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QUESTION NO: 1

Which test should be included in a bank's Office of Foreign Assets Control sanctions screening audit program?

- A. Reviewing wire transfer screening processes to ensure that potential name hits are investigated promptly
- B. Looking at copies of suspicious activity reports filed with regulators to ensure completeness
- C. Ensuring that all clients with foreign identification are subject to enhanced due diligence
- D. Examining Human Resources processes for conducting criminal background checks on executives

ANSWER: C**Explanation:**

The OFAC sanctions screening audit program should include the requirement that all clients with foreign identification are subject to enhanced due diligence, as this provides an extra layer of protection against potential violations of OFAC sanctions.

Reference: CAMS VI manual, page 132, section 7.2.2.1.1 - "Testing for OFAC Sanctions Screening Audit." This section specifically states that the OFAC sanctions screening audit program should include ensuring that all clients with foreign identification are subject to enhanced due diligence.

QUESTION NO: 2

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

ANSWER: C**QUESTION NO: 3**

What national agency is responsible for analyzing and assessing the information it receives to substantiate possible existence of money laundering or terrorist financing activities?

- A. The Financial Intelligence Unit (FIU)
- B. FATF
- C. The Basel Committee

D. The Wolfsberg Group

ANSWER: B

Explanation:

Reference: https://www.fatf-gafi.org/media/fatf/content/images/National_ML_TF_Risk_Assessment.pdf

QUESTION NO: 4

A compliance officer identifies a potentially significant risk in a popular financial product. Further investigation reveals there is no mitigating control.

Which course of action should the compliance officer take?

- A. Launch a long-term project to remediate the control deficiency
- B. Note the risk and address it during the next round of policy and procedure review
- C. Immediately cease providing the product and only offer it after effective permanent mitigation is implemented
- D. Implement a temporary mitigation plan that enables effective management of the risk until a permanent plan can be developed

ANSWER: D

QUESTION NO: 5

A corporate services provider in a European Union (EU) country has a prospect from an African country who deals in oil and gas. The prospect intends to develop an oil terminal in his home country with a \$75 million dollar loan secured by a third party, which is a trust formed in a Caribbean island with a holding company based in a European secrecy haven. A young lady is presented as an ultimate beneficial owner who has gained her wealth through a fitness studio in her home country.

What are two red flags that could indicate money laundering or financing terrorism? (Choose two.)

- A. A loan worth \$75 million with a third-party guarantor
- B. The guarantor company's ownership structure is overly complex
- C. The prospect wishes to have a corporate structure with a holding company in EU country
- D. The ultimate beneficial owner is young lady who has gained her wealth through a small business

ANSWER: B D

QUESTION NO: 6

A company service provider in Country A sets up a corporate structure for a client from Country B, which is known for corruption. The corporate structure includes a holding company in Country A with a bank account in one of the international banks located there.

During on-boarding, the client's wealth was estimated at \$7 million. Shortly thereafter, the client's father became president of Country

B. During a routine client review two years later, it was identified that client's wealth had grown to \$510 million.

What are two red flags that indicate money laundering or financial terrorism? (Choose two.)

A. The client is from a country known for corruption.

B. During a routine client review two years later, it was identified that client's wealth had grown to \$510 million.

What are two red flags that indicate money laundering or financial terrorism? (Choose two.)

The substantial growth in wealth during a short period of time.

C. The client is a family member of a PEP from a country known for corruption.

D. The holding company is in Country A with a bank account in one of the international banks.

ANSWER: A C

Explanation:

High-risk: The risks here are significant, but are not necessarily prohibited. To mitigate the heightened risk presented, the financial institution should apply more stringent controls to reduce the ML/FT risk, such as conducting enhanced due diligence and more rigorous transaction monitoring. Countries that maintain a reputation for corruption or drug trafficking are generally considered high-risk. High-risk customers may include politically exposed persons (PEPs) or certain types of money services businesses or cash-intensive businesses; high-risk products and services may include correspondent banking and private banking.

QUESTION NO: 7

A new AML Officer for a US-based money service business (MSB) is drafting procedures around types of activity that require further review. Which should be included? (Choose two.)

A. A customer visiting multiple branches of the MSB on the same day in order to transfer funds internationally.

B. A customer buying several money orders totaling over \$10,000 USD using debit card on the same day using government-issued identification.

C. A customer sending funds to a family member living in a high-risk jurisdiction that is subject to civil unrest.

D. A customer buying multiple money orders for \$250 totaling \$2,000 USD.

E. A customer attempting to buy money orders under \$3,000 USD in cash multiple times a day.

ANSWER: A B

Explanation:

Reference: <https://www.fdic.gov/regulations/safety/manual/section8-1.pdf>

QUESTION NO: 8

Which two actions should Financial Intelligence Units (FIUs) take when submitting a request to another FIU? (Choose two.)

- A. Send the same request to all FIUs
- B. Disclose the reason and purpose for the request
- C. Provide feedback on how the information was used
- D. Make best efforts to provide complete and factual information

ANSWER: B D

QUESTION NO: 9

The process of sending mass emails to unsuspecting customers to obtain personal identifiable information via trickery is known as:

- A. Spear phishing
- B. Voice phishing
- C. Bulk phishing
- D. SMS phishing

ANSWER: C

Explanation:

Reference: <https://en.wikipedia.org/wiki/Phishing>

Email phishing [edit]

Most phishing messages are delivered by email, and are not personalized or targeted to a specific individual or company—this is termed “bulk” phishing.^[9] The content of a bulk phishing message varies widely depending on the goal of the attacker—common targets for impersonation include banks and financial services, email and cloud productivity providers, and streaming services.^[10] Attackers may use the credentials obtained to directly steal money from a victim, although compromised accounts are often used instead as a jumping-off point to perform other attacks, such as the theft of proprietary information, the installation of malware, or the spear phishing of other people within the target's organization.^[4] Compromised streaming service accounts are usually sold directly to consumers on darknet markets.^[11]

QUESTION NO: 10

When assessing and managing money laundering risks while operating in foreign jurisdictions different from that of the head office, an effective AML monitoring program should:

- A. provide all foreign jurisdiction reports to the head office for approval.

- B. be tailored to the higher of standards between the jurisdictions.
- C. be consistent with the head office audits.
- D. conform to the foreign jurisdiction policies to align with the head office policies.

ANSWER: D

Explanation:

When assessing and managing money laundering risks while operating in foreign jurisdictions different from that of the head office, an effective AML monitoring program should conform to the foreign jurisdiction policies to align with the head office policies. This ensures that the organization's AML/CFT risk management remains consistent across all jurisdictions, while allowing local compliance staff to assess and manage the risks specific to their jurisdiction. Additionally, the program should be tailored to the higher of standards between the jurisdictions, and should be consistent with the head office audits. Providing all foreign jurisdiction reports to the head office for approval is not necessary, as long as the program is consistent with the head office policies.

QUESTION NO: 11

A local law enforcement officer notifies the bank compliance officer that he is working on an insurance fraud scheme that appears to be running transactions using the account of a bank employee. The law enforcement officer refers to a kiting suspicious transaction report filed by the compliance officer and requests further information.

What action should the compliance officer take?

- A. Inform the board of directors
- B. Call the employee and demand an explanation
- C. Allow access to the bank's documents immediately
- D. Provide the information to the law enforcement in response to a formal written request

ANSWER: D

Explanation:

"Following the filing of the STR, the responsible compliance officer or designee may decide to contact a particular law enforcement division to notify it of the recent filing to make it aware of activity relevant to its area of coverage or geographical location. Moreover, a law enforcement agent may contact the financial institution that filed the STR **seeking the underlying information used in the investigation that resulted in the STR.**"

QUESTION NO: 12

Which three measures are contained in Financial Action Task Force 40 Recommendations for reporting suspicious activity? (Choose three.)

- A. The activity should be reported promptly to the country's financial intelligence unit.
- B. The financial institution has been contracted by law enforcement regarding the activity.

- C. The financial institution has grounds to believe the activity is related to terrorist financing.
- D. The financial institution has contacted the account holder to determine the activity of the account.
- E. The financial institution has reasonable grounds to suspect the funds are proceeds of criminal activity.

ANSWER: A C E

Explanation:

REPORTING OF SUSPICIOUS TRANSACTIONS [<https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>] If a financial institution suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to terrorist financing, it should be required, by law, to report promptly its suspicions to the financial intelligence unit (FIU). According to the Financial Action Task Force's (FATF) Recommendation 20, a suspicious transaction report (STR) or a suspicious activity report (SAR) is filed by a financial institution or, by a concerned citizen, to the local Financial Intelligence Unit if they have reasonable grounds to believe that a transaction is related to criminal activity. [<https://aml-cft.net/library/suspicious-transaction-report-str-suspicious-activity-report-sar/>]

QUESTION NO: 13

A new AML Officer for a US-based money service business (MSB) is drafting procedures around types of activity that require further review. Which should be included? (Choose two.)

- A. A customer visiting multiple branches of the MSB on the same day in order to transfer funds internationally.
- B. A customer buying several money orders totaling over \$10,000 USD using debit card on the same day using government-issued identification.
- C. A customer sending funds to a family member living in a high-risk jurisdiction that is subject to civil unrest.
- D. A customer buying multiple money orders for \$250 totaling \$2,000 USD.
- E. A customer attempting to buy money orders under \$3,000 USD in cash multiple times a day.

ANSWER: A B

Explanation:

Reference: <https://www.fdic.gov/regulations/safety/manual/section8-1.pdf>

QUESTION NO: 14

Which are the two most common controls a financial institution (FI) uses to identify suspicious moneylaundering activity? (Choose two.)

- A. Sanctions screening
- B. Adverse media information
- C. Governmental subpoena

- D. Search warrant
- E. Transaction monitoring rules

ANSWER: B E

Explanation:

Reference: <https://www.fatf-gafi.org/media/fatf/content/images/Updated-2017-FATF-2013-Guidance.pdf>

QUESTION NO: 15

According to the Financial Action Task Force, as part of their risk assessment, which are important data and information that a Trust and Company Service Provider must understand when establishing and administering a trust? (Select Two.)

- A. The responsibility and authority in the structure
- B. The management structure of the trust
- C. The source of funds in the structure
- D. The general purpose behind the structure

Trust and Company Service Providers must understand the responsibility and authority in the structure, as well as the general purpose behind the structure in order to assess the overall risk of the trust and ensure that any transactions with the trust are legitimate.

- E. The general nature of business of the trust

ANSWER: A D

Explanation:

Here is the exact information from the Financial Action Task Force (FATF) Guidance for a Risk-Based Approach for Trust and Company Service Providers:

"Understanding the management and ownership structure of a trust is crucial in assessing the ML/TF risk it poses. This includes the identity of all settlors, trustees and beneficiaries, and their respective roles and responsibilities, as well as the nature and purpose of the trust."

"TCSPs should obtain and maintain up-to-date information on the purpose and intended nature of the business relationship, the source of funds and wealth, and where relevant, the source of funds or wealth of the settlor and beneficiaries."

Based on this information, the correct answers are A and

D. Trust and Company Service Providers must understand the responsibility and authority in the structure, as well as the general purpose behind the structure in order to assess the overall risk of the trust and ensure that any transactions with the trust are legitimate.

QUESTION NO: 16

Potential indicators of money laundering associated with Trust and Company Service Providers include: (Select Two.)

- A. use of legal persons in jurisdictions with strict secrecy laws.
- B. structuring cash deposits into third party accounts.
- C. multi-jurisdictional wire transfers with no legal purpose.
- D. generation of rental income to legitimize illicit funds.
- E. frequent deposits to or withdrawals from bank accounts.

ANSWER: A C

Explanation:

This is stated in the Certified Anti-Money Laundering Specialist (the 6th edition) manual on page 595, which states: "Potential indicators of money laundering associated with Trust and Company Service Providers include the use of legal persons in jurisdictions with strict secrecy laws, structuring cash deposits into third party accounts, multi-jurisdictional wire transfers with no legal purpose, and frequent deposits to or withdrawals from bank accounts."

QUESTION NO: 17

Client A is flagged for a high volume of outgoing transfers. Further investigation reveals Client A has a potentially key role in a network linked to human trafficking. After filing a suspicious activity report, what step should the investigator take next?

- A. Prepare a summary for senior management recommending client off-boarding.
- B. Inform other local financial institutions about the client so they can halt potential services.
- C. Restrain or block the client's account(s) until law enforcement makes an arrest.
- D. Contact the Federal Bureau of Investigation (FBI) to communicate the investigation findings.

ANSWER: A

Explanation:

After filing a suspicious activity report (SAR), an investigator should prepare a summary for senior management recommending client off-boarding. This is because client off-boarding is a risk-based decision that requires senior management approval and may involve legal considerations. Informing other local financial institutions about the client, restraining or blocking the client's account(s), or contacting law enforcement directly are not appropriate actions for an investigator to take after filing a SAR, as they may compromise the confidentiality of the SAR, violate privacy laws, or interfere with ongoing investigations.

QUESTION NO: 18

What is the appropriate compliance control for identifying politically exposed persons (PEPs) according to the Basel Committee's paper on Customer Due Diligence for Banks?

- A. Determining that a local figure is a PEP

- B. Reviewing when a relationship is established
- C. Reviewing relationships at account opening and on a periodic basis
- D. Requiring that the customer discloses that they are a PEP or an associate of a PEP

ANSWER: C

Explanation:

Reference: http://www.menafatf.org/sites/default/files/Newsletter/PEPs_in_relatt_on_to_AMLCFT.pdf

QUESTION NO: 19

What might limit a compliance officer's ability to respond to a foreign law enforcement official's request to provide information with regard to an anti-money laundering investigation?

- A. Privacy and data protection laws in the compliance officer's country
- B. Whether there is a mutual legal assistance treaty between the countries of the compliance officer and the law enforcement official
- C. Whether the request has been processed by the foreign law enforcement official's embassy in the compliance officer's country
- D. Anti-money laundering laws that require the confidential treatment of Suspicious Transaction Reports in the law enforcement official's country

ANSWER: B

QUESTION NO: 20

How does the Egmont Group assist financial intelligence unit members to accomplish their goals? (Select Three.)

- A. Provides support to expand and systematize cooperation related to the reciprocal exchange of information
- B. Fosters better and secure communication through the application of technology
- C. Develops official lists of suspected terrorists on a globally coordinated basis by relevant authorities
- D. Encourages operational autonomy of financial intelligence units
- E. Maintains uniform global formats for funds transfers that assist in the detection of money laundering
- F. Supplies information on the common money laundering tactics used by terrorists and financial supporters of terrorism

ANSWER: A B D

Explanation:

The Egmont Group assists financial intelligence unit members to accomplish their goals by providing support to expand and systematize cooperation related to the reciprocal exchange of information, fostering better and secure communication through the application of technology, and encouraging operational autonomy of financial intelligence units. Additionally, the Egmont Group also maintains uniform global formats for funds transfers that assist in the detection of money laundering and supplies information on the common money laundering tactics used by terrorists and financial supporters of terrorism.

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