminal customers

Genuine customers
who become
criminals



For this one, all but one of the products and services in this *Toss It* exercise meet the CIP rule definition of an "account." Toss out the one that doesn't belong.



Drag the item that's "not an account" into the trash.

ATM/DEBIT
CARD

MONEY ORDER

AUTO LOAN

CERTIFICATE
OF DEPOSIT

SAVINGS
ACCOUNT



MONEY ORDER

Correct

Nice job. CIP rules say a formal banking relationship must be established for a product or service to meet the definition of an account.

Continue

ONE OF THE KEY REASONS FOR ONGOING CDD MONITORING IS TO CATCH CUSTOMERS WHO WERE OR APPEARED TO BE GENUINE , BUT LATER BECAME INVOLVED IN ILLEGAL ACTIVITIES .

	CRIMINALS	TROUBLESOME
PEOPLE	BAD INVESTMENTS	
GOOD		ANOTHER INSTITUTION

The government expects that genuine customers will ultimately benefit from stricter identification procedures that reduce the growing amount of fraud and identity theft involving new accounts.



Click and drag the check mark to your answer.

Correct

That's right, Hoang Vinh. And nor should your CIP and CDD policies harm or inconvenience your customers.

Continue



FALSE

Well, we can't attend the entire session. But I *can* ask about something you should have picked up on:

What is enhanced customer due diligence?



Click and drag the dart to your answer.

Correct

That's exactly right.

Continue



A. A closer look at every new account opened




B. A closer look at accounts flagged by my institution's CDD as "high-risk"



C. Especially diligent customer service

True or false? The government lays out CIP requirements for new account openings and guidelines on how to maintain a CDD.

 Click and drag the X to your answer.

Correct

You're correct, Hoang Vinh. We'll be discussing what those account opening requirements are, as well as the regulations that guide the operation of a customer due diligence program.

Continue



FALSE

Complete

Nicely done.


Continue

1. Legal entities are created by the _____
2. of a public document with a _____ of State ...

ACROSS

1. or one formed under a _____ jurisdiction that opens an account.



Progress Check 

Which of the following is NOT exempt from the definition of a "legal entity"?

Drag each entity left or right into the correct column.

Exempt	Complete	Not exempt
		TRUSTS
GOVERNMENT-REGULATED FINANCIAL INSTITUTIONS	Another fine job, Hoang Vinh. Continue	
		LIMITED LIABILITY CORPORATIONS
PUBLICLY-HELD CORPORATIONS		

Procedure 1

Identify the customer - Beneficial Ownership



2 Levels:

- 1) Ownership =
Owns 25% or more equity (total 4 persons)
- 2) Control =
An individual with authority to run the entity

Ownership: up to 4 individuals can declare as owners. **Control:** Only 1 be listed (CEO, COO, etc.)

Non-Profit? Only control needs be documented

If a **trust** owns 25% or more equity, then the **trustee** is the "beneficial owner"

No individual need be identified for an **exempt** entity owning 25% or more equity

Procedure 1

Identify the customer -
Beneficial Ownership

Institutions may rely on another's efforts and findings IF

- Reliance is "reasonable under the circumstances"
- Institution relied upon is subject to FinCEN anti-laundering requirements
- Institution relied upon contractually certifies it's running an anti-laundering program, AND that it's responsible for performing specific requirements of requesting institution's beneficial ownership procedures

Progress Check

Time for a few more checks of your progress.

Under the beneficial ownership rule, the difference between the ownership level and the control level is that individuals with 25 percent or more equity are at the *ownership* level, while an individual with significant authority to run the entity is at the *control* level.



Drag the check mark to your answer.

Correct

Well said, Hoang Vinh! Controllers have "significant authority." Owners *own* percentages of the entity.

Continue



FALSE

Progress Check

A nonprofit animal shelter is opening an account at your bank. Who in the organization would you identify and verify as the beneficial owner?

Yes

EVERY INDIVIDUAL
AND LEGAL ENTITY
THAT OWNS
25 PERCENT OR MORE
OF THE NONPROFIT

THE EXECUTIVE DIRECTOR

Complete

Excellent! You're on the ball.

Continue

No

Yes

PROGRAM MANAGERS



Slide each item to the left or right into the correct column.

If an exempt entity owns 25 percent or more of an entity, whom should you identify and verify as a beneficial owner?

 Drag the check mark to your answer.



No one

Correct

Good call, Hoang Vinh. No individual need be identified for an exempt entity.

[Continue](#)

A person, persons, entity or entities at the ownership level

A person, persons, entity or entities at the control level

Procedure 2

Determine the source of funds

Procedure 3

Determine customer's normal and expected transactions

Procedure 4

Monitor customer's normal and expected transactions

Procedure 5

Determine if transactions are unusual or suspicious. If so, report!

Let's review.

When your institution is involved in a transaction with a customer, it is not necessary to establish the source of a customer's funds.



Click and drag the check mark to your selection.

Correct

Correct. **Determining the source** of a customer's funds — including the types of instruments used and from where the funds were derived — is an important element of your CDD program.

Continue

TRUE



Risk-Based Verification and Monitoring

Recommended procedures for monitoring high-risk accounts:

Procedure 1

Identify the customer

Procedure 2

Determine the source of funds

Procedure 3

Determine customer's normal and expected transactions

Procedure 4

Monitor customer's normal and expected transactions

Procedure 5

Determine if transactions are unusual or suspicious. If so, report!

Recommended retail customer identification methods:


- Consider the source of funds
- Question large currency deposits
- Ask for references from other institutions
- Check consumer-reporting company for suspicious situations
- Confirm the information provided

Ask why choose your bank at your location, if customer not in your area

On internet:

Due Diligence for Accounts Opened Remotely:

- ▶ Request a copy of identifying documents
- ▶ Verify address and phone number
- ▶ Verify date of birth and SSN with commercially available databases


Progress Check 

Let's review.

Correct

You've got a good memory, Hoang Vinh.

[Continue](#)

 Drag the correct

YOU SHOULD CHECK WITH
A CONSUMER-REPORTING COMPANY
FOR SIGNS OF QUESTIONABLE ACTIVITIES
LIKE CHECK FRAUD OR INSUFFICIENT FUNDS.

BUSINESS CONTACTS

FRIENDS AND FAMILY
FINCEN

HERE'S THE SITUATION	HERE'S WHAT YOU COULD DO
THE PERSON OPENING AN ACCOUNT LIVES OUTSIDE YOUR SERVICE AREA.	ASK WHY HE CHOSE YOUR LOCATION.
SOMEONE IS OPENING AN ACCOUNT OVER THE INTERNET.	ASK HER TO TRANSMIT COPIES OF HER ID DOCUMENTS.
THE INITIAL DEPOSIT IS UNUSUALLY LARGE.	WRITE TO THE PERSON'S PRIOR INSTITUTION FOR A REFERENCE.
YOU WANT TO CONFIRM A NEW ACCOUNT HOLDER'S ADDRESS.	VERIFY BY CHECKING THE ADDRESS ON THEIR CREDIT REPORT.

Recommended business customer identification methods:

- Request proof of legal status
- Question the source of large currency deposits
- Cross reference business name with reporting agency
- Check for prior institution relationships

Examples of cash-intensive businesses include:

- Convenience stores
- Restaurants
- Retail stores
- Liquor stores
- Vending machine operators
- Parking garages



Dealing with a cash-intensive business? It's important to:

- Identify high-risk relationships
- Assess money-laundering risks
- Complete due diligence at account opening and periodically during the relationship
- Include those relationships in appropriate monitoring for unusual or suspicious activity

For a cash-intensive business, you should understand its:

- Operations and use of the account
- Anticipated transaction volume
- Products and services used
- Geographic locations involved in the relationship

Risk assessment factors for cash-intensive businesses:

- Purpose of the account
- Volume, frequency and nature of currency transactions
- Customer history (including length of relationship, CTR and SAR filings)
- Primary business activity
- Geographic locations
- Availability of information (and business's cooperation in providing it)

A business entity using small-denomination money orders is unusual and the source of those funds should be examined more closely.



Click and drag the check mark to your selection.

Correct

You're correct!

Continue



FALSE

One of the things you should verify when someone opens a business account is the name of the business. Where is the best place to get this information?

 Drag the dart to your answer.

Correct


Good choice, Hoang Vinh.

[Continue](#)



Here's another *Match the Phrases* exercise to wrap up the course.

When opening a new **business** account, how should you handle each of the situations at the right?

 Click and drag to pair each situation with the appropriate follow-up action.

HERE'S WHAT YOU COULD DO	HERE'S THE SITUATION
ASK ABOUT THE SOURCE OF THE CASH AS YOU GATHER OTHER INFORMATION FOR THE ACCOUNT.	THE BUSINESS ACCOUNT IS OPENED WITH A LARGE CURRENCY DEPOSIT.
CONDUCT MANAGEMENT INTERVIEWS AND PLAN TO MAKE PERIODIC ON-SITE VISITS.	THE COMPANY IS ENGAGED IN A HIGH-RISK, CASH-INTENSIVE BUSINESS.
ASK TO SEE INCORPORATION OR ASSOCIATION DOCUMENTS, A PARTNERSHIP AGREEMENT OR A BUSINESS LICENSE.	YOU NEED TO VERIFY THE LEGAL STATUS OF A NEW BUSINESS ACCOUNT.

Complete

Well done, Hoang Vinh. Let's summarize and conclude the course.

[Continue](#)