

Topic 1 - Single Topic

Question #1

Topic 1

A bank account is established for a new business customer. The business was established five years ago with an address in another state. The business website contains few details other than stating it is a real estate business.

One principal has an international telephone number and appears to be living in another country. The other principal works out of a recreational vehicle.

What warrants enhanced due diligence in this scenario?

- A. Shell company
- B. Human trafficker
- C. Politically exposed person
- D. Money laundering through real estate

[Reveal Solution](#)[Discussion](#) 36

Question #2

Topic 1

A branch manager for a small community bank has a new customer who deposits four EUR 50,000 checks into one account. Shortly thereafter, the customer goes to another branch and asks to transfer all but EUR 1,500 to three accounts in different foreign jurisdictions.

Which suspicious activity should be the focus of the suspicious transaction report?

- A. The customer opened the account with four large checks
- B. The customer goes to a different branch to make this transaction

- C. The customer transfers almost all of the funds out of the account
- D. The customer asks to transfer funds to accounts in three different foreign jurisdictions

[Reveal Solution](#)

[Discussion](#) **51**

Question #3

Topic 1

A government has instituted new anti-money laundering laws which require all financial institutions to obtain certain information from its customers. Which step should an institution located in this jurisdiction take to ensure compliance?

- A. Change procedures to require that the necessary information is obtained
- B. Change procedures and systems as necessary and provide employee training
- C. Send a notice to customers asking them to provide the necessary information
- D. Change systems to ensure the required information is automatically obtained from all customers

[Reveal Solution](#)

[Discussion](#) **66**

Question #4

Topic 1

An anti-money laundering audit identifies a significant weakness in how transaction monitoring alerts are cleared. Audit sampling identified potentially suspicious activity that was cleared as not suspicious. Management accepts the audit finding and develops a remediation plan. What is the role of the auditor during the correction phase?

- A. Directing the remediation of the deficiency in a timely manner
- B. Developing procedures to provide sufficient risk-based documentation for clearing alerts
- C. Providing training to the alert clearing department on the importance of effective alert clearing

D. Validating the successful remediation of the issue once management indicates the issue is resolved

Reveal Solution

Discussion 75

Question #5

Topic 1

Which method to launder money through deposit-taking institutions is closely associated with international trade?

- A. Forming a shell company
- B. Using Black Market Peso Exchange
- C. Structuring cash deposits/withdrawals
- D. Investing in legitimate businesses with illicit funds

Reveal Solution

Discussion 19

Question #6

Topic 1

A customer opens a corporate account with a broker-dealer on behalf of several beneficial owners, with a stated long-term investment goal. The customer deposits \$25.5 million into the account and three days later transfers \$5 million to an overseas bank. Shortly thereafter, the customer begins making numerous purchases of pesos. The compliance officer receives a query regarding the movement of funds. Within a month of account opening, the customer depletes the account.

Which two red flags should prompt the firm's compliance officer to take action? (Choose two.)

- A. The new account deposit is \$25.5 million
- B. A corporate account is opened on behalf of several beneficial owners
- C. The compliance officer receives the query regarding the movement of funds
- D. The customer's stated investment goal is not reflective of account activity

[Reveal Solution](#)

[Discussion](#) **16**

Question #7

Topic 1

What should countries do to help prevent non-profit organizations from being abused for the financing of terrorism according to the Financial Action Task Force 40 Recommendations?

- A. Allow for freezing assets of non-profit organizations
- B. Require all non-profit organizations to register with the country's financial intelligence unit
- C. Ensure non-profit organizations cannot be used to conceal or obscure the diversion of funds intended for legitimate purposes to terrorists' organizations
- D. Create laws that forbid non-profit organizations from completing cross-border transactions without first running them through known terrorist data bases

[Reveal Solution](#)

[Discussion](#) **11**

Question #8

Topic 1

An employee hears a colleague on the telephone with a customer giving advice on how to ensure that a suspicious transaction report will not be filed as a result of a future transaction.

What action should the employee take?

- A. Report the conversation to the local police
- B. Report the conversation to the compliance officer
- C. Tell the colleague that it is against policy to give such advice
- D. Ignore the situation because the colleague is the relationship manager for that customer

[Reveal Solution](#)[Discussion](#) 38**Question #9***Topic 1*

The USA PATRIOT Act requires United States (U.S.) financial institutions to collect certain information from non-U.S. banks that hold a correspondent account. Which two pieces of information must a non-U.S. bank provide to its U.S. correspondent to enable them to comply with this requirement? (Choose two.)

- A. The name and address of all shell banks the bank maintains accounts for
- B. The name and address of all beneficial owners who own 25% or more of the bank
- C. Prompt notice of any suspicious activity it detects on any customer who uses the correspondent account
- D. The name and address of a U.S. person who is authorized to receive service of legal process for the bank

[Reveal Solution](#)[Discussion](#) 48**Question #10***Topic 1*

What are two legal risks of having inadequate privacy policies and procedures? (Choose two.)

- A. Diminished reputation
- B. Industry of regulatory sanctions
- C. Charges of deceptive business practices
- D. Higher marketing and public relations costs

[Reveal Solution](#)[Discussion](#) 42

The vice president of the foreign correspondent banking department at a large United States bank has been notified that a foreign bank with an offshore license wants to open a correspondent account.

Which two things must the vice president acquire under the USA PATRIOT Act? (Choose two.)

- A. A list of all the customers of the correspondent bank
- B. A list of the types of businesses served by the correspondent bank
- C. Information relating to the foreign bank's anti-money laundering program
- D. The identity of 10% owners of the correspondent bank, unless it is publicly traded

[Reveal Solution](#)[Discussion](#) 21

What is an example of the integration stage of money laundering involving a bank or another deposit-taking institution?

- A. Depositing illicit funds into an account set up for a front company
- B. Directing third parties to exchange illicit cash for negotiable instruments
- C. Wiring illicit funds from an account at one bank to an account at another bank
- D. Using illicit funds that had previously been deposited to purchase a luxury vehicle

[Reveal Solution](#)[Discussion](#) 12

Which aspect of the USA PATRIOT Act impacts foreign financial institutions?

- A. Requiring enhanced due diligence for foreign shell banks
- B. Expanding sanctions requirements to a U.S. financial institution's foreign branches
- C. Expanding the anti-money laundering program requirements to all foreign financial institutions
- D. Providing authority to impose special measures on institutions that are of primary money-laundering concern

Reveal Solution

Discussion 12

Question #14

Topic 1

The compliance officer at a crowdfunding website is in charge of monitoring new crowdfunding projects. Recently, the number of crowdfunding projects has significantly increased.

Which red flag indicates the highest anti-money laundering risk?

- A. Those with the largest number of donors
- B. Projects that get funding within days of their start
- C. Projects with the highest monetary success threshold
- D. Projects that start and close and are fully funded within a very short period

Reveal Solution

Discussion 14

Question #15

Topic 1

Which two statements in the Wolfsberg Group's 'Suppression of the Financing of Terrorism' define the role financial institutions should play in the fight against terrorism?
(Choose two.)

- A. Financial institutions need to assist competent authorities in fighting terrorist financing through prevention, detection and information sharing.
- B. Financial institutions need to continuously analyze the types of activity related to terrorist financing and develop models that in the long term will drive down terrorism.
- C. Financial institutions should have financial intelligence units dedicated to the investigation of activity that would lead to the detection of terrorist financing as a means to decrease global terrorism.
- D. Financial institutions should apply extra due diligence whenever they see suspicious or irregular activities, especially when customers are engaged in sectors or activities that have been identified by competent authorities as being used for the financing of terrorism.

[Reveal Solution](#)

[Discussion](#) 14

Question #16

Topic 1

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

[Reveal Solution](#)

[Discussion](#) 18

Question #17

Topic 1

What are two sources for maintaining up-to-date sanctions information? (Choose two.)

- A. U.S. Federal Bureau of Investigation's National Security Letters
- B. U.S. Department of the Treasury Office of Foreign Assets Control
- C. U.S. Department of the Treasury "Section 311" Special Measures
- D. Financial Action Task Force's list of High Risk and Non-Cooperative Jurisdictions

[Reveal Solution](#)

[Discussion](#) 50

Question #18

Topic 1

A bank has maintained an account for a European charity for several years. The charity provides clothing to persons in need in various countries with active terrorists' cells.

Which action by the charity indicates possible terrorist financing?

- A. The charity frequently withdraws cash from the bank
- B. The charity has branch locations located in various countries
- C. The charity receives cash donations primarily from European countries
- D. The charity maintains a bank account for non-business-related expenses

[Reveal Solution](#)

[Discussion](#) 42

Question #19

Topic 1

A politically exposed person (PEP) maintains an account at a bank. Last month a money laundering analyst filed a suspicious transaction report about unusual wire

deposits originated by unknown individuals in the home country of the official. Recently a negative news search revealed political corruption in the home country of the official.

To whom should this situation be escalated?

- A. The board of directors
- B. The line of business executive
- C. The bank's anti-money laundering officer
- D. The Financial Action Task Force's PEP Hotline

Reveal Solution

Discussion 7

Question #20

Topic 1

Which two individuals are ordinarily beneficial owners of a private banking account according to the Wolfsberg Anti-Money Laundering Principles for Private Banking? (Choose two.)

- A. Those who are authorized signers on the account
- B. Those who have legal title to a controlling share interest in the customer
- C. Those who generally have ultimate control through ownership or other means over the funds in the account
- D. Those who are the ultimate source of funds for the account and whose source of wealth should be subject to due diligence

Reveal Solution

Discussion 19

Next Questions →

Question #21

Topic 1

What are two requirements for monitoring and reporting suspicious activity for correspondent banking according to the Wolfsberg Principles? (Choose two.)

- A. Incorporate suspicious activity monitoring into periodic reviews
- B. Incorporate due diligence results such as customer risk ratings
- C. Utilize downstream correspondents to investigate and report suspicious activity
- D. Investigate and report suspicious activity only for the correspondent bank's clients

[Reveal Solution](#)[Discussion](#) 36

Question #22

Topic 1

When should the anti-money laundering risk assessment be updated?

- A. Every two years
- B. After a merger or acquisition
- C. When the board of directors changes
- D. When instructed to by the Financial Action Task Force

[Reveal Solution](#)[Discussion](#) 13

Question #23

Topic 1

A customer brings \$15,000 worth of chips into a casino and plays various games. The customer redeems all the remaining chips and requests a wire transfer of the proceeds to an unrelated third party.

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

- A. Customer redeeming all remaining chips
- B. Playing various games before cashing out
- C. Bringing \$15,000 worth of chips into the casino
- D. Requesting a wire transfer to an unrelated third party

Reveal Solution

Discussion 52

Question #24

Topic 1

A United States (U.S.) bank was recently alerted by law enforcement of an increase in sale of large denomination U.S. bank notes to casas de cambio. They suspect that a Mexican syndicate is operating a money laundering scheme in the bank's jurisdiction.

Which two steps should be taken to trace funds through the bank to assist law enforcement in their investigation? (Choose two.)

- A. Identify the money laundering scheme and submit a suspicious transaction report
- B. Identify if there is a decrease in the sale of large denomination U.S. bank notes to casas de cambio by the bank
- C. Identify deposits by casas de cambio that include third-party items including sequentially numbered monetary instruments
- D. Identify multiple wire transfers initiated by casas de cambio to jurisdictions outside of Mexico that bear no apparent business relationship with that casa de cambio

Reveal Solution

Discussion 13

Question #25

Topic 1

Which two factors assist a money laundering investigation that involves multiple countries? (Choose two.)

- A. Law enforcement and other authorities should have access to financial information that is pertinent to the investigation.
- B. Every country should share all their information with foreign law enforcement and government authorities to facilitate rapid investigations.
- C. Law enforcement and other authorities should be allowed to establish and utilize joint investigative teams with law enforcement in other countries.
- D. Law enforcement and other authorities should not expedite information sharing between countries to ensure that all information is provided at the same time to avoid premature conclusions.

Reveal Solution

Discussion 47

Question #26

Topic 1

A popular restaurant in town has begun depositing less cash than it has in prior years. In a review of the customer's accounts, you notice that credit card receipts have increased with no explanation.

The account officer discovers that the restaurant has installed a privately-owned automated teller machine (ATM) onsite and has begun construction of a patio dining area.

Which red flag should trigger additional investigation?

- A. Privately-owned ATM
- B. Lower cash deposits
- C. Increased credit card receipts
- D. Construction of the new patio dining area

Reveal Solution

Discussion 43

Question #27

Topic 1

An organization's automated surveillance system identifies large fluctuations in customer activity. As a result of an audit, the compliance officer is informed that the system is not generating alerts when activity is consistently abnormal over a long period of time. Currently the organization is evaluating new alert scenarios in an attempt to address this problem.

Which type of scenario is helpful in mitigating this weakness?

- A. Peer
- B. Income
- C. Mapping
- D. Below-the-line

Reveal Solution

Discussion 46

Question #28

Topic 1

Upon a routine account review a money laundering investigator identified a number of large round dollar wire transfer deposits into a business account owned by a local auto repair shop. The wire transfers all originated from a country that is a known financial secrecy haven with poor anti-money laundering controls. The investigator concludes there appears to be no legitimate business purpose for the wire transfers and files a suspicious transaction report. The owner of the auto repair shop is popular in the community and is a well-known philanthropist.

To whom should the investigator escalate these concerns?

- A. Audit committee
- B. Chairman of the Board
- C. The owner of the auto repair shop
- D. The bank anti-money laundering officer

Reveal Solution

Discussion 30

A compliance officer learns from an Information Technology (IT) source of a potential new financial service being discussed by the new product approval committee. What is the correct next course of action?

- A. Request that the new product approval committee include the compliance officer.
- B. Go to the board of directors and try to shut the new service down immediately because the committee did not communicate with the compliance officer.
- C. Get as much information as possible from the source so that potential risks can be researched and a report prepared and presented to the head of marketing.
- D. Start initial research into potential risks but wait until notified that the service has been approved by the committee before initiating extensive research.

[Reveal Solution](#)[Discussion](#) **21**

What is the goal of the Egmont Group in providing a forum for Financial Intelligence Units (FIUs) around the world?

- A. To improve international laws to combat money laundering and the financing of terrorism and foster the implementation of domestic programs.
- B. To provide a forum for FIUs to improve cooperation in the fight against money laundering and the financing of terrorism and to foster the implementation of domestic programs in this field.
- C. To improve communication with law enforcement in the fight against money laundering and the financing of terrorism and to foster the implementation of domestic programs in this field.
- D. To improve cooperation with state and federal governments in the fight against money laundering and the financing of terrorism and to foster the implementation of domestic programs in this field.

[Reveal Solution](#)[Discussion](#) **14**

A compliance officer at an insurance company has been reviewing the transaction activity of several clients. Which transaction is considered a red flag for potential money laundering?

- A. A client paid the quarterly life insurance premium using money orders from two different banks.
- B. A client from a high-risk jurisdiction recently purchased property insurance for a real-estate development.
- C. A corporation owns several affiliates and recently opened separate group life insurance policies for each of the affiliates.
- D. A client established a \$100,000 charitable annuity with a non-profit organization that provides health and safety assistance internationally.

[Reveal Solution](#)[Discussion](#) 49

The branch manager notices that a number of customers come in weekly and always use the same teller to process their deposits. The manager notices that the customers and the teller, who are from the same ethnic group, are speaking in a foreign language and every once in a while the customers from local ethnic restaurants will bring the teller lunch. The commercial customers that visit the teller generally deposit the same amount of cash each time they come in. How should the branch manager respond to this activity?

- A. Transfer the teller to another branch
- B. Conduct further investigation before taking any other action
- C. Encourage the teller to bring in more business from the ethnic community
- D. Suggest to the teller to send the customers to other tellers to avoid the opportunity for collusion

[Reveal Solution](#)[Discussion](#) 16

A law enforcement official calls a bank inquiring about a customer who is currently under investigation. The law enforcement official requests information about the customer.

How should the bank respond?

- A. Confirm the customer is either a current or former customer
- B. Inform the board of directors before responding to the request
- C. Provide the requested information to help aid in the investigation
- D. Request a formal letter be submitted to verify the validity of the request

[Reveal Solution](#)[Discussion](#) **20**

A bank compliance officer has implemented enhanced monitoring rules that have identified some unusual activity that may be indicative of human trafficking.

Which red flag should prompt additional transactional review?

- A. Wire transfer activity from countries with significant migrant populations
- B. Cash deposits that occur in cities where the customer resides and conducts business
- C. Cash deposits that occur in cities where the customer does not reside or conduct business
- D. Cash deposits that occur in cities where the customer does not reside or conduct business followed by same-day withdrawals

[Reveal Solution](#)[Discussion](#) **61**

The compliance officer for a private bank has been tasked with writing a policy on how the bank will deal with intermediaries.

Which two aspects should be included in the policy in respect of intermediaries to align it with the Wolfsberg Anti-Money Laundering Principles for Private Banking? (Choose two.)

- A. When an intermediary introduces clients to the bank, it is not necessary for the bank to perform due diligence on the intermediary's clients.
- B. Where an intermediary introduces clients to the bank, the bank must obtain the same type of information with respect to an introduced client that would otherwise be obtained by the bank, absent the involvement of the intermediary.
- C. Where an intermediary manages assets on behalf of a number of clients and is the account holder with the bank, but that intermediary does not conduct the same level of due diligence as the bank, it is necessary for the bank to undertake due diligence on the intermediary's clients.
- D. Where an intermediary manages assets on behalf of a number of clients and arranges for the opening of accounts for its clients with the bank, and that intermediary is a financial institution subject to similar regulations, it is necessary for the bank to perform due diligence on the intermediary's clients.

Reveal Solution

Discussion 49

Question #36

Topic 1

A non-U.S. bank wants to open an account at Bank A, which is a U.S.-based bank.

Which information must Bank A obtain under the USA PATRIOT Act?

- A. A complete client list from the non-U.S. bank
- B. The identity of owners and percentage of ownership of the non-U.S. bank
- C. The structure and identity of the management team at the non-U.S. bank
- D. The details of the non-U.S. bank's anti-money laundering compliance training program

Reveal Solution

Discussion 36

Which insurance product is particularly vulnerable to money laundering?

- A. Annuity
- B. Casualty
- C. Collateral
- D. Regulated pension

[Reveal Solution](#)[Discussion](#) **12**

What is an essential element of Know Your Customer (KYC) standards according to the Basel Committee's Customer Due Diligence for Banks paper?

- A. Annual staff training
- B. A customer acceptance policy
- C. The same KYC requirements must be applied in all cases
- D. All completed KYC documents must be reviewed by a senior manager not involved in the account opening process

[Reveal Solution](#)[Discussion](#) **11**

A foreign bank operating under an offshore license wants to open a correspondent account with a United States (U.S.) bank. The foreign bank plans to provide payable through account services to some of its customers.

What must the foreign bank provide to the U.S. bank under the USA PATRIOT Act?

- A. A list of politically exposed persons who are owners of the correspondent bank
- B. A list of account holders at the financial institution who will use the payable through account
- C. The person in the United States who can receive service of legal process for the correspondent bank
- D. A list of anti-money laundering training records for the financial institution employees monitoring payable through account transactions

[Reveal Solution](#)[Discussion](#) 73**Question #40***Topic 1*

An institution has made the decision to exit a client relationship due to anti-money laundering concerns. Prior to starting the close out process, the institution receives a written request from a law enforcement agency to keep the account open. The client is the subject of an ongoing investigation and law enforcement wants the institution to continue to monitor the account and report any suspicious activity.

What is a primary consideration the institution should keep in mind when deciding whether to agree to this request?

- A. The anticipated cost of complying with the law enforcement request
- B. The number of suspicious transaction reports previously filed on the client
- C. The fact that the institution has a solid record in complying with law enforcement requests
- D. Whether the institution can continue to meet its regulatory obligations with the accounts open

[Reveal Solution](#)[Discussion](#) 27[← Previous Questions](#)[Next Questions →](#)

Question #41

Topic 1

An immigrant residing in the United States opens a bank account that includes a debit card. Several months later, the transactional monitoring system identifies small deposits into the account followed by corresponding ATM withdrawals from a country bordering a conflict zone. How should the bank respond?

- A. Block any further activity
- B. File a suspicious transaction report
- C. Initiate an investigation into the activity
- D. Contact the customer if the transaction activity continues

[Reveal Solution](#)[Discussion](#) 30

Question #42

Topic 1

A customer living in a high-risk jurisdiction makes frequent, large cash deposits at a bank. The same customer sends small wire transfers to unrelated parties in other high-risk jurisdictions. What are two red flags that may indicate money laundering? (Choose two.)

- A. The bank allows cash deposits
- B. The client resides in a high-risk jurisdiction
- C. Wire transfers are to high-risk jurisdiction
- D. Large cash deposits are from a high-risk jurisdiction

[Reveal Solution](#)[Discussion](#) **12****Question #43***Topic 1*

A retail bank has just acquired a credit card business. The bank's anti-money laundering policy requires that new employees are trained within 30 days of their hire date and refresher training is delivered to all employees on an annual basis.

Is the bank's existing anti-money laundering training adequate to be delivered to employees of the newly acquired credit card business?

- A. Yes, the existing training covers the bank's policies, procedures, and processes.
- B. No, anti-money laundering training needs to be delivered face-to-face for credit card businesses.
- C. No, anti-money laundering training needs to be tailored and focused on the risks specific to the business.
- D. Yes, the existing training covers the anti-money laundering regulations that the bank is required to follow.

[Reveal Solution](#)[Discussion](#) **37****Question #44***Topic 1*

Which method do terrorist financiers use to move funds without leaving an audit trail?

- A. Extortion
- B. Cash couriers
- C. Casa de cambio
- D. Virtual currency

[Reveal Solution](#)[Discussion](#) **17**

Question #45

Topic 1

Why do governments and multi-national bodies impose economic sanctions?

- A. To impede kleptocracy
- B. To enforce foreign policy objectives
- C. To combat an imminent terrorist threat
- D. To prevent fraudulent international trade transactions

Reveal Solution

Discussion 10

Question #46

Topic 1

In reviewing recent activity, a compliance officer for a money transmitter that several customers are each remitting the same amount of money but much more frequently. How should the institution respond?

- A. File a suspicious transaction report
- B. Instruct the tellers not to process remittances for these customers in the future
- C. Conduct further investigation to determine whether this is truly suspicious activity
- D. Immediately contact the customers and ask them why they are remitting money more often

Reveal Solution

Discussion 25

In the summer, an institution identifies anti-money laundering concerns regarding a customer's account activity. The customer, an ice cream parlor, has deposited a lot of checks drawn on banks in foreign countries, sent large number of high dollar international wires to different countries, made cash deposits of a few hundred dollars every few days and written multiple checks for a few hundred dollars to the same dozen payees every two weeks.

Which two transaction types warrant investigation? (Choose two.)

- A. Regular cash deposits
- B. The wires to foreign countries
- C. Repeated checks to the same payees
- D. Checks drawn on banks in foreign countries

[Reveal Solution](#)[Discussion](#) 13

Which three methods are commonly used by an accountant to launder money? (Choose three.)

- A. Representing a client in court
- B. Understating income to take a tax loss
- C. Overstating income to hide excess cash
- D. Acting as a conduit for transferring cash between accounts
- E. Acting as a designee for someone who wishes to hide their identity

[Reveal Solution](#)[Discussion](#) 26

A bank located in Arizona is considering a loan application for a new client. The collateral for the loan is a property in Florida.

The loan will be in the name of a limited liability company (LLC) whose ownership is not disclosed to the bank. The LLC was established by a New York-based attorney. The loan will be repaid by the LLC in monthly wire transfers of \$9,000 which is more than the required monthly payment. Which aspect indicates the potential for money laundering?

- A. The LLC's ownership is not disclosed to the bank
- B. The collateral, a property in Florida, is not located in Arizona
- C. The repayment in the amount of \$9,000 indicates potential structuring
- D. The attorney associated with the account is outside the bank's lending area

[Reveal Solution](#)[Discussion](#) 29

What is a key risk associated with Correspondent Accounts according to the Basel Customer Due Diligence paper?

- A. It is not used on a daily basis
- B. The service fees are insufficient to cover the cost of managing the account
- C. The respondent bank's customer acceptance and know your customer policies are ineffective
- D. The volume and value of transactions passing through the account may not be in line with the original correspondent agreement

[Reveal Solution](#)[Discussion](#) 19**Question #51***Topic 1*

A law enforcement agency is reviewing a suspicious transaction report (STR) filed by a financial institution for suspicious activity on a client's account. Subsequently, the agency requests further information.

Which supporting documentation might the law enforcement agency request from the institution to facilitate its investigation?

- A. Previously filed STRs on the same customer
- B. Account opening documents and account statements
- C. Copies of promotional materials sent to the customer
- D. A copy of the institution's STR policy and procedures

[Reveal Solution](#)[Discussion](#) 24**Question #52***Topic 1*

A new compliance officer is reviewing the bank's anti-money laundering program and notices that the risk assessment was completed six months ago. Since that time, the bank acquired another financial institution, re-named the internal records group, and streamlined cash handling procedures.

Which factor causes the compliance officer to update the bank's risk assessment?

- A. The bank acquired another institution
- B. The internal records group has been re-named
- C. The cash handling procedures were streamlined
- D. The risk assessment was completed six months ago

[Reveal Solution](#)[Discussion](#) **16****Question #53***Topic 1*

The Wolfsberg Anti-Money Laundering Principles for Private Banking require new clients to be approved by whom?

- A. The board of directors
- B. Only the private banker
- C. The private banker's supervisor
- D. At least one person other than the private banker

[Reveal Solution](#)[Discussion](#) **9****Question #54***Topic 1*

Which two factors should increase the risk of a correspondent bank customer and require additional due diligence according to the Wolfsberg Anti-Money Laundering Principles for Correspondent Banking? (Choose two.)

- A. The customer is located in a Financial Action Task Force member country and provides services primarily to a local individual customer.
- B. The customer is located in a Financial Action Task Force member country and the bank's head of information security is a politically exposed person.
- C. The customer is located in a Financial Action Task Force member country and provides services to other correspondent banks in neighboring countries.
- D. The customer is located in a non-Financial Action Task Force member country and services mostly commercial customers who engage in international trade.

[Reveal Solution](#)[Discussion](#) **53**

Question #55

Topic 1

In which two ways does a government Financial Intelligence Unit interact with public and private sectors? (Choose two.)

- A. It governs the methods of investigation used by competent authorities
- B. It mediates disputes between financial institutions and investigative authorities
- C. It receives and analyzes disclosures filed by financial and non-bank institutions
- D. It disseminates information and the results of its analysis to competent authorities

Reveal Solution

Discussion 12

Question #56

Topic 1

What do Financial Action Task Force (FATF)-style regional bodies do for their members to help combat money laundering and terrorist financing?

- A. They provide technical assistance to members in implementing FATF recommendations
- B. They assist member countries in penalizing entities that violate FATF standards and recommendations
- C. They work with members on areas of concern outside of anti-money laundering and terrorist financing
- D. They supervise member country financial institutions relating to anti-money laundering and terrorist financing

Reveal Solution

Discussion 52

Question #57

Topic 1

What are the regulatory risks to a bank employee who willfully violates anti-money laundering laws?

- A. Investigation and reputational damage
- B. Fines and suspension from the industry
- C. Criminal investigation and imprisonment
- D. Enforcement actions including fines against the financial institution

Reveal Solution

Discussion 40

Question #58

Topic 1

What are two requirements with respect to supporting documentation that is used to identify potentially suspicious activity, according to Financial Action Task Force? (Choose two.)

- A. It must be retained for at least five years
- B. It must be retained for at least seven years
- C. It must be kept in a manner so that it can be provided promptly
- D. It must only be released to the government through a subpoena process

Reveal Solution

Discussion 9

Question #59

Topic 1

What are two reasons physical certificates present a money laundering risk to broker-dealers? (Choose two.)

- A. The trade information on a physical certificate can be easily altered
- B. Physical certificates do not expire and may be held by the owner for perpetuity
- C. There is little information readily available to the broker confirming the source of the funds
- D. Physical certificates may be provided to nominees for deposit or settled in off-market transactions

Reveal Solution

Discussion 9

Question #60

Topic 1

An automotive parts company in South America sends multiple \$500,000 wire transfers per week to ABC Holdings Ltd. in Asia referencing payment for silk flower shipments. Research reveals Sunrise Holdings, Ltd is registered in the British Virgin Islands with no available ownership information.

What are two red flags that indicate how trade-based money laundering could be occurring in this instance? (Choose two.)

- A. The transaction involves the use of front (or shell) companies
- B. The packaging is inconsistent with the commodity or shipping method
- C. Significant discrepancies appear between the description of the commodity on the bill of lading and the invoice
- D. The type of commodity being shipped appears inconsistent with the exporter or importer's regular business activities

Reveal Solution

Discussion 42

← Previous Questions

Next Questions →

Question #61

Topic 1

The branch manager calls the compliance officer and informs her that a law enforcement officer has just left the branch and was asking a lot of questions and left a business card.

What should the compliance officer do?

- A. File a suspicious transaction report
- B. Follow up to verify that the officer received all necessary information
- C. Verify that the reported officer was an actual authorized representative
- D. Require the branch manager to write a detailed memo about the request

[Reveal Solution](#)[Discussion](#) 23

Question #62

Topic 1

What is a major economic consequence of money laundering through the use of front companies?

- A. Placing more emphasis on manufacturing
- B. Weakening of the legitimate private sector
- C. Creating a more competitive pricing environment
- D. Aligning management principles between criminal enterprises and legitimate businesses

[Reveal Solution](#)[Discussion](#) 7

An institution is about to release a new peer to peer (P2P) funds transfer product to provide much needed remittance services to an under-banked population segment in the country.

The service allows customers to transfer funds through a mobile banking application to individuals worldwide entering only a name and mobile number. The new service charges less than comparable market solutions and offers real time transfer of funds. The customer onboarding process is conducted at branch locations with identity verification.

Which three present the highest anti-money laundering or sanctions risk and will require controls prior to launch? (Choose three.)

- A. Customer onboarding
- B. Cross-border functionality
- C. Real time transfer of funds
- D. Servicing the under-banked population
- E. Limited access to counterparty information

[Reveal Solution](#)[Discussion](#)

70

What is true regarding disclosure to a law enforcement agency by a financial institution of the supporting documentation for a suspicious transaction report?

- A. Documentation must be provided as quickly as possible using email
- B. The financial institution may notify the account holder of the request
- C. Confirm that the request originated from a representative of the law enforcement agency
- D. A copy of all the documentation released must also be provided to the account holder's attorney

[Reveal Solution](#)[Discussion](#) **9****Question #65***Topic 1*

As a result of an audit, a policy exception was identified that had been approved by the compliance officer. The auditor determined that the policy exception is a violation of a regulatory requirement.

What should the auditor do?

- A. Advise the compliance officer on how to appropriately respond to policy exceptions.
- B. Include the regulatory violation in the audit report and report it to the board of directors.
- C. Consult with legal counsel to determine if the approval of the policy exception was acceptable.
- D. Include the regulatory violation in the audit report and recommend the compliance officer be subject to disciplinary action by the board of directors.

[Reveal Solution](#)[Discussion](#) **14****Question #66***Topic 1*

A foreign politically exposed person (PEP) requests to add a beneficiary to a life insurance policy.

How should the request be processed to mitigate risk?

- A. Perform due diligence on the beneficiary
- B. Determine the source of wealth and source of funds
- C. Decline the request if the beneficiary is a foreign PEP
- D. Decline the request to add a beneficiary due to increased risk

[Reveal Solution](#)[Discussion](#) 8**Question #67***Topic 1*

Which requirement is included in the Fourth European Union Directive on money laundering?

- A. It requires obliged entities to consider politically exposed persons as high risk for life
- B. It requires obliged entities to conduct enhanced due diligence on all prepaid card holders
- C. It requires member countries to maintain registries of the beneficial owners of legal entities
- D. It requires member states to enact economic sanctions against countries that do not cooperate with Financial Action Task Force recommendations

[Reveal Solution](#)[Discussion](#) 6**Question #68***Topic 1*

A bank maintains a relationship with a customer who owns a small bakery business.

Which customer action indicates potential money laundering?

- A. The customer continually makes regular cash deposits
- B. The customer has multiple bank accounts at several locations
- C. The customer purchased property insurance that is twice the value of the business
- D. The customer recently wired a large amount to a foreign jurisdiction where family is located

[Reveal Solution](#)[Discussion](#) 49

A U.K. real estate agent has three foreign clients interested in purchasing an apartment building, valued at £30 million, in the outskirts of London as an investment property. The clients are not willing to have their names provided to the bank. The clients want the purchase to be made in the names of three private companies for privacy reasons. The plan is to wire the funds into an account held in the name of another private company at a bank in London.

Which red flag should stop the agent from discussing this potential purchase further?

- A. The clients are foreign
- B. The clients have the funds necessary to fund a £30 million purchase
- C. The clients are not willing to have their names provided to the bank
- D. The clients want the purchase to be made in the names of the private companies

[Reveal Solution](#)[Discussion](#) 10

What is a key objective of the Egmont Group?

- A. To find ways to promote the development of Financial Intelligence Units and the sharing of expertise.
- B. To safeguard the financial system from illicit use and combat money laundering and promote national security.
- C. To issue binding standards that establish consistently operated Financial Intelligence Units in member jurisdictions.
- D. To provide best practices for financial institutions on how to report suspicious activity to best share the information with law enforcement.

[Reveal Solution](#)[Discussion](#) 46

The compliance officer for a bank is reviewing on-boarding documents for a new business account for a domestic corporation. The officer is unable to verify the identity of the beneficial owners of the company. Only information on the nominee owners was provided, and none of the listed addresses are local. The purpose of the business and future expected activity was disclosed to include cash letters, money orders and international remittance transfers.

Which red flag identifies a heightened money laundering risk?

- A. Expected activity was advised to include cash letter and money orders
- B. The nature and purpose of the business include international remittance transfers
- C. The names provided at account opening are identified as the corporation's representative nominees
- D. Account signer's government issued identification lists addresses outside of where the branch account was opened

[Reveal Solution](#)[Discussion](#) 41

Law enforcement submitted a request to a bank for information regarding one of its customers.

How should the bank respond according to Financial Action Task Force Guidance?

- A. Provide all information requested to support the investigation
- B. Ensure that the request will not violate any local privacy regulations or legislation
- C. Ensure the information is necessary to the investigation before responding to the request
- D. Contact the customer informing the person of the investigation to ensure the bank provides correct information

[Reveal Solution](#)[Discussion](#) 49

How should a financial institution respond to a verbal request from a law enforcement agency to keep an account open to assist in an investigation?

- A. Agree to keep the account open
- B. Request a subpoena to maintain the account
- C. Request a letter on the agency's letterhead
- D. Request a search warrant from the local court

[Reveal Solution](#)[Discussion](#) **13**

A bank operates in multiple countries and offers a variety of products and services. The compliance officer recently joined the bank and wants to better understand the inherent level of anti-money laundering risk across the entire organization.

Which two factors should be considered? (Choose two.)

- A. The Transaction Monitoring program
- B. The Customer Due Diligence program
- C. Countries that the bank operates in
- D. Products and services offered by the bank

[Reveal Solution](#)[Discussion](#) **43**

A bank is preparing for its anti-money laundering independent review, which is performed every two years under the direction of the compliance officer. The bank's corporate audit department will conduct the review. The compliance officer will review the final report before it is released to the Board of Directors.

What is the issue with this situation?

- A. Independent reviews must be performed annually
- B. The review must be performed by a group outside of the bank
- C. The final report must be presented directly to the board of directors
- D. There is a conflict of interest with the management of the review process

[Reveal Solution](#)

[Discussion](#) **59**

Question #76

Topic 1

Which method is used to launder money in casinos?

- A. Purchase chips with cash and play at a table
- B. Purchase chips with cash and redeem for cash
- C. Purchase chips with cash and redeem for a check
- D. Purchase chips with cash and sell to another person for cash

[Reveal Solution](#)

[Discussion](#) **12**

Question #77

Topic 1

Financial Action Task Force (FATF)-style regional bodies are created and obliged to understand the inherent money laundering and terrorist financing risks in the region of

the world they serve.

What is one of the methods they use to understand these risks?

- A. They require member countries to develop statistical metrics over money laundering and terrorist financing crimes
- B. They require participating financial institutions of their members to file suspicious transaction reports to the regional body
- C. They conduct global research on money laundering and terrorist financing trends and report their findings in their own typologies report
- D. They conduct regional-level research and analysis of the money laundering and terrorist financing methods and trends using standards and templates used for FATF typologies reports

Reveal Solution

Discussion 29

Question #78

Topic 1

A bank's anti-money laundering section receives an anonymous tip that a customer might be engaging in possible money laundering. Which two facts should be considered during the course of an investigation into this matter? (Choose two.)

- A. The customer has had a long-standing account at the bank
- B. The customer is on the exempt list for currency transaction reporting requirements
- C. The customer is issuing a number of wires to several relatively high-risk jurisdictions
- D. The customer's account has had a large volume of activity, but the month-end balance is usually low

Reveal Solution

Discussion 17

Question #79

Topic 1

A bank employee reviews wire transactions looking for indications of wire stripping.

A bank employee reviews wire transactions looking for indications of wire stripping.

Which two actions should the employee take to complete appropriate bank procedures? (Choose two.)

- A. Compare the wire transaction as it enters and after it leaves the bank
- B. Check for suspicious phrases usually used to conceal originator or beneficiary identity
- C. Identify large incoming wire transactions received on behalf of a foreign client with no explicit reason
- D. Identify wire transaction activity to or from a financial institution located in a higher risk jurisdiction

Reveal Solution

Discussion 41

Question #80

Topic 1

Who has the ultimate responsibility within a bank for ensuring that the bank has a comprehensive and effective Bank Secrecy Act / anti-money laundering (BSA/AML) program and oversight framework that is reasonably designed to ensure compliance with applicable regulations?

- A. Senior management
- B. Board of directors
- C. Business line managers
- D. BSA/AML compliance officer

Reveal Solution

Discussion 13

← Previous Questions

Next Questions →

Question #81

Topic 1

A compliance officer provides an overview of the bank's anti-money laundering program to a group of new tellers during employee orientation. Which training element should be delivered to this audience?

- A. Results of recent risk assessments
- B. Large cash transaction reporting procedures
- C. The financial institution's surprise cash audit policy
- D. Past check fraud losses incurred by the financial institution

[Reveal Solution](#)[Discussion](#) 14

Question #82

Topic 1

Which red flag indicates high potential for money laundering in a real estate purchase?

- A. The purchaser is a nominee
- B. The purchaser had a previous bankruptcy
- C. The purchaser owns a cash intensive business
- D. The purchaser is not a resident where the property is located

[Reveal Solution](#)[Discussion](#) 28

A compliance officer at a small community bank has been asked to review existing customer onboarding policies and procedures to ensure they adequately address anti-money laundering risks.

How should customer due diligence be implemented?

- A. With an annual compliance review and approval of customers
- B. With a one-time event conducted at initial customer onboarding
- C. As an ongoing activity that may vary commensurate with the risk profile of the customer
- D. As applicable to customers that pose higher money laundering or terrorist financing risk

[Reveal Solution](#)[Discussion](#) 7

A bank compliance officer discovers cash deposit activity inconsistent with the expected and historical cash activity within the personal accounts of the chairman of the board. The cash activity appears structured to avoid the local legal filing requirements for large cash transactions, and a suspicious transaction report (STR) was filed.

How should the compliance officer report the filing of the STR to the board of directors without revealing the existence of the filing to the subject?

- A. Inform the legal counsel of the bank
- B. Follow the financial institution's established STR reporting policy
- C. Notify the financial institution's regulator to disclose the activity
- D. The compliance officer and the chief executive officer should jointly interview the chairman

[Reveal Solution](#)[Discussion](#) 33

Under which two circumstances may law enforcement be given access to a financial institution customer's financial records? (Choose two.)

- A. If the person is named in a suspicious transaction report
- B. If law enforcement serves a legal summons or subpoena
- C. If the investigation of a customer is made public in the media
- D. If law enforcement has circumstantial evidence to suspect money laundering

[Reveal Solution](#)[Discussion](#) 40

Findings from a regulatory examination report states that the job descriptions of personnel outside of the compliance department do not include references to anti-money laundering responsibilities.

Which action should the firm take?

- A. Update all job descriptions to include anti-money laundering responsibilities
- B. Respond that only compliance personnel have anti-money laundering responsibilities
- C. Send an email to all staff stating that personnel must observe the anti-money laundering policy
- D. Reply that a description of anti-money laundering responsibilities is included in the annual training

[Reveal Solution](#)[Discussion](#) 35

What must be materially true regarding transactions for United States (U.S.) sanctions laws to have jurisdiction?

- A. Transactions are traced to illegal proceeds
- B. Transactions are processed by a U.S. person
- C. Transactions are stripped of beneficial owner information
- D. Transactions are identified as proceeds of foreign corruption

Reveal Solution

Discussion 10

Question #88

Topic 1

How does the Financial Action Task Force (FATF) communicate its findings regarding jurisdictions with strategic anti-money laundering / Counter Financing of Terrorism deficiencies?

- A. By issuing documentation to the private sector
- B. By issuing two formal documents three times per year
- C. By issuing informal communication to FATF members
- D. By issuing four formal documents to the deficient jurisdictions

Reveal Solution

Discussion 20

Question #89

Topic 1

A recent anti-money laundering audit revealed several regulatory reporting violations and lapses with the organization's anti-money laundering policy. As a result, the compliance officer has created a follow-up matrix to document progress in correcting the identified deficiencies.

To whom should the compliance officer provide regular updates of corrective action to help ensure the appropriate oversight?

- A. Audit management
- B. Human Resources
- C. Business line managers
- D. Designated board committee

Reveal Solution

Discussion 7

Question #90

Topic 1

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

Reveal Solution

Discussion 29

Question #91

Topic 1

The anti-money laundering compliance officer for a small money transmitter has several agent locations in the same geographic area in the United States. The customers

are immigrants from Country A and the majority of the funds are remitted to Country A.

In a meeting with one of the agents, it is recently discovered that two new customers have been coming in three times a week and sending funds to the same recipient in Country B. Each cash transaction always totals exactly \$8,000.

What should alert the agent to possible money laundering activity by the two customers?

- A. They remit funds to the same person
- B. They have been coming in three times a week
- C. It is unusual for customers to remit to Country B
- D. Each of their transactions is just below the cash reporting threshold

Reveal Solution

Discussion 38

Question #92

Topic 1

A bank receives an anonymous tip from an employee about another employee through its confidential hotline.

Which activity warrants further review?

- A. A mortgage officer works with home loan applicants to resolve adverse credit issues
- B. An employee in bookkeeping accepts funds transfer requests from customers via telephone
- C. An employee in accounting works with customers to help understand how to reduce service charges
- D. A teller distributes bank brochures to customers who regularly conduct cash transactions below reporting limits

Reveal Solution

Discussion 13

Question #93

Topic 1

A bank located in New York has identified suspicious transactions at a correspondent bank in China. For one of the international customers, the correspondent bank is not following agreed upon protocols.

Which factor indicates that the bank should terminate the relationship?

- A. The correspondent bank has opened branches in a country on the Office of Foreign Assets Control list.
- B. The compliance officer at the correspondent bank is currently being investigated due to bribery allegations.
- C. The correspondent bank has recently exceeded acceptable limits in the primary banks' recently developed risk model.
- D. The primary institution has requested transactional details from the correspondent bank to aide in their investigation.

[Reveal Solution](#)

[Discussion](#) **19**

Question #94

Topic 1

Which two channels can be utilized during a cross-border money laundering investigation to assist in gathering information according to Financial Action Task Force? (Choose two.)

- A. Contacting existing liaison officers in the foreign jurisdiction
- B. Exchanging information between national law enforcement agencies
- C. Contacting the potential suspect or their family members to request information
- D. Submitting only formal requests for information to a financial intelligence unit

[Reveal Solution](#)

[Discussion](#) **15**

Question #95

Topic 1

During a law enforcement investigative interview regarding potential money laundering, the suspect starts making assertions and statements that the investigator

believes are false.

How should the investigator respond?

- A. Inform the suspect that deception is obvious and continue the interview
- B. Advise the suspect that the interview will be terminated if there is suspicion of deception
- C. Direct the interview in another direction until there is better rapport before returning back to the troubling questions
- D. Ask questions of a material nature about the suspected false statements without revealing the suspected deception

Reveal Solution

Discussion 20

Question #96

Topic 1

A bank employee recently opened an account for a new restaurant. Daily cash deposits over a three-month period are close to \$9,500. What are two red flags that indicate possible money laundering or terrorist financing? (Choose two.)

- A. The restaurant is located in a different city
- B. The daily cash deposits are so close in amount
- C. It is a new account that has daily cash deposits
- D. The new account demonstrates a steady flow of income

Reveal Solution

Discussion 47

Question #97

Topic 1

A customer has held an account at a bank and has lived locally for over 25 years. Historically he has come into the bank monthly to deposit a \$1,500 retirement check from the company where he worked. He is well known at the bank and often brings the staff cookies. Over the past four months, he has come into the bank every Monday

from the company where he worked. He is well known at the bank and often brings the staff coffee. Over the past four months, he has come into the bank every Monday, Wednesday, and Thursday to make \$3,000 cash deposits into his account. A review of his account shows that an \$8,500 check made out to cash clears his account each week. The bank has decided to file a suspicious transaction report (STR).

What is the important fact to include in the STR?

- A. The recent change in the timing of deposits and withdrawals in the account
- B. The customer's work history and the amount of his monthly retirement check
- C. The fact that the account holder is well known to the bank staff
- D. The fact that the customer has lived in the area and has banked at this bank for 25 years

Reveal Solution

Discussion 51

Question #98

Topic 1

A financial institution receives a regulatory enforcement action because of deficiencies in its anti-money laundering program. Which action should the board of directors take?

- A. Terminate the compliance officer and staff
- B. Purchase and install a new suspicious activity monitoring system
- C. Hire an attorney with instructions to protest the enforcement action
- D. Instruct the compliance officer to develop a plan to remediate the institution's anti-money laundering program

Reveal Solution

Discussion 9

Question #99

Topic 1

A banker in the credit department wants to assess the risk of all customers, and contacts the compliance officer to request a list of customers with suspicious

A banker in the credit department wants to assess the risk of all customers, and contacts the compliance officer to request a list of customers with suspicious transaction report filings.

What should be done to protect suspicious transaction report information?

- A. Provide the suspicious transaction report information to the credit department
- B. Decline to provide the suspicious transaction report information to the credit department
- C. Seek approval from the board of directors to disclose the suspicious transaction report information
- D. Contact the credit department manager to determine how the suspicious transaction report information can be provided

Reveal Solution

Discussion 42

Question #100

Topic 1

Which two aspects of precious metals pose the highest risk of money laundering? (Choose two.)

- A. Some precious metals can be formed into other objects, making them easier to transport
- B. Precious metals have high intrinsic value in a relatively compact form and are easy to convert into currency
- C. The value of precious metals can be inflated easily, making it easy to increase the amount of money laundered
- D. Precious metals can be readily used in many high-tech commercial applications, making them all the more valuable

Reveal Solution

Discussion 24

← Previous Questions

Next Questions →

Question #101

Topic 1

Which two methods have terrorist groups used to diversify their revenue stream and to fund their operations? (Choose two.)

- A. Human trafficking
- B. Engaging in civil conflict
- C. Smuggling cultural artifacts
- D. Engaging in wire transfer activity

[Reveal Solution](#)[Discussion](#) 34

Question #102

Topic 1

Which two statements are true regarding the European Union Money Laundering Directives? (Choose two.)

- A. They apply to member states of the European Union
- B. They require member states to enact laws and/or regulations to comply with the directives
- C. They set forth non-binding best practices for financial institutions within the member states
- D. They have extraterritorial impact and apply to states that have diplomatic relations with member states

[Reveal Solution](#)[Discussion](#) 10

Question #103

Topic 1

A compliance officer was recently reviewing transactional data for an international charity and found transactions that present a higher risk. Which reason is cause for terminating the banking relationship?

- A. The charity has had a high turnover rate of official positions
- B. The charity has several incoming international funds transfers
- C. The flow of funds both in and out are complex and hard to trace
- D. The charity is headquartered in a country on the Office of Foreign Assets Control list

[Reveal Solution](#)[Discussion](#) 27

Which action does the Financial Action Task Force (FATF) recommend be taken against jurisdictions that have strategic deficiencies?

- A. Conduct due diligence
- B. Apply counter-measures
- C. Add the jurisdiction to the United Nations' list of sanctioned jurisdictions
- D. Create an action plan to address the deficiencies without the support of the FATF

[Reveal Solution](#)[Discussion](#) 11

A client opens a bank account for a multi-level marketing company. The debits and credits of the account are numerous and very involved. Further, there are a lot of

international transactions. Also, funds are being funneled from the company to the client's personal account in another jurisdiction.

Which two steps should law enforcement take in investigating this matter? (Choose two.)

- A. Determine who are the signatories on the account
- B. Ask the bank for the history of this multi-level marketing company
- C. Examine the flow of money from the company to the individual in an effort to determine if it is legitimate
- D. Examine possible Suspicious Activity Report information received from the local Financial Intelligence Units

Reveal Solution

Discussion 35

Question #106

Topic 1

Which method is used to launder money via wire remittances sent through a bureau de change or money services business?

- A. A customer in country A makes a weekly small wire transfer to the bank account of an individual in country B.
- B. A customer in country A makes frequent wire transfers to a single customer in country B that are slightly under the legal reporting threshold.
- C. A large number of wire transfers are sent from a large number of senders in country A to a large number of recipients in country B during the period of December 1 to December 15.
- D. A customer in country A receives four small wire transfers from four different individuals located in country B on December 21. The aggregate of the wire transfers falls below the legal reporting threshold.

Reveal Solution

Discussion 23

Question #107

Topic 1

Historically, a tour guide has made monthly cash deposits averaging \$10,000. Over the past three months, the monthly deposits have averaged \$100,000. When the financial institution questions the increased deposits, the tour guide explains that there have been numerous conventions in town so business has increased substantially.

Which further action(s) should the financial institution take?

- A. Immediately terminate the relationship
- B. Schedule a periodic review of activity
- C. Perform further investigation, if appropriate report the activity to the authorities and consider terminating the relationship
- D. Perform further investigation, if appropriate report the activity to the authorities and place a limit on future transactions

Reveal Solution

Discussion 20

Question #108

Topic 1

One key aspect of the Office of Foreign Assets Control's extraterritorial reach includes the blocking of certain non-United States initiated transactions for or through the United States (U.S.) for benefit of a restricted person or entity.

Under which three circumstances are U.S. banks required to block transactions? (Choose three.)

- A. The transactions are to, or go through, a blocked entity
- B. Those that are by, or on behalf of, a blocked individual or entity
- C. Those that are by or on behalf of a blocked individual and a licensed entity
- D. Those that are in connection with a transaction in which a blocked individual or entity has an interest
- E. Those that are in connection with a transaction in which a blocked individual or entity has no interest

Reveal Solution

Discussion 11

To ensure compliance with economic sanctions established by governmental authorities in the jurisdictions where it operates, a financial institution requires that all new and existing customers be screened at onboarding and quarterly thereafter.

Is this step sufficient to ensure compliance?

- A. No, screening should occur promptly after list updates
- B. Yes, this is recommended by the international guidance
- C. No, it is necessary to screen and perform enhanced due diligence on new relationships
- D. Yes, screening all existing customer relationships ensures the institution is not dealing with a sanctioned individual or entity

[Reveal Solution](#)[Discussion](#) **23**

What is the currency threshold under the European Union Fourth Anti-Money Laundering Directive?

- A. 3,000 Euros
- B. 5,000 Euros
- C. 10,000 Euros
- D. 15,000 Euros

[Reveal Solution](#)[Discussion](#) **8**

What are two requirements of United States financial institutions when conducting business with an international financial institution as a result of the USA PATRIOT Act? (Choose two.)

- A. Performing enhanced due diligence on shell banks
- B. Performing due diligence on correspondent accounts
- C. Visiting the head office of the international financial institution
- D. Complying with Special Measures issued under the USA PATRIOT Act

Reveal Solution

Discussion 32

Question #112

Topic 1

What are two risks to institutions for violating anti-money laundering laws as demonstrated by the 2012 HSBC settlement with United States authorities? (Choose two.)

- A. Forfeiture of assets
- B. Civil money penalties
- C. Loss of bank charter/license
- D. Imprisonment of bank employees

Reveal Solution

Discussion 14

Question #113

Topic 1

When must a United States (U.S.) bank block or reject an international funds transfer when there is an Office of Foreign Assets Control designated party to the transaction?

- A. Only if the U.S. bank is involved in the funds transfer
- B. Only if a U.S. person or entity is the ultimate beneficiary
- C. Only if a non-U.S. person or entity is the ultimate beneficiary
- D. Only if the U.S. bank's correspondent informs it of the involvement of the designated party

Reveal Solution

Discussion 25

Question #114

Topic 1

A law enforcement agent calls a bank anti-money laundering investigator for supporting information about a suspicious transaction report that was filed the previous month.

How should the investigator respond?

- A. Refer the agent to the bank's compliance officer
- B. Send the information to an address provided by the agent
- C. Share the requested information during the telephone call
- D. Require a search warrant before releasing the information

Reveal Solution

Discussion 30

Question #115

Topic 1

Which action should countries take related to the financing of terrorist acts in accordance with the Financial Action Task Force 40 Recommendations?

- A. Oppose
- B. Sanction
- C. Prosecute
- D. Criminalize

Reveal Solution

Discussion 11

Question #116

Topic 1

A client is a wholesale auto business that operates as a used car lot. The client regularly ships vehicles internationally. In a four-month period, the client received wires totaling \$1,250,000 from a dealer in Benin in West Africa. All wires originated from Benin and were in increments of \$50,000.

Account debits made to the account were payable to various transport companies. All incoming checks reference various vehicles purchased. Dock shipping receipts produced by the client to support account activity identify the vehicles but cannot easily be tied to the wires received.

What is the suspicious behavior?

- A. The dock shipping receipts match the vehicles
- B. Vehicles are regularly shipped internationally
- C. Wires received are in large, even dollar amounts
- D. Account debits are payable to transport companies

Reveal Solution

Discussion 16

Question #117

Topic 1

A high-volume dealer of precious metals and stones in a high-risk jurisdiction is approached by a new customer interested in selling gold worth \$200,000. The customer was referred by a longtime family friend of the dealer and provides no indication of background or business purpose for the sale. The dealer agrees to make the purchase based solely on the reference.

What is the money laundering red flag?

- A. The customer was referred by a longtime friend of the dealer
- B. The precious metals dealer is operating in a high-risk jurisdiction
- C. A new customer is selling gold worth \$200,000 to a high volume dealer
- D. The customer provides no background information or business purpose for the transaction

Reveal Solution

Discussion 13

Question #118

Topic 1

What does the Financial Action Task Force 40 Recommendations address on transparency of beneficial ownership?

- A. Gatekeepers
- B. Correspondent banking
- C. Payable through accounts
- D. Legal persons and arrangements

Reveal Solution

Discussion 14

Question #119

Topic 1

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

Reveal Solution

Discussion 12

Question #120

Topic 1

Which factor should a bank consider before sharing information about a customer with its broker-dealer affiliate in the case of an investigation?

- A. Whether the broker-dealer affiliate can rely on the due diligence done by the bank
- B. Whether there is a mutual legal assistance treaty in place between the two institutions
- C. Whether privacy and data protection rules permit the bank to share the information with the affiliate
- D. Whether both institutions have an account or are in the process of opening an account for the customer

Reveal Solution

Discussion 24

← Previous Questions

Next Questions →

Question #121

Topic 1

A client who owns a swimming pool company requests to open 19 accounts at a bank, each with a debit card for its swimming pool technicians. When asked about the purpose of each account, the client explains that each technician needs a separate checking account to purchase pool chemicals.

Which available source could be used in the bank's internal investigation on this client's activities?

- A. Client's credit bureau report
- B. Local law enforcement investigation report
- C. Interview swimming pool technicians and chemical suppliers
- D. Internet search showing how such business are typically operated

[Reveal Solution](#)[Discussion](#) 6

Question #122

Topic 1

A bank sells reloadable open-loop prepaid cards to both customers and non-customers.

What is a red flag associated with these cards that may indicate money laundering?

- A. A bank customer historically purchases several prepaid cards near year-end.
- B. A non-bank customer regularly loads large amounts of cash onto several prepaid cards.
- C. A non-bank customer consistently uses the bank to obtain cash advances using a prepaid card.
- D. A bank customer routinely purchases five prepaid cards in small even-dollar amounts on a monthly basis.

[Reveal Solution](#)[Discussion](#) 20

Question #123

Topic 1

Which product is considered to be of highest money laundering risk?

- A. Credit cards
- B. Savings accounts
- C. Time deposit accounts
- D. International wire transfers

[Reveal Solution](#)[Discussion](#) 38

Question #124

Topic 1

A compliance officer at a large financial institution has been tasked by senior management to lead a team in an internal review and potential revision of the institution's customer onboarding program following a regulatory enforcement action of another institution.

Which step should the compliance officer perform first?

- A. Reviewing the institution's risk assessment
- B. Revising training materials for frontline staff
- C. Conducting enhanced due diligence on high risk customers
- D. Resolving substantive discrepancies in customer verification

[Reveal Solution](#)[Discussion](#) 12

Question #125

Topic 1

A bank provides trade financing for a company whose primary export is steel.
Which action by the company indicates possible money laundering?

- A. The company often deals with foreign currency exchanges.
- B. The company regularly understates the value of goods exported.
- C. The company frequently sells above or below its competitors' price.
- D. The company frequently transfers funds to other bank accounts located in other jurisdictions.

Reveal Solution

Discussion 57

Question #126

Topic 1

An anti-money laundering analyst is reviewing a new customer list to confirm potentially high risk customers have been identified and subject to enhanced due diligence.
Which new customer warrants enhanced due diligence?

- A. A non-profit hospital
- B. A fundraising organization
- C. An employee benefit plan trust
- D. A medical practice limited partnership

Reveal Solution

Discussion 16

Question #127

Topic 1

Which statement about a multinational institution's ability to fully investigate unusual activity in all its foreign operations is correct?

- A. Local privacy and data protection laws may prevent an affiliate from sharing information.
- B. Certain account documents may be stored only in local language which will prohibit a global assessment.
- C. The institution should consult with the customer and request permission to conduct a full investigation into all the accounts.
- D. Enterprise-wide compliance oversight rules issued in the global institution's headquarters country will override any local limitations in other countries.

Reveal Solution

Discussion 40

Question #128

Topic 1

Which step should be taken to understand the types of financial institutions to whom the services are being offered when a correspondent bank permits "nested" relationships according to the Wolfsberg Group?

- A. Review peer-group clients by risk category
- B. Understand the type and volume of accounts serviced
- C. Evaluate the distribution of downstream correspondents and identify any direct or indirect issues
- D. Obtain independent audits or examination reports for "nested" relationships to determine risk levels

Reveal Solution

Discussion 10

Question #129

Topic 1

What does the Basel Committee's Customer Due Diligence for Banks paper suggest that a bank needs to have in place when establishing an account for a corporate business entity?

- A. An understanding of the structure of the company
- B. A policy requiring all identified beneficial owners to undergo a national police check
- C. A process to ensure that the approval of senior management is obtained prior to opening the account
- D. A fee structure that reflects the banks' costs in monitoring the risks associated with entity's business activities

[Reveal Solution](#)[Discussion](#) **29**

Which measure to mitigate risk does the Basel Committee's Customer Due Diligence Principles suggest banks apply when accepting business from non-face-to-face customers?

- A. Certification of documents presented
- B. Requiring an in person interview with the customer
- C. Imposing a limit on permissible account activity for a defined period of time
- D. Requiring additional review of account opening documents by senior management

[Reveal Solution](#)[Discussion](#) **12**

A comprehensive set of risk-based guidelines for maintaining business relationships is being developed.

Which situation indicates that the institution should terminate the relationship with a client?

- A. The client does business in countries with active terrorist organizations.
- B. The client conducts international financial transactions exceeding U.S. \$500 million.
- C. The client exceeds the criteria of an acceptable risk model created by another institution that is not similar in size and complexity.
- D. The client exceeds the criteria of an acceptable risk model created by the institution and does not perform acceptable remedial actions.

Reveal Solution

Discussion 13

Question #132

Topic 1

At a small community bank, the compliance officer identifies unusual activity on a customer, who with his personal and company accounts, is the bank's largest depositor. The customer's companies have significant balances on their outstanding loans. The compliance officer notices that there is a lot of unusual movements of money between the customer's individual and business accounts. After filing a suspicious transaction report (STR), the compliance officer gets a call from law enforcement indicating that they want the bank to keep the account open while they conduct an investigation into the customer.

How should the compliance officer escalate this information to the board of directors?

- A. By providing a copy of the STR to the board
- B. By informing the regulator to bring it up with their next meeting with the board
- C. By providing a high level summary of the activity and the interactions with law enforcement
- D. By providing a copy of the letter from law enforcement asking the bank to keep the account open.

Reveal Solution

Discussion 59

What does the Egmont Group's support for its members include?

- A. Issuing due diligence models for financial institutions
- B. Expanding and systematizing international cooperation in the reciprocal exchange of information
- C. Issuing strategic products for law enforcement agencies and FIUs on topics of international interest
- D. Expanding the ability of FIUs to enforce laws and exchange information globally to combat money laundering and terrorist financing

[Reveal Solution](#)[Discussion](#) 12

Which statement identifies one of the duties of a government Financial Intelligence Unit?

- A. It serves as the central agency for the receipt of disclosures filed by reporting entities.
- B. It administers and enforces economic and trade sanctions based on a government's foreign policy and national security goals.
- C. It supervises and regulates banking institutions to ensure the safety and soundness of the nation's banking and financial system.
- D. It prosecutes suspected money launderers and terrorist financiers based on financial institution suspicious transaction report filings.

[Reveal Solution](#)[Discussion](#) 33

A new accounts representative recently opened an account for individual whose stated employment is tutoring students.

Which customer action indicates possible money laundering?

- A. Continually making weekly small cash deposits
- B. Periodically initiating wire transfers to another account owned by a relative
- C. Transferring all funds to another bank on the same day of large cash deposits
- D. Opening a savings account and makes frequent transfers from the checking account

Reveal Solution

Discussion 13

Question #136

Topic 1

A large international bank has detected potentially suspicious activity in one of its customer accounts. Following an investigation, the bank has determined the activity to be typical of suspected money laundering.

To which entity should this activity be reported on a suspicious transaction report according to Financial Action Task Force?

- A. National Security Council
- B. Financial Intelligence Unit
- C. Local law enforcement agency
- D. Federal law enforcement agency

Reveal Solution

Discussion 32

Question #137

Topic 1

What is the main role of the Egmont Group in combating money laundering and terrorist financing?

- A. To establish regulations that countries must use when establishing their own FIUs
- B. To find ways that FIUs can better cooperate amongst themselves and exchange information
- C. To require that all countries participate in a global repository for the sharing of information
- D. To create standards that countries can use when drafting laws to combat money laundering and terrorist financing

Reveal Solution

Discussion 30

Question #138

Topic 1

An organization uses an automated surveillance system that generates a very large volume of anti-money laundering alerts. The monthly volume of alerts has increased over the last year causing the compliance staff to fall significantly behind reviewing the alerts. As a result, the system settings are under review to determine if they are appropriate.

Which action should be included in the evaluation of system settings?

- A. Compare settings to organizations within its peer group
- B. Flag filters with no history of generating an alert for removal
- C. Review parameter settings based on the latest risk assessment
- D. Calibrate parameters based on staffing capabilities to clear alerts

Reveal Solution

Discussion 30

Question #139

Topic 1

Which location provides a law enforcement investigator the best opportunity for a productive investigative interview of a suspect?

- A. The residence of the suspect
- B. The office or work location of the suspect
- C. A neutral location such as a coffee shop or restaurant
- D. An interview room in the offices of a law enforcement agency

Reveal Solution

Discussion 28

Question #140

Topic 1

Which two mechanisms should be implemented to assist with cross-border money laundering investigations? (Choose two.)

- A. Countries should request Interpol to provide the required information.
- B. Countries should ensure that information received is protected from unauthorized disclosure.
- C. Countries should establish mechanisms allowing financial investigators to obtain and share information in respect of specific investigations.
- D. Countries should conduct separate investigations to ensure information is not unintentionally disclosed without the appropriate legal approval.

Reveal Solution

Discussion 21

← Previous Questions

Next Questions →

Question #141

Topic 1

An existing customer at a bank has recently expanded its services to provide check cashing for its customers. Which factor indicates the bank should terminate this relationship?

- A. The bank has not updated its automated monitoring system.
- B. The business has no previous experience with this service.
- C. The business has not updated its anticipated activity with the bank.
- D. The business is now a Money Service Business and has not registered with FinCEN.

[Reveal Solution](#)[Discussion](#) 49

Question #142

Topic 1

Which key aspect of the Office of Foreign Assets Control's extraterritorial reach specifically relates to prohibited transactions?

- A. Prohibit or reject unlicensed trade and financial transactions with specified countries, entities, and individuals
- B. Prohibit or reject licensed trade and financial transactions with specified countries, entities and U.S. individuals
- C. Prohibit or reject licensed trade and financial transactions with specified countries, entities and non-U.S. individuals
- D. Prohibit or reject unlicensed foreign trade and financial transactions with specified countries, entities, and individuals

[Reveal Solution](#)[Discussion](#) 29

Question #143

Topic 1

A bank has opened a new account for a well-known attorney to manage client funds. During the first six months, bank staff observe the account receives multiple deposits via wire transfer. They also observe that the attorney withdraws cash, makes payments to various people, and transfers funds to the law firm's account online. What is considered a red flag for potential money laundering in this situation?

- A. Withdrawing cash
- B. Making payment to various people
- C. Receiving multiple deposits via wire transfer
- D. Transferring funds to his law firm's account online

Reveal Solution

Discussion 27

Question #144

Topic 1

How can a 'free-look provision' as part of a life insurance policy help criminals to launder money?

- A. A policy owner can decide how to pay the premium within a pre-defined period.
- B. A policy owner is able to terminate the contract without penalties such as surrender charges.
- C. A policy owner has freedom to decide who the beneficiary of the policy will be and can in this way move money to a related third party.
- D. A policy owner has freedom to decide who the beneficiary of the policy will be and can in this way move money to an unrelated third party.

Reveal Solution

Discussion 33

Question #145

Topic 1

Since its last regulatory examination, a financial institution has aggressively grown by adding profitable new products and services. The institution has not historically received regulatory criticism regarding its anti-money laundering compliance program. However, a recent regulatory examination cited significant deficiencies in the anti-money laundering program that were attributed primarily to the lack of oversight by the institution's leadership in implementing adequate controls over the new products

money laundering program that were attributed primarily to the lack of oversight by the institution's leadership in implementing adequate controls over the new products and services.

Which area of international control should leadership first address to correct the weaknesses in the program?

- A. Anti-money laundering training
- B. Anti-money laundering policy
- C. Money laundering risk assessment
- D. Anti-money laundering compliance staff

Reveal Solution

Discussion 33

Question #146

Topic 1

A periodic review of the account of a small household goods business reveals multiple shipments of goods to a country classified by the bank as high risk. They were transshipped through another country prior to the final destination. In the past three months, volumes over 25,000 units. The business has been a customer of a bank for 10 years.

Records show previous shipments to destinations primarily in Europe involving quantities of 5,000 units or less. Recent shipments are listed as being received by the same company as the earlier shipments and payments are being received from the same originator, but the unit price of the goods is three times higher than before.

Which two red flags indicate potential trade-based money laundering? (Choose two.)

- A. The shipments of the same goods are now going to a different location.
- B. The goods are transshipped through one or more jurisdictions for no apparent economic reason.
- C. The size of the shipments appear inconsistent with the exporter's previous business activities.
- D. The goods are shipped to a jurisdiction that the bank classifies as "high risk" for money laundering activities.

Reveal Solution

Discussion 17

Question #147

Topic 1

Which three definitions of money laundering are included in the expanded definition of the European Union Fourth Directive? (Choose three.)

- A. The creation of shell companies to disguise the identity of its owners
- B. The conversion or transfer of property with knowledge that it is derived from criminal activity
- C. The acquisition or use of property knowing, when it was received, that it was derived from criminal activity
- D. The transfer of cash in excess of 15,000 euros across country borders regardless of whatever the cash was derived from criminal activity
- E. Concealing or disguising the nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that the property is derived from criminal activity

Reveal Solution

Discussion 12

Question #148

Topic 1

An incoming urgent international wire transfer in U.S. dollars has been identified by the sanctions screening team. The transaction is a large rounded amount and the name of the beneficiary is `North Korean Cigars Company` with an address in an industrial zone in Tianjin, China.

Which action should the sanctions team take?

- A. Hold the transaction and investigate the company before releasing the funds
- B. Block the transaction immediately because it contains a reference to North Korea
- C. Call the correspondent bank and ask if it has performed due diligence on the originator
- D. Release the transaction so that the Chinese correspondent bank will not be negatively impacted

Reveal Solution

Discussion 31

Question #149

Topic 1

What does the Financial Action Task Force (FATF) urge its members and all other jurisdictions to do when a jurisdiction is identified as having lax anti-money laundering / counter financing of terrorism controls?

- A. Apply counter-measures to that jurisdiction
- B. Consider customers from that jurisdiction as high risk
- C. Cease doing business with that jurisdiction immediately
- D. Apply economic sanctions until otherwise notified by FATF

Reveal Solution

Discussion 14

Question #150

Topic 1

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

Reveal Solution

Discussion 31

Question #151

Topic 1

An auction house dealing in fine art and antiques sells a well-known painting at a price of \$12 million to an agent bidding for a group of local investors. The same painting sold ten years prior at auction for \$5 million. The auction house receives payment for the painting via wire transfer from an account maintained in an offshore jurisdiction by the investor group. No beneficial ownership information is available for the account.

What are the two money laundering red flags? (Choose two.)

- A. The payment is received via wire transfer.
- B. An agent bids on the painting for a group of investors.
- C. The painting has more than doubled its value in ten years.
- D. Payment is received from an account in an offshore jurisdiction.
- E. Lack of beneficial ownership details for the originating account.

Reveal Solution

Discussion 30

Question #152

Topic 1

How can violations of anti-money laundering laws be a risk to individuals?

- A. Violations can result in civil and criminal fines and penalties against the individuals.
- B. Violations can result in additional legislation that the individuals have to comply with.
- C. Violations can result in enforcement actions that damage the reputation of the individual's employer.
- D. Violations can result in additional and more stringent anti-money laundering training for individuals.

Reveal Solution

Discussion 10

Question #153

Topic 1

A director of a financial institution was convicted of laundering money as part of a Ponzi scheme and terminated. As a result of an internal investigation evidence proved that an employee assisted in the illegal activity.

Which action should the institution take?

- A. Discipline the employee with no further action
- B. Discipline the employee and inform local authorities
- C. Since the employee was not charged, no further action is required
- D. Require all employees to complete additional anti-money laundering training

Reveal Solution

Discussion 6

Question #154

Topic 1

The new compliance officer has reviewed the bank's anti-money laundering training program. The program consists of online training for all new employees within 30 days of hire date and annual refresher training to all employees. In addition, there is specialized training for areas that deal with higher risk products and customers. Over the last year, there have been no regulatory changes and no new products or services have been introduced. The compliance officer wants to propose to the board of directors that the annual refresher training is still current and can be delivered unchanged to all employees.

Which two critical pieces of information could be missed by taking this approach? (Choose two.)

- A. Any new trends, developments, or risks
- B. Results of the previous year's risk assessment
- C. Changes to internal policies, procedures, and processes
- D. Links to enforcement actions identifying violations in other financial institutions

Reveal Solution

Discussion 46

Question #155

Topic 1

An institution receives a request for credit from a local company that has been a client for many years. The information provided by the company indicates that its assets have increased substantially with the addition of several new subsidiaries. Further research performed by the institution indicates the new subsidiaries are recently created shell companies.

Could this indicate potential money laundering?

Could this indicate potential money laundering?

- A. No, the company has been a client for many years.
- B. Yes, shell companies are typically created to manage tax liabilities.
- C. No, it is normal for a business to diversify by creating shell companies.
- D. Yes, the shell companies could have been created to hide beneficial ownership.

Reveal Solution

Discussion 39

Question #156

Topic 1

Which method to finance terrorism involves falsifying transaction-related documents?

- A. Bribery
- B. Black market peso exchange
- C. Trade-based money laundering
- D. Informal value transfer system

Reveal Solution

Discussion 26

Question #157

Topic 1

A private banker of a major international bank is onboarding a new private investment company. The banker has verified the identity of the two directors, a husband and wife, who are equal shareholders. The funds in the account will be provided solely by the wife.

The banker was later informed by the company that an additional director and shareholder will be added to the company although the new shareholder will not provide funds.

What is the next step for due diligence in respect to the additional director and shareholder according to the Wolfsberg Anti-Money Laundering Principles for Private Banking?

- A. Refuse to open the account as it is not usual for an individual to be a director and shareholder of a private investment company without providing funds.
- B. Seek to further understand the relationship between the shareholders and undertake due diligence on the source of funds and wealth for each of the shareholders
- C. Verify the identity of this individual, including due diligence in respect of background and reputation, and undertake due diligence on her source of funds and wealth
- D. Seek to further understand the relationship between the shareholders and verify the identity of the individual which may include due diligence in respect to her background and reputation

Reveal Solution

Discussion 59

Question #158

Topic 1

What are two purposes of the USA PATRIOT Act? (Choose two.)

- A. To strengthen United States' measures to prevent, detect, and prosecute international money laundering and financing of terrorism
- B. To subject to special scrutiny foreign jurisdictions, foreign financial institutions, and classes of international transactions or types of accounts that are susceptible to criminal abuse
- C. To administer and enforce economic and trade sanctions based on United States foreign policy and national security goals against targeted foreign countries and regimes, terrorists, and international narcotics traffickers
- D. To set standards and promote effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system

Reveal Solution

Discussion 12

Question #159

Topic 1

After review of the financial institution's enterprise-wide anti-money laundering risk assessment, the new compliance officer identifies several deficiencies that need

attention.

Which deficiency could lead to the highest potential for unmitigated risk?

- A. The risk assessment is several years old and does not cover all current products and services.
- B. The risk assessment is revisited too frequently thereby diverting critical resources from other compliance tasks.
- C. The risk assessment is managed by a different team from the previous assessment therefore disrupting continuity of institutional knowledge.
- D. The risk assessment does not anticipate potential risks even though the financial institution has no immediate plans involving those risks.

Reveal Solution

Discussion 15

Question #160

Topic 1

Bank A is a non-United States (U.S.) bank that has \$5 million in a correspondent account at a bank in New York City. The Worldwide Terrorist Syndicate (WTS) has \$1 million in its account at a non-US branch of Bank A. The U.S. government has initiated forfeiture action against the WTS.

Which potential action can the U.S. take under the USA PATRIOT ACT pursuant to the issuance seizure warrant?

- A. Seize Bank A's \$5 million correspondent account in the U.S.
- B. Seize WTS' \$1 million account at the non-U.S. branch of Bank A.
- C. Seize \$1 million from Bank A's correspondent account in the U.S.
- D. Seize \$5 million from the non-U.S. branch of Bank A where the WTS' account is located.

Reveal Solution

Discussion 30

← Previous Questions

Next Questions →

Question #161

Topic 1

A money transmitter's nation-wide agent network remits funds to a country in Africa on behalf of an immigrant community based in the United States. A terrorist group is known to operate openly in this African country. In reviewing transaction records, the compliance officer detects a pattern where two customers together visit the same agent each week and remit the same amount of funds, \$2,500, to the same recipient in the country in Africa.

What should alert the compliance officer to possible money laundering or terrorist financing activity by the two customers?

- A. The customers always visit together.
- B. The customers always visit the same agent.
- C. The funds are being sent to the same recipient each week.
- D. The dollar amount of each transaction is just below the record keeping threshold.

[Reveal Solution](#)[Discussion](#) 32

Question #162

Topic 1

A large United States (U.S.) bank is performing due diligence on a non-U.S. bank. The non-U.S. bank has applied for a correspondent account at the U.S. bank.

Which two steps should the U.S. bank take under the USA PATRIOT Act? (Choose two.)

- A. Verify the identity of the customers of the foreign bank
- B. Determine whether enhanced due diligence is necessary
- C. Assess the money laundering risk presented by the correspondent account
- D. Verify the identity of politically exposed persons in management positions at the non-U.S. bank

[Reveal Solution](#)[Discussion](#) 25

Question #163

Topic 1

In reviewing recent transaction activity, a compliance officer for a money transmitter notices that several customers are each remitting the same amount of money but much more frequently.

How should the institution respond?

- A. File a suspicious transaction report
- B. Instruct the tellers not to process remittances for these customers in the future
- C. Conduct further investigation to determine whether this is truly suspicious activity
- D. Immediately contact the customers and ask them why they are remitting money more often

Reveal Solution

Discussion 25

Question #164

Topic 1

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

Reveal Solution

Discussion 15

Question #165

Topic 1

A compliance officer is tasked with implementing an enterprise-wide anti-money laundering program for a bank, which operates in multiple countries. Not all the bank products and services are available in all countries.

Which three factors should be considered as part of the approach? (Choose three.)

- A. The types of customers serviced by the bank
- B. The customer onboarding platform that will be used
- C. The extent of anti-money laundering regulations in the various countries
- D. The anti-money laundering risk posed by the products and services offered by the bank
- E. The amount of resources needed to implement the anti-money laundering program in the countries

Reveal Solution

Discussion 19

Question #166

Topic 1

A compliance officer receives a report from the institution's monitoring system. One account was identified in multiple alerts for the amount of cash deposited and international wires sent.

Which two sources of information held within the institution will enable the compliance officer to determine whether the activity should be reported? (Choose two.)

- A. The signature card for the account
- B. The customer due diligence information on file
- C. The monitoring system parameters for identifying unusual activity
- D. Transaction records for the period during which the unusual activity occurred

[Reveal Solution](#)[Discussion](#) 14**Question #167***Topic 1*

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. 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.

[Reveal Solution](#)[Discussion](#) 30**Question #168***Topic 1*

What do the Financial Action Task Force (FATF) mutual evaluations of each member assess?

- A. The levels of implementation of the FATF Recommendations
- B. The member's ability to send a representative to the plenary sessions
- C. If the member has a large enough economy to maintain its membership
- D. If the member has made any suggestions for updates to the FATF Recommendations

[Reveal Solution](#)[Discussion](#) **8****Question #169***Topic 1*

A compliance officer is reviewing the activity of the wire transfer department for the previous month and identifies an unusual wire transfer from a customer's account. Which information should be included in the review of the customer's activity?

- A. Records of the recent deposit activity
- B. Wire transfer requests initiated by phone and internet
- C. Total number of wires processed each month over the previous year
- D. Whether the bank processes wire transfers through a correspondent bank

[Reveal Solution](#)[Discussion](#) **35****Question #170***Topic 1*

Which two steps should a financial institution take when it receives a law enforcement request to keep an account open that may be associated with suspicious or criminal activity? (Choose two.)

- A. File a suspicious transaction report on the account owner(s)
- B. Maintain account records for at least five years after the request expires
- C. Ask for a written request from the law enforcement agency that defines the duration
- D. Stop filing suspicious transaction reports because law enforcement will be monitoring the account

[Reveal Solution](#)[Discussion](#) **43**

A startup virtual currency exchange has registered as a money services business and will commence operations in six months. The company will provide digital wallets to customers to hold their virtual currency after purchase. Customers will have the option to conduct purchases of the virtual currency and transfer the currency to and from the digital wallet. The startup must develop an anti-money laundering compliance program prior to launch.

Which two anti-money laundering responsibilities should be considered before business launch? (Choose two.)

- A. A customer onboarding process
- B. Transaction limits consistent with risk appetite
- C. Employees to handle complaints in a timely fashion
- D. Mechanisms to monitor and protect customers' digital wallets from cyber-attacks

[Reveal Solution](#)[Discussion](#) 25

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 contacted 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.

[Reveal Solution](#)[Discussion](#) 8

What is a tool governments and multi-national bodies can use to prevent the proliferation of weapons of mass destruction?

- A. Economic Sanctions
- B. Commission Rogatoire
- C. Account Monitoring Order
- D. Mutual Legal Assistance Treaties

[Reveal Solution](#)[Discussion](#) 19

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

[Reveal Solution](#)[Discussion](#) 15

What can a compliance officer do in the absence of automated software to conduct U.S. Department of the Treasury Office of Foreign Assets Control (OFAC) sanction

screens?

- A. Rely on a credit report from OFAC
- B. Conduct a key-word search on the Internet
- C. Use the consolidated Sanctions List Search screen on the OFAC website
- D. Obtain up-to-date copies of the OFAC's Specially Designated Nationals list

Reveal Solution

Discussion 41

Question #176

Topic 1

A bank maintains a number of United States (U.S.) dollar correspondent accounts for foreign financial institutions. Upon a routine review of a U.S. dollar correspondent account owned by Foreign Bank A, a number of transactions appear to have been originated by Foreign Bank B outside the expected activity for this account. These transactions appear suspicious and a suspicious transaction report was filed by the compliance officer.

Which step should the compliance officer take?

- A. File a report with the appropriate tax authorities in the jurisdictions of Foreign Bank A and Foreign Bank B
- B. Notify senior management of the money laundering risks by allowing Foreign Bank A to maintain its U.S. dollar correspondent account
- C. Notify Foreign Bank A of the discovery and seek documentation supporting Foreign Bank A was collusive and a willing partner with Foreign Bank B in the activity
- D. Notify other U.S. financial institutions who maintain U.S. dollar correspondent accounts for Foreign Bank A and Foreign Bank B in an effort to shut down the activity

Reveal Solution

Discussion 35

Question #177

Topic 1

A New York-based lawyer is interested in purchasing a luxury condo in Manhattan listed at \$30 million for a client based in the Caribbean.

The client does not want to be named on the deed and wants the purchase to be made under the name of a limited liability company (LLC). The client states that the reason for this arrangement is that he is a high level government official who is concerned about his privacy if the purchase were to be made in his name.

The funds for the purchase are to be wired from several accounts in various countries.

Which two facts lead to gathering more information about this potential client before moving forward with the transaction? (Choose two.)

- A. The client is from a Caribbean country
- B. The use of an LLC to make the purchase
- C. The client is a high level government official
- D. The funds are coming from several accounts in various countries.

Reveal Solution

Discussion 28

Question #178

Topic 1

Which two methods can be used to structure casino-related transactions? (Choose two.)

- A. Playing at the same game
- B. Purchase of chips at multiple gaming tables
- C. Use of third parties to conduct transactions
- D. One time deposit of cash at a single gaming machine

Reveal Solution

Discussion 18

Question #179

Topic 1

An anti-money laundering officer is conducting employee reviews.

Which employee action warrants enhanced due diligence?

- A. The teller reviews customer profiles and makes notations of personal information to reportedly become familiar with bank customers.
- B. The private banker has recently taken long vacations which caused staff members to fall behind in their work to help cover bank duties.
- C. The branch manager reviews the daily hold report and releases holds on non-cash items once the bank receives credit from the paying bank.
- D. The bank chief executive officer lives in a lavish home and has requested the board to approve a membership payment at an exclusive country club.

Reveal Solution

Discussion 67

Question #180

Topic 1

The local manager of a remote mortgage origination department of a financial institution has just discovered that sanctions screening of new customers is not being performed.

Which action should the local manager take in this situation?

- A. Start screening new customers
- B. Immediately inform the regulators
- C. Immediately inform senior management
- D. Do nothing because the department only handles a very small number of mortgages

Reveal Solution

Discussion 20

← Previous Questions

Next Questions →

Question #181

Topic 1

What is a method of placement that can be used by a money launderer in a deposit taking institution?

- A. Depositing cash into the money launderer's account
- B. Sending a large number of funds transfers between accounts
- C. Withdrawing large amounts of cash from the money launderer's account
- D. Depositing cashier's checks and money orders into the money launderer's account

[Reveal Solution](#)[Discussion](#) 21

Question #182

Topic 1

The compliance officer for a private bank has been tasked with reviewing the procedure for authorized signatories on customer accounts to ensure it is in line with relevant Wolfsberg Anti-Money Laundering Principles for Private Banking.

Which three statements from the procedure are in line with Wolfsberg? (Choose three.)

- A. Where the Authorized Signatory is not a lawyer or accountant, due diligence as to the source of funds and wealth of the Authorized Signatory should be undertaken.
- B. The responsible private banker must establish the identity of a holder of general powers over an account (e.g. a signatory for the account) and, as appropriate, verify that identity.
- C. Where due diligence has been satisfactorily completed on all authorized signers, the responsible private banker may reduce the due diligence performed on the account holder and/or beneficial owner.

D. The responsible private banker must obtain the necessary documentation establishing the authorized signer's authority to act on behalf of the account holder or beneficial owner (e.g. a Power of Attorney).

E. If an individual has signing authority over an account but does not act on a professional basis as a manager of funds, the responsible private banker must understand and document the relationship between that authorized signer, the account holder, and, if different, the beneficial owner of the account.

[Reveal Solution](#)

[Discussion](#) 15

Question #183

Topic 1

Who has the day-to-day responsibility of communicating and reinforcing the established anti-money laundering compliance culture and program?

- A. Business lines
- B. Senior management
- C. Board of directors
- D. Compliance officer

[Reveal Solution](#)

[Discussion](#) 15

Question #184

Topic 1

The board of directors receives notice from the primary regulator of the bank that potentially suspicious activity has been identified and the bank president appears to be involved. The Board asks the compliance officer for advice.

Which action should the compliance officer take when informed?

A. Destroy all records relating to the matter

B. Insist on the president's immediate resignation

- D. Insist on the president's immediate resignation
- C. Inform the bank's legal counsel and follow their instructions
- D. Inform the president of the regulator's suspicions and ask for his advice

[Reveal Solution](#)

[Discussion](#) **11**

Question #185

Topic 1

In which two ways do Financial Action Task Force-style regional bodies influence anti-money laundering and terrorist financing standards within their respective regions? (Choose two.)

- A. They issue typologies specific to their geographical region.
- B. They administer mutual evaluations of participating members.
- C. They enforce the laws of the member countries in their geographic region.
- D. They require participating countries to adopt laws in line with their recommendations.

[Reveal Solution](#)

[Discussion](#) **36**

Question #186

Topic 1

What are two aspects of the Wolfsberg Anti-Money Laundering (AML) Principles for Correspondent Banking? (Choose two.)

- A. At least one person, aside from the person sponsoring the relationship, should approve the correspondent relationship.
- B. Correspondent banking is an inherently high risk business and all correspondent bank relationships should be reviewed on an annual basis.
- C. Factors such as politically exposed person involvement and downstream (nested) correspondents increase the risk inherent in a correspondent relationship.

D. An Institution may assign a low risk rating to a correspondent bank located in a jurisdiction deemed to have an adequate AML environment (e.g., Financial Action Task Force member country) without needing to consider other factors.

[Reveal Solution](#)

[Discussion](#) 44

Question #187

Topic 1

A local law enforcement officer, who is conducting a criminal investigation, requests information about a customer. Which two actions should the bank take? (Choose two.)

- A. Close the account immediately
- B. File a suspicious transaction report
- C. Monitor the account for suspicious activity
- D. Review the money laundering risk posed by the account

[Reveal Solution](#)

[Discussion](#) 12

Question #188

Topic 1

Which action should financial institutions with cross border correspondent banking activity be required to perform according to the Financial Action Task Force 40 Recommendations?

- A. Gather a list of their politically exposed customers
- B. Identify natural persons who own or control more than 5%
- C. Obtain senior management approval before establishing the relationship

D. Obtain a third party independent review of the respondent's anti-money laundering program

[Reveal Solution](#)

[Discussion](#) **8**

Question #189

Topic 1

Which information must a United States financial institution retain for having foreign correspondent accounts as part of the USA PATRIOT Act record keeping requirements?

- A. Records identifying the owners of each foreign bank
- B. Section 314(b) information sharing results related to foreign correspondent accounts
- C. Purchase of monetary instruments of \$3,000 or more involving foreign correspondent accounts
- D. A suspicious activity report filed and the supporting documentation involving foreign correspondent accounts

[Reveal Solution](#)

[Discussion](#) **16**

Question #190

Topic 1

A financial institution has expanded its scope of services so that it is attracting the business of politically exposed persons (PEPs) who had previously never been part of the customer base.

Which two courses of action should the compliance officer include in the institution's procedures for considering PEPs as customers? (Choose two.)

- A. Conduct enhanced ongoing monitoring of the business relationship
- B. Expedite due diligence when a PEP is pre-approved by a member of senior management
- C. Obtain appropriate senior management approval for establishing a business relationship with a PEP from a high risk country

D. Take adequate measures to establish the source of wealth and source of funds which are involved in the business relationship or occasional transaction

Reveal Solution

Discussion 51

Question #191

Topic 1

A bank receives a wire transfer that references the sale of equipment to a sanctioned company. The bank's operations team removes the sanctioned company reference and allows the wire transfer to process. This is a description of what type of activity?

- A. U-turn payment
- B. Cover payment misuse
- C. Layering
- D. Wire stripping

Reveal Solution

Discussion 10

Question #192

Topic 1

A compliance officer for a casino may suspect money laundering if an individual:

- A. invokes reporting requirements through a lump sum payment.
- B. refers to casino associates by their first name.
- C. purchases a low volume of chips with cash and turns them in for a casino check.
- D. requests to have winnings transferred to a bank account of a third party.

[Reveal Solution](#)[Discussion](#) **21****Question #193***Topic 1*

Which response represents a high-level principle for FATF-Style Regional Bodies (FSRB)?

- A. Membership, mission, financial procedures, and budget
- B. Dependent with different experiences to strengthen the overall effort
- C. Access to documents and assistance with meetings
- D. Reciprocity for effective participation and recognition of work

[Reveal Solution](#)[Discussion](#) **9****Question #194***Topic 1*

A benefit of using bearer shares in corporate formations is that bearer shares are:

- A. widely accepted in the financial world.
- B. entered in the register of owners.
- C. associated with lower costs in setting up a company.
- D. easily transferred so the holder claims ownership.

[Reveal Solution](#)[Discussion](#) **5**

OFAC-issued regulations apply to which entities? (Choose two.)

- A. Intermediaries transacting with US banks
- B. Foreign banks with US customers
- C. Foreign subsidiaries of US banks
- D. US branches of a foreign bank
- E. Foreign import-export companies

[Reveal Solution](#)[Discussion](#) 36

According to recommendations from the FATF, what role does a country's Financial Intelligence Unit (FIU) play in safeguarding against money laundering?

- A. Analyzes data on STRs
- B. Assists the pursuit of criminal activity by producing suspicious transaction reports
- C. Generates currency transaction reports to send to the central bank
- D. Monitors monthly public statistics on the economy

[Reveal Solution](#)[Discussion](#) 6

Question #197 Topic 1

A compliance officer of a financial institution (FI) is reviewing an international wire transfer flagged by the system for incomplete beneficiary information. According to the Wolfsberg Group and Clearing House Associations' transparency standards, which should the compliance officer do first?

- A. Confirm the beneficiary and account number
- B. Request to obtain further information
- C. Escalate to management
- D. Verify the source of the funds involved

[Reveal Solution](#)

[Discussion](#) 12

Question #198

Topic 1

An analyst for a broker-dealer finds a client has been systematically purchasing securities at a high price but selling the same securities only when the price falls. Which type of activity is this trading pattern indicative of?

- A. The account is being used as a depository account.
- B. The client is potentially transferring value from one party to another.
- C. The account is being used for cuckoo smurfing.
- D. The client has potential insider knowledge.

[Reveal Solution](#)

[Discussion](#) 18

Question #199

Topic 1

How can gatekeepers like lawyers, notaries, and company service providers play a key role in the fight against money laundering?

- A. Identifying challenges in keeping current and accurate beneficial ownership information depending upon the nature and activities of their client
- B. Facilitating tax optimization schemes by establishing trust and company structures in offshore locations
- C. Providing a public fiduciary function by performing the role of trusted third parties
- D. Implementing an internal AML program, which includes the detection and reporting of suspicious transactions

Reveal Solution

Discussion 25

Question #200

Topic 1

What is an aspect of the USA PATRIOT Act that has extraterritorial reach?

- A. To strengthen US measures to prevent, detect and prosecute international money laundering and financing of terrorism.
- B. To implement economic and trade sanctions based on US foreign policy.
- C. To mandate stricter money laundering controls across the continent.
- D. To require scrutiny of foreign financial institutions (FIs) and classes of international transactions that are susceptible to criminal abuse.

Reveal Solution

Discussion 36

← Previous Questions

Next Questions →

Question #201

Topic 1

Based on the USA PATRIOT Act, what action might the US take to demonstrate extraterritorial reach?

- A. Send requests for information to a non-US based financial institution (FI)
- B. Hand over potential penalties from the US to another government
- C. Freeze U. S. accounts that contain funds from the non-US FI
- D. Initiate a lawsuit in the home country of the non-US FI

[Reveal Solution](#)[Discussion](#) 29

Question #202

Topic 1

How should a compliance officer respond to law enforcement agencies' request for information on a customer undergoing an investigation?

- A. Collaborate with the financial institution's (FI's) designated department to determine the appropriate course of action to comply with the request.
- B. Gather all requested documentation and send via secure email to the requesting authority.
- C. Share details of the investigation with respective colleagues who deal with this customer type on a daily basis.
- D. Freeze account assets and advise the customer that assets will not be released until the investigation has been completed.

[Reveal Solution](#)[Discussion](#) 15

Which factor should a financial institution (FI) consider prior to sharing customer records within the same jurisdiction?

- A. The availability of the institution's information sharing practices
- B. The degree to which the collected client data is complete
- C. The locally applicable restrictions regarding the disclosure of client information
- D. The potential different time zones within the same jurisdiction

[Reveal Solution](#)[Discussion](#) **18**

Which actions should a compliance officer take when implementing an enterprise-wide approach to managing money laundering risks in institutions operating with multiple lines of business and in various jurisdictions? (Choose three.)

- A. Design systematic controls specific to local regulatory expectations.
- B. Create processes to obtain and review information in accordance with its global anti-money laundering policies and procedures.
- C. Adopt policies and procedures that comply with relevant laws and work to identify, monitor, and mitigate group-wide risks.
- D. Institute a risk-based approach utilizing the most recent risk assessment of only the head office.
- E. Establish jurisdiction centric committees where relevant laws are reviewed and analyzed to understand their impact on the organization.
- F. Implement a comprehensive baseline for managing risks by administering a process that applies policies and procedures on a group-wide basis.

[Reveal Solution](#)[Discussion](#) 22**Question #205***Topic 1*

A financial institution's (FI's) compliance officer is developing targeted role specific training for those involved in managing the institution's Correspondent Banking relationships. Which key messages are important to be included in the training to align with the Wolfsberg Group's Principles? (Choose two.)

- A. Funds used in the financing of terrorism and associated activities do not necessarily always come from criminal activity.
- B. The respondent has sole responsibility for reporting suspicious activities regardless of the jurisdictions involved.
- C. The correspondent and the respondent pose the same risk to each other so the level of due diligence would be the same.
- D. Tier 1 banks can be subject to simplified due diligence provided enhanced due diligence is undertaken on the Directors.
- E. Through the sharing of information, FI's can help combat and fight against terrorism.

[Reveal Solution](#)[Discussion](#) 19**Question #206***Topic 1*

Upon receipt of a law enforcement or government request about a customer, a financial institution (FI) should immediately perform which task?

- A. Notify the board of directors that the customer is currently under investigation.
- B. File a suspicious activity report or suspicious transaction report.
- C. Contact the customer to inform them of the request.
- D. Review account activity for the customer to determine their overall risk.

[Reveal Solution](#)[Discussion](#) 21**Question #207***Topic 1*

Which principles should be included in a FATF-Style Regional Body (FSRB) update? (Choose two.)

- A. Issue country-specific Mutual Evaluation reports
- B. Address AML/CFT technical assistance of individual members
- C. Identify jurisdictions with weak AML/CFT regimes
- D. Establish AML/CFT standards and typologies
- E. Protect the reputation and standing of FATF

[Reveal Solution](#)[Discussion](#) 34**Question #208***Topic 1*

A money service business (MSB) has implemented an automated transaction monitoring system. Upon reviewing an alert, an analyst suspects the activity may be indicative of terrorism financing. Which additional information would indicate the alert should be escalated for further investigation?

- A. The use of funds by a non-profit organization is consistent with the purpose for which it was established.
- B. The raising of donations takes place in an official, registered manner.
- C. Transactions in the name of an entity, a foundation, or association are linked to a trust fund.
- D. A customer donates to an organization that is a sanctioned entity.

[Reveal Solution](#)[Discussion](#) **16****Question #209***Topic 1*

A precious metals dealer opens a new account with a bank. Which requires a referral to AML Investigations for further review?

- A. International outgoing wires to diamond dealers that are part of the diamond pipeline.
- B. Payments received on the account reference unknown companies in the instructions.
- C. International incoming payments from foreign companies in which the precious metals dealer has an established relationship.
- D. Multiple daily point of sale transactions from third parties that appear to be individuals.

[Reveal Solution](#)[Discussion](#) **11****Question #210***Topic 1*

Under the USA PATRIOT Act, in which scenario would the US not have jurisdiction?

- A. US bank subsidiaries located in foreign jurisdictions
- B. Foreign branch of a bank located in the US
- C. Foreign bank with a US correspondent account
- D. Shell banks operating in foreign jurisdictions

[Reveal Solution](#)[Discussion](#) **6****Question #211***Topic 1*

FATF recommends the incorporation of some measures in customer due diligence (CDD) programs including:

- A. conducting the risk assessment of products and services.
- B. conducting ongoing due diligence on the business relationship and monitoring of transactions.
- C. identifying the products and services and their suitability to customers.
- D. identifying the number of beneficial owners without the verification of their true identity.

[Reveal Solution](#)[Discussion](#) **4****Question #212***Topic 1*

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

[Reveal Solution](#)[Discussion](#) **14**

What are four key elements that a KYC program should contain according to the Basel Committee requirements?

- A. Customer onboarding, sanction monitoring, customer acceptance, customer due diligence
- B. Customer identification, risk assessment, customer screening, monitoring
- C. Customer onboarding, risk monitoring, customer acceptance, enhanced due diligence
- D. Customer identification, risk management, customer acceptance, monitoring

[Reveal Solution](#)[Discussion](#) **7**

When a financial institution (FI) is requested to provide data and information to a law enforcement agency for matters related to financing of terrorism, assistance:

- A. can be refused on the ground of bank secrecy.
- B. cannot be refused on the ground of bank secrecy.
- C. can be refused on the ground of tipping-off.
- D. cannot be refused on the ground of tipping-off.

[Reveal Solution](#)[Discussion](#) **32**

Which customer action would an insurance company consider to be a red flag for money laundering?

- A. Concern over the cancellation of the policy
- B. Lack of concern about the cost of the policy
- C. Repayments are consistent with the source of income
- D. Identifying beneficiaries of the policy

[Reveal Solution](#)[Discussion](#) 26

A Money Laundering Reporting Officer's (MLRO) lack of action led to deficiencies in the bank's AML program and a civil monetary penalty being levied against the MLRO. Why was this direct action taken against the MLRO?

- A. The MLRO is the only individual that can be held responsible for AML program deficiencies.
- B. MLROs can be held to an individual accountability standard and face potential penalties for contributing to AML program deficiencies.
- C. The MLRO agreed to the civil penalty so that the bank would not be found liable for the AML program deficiencies.
- D. Action was brought against the MLRO because banks cannot be found liable for AML program deficiencies.

[Reveal Solution](#)[Discussion](#) 14

What type of information is received by government Financial Intelligence Units (FIUs)?

- A. STRs
- B. Client name screening results
- C. Compliance frameworks
- D. Politically Exposed Persons (PEPs) registrations

Reveal Solution

Discussion 7

Question #218

Topic 1

Which is a key goal of EU Directives on money laundering?

- A. Establish a consistent regulatory environment across the EU to prevent money laundering
- B. Address control of payments in EU countries to reduce money laundering
- C. Allow member states to discuss the draft legislation with the cooperation of the EU Financial Intelligence Units (FIUs)
- D. Build a network of financial institutions (FIs) that work together to prevent money laundering across the EU

Reveal Solution

Discussion 6

Question #219

Topic 1

A law enforcement agent is conducting an investigation into a possible money laundering event. During the investigation, the officer will use:

A law enforcement agent is conducting an investigation into a possible money laundering event. During the investigation, the officer will use:

- A. the follow the money approach.
- B. confirmed evidence obtained from financial intelligence units.
- C. a process to identify suspicious activity.
- D. a risk-based approach alert generating system.

Reveal Solution

Discussion 24

Question #220

Topic 1

An AML training program should include which requirement?

- A. New tellers should receive training after their first year on the identification of suspicious or unusual activity.
- B. New lending staff should receive annual training on the preparation of currency transaction reporting.
- C. New staff should receive training during employee orientation or shortly thereafter on bank procedures.
- D. New operational staff should receive training shortly after hire on currency transaction reporting exemptions.

Reveal Solution

Discussion 3

← Previous Questions

Next Questions →

Question #221

Topic 1

A Money Laundering Reporting Officer (MLRO) was aware that a strategically important client of the bank was sending money to human traffickers. However, the MLRO did not report the activity to law enforcement or move to exit the relationship. What is the legal term for the activity the MLRO engaged in?

- A. Avoidance
- B. Circumvention
- C. Negligent conduct
- D. Willful blindness

[Reveal Solution](#)[Discussion](#) 6

Question #222

Topic 1

Which statement best describes a key aspect of the AML Directive of the EU regarding business relationships and transactions with high-risk third countries?

- A. Obligated entities should voluntarily consider the implementation of increased external audit requirements for branches and subsidiaries located in high-risk countries.
- B. Obligated entities, in accordance with the member state regulations, should determine at a national level the measures that can be used for enhanced due diligence.
- C. Obligated entities should implement additional mitigating measures complementary to the enhanced customer due diligence procedures, in accordance with a risk based approach.
- D. Obligated entities should not take into account specific circumstances when performing enhanced due diligence measures.

[Reveal Solution](#)[Discussion](#) 12

Question #223

Topic 1

Which action by a prospective customer during the account opening process requires further investigation?

- A. Listing a long-distance phone number
- B. Questioning reporting requirements
- C. Expressing knowledge of the financial industry
- D. Providing driver's license

Reveal Solution

Discussion 12

Question #224

Topic 1

Enhanced due diligence (EDD) may be bypassed for which situation?

- A. On-boarding a branch or majority-owned subsidiary of an EU or US FI located in a high-risk third country that fully complies with group-wide policies and procedures.
- B. On-boarding a subsidiary in a high-risk country with a complex ownership structure of a long-standing and reputable customer based in the EU or US.
- C. On-boarding a casino headquartered in the EU or US that is part of an international hotel chain, provides less than 50% of overall revenue and that fully complies with group-wide policies and procedures.
- D. On-boarding a reputable Politically Exposed Person (PEP) from the EU onto the wealth management arm of a US financial institution (FI).

Reveal Solution

Discussion 17

Under the Egmont Group Principles, information exchange among Financial Intelligence Units (FIUs) is conducted:

- A. without the expectation of reciprocity on how the information will be used.
- B. freely, spontaneously, and upon request, on the basis of reciprocity.
- C. only if the status of the foreign FIU is related to law enforcement.
- D. with set limits on the amount of financial and administrative information provided.

[Reveal Solution](#)[Discussion](#) 13

A high volume of incoming wire transfers generates an alert about a client. The funds are immediately debited by cash withdrawals and outgoing wire transfers. Which information should be reviewed first to investigate this alert/case?

- A. Open source information
- B. Adverse media search
- C. Customer profile
- D. Account activity

[Reveal Solution](#)[Discussion](#) 19

What core objective does the Egmont Group suggest would lead to an effective national Financial Intelligence Unit (FIU)?

- A. The FIU must operate from physically separated premises from other law enforcement agencies and government offices.
- B. The FIU meets the Egmont Group assessment criteria.
- C. The FIU must have absolute trust amongst national and international stakeholders before sensitive information will be exchanged with confidence.
- D. The FIU must be able to promote the value of the government's commitment to embed a corruption free society within the country.

[Reveal Solution](#)

[Discussion](#) **7**

Question #228

Topic 1

Which entities require due diligence when the correspondent banking client is not controlled by its parent? (Choose two.)

- A. The parent of the correspondent banking client
- B. The clients of the correspondent banking client
- C. The entities exhibiting higher risk characteristics
- D. The third-parties providing services to the correspondent bank
- E. The correspondent banking client itself

[Reveal Solution](#)

[Discussion](#) **10**

Question #229

Topic 1

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.

Reveal Solution

Discussion 14

Question #230

Topic 1

An employee of a financial institution (FI) receives an email from a client directing the employee to transfer funds from the client's account to another account overseas. The bank employee complies, but later, the FI discovers the email did not come from the client. Which type of cyber-enabled crime occurred?

- A. Phishing
- B. Spear phishing
- C. Spoofing
- D. Ransomware

Reveal Solution

Discussion 26

Question #231

Topic 1

One example of an external factor that will affect an organization's AML risk includes:

- A. acceptance of new customer types.
- B. introduction of mobile banking for all clients.
- C. political system changes in a specific jurisdiction.
- D. introduction of a new product which will be offered to wide range of clients.

Reveal Solution

Discussion 10

Question #232

Topic 1

To understand if the customer operates in line with the firm's risk appetite for a specific industry segment, a financial institution (FI) must:

- A. obtain the name and address, country identification number and date of birth of a non-customer who purchases a monetary instrument.
- B. obtain identifying information for beneficial owners through a completed certification form from the individual opening the account on behalf of the legal entity customer.
- C. obtain sufficient customer information to understand the nature and purpose of customer relationships for the purpose of developing a customer risk profile.
- D. obtain the name, date of birth for an individual, address and identification number from each customer before opening the account.

Reveal Solution

Discussion 6

Question #233

Topic 1

When investigating an AML event, which techniques would be used to investigate suspected mule accounts? (Choose three.)

- A. Reconcile the stated purpose of the account with actual transaction history and compare with peer groups.

- B. Determine if the suspected accounts are being accessed by a common person, telephone number, or device.
- C. Contact the appropriate law enforcement agency and report the account activity.
- D. Review the account history and determine if there are previous payments to charity accounts.
- E. Establish the frequency in which the funds are moved in and out of the accounts.
- F. Submit a SAR/STR to the national Financial Intelligence Unit (FIU).

Reveal Solution

Discussion 12

Question #234

Topic 1

When a financial institution (FI) receives a court production order from law enforcement, it should:

- A. be responsive and provide pseudonymized customer information to make sure it's compliant with data privacy regulations.
- B. be responsive, provide customer information and be able to provide information from branches and subsidiaries if necessary.
- C. raise this matter with the Data Protection Officer to ask for data exchange approval prior to sharing the customer's personal data with the law enforcement.
- D. raise this matter with the Board to ask for data exchange approval and include corporate lawyers to make sure there is a legal basis for such exchange.

Reveal Solution

Discussion 26

Question #235

Topic 1

What person or group is ultimately responsible for the institution's AML/CFT Program?

- A. The AML audit committee

- B. The AML/CFT Compliance Officer
- C. The Chief Executive Officer (CEO)
- D. The Board of Directors

Reveal Solution

Discussion 5

Question #236

Topic 1

Which steps should a financial institution (FI) take after receiving a request from law enforcement to keep an account open due to a criminal investigation?
(Choose three.)

- A. Inform the customer that the account is under investigation by law enforcement.
- B. Ask for written documentation of the request.
- C. Freeze the account to prevent the customer from transferring the funds out.
- D. Maintain documentation of such requests for at least five years after the request has expired.
- E. Ensure that the request indicates the duration for the request.
- F. File a SAR/STR based on the law enforcement request.

Reveal Solution

Discussion 10

Question #237

Topic 1

Which risks could an employee face for violations of AML/CFT laws and regulations? (Choose three.)

- A. Being designated as a Politically Exposed Person (PEP)

- B. Being named on a government sanctions list
- C. Fines and imprisonment
- D. Being placed on FATF greylist
- E. Expulsion from the Wolfsberg Group
- F. Loss of employment

Reveal Solution

Discussion 13

Question #238

Topic 1

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 \$7.52 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's account has not been reviewed for two years.
- B. The client is from a country known for corruption.
- C. The client is a family member of a PEP from a country known for corruption.
- D. The substantial growth in wealth during a short period of time.
- E. The holding company is in Country A with a bank account in one of the international banks.

Reveal Solution

Discussion 11

Question #239

Topic 1

In the follow-up process of the fourth round of Mutual Evaluations of the FATF, what happens when a country is placed on enhanced follow-up?

- A. If the country submits its implementation plan, it is freed from other enhanced measures that may be applied until the next evaluation by FATF.
- B. The country is required to remain on enhanced follow-up status until the next FATF mutual evaluation.
- C. The country undergoes a follow-up FATF assessment five years after the initial enhanced follow-up placement.
- D. The country has to report back its implementation plan at the first FATF general meeting after the adoption of the evaluation report by FATF.

[Reveal Solution](#)

[Discussion](#) **16**

Question #240

Topic 1

Which is a key role of FATF-Style Regional Bodies (FSRBs)?

- A. Support the system of mutual evaluation
- B. Setting regional standards for combatting money laundering
- C. Bring additional terrorist financing laws into action in the region
- D. Enforce the specific FATF laws in the region

[Reveal Solution](#)

[Discussion](#) **16**

[← Previous Questions](#)

[Next Questions →](#)

Question #241

Topic 1

When implementing a risk-based approach related to casinos, which risks are related to the customer as an individual? (Choose two.)

- A. Transfer between customers
- B. Casual customers
- C. Improper use of third parties as customers
- D. Customer from a high-risk country
- E. Use of casino deposit accounts by the customer

[Reveal Solution](#)[Discussion](#) 34

Question #242

Topic 1

A financial institution (FI) is being investigated for possible money laundering. When cooperating with law enforcement agencies, which additional steps should the FI ensure are taken? (Choose two.)

- A. Centralized control is maintained over all requests and responses to ensure completeness and timely responses.
- B. Make employees, including corporate officers, unavailable for interviews and refuse documents upon receipt of a subpoena.
- C. Subpoenas and other information requests should be reviewed by senior management and an investigations group or counsel.
- D. Address the document destruction policy to ensure the relevant documents are destroyed.
- E. Inquiries from the media are not answered directly, but rather are addressed by replying, "No comment."

[Reveal Solution](#)[Discussion](#) 17**Question #243***Topic 1*

When should a financial institution (FI) exit a relationship? (Choose two.)

- A. The reputational risk to the FI posed by closing the account
- B. The request from law enforcement to close the account
- C. The FI's requirements for opening an account
- D. The suspicious conduct of the account holder
- E. The FI's stated policies and procedures for closing an account

[Reveal Solution](#)[Discussion](#) 21**Question #244***Topic 1*

Which statement is true regarding the FATF standards for SARs/STRs information sharing within a financial group?

- A. FIs must retain copies of SARs/STRs and supporting documentation for five years from the date of filing the STRs.
- B. FIs cannot share customer information at all since it is confidential.
- C. Financial institutions (FIs) should establish sufficient safeguards concerning the confidentiality of information shared for AML purposes.
- D. FIs must require approval from regulators to share SARs/STRs information and supporting documentation.

[Reveal Solution](#)[Discussion](#) 20

Question #245

Topic 1

Which statements regarding the USA PATRIOT ACT best describe key aspects that have extraterritorial reach? (Choose three.)

- A. It allows for the US Attorney General to subpoena records from a foreign bank with US correspondent accounts, including those that are located outside the US.
- B. It allows foreign banks to voluntarily designate a registered agent in the US to accept service of subpoenas.
- C. It allows the Secretary of the Treasury to order a US financial institution (FI) to close a correspondent account when a subpoena has not been responded by a foreign bank in a timely manner.
- D. It obliges the government to trace the origin of the funds when a seizure of assets occurs in a correspondent account that has been opened and maintained for a foreign bank in the US.
- E. It excludes as foreign FIs businesses that would be considered broker-dealers, money transmitters, and currency exchangers.
- F. It allows federal banking supervisors to require records of the identity of the owners of a foreign bank from a FI operating in the US.

Reveal Solution

Discussion 12

Question #246

Topic 1

The ultimate goal of economic sanctions is to:

- A. protect the reputation of the country.
- B. prevent terrorists from profiting from trade.
- C. protect national security.
- D. reduce the profits of sanctioned countries.

[Reveal Solution](#)[Discussion](#) 25**Question #247***Topic 1*

Why do organized crime groups often use front companies? (Choose two).

- A. Because they are not registered, front companies are not subject to income and other sales taxes.
- B. Because using multiple front companies can make it easier to control an entire sector of the economy.
- C. Because they are generally subject to lighter due diligence requirements by banks and other financial services providers.
- D. Because front companies generally charge higher prices than legitimate companies, so profit margins are higher.
- E. Because they can use the company's bank accounts to comingle deposits with those of legal businesses.

[Reveal Solution](#)[Discussion](#) 11**Question #248***Topic 1*

Which Trust parties should be identified to determine the true nature of the Trust relationship according to Basel guidelines? (Choose three.)

- A. Respondents
- B. Payees
- C. Trust Administrators
- D. Trustees
- E. Beneficiaries

F. Settlers/grantors

Reveal Solution

Discussion 20

Question #249

Topic 1

Which unusual or suspicious activity by a financial institution's (FI's) employee requires additional investigation and scrutiny?

- A. The employee avoids taking periodic vacations despite having accrued vacation time.
- B. The employee assists with transactions of a disclosed ultimate beneficiary.
- C. The employee lives a lavish lifestyle within their means.
- D. The employee is involved in a minimal number of unresolved exceptions.

Reveal Solution

Discussion 10

Question #250

Topic 1

Which is a key reason why a financial institution (FI) conducts an enterprise-wide AML risk assessment?

- A. The need to assess money laundering and terrorist financing risks and ensure there are adequate controls to mitigate those risks.
- B. The identification of specific risk categories (i.e., export, inactivity, layman, and false locations) unique to the bank.
- C. The need to understand its overall budget needs for each department and for internal audit.
- D. The board of directors and senior management are required to have an AML risk assessment for the bank.

Reveal Solution

Discussion 10

[Reveal Solution](#)[Discussion](#) 4**Question #251***Topic 1*

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

- A. Sanctions screening
- B. Adverse media information
- C. Governmental subpoena
- D. Search warrant
- E. Transaction monitoring rules

[Reveal Solution](#)[Discussion](#) 28**Question #252***Topic 1*

Which activity would require an update to the first line training program?

- A. The implementation of a new system that provides information for monitoring customer accounts.
- B. The expansion to customer segments that will utilize newly established products.
- C. The maintenance of regulatory requirements for onboarding documentation collections of a customer base.
- D. The onboarding of a new customer type which was previously reviewed and risk rated.

[Reveal Solution](#)[Discussion](#) 14

A foreign bank maintains a correspondent account in the US. According to an investigation carried out by US authorities, the specific correspondent account seems to have facilitated a transaction involving tainted funds. Which allows the US authorities to seize the funds of the foreign bank held with the US bank?

- A. The FinCEN CDD Final Rule
- B. The 6th EU AML Directive
- C. Regulations of the OFAC, US Department of Treasury
- D. The USA PATRIOT Act

[Reveal Solution](#)[Discussion](#) 4

Financial Intelligence Units (FIUs) are responsible for:

- A. the timely dissemination of cases to law enforcement agencies.
- B. responding to requests from law enforcement agencies for information contained in regulatory reports.
- C. sharing evidence with other FIUs.
- D. receiving confirmed reports about committed crimes from accountable and reporting institutions.

[Reveal Solution](#)[Discussion](#) 12

One key aspect of promoting an enterprise-wide compliance culture within a financial institution (FI) is that the:

- A. first line of defense should establish its own policies independently.
- B. revenue generating business sectors should have precedence over compliance.
- C. relevant information should be shared throughout the organization.
- D. cost of compliance should increase proportionately to revenues.

[Reveal Solution](#)[Discussion](#) 6

A bank teller receives a written request from a police officer to review a previous customer's account on a pre-populated form with the officer's official letter head. The officer suspects the previous customer is engaging in smurfing. Which action should the bank teller perform?

- A. Provide the police officer the customer's account information.
- B. Reject the police officer's request for the customer's account information and escalate to the compliance officer.
- C. Provide the police officer the customer's account information after management approval.
- D. Escalate the police officer's request for the customer's account information to the compliance officer.

[Reveal Solution](#)[Discussion](#) 3

What action should a bank CEO's assistant take when the bank CEO expenses large sums of money to a charitable organization run by the bank CEO's direct family member?

- A. Report the actions to the Executive Board of the bank.
- B. Meet with the bank CEO to learn why the donations are being made.
- C. Investigate the charitable organization's relationship with the bank CEO.
- D. Submit the concern anonymously to the bank's internal Compliance Hotline.

Reveal Solution

Discussion 11

Question #258

Topic 1

What is an example of a legal risk a financial institution (FI) could face if it is sanctioned for failure to report suspected fraud activity?

- A. Foreign correspondents could terminate their relationships with the sanctioned bank.
- B. Clients of the bank might draw down the reserves of the bank and lead to liquidity issues.
- C. The bank could be forced to reimburse the victims of the fraudster for the losses suffered.
- D. The bank could see higher default rates on loans granted to companies owned by the fraudster.

Reveal Solution

Discussion 7

Question #259

Topic 1

How should law enforcement obtain documentation from an institution when suspicious activity was identified? (Choose two.)

- A. Request copies of the relevant documents from the accountable institution.
- B. Pay an employee of the accountable institution to make copies of the documents.
- C. Request a Financial Intelligence Unit (FIU) share copies of suspicious transaction reports.
- D. Request the documents from the FIU.
- E. Acquire a search warrant to obtain the documents.

[Reveal Solution](#)[Discussion](#) **23****Question #260***Topic 1*

A compliance officer at a financial institution (FI) received an investigation request for a customer from a local law enforcement agency. The compliance officer informs the senior management team. Which action should be taken by the FI?

- A. Obtain approval from the Financial Intelligence Unit (FIU) before submitting the customer's information.
- B. Omit some responses to meet the regulatory deadline.
- C. Assign employees responsible for the customer to the investigation team.
- D. Consider retaining qualified, experienced legal counsel.

[Reveal Solution](#)[Discussion](#) **15**[← Previous Questions](#)[Next Questions →](#)

Question #261

Topic 1

Which should authorities do to safeguard AML information exchanged with other countries?

- A. Protect exchanged information as they would protect similar information received from domestic sources.
- B. Require the use of non-disclosure agreements with anyone accessing the exchanged information.
- C. Use the court system to ensure confidentiality of exchanged information through court orders.
- D. Destroy the information once the investigation is complete.

[Reveal Solution](#)[Discussion](#) 18

Question #262

Topic 1

Which is a red flag for funds transfers?

- A. Funds transfers are received in numerous small quantities from entities that are in related industries.
- B. Funds transfers are repeatedly sent to the same beneficiary out of line with the business purpose.
- C. Funds transfers are repetitive and within expected patterns.
- D. Funds transfers are to a higher-risk geographic location with a known supplier within the same industry as the originator.

[Reveal Solution](#)[Discussion](#) 9

What reputational risk consequence could a financial entity face for violating AML laws?

- A. Seizure of assets
- B. Monetary penalties
- C. Increased audit costs to monitor behavior
- D. Loss of high-profile customers

[Reveal Solution](#)[Discussion](#) **12**

Which should be provided to the board of directors or designated specialized committee when reporting SARs/STRs?

- A. All possible details of SARs/STRs filed during the reported period.
- B. Statistical data regarding SARs/STRs filed during the reported period.
- C. Names of all customers subject to SARs/STRs filed during the reported period.
- D. Copies of all SARs/STRs filed during the reported period.

[Reveal Solution](#)[Discussion](#) **11**

The findings of an internal audit discover that a large group of employees do not know how to handle Politically Exposed Persons (PEPs). Which is the next course of action that should be taken?

- A. Create a company-wide training program.
- B. Revamp the compliance program to better identify PEPs.
- C. Ensure all new-hire individuals have in-depth knowledge of PEPs.
- D. De-risk all PEPs from the financial institution (FI) to ensure compliance.

[Reveal Solution](#)

[Discussion](#) **4**

Question #266

Topic 1

Which type of sanctions are most likely to be used in order to avoid escalating violent conflicts and/or proliferation of weapons?

- A. Financial prohibitions
- B. Export and import restrictions
- C. Arms and related materials embargo
- D. Asset freeze

[Reveal Solution](#)

[Discussion](#) **22**

Question #267

Topic 1

Which safeguard is in place for Financial Intelligence Units (FIUs) to share information securely according to Egmont?

- A. A computer with access to the Egmont Secure Web is accessible to all members of the FIU.
- B. Information sharing is conducted according to processes contained in Memoranda of Understanding.
- C. Intelligence is shared via messaging applications.
- D. Investigators are allowed to request information from a foreign FIU directly.

Reveal Solution

Discussion 18

Question #268

Topic 1

An individual opens an e-account in an off-shore gambling website using non-documentary verification and creates an e-wallet on a mobile device. In order to add funds to the account, the individual uses a credit card, wire transfers, cryptocurrency, and a money service business. Which source of money represents more risk of money laundering?

- A. Wire transfer
- B. Cryptocurrency
- C. Money service business
- D. Credit card

Reveal Solution

Discussion 11

Question #269

Topic 1

Which scenario should be escalated as potentially suspicious activity?

- A. A retail chain deposits cash into several operating accounts and consolidates the funds into one account.
- B. A domestic business account receives a wire transfer from an international business with no history of such activity or business needs.
- C. A convenience store makes daily deposits or withdrawals primarily in cash.
- D. A corporate account deposits large checks and wire transfers on a frequent basis from existing customers.

Reveal Solution

Discussion 6

Question #270

Topic 1

A potential client calls a broker-dealer wishing to purchase securities. The client does not appear to be concerned with any fees associated with the account or price of the securities. Further information provided by the potential client indicates the individual may have relatives working for a company in which the potential client wants to invest. Which type of activity is the potential client attempting to commit?

- A. Transfer of value to relatives
- B. Usage as a deposit account
- C. Usage of insider information
- D. Transfer funds to a third-party

Reveal Solution

Discussion 8

Question #271

Topic 1

What correspondent banking risk factor increases the risk for a Correspondent Bank?

What correspondent banking risk factor increases the risk for a correspondent bank?

- A. Multi-national financial institution with global operations
- B. Offers international funds transfer to customers
- C. Major service provider to money service businesses
- D. Limited product offering to customers in high-risk jurisdictions

Reveal Solution

Discussion 19

Question #272

Topic 1

When performing an investigation, which key steps should be taken to maintain and secure supporting documentation used to perform an investigation of a suspicious activity?

- A. Disseminate the rationale for the investigative approach and the objective basis for the determination.
- B. Perform the alerting transaction with alternative thresholds to ensure they are calibrated correctly.
- C. Ensure that a secure archive has information available to the client.
- D. Maintain a record of the transaction activity that generated the alert.

Reveal Solution

Discussion 11

Question #273

Topic 1

A Trust and Company Service Provider (TCSP) providing services should have policies and procedures in place to identify critical information of the:

- A. general manager.
- B. signatory.
- C. controller.
- D. registered address.

Reveal Solution

Discussion 10

Question #274

Topic 1

Which actions are involved when a prosecutor instructs a bank to freeze the assets and bank accounts held by one of its clients? (Choose three.)

- A. Inform other banks in the same geographical area to freeze the client's assets if they are a member of that bank, too.
- B. Extend the account and asset freeze to the client's family members as a precautionary measure.
- C. Ensure the client and beneficiaries are unable to access any frozen assets during the freeze order.
- D. The institution does not need to comply with the request if the client's assets make the task unusually difficult or complex to access.
- E. An affidavit must accompany the freeze order for the bank to comply with the request.
- F. The institution should obtain a copy of the court order to freeze the assets of the named individuals.

Reveal Solution

Discussion 24

Question #275

Topic 1

A compliance analyst is reviewing recent activity between a publicly traded company and a company in a high risk jurisdiction. Which detail suggests that escalation is

warranted?

- A. The activity is a reputational risk to the financial institution.
- B. It is the first time the originator wires the beneficiary.
- C. Beneficiary is active in a related industry.
- D. Payments to the beneficiary are for large dollar amounts.

Reveal Solution

Discussion 19

Question #276

Topic 1

An EU Trust and Company Service Provider (TCSP) analyst notices some unusual activity while looking through a customer's financial statements and detailed general ledger. The customer is in the business of importing and exporting machineries. Which transaction indicator warrants further escalation to the compliance officer?

- A. Inter-company loans from the holding company to the subsidiary company to finance the shipment of machinery.
- B. The payment of virtual offices services overseas.
- C. The payment of consultancy fees to unrelated companies and service providers established in a foreign jurisdiction.
- D. The payment of company secretarial retainer fees to a foreign company in a tax efficient jurisdiction.

Reveal Solution

Discussion 4

Question #277

Topic 1

One area of responsibility for the Board of Directors when implementing a successful AML program is to:

- A. ensure the appointment of a qualified chief AML officer.
- B. create a culture of compliance based on the profit expectation.
- C. manage the day-to-day processes of the compliance program.
- D. hire a third-party firm to be responsible for the AML compliance.

Reveal Solution

Discussion 2

Question #278

Topic 1

An accounting firm opened an account at a bank that is intended to be used as the operational account for the business. After a few months, a comprehensive review of the account was triggered due to unusual activity on the account. Which most likely triggered the review?

- A. The account receives international payments that are substantially higher than other fees they typically receive.
- B. The account sends monthly donations to several charities that operate in the same communities as the accounting firm.
- C. The account receives several payments a day from multiple customers who operate in different industries.
- D. The account receives international wires from companies in the Middle East where the accounting firm has several branches.

Reveal Solution

Discussion 21

Question #279

Topic 1

Which is a key aspect in the FATF Recommendations that best describes the essential foundation for allocating resources in AML/CFT regimes for countries and financial institutions (FIs)?

- A. Implementing targeted financial sanctions
- B. Performing country peer-to-peer evaluations
- C. Enforcing mutual legal assistance
- D. Applying a risk-based approach

Reveal Solution

Discussion 4

Question #280

Topic 1

Which are social/economic consequences of money laundering? (Choose two.)

- A. Civil war
- B. Weakening financial institutions
- C. Increase in corruption and organized crime
- D. Increase in tax revenue
- E. Weakening of the country's infrastructure

Reveal Solution

Discussion 6

← Previous Questions

Next Questions →

Question #281

Topic 1

One of the red flags of microstructuring is:

- A. depositing sequentially numbered checks.
- B. check deposits followed by ATM withdrawals using debt card in retail store.
- C. single activity in an account immediately following the opening of the account.
- D. frequent visits to make cash deposits of nominal amounts.

[Reveal Solution](#)[Discussion](#) 9

Question #282

Topic 1

Which are red-flag indicators of possible money laundering through online gambling? (Choose two.)

- A. The player is identified as a Politically Exposed Person (PEP).
- B. The player opens several accounts under the same name using different IP addresses.
- C. The customer uses their credit card to fund an online gambling account.
- D. The player deposits small amounts of funds into their online gambling account.
- E. The customer logs on to the account from multiple countries.

[Reveal Solution](#)[Discussion](#) 40

Which is the main objective when a financial institution (FI) conducts an investigation?

- A. Keep policies and procedures updated
- B. Keep all the documentation
- C. Know the customer
- D. Track the movement of the money

[Reveal Solution](#)[Discussion](#) **16**

Which is a FATF characteristic used to assess a country's effectiveness of its AML regime?

- A. Funds supporting and proceeding from crime or terrorism are prevented from entering the financial sector.
- B. Legal persons are prevented from misuse for money laundering or terrorist financing.
- C. Supervisors appropriately supervise, monitor, and regulate financial institutions (FIs).
- D. FIs adequately apply preventive measures.

[Reveal Solution](#)[Discussion](#) **26**

According to the Basel Committee on Banking Supervision standards, which statements best describe sound practices in relation to customer due diligence (CDD) policies and procedures? (Choose three.)

- A. Banks should identify its customers based on a general-rules based assessment without considering the expected size and use of the account.
- B. Banks should never allow for verification to be completed after the establishment of the business relationship since it would not be essential for the normal conduct of business.
- C. Banks should take into consideration the occasional banking transaction or the size/level of assets to build an understanding of the customer's profile and behavior.
- D. Banks should develop and implement clear acceptance policies and procedures to identify the types of customer that are likely to pose a higher risk of financing terrorism or money laundering.
- E. Banks should implement enhanced due diligence measures for entering business relationships with high-risk customers, such as approval by senior management.
- F. Banks should use CDD procedures based in another bank's standards when subject to the same criteria for handling funds of a shared customer.

Reveal Solution

Discussion 16

Question #286

Topic 1

Which information should be gathered as part of enhanced due diligence (EDD) for a high-risk customer?

- A. Explanations for changes in marital status
- B. Details on individuals with control over the account
- C. Plans for traveling in business trips
- D. Personal references

Reveal Solution

Discussion 9

Question #287

Topic 1

Which transaction should result in a SAR/STR filing?

- A. A small business owner deposits checks totaling \$9,950 USD on a daily basis without providing a legitimate purpose.
- B. A small business owner deposits \$25,000 USD in cash proceeds with a business equipment bill of sale.
- C. A national food-chain restaurant with multiple cash transactions at various branch locations.
- D. A national food-chain restaurant makes multiple, anticipated cash transactions that are above the daily reporting threshold.

Reveal Solution

Discussion 9

Question #288

Topic 1

According to the 5th EU Money Laundering Directive, member states require entities to apply enhanced customer due diligence measures with respect to business relationships or transactions involving high-risk third country nationals. Which are included in these requirements? (Choose three.)

- A. Obtaining the approval of senior management for establishing or continuing the business relationship
- B. Obtaining copies of passports for all authorized persons
- C. Establishing and verifying the address of the client
- D. Obtaining information on the reasons for intended or performed transactions
- E. Obtaining tax reference details for the client
- F. Obtaining information on the source of funds and source of wealth of the customer and of the beneficial owner(s)

Reveal Solution

Discussion 12

Question #289

Topic 1

Which is the first valid step in the Mutual Legal Assistance Treaties (MLAT) international cooperation process?

- A. The central authority that receives the request sends it to a local judicial officer to find out if the information is available.
- B. The central authority of the requesting country sends a commission letter of request to the central authority of the other country.
- C. The investigator may remove the evidence collected without asking permission to do so.
- D. An investigator from the requesting country visits the country where the information is sought and takes statements from the identified witnesses or suspects.

Reveal Solution

Discussion 6

Question #290

Topic 1

A financial institution (FI) has decided to revamp its compliance program to be more risk-based. Which option should the FI use as part of the new risk-based compliance program?

- A. Leadership-based
- B. Predictive-based
- C. Transaction-based
- D. Data-based

Reveal Solution

Discussion 20

Which red flag should a compliance officer prioritize first for investigation?

- A. A loan is paid off in full with cash after the sale of the vehicle that was used as collateral for the loan.
- B. Several cross-border transfers are received and immediately wired to another beneficiary.
- C. A customer has 20 monthly transactions that are repetitive but less than \$500 USD per transaction.
- D. A convenience store cashes government checks for its customers in amounts less than \$1,000 USD per day.

[Reveal Solution](#)[Discussion](#) **17**

After a FATF mutual evaluation process, which are resulting actions for jurisdictions that are determined to have strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing? (Choose two.)

- A. Expect private statements from FATF regarding the level of compliance of the jurisdiction, when insufficient progress is made.
- B. Appeal to FATF for a technical compliance re-rating based on the jurisdiction's own experts criteria.
- C. Demonstrate a high-level commitment to swiftly resolve the identified deficiencies in the FATF mutual evaluation report.
- D. Request FATF for an extension of deadlines in order to provide local awareness on the improvements that are necessary to solve the deficiencies.
- E. Report to FATF on the implementation of their progress under the enhanced follow-up mechanism.

[Reveal Solution](#)[Discussion](#) **5**

Which methods are typically used to launder money using insurance companies? (Choose two.)

- A. The policy holder overpays the policy and moves the funds out of the policy despite paying early withdrawal penalties.
- B. The policy holder enters a sibling as a beneficiary of the insurance policy rather than themselves.
- C. The policy holder purchases a bond and redeems it at a discount prior to its full term.
- D. The policy holder uses an offshore company to pay the insurance installments.
- E. The policy holder is strongly interested in how many costs are incurred when taking out an insurance policy.

[Reveal Solution](#)[Discussion](#) 18

Based on studies executed by the Organization for Economic Cooperation and Development (OECD), which occupations are particularly vulnerable to the use of false identities and identity theft?

- A. Government officers
- B. Sea port officers
- C. Lawyers
- D. Laborers

[Reveal Solution](#)[Discussion](#) 14

Which situations would require a financial institution (FI) to update its ML/TF risk assessment? (Choose two.)

- A. When new products, services or customer types are introduced
- B. When new board members are elected
- C. When the AML compliance team hires new employees
- D. When the institution faces a merger or acquisition
- E. When opening a sales point in a new location in the same city

[Reveal Solution](#)

[Discussion](#) **15**

Question #296

Topic 1

According to the Basel Committee on Banking Supervision, banks should deal with high-risk customers by:

- A. maintaining segregated records to enable easy inspection by law enforcement in case of a subpoena.
- B. assigning those customers to specified private bankers for better monitoring of their offshore transactions.
- C. performing enhanced due diligence including enhanced ongoing monitoring of the account activity.
- D. seeking approval from the board of directors before establishing the relationship.

[Reveal Solution](#)

[Discussion](#) **6**

Question #297

Topic 1

Which assessments are involved in the processes of mutual evaluation and follow-up by the FATF?

- A. Risk assessments and technical standards assessments
- B. Technical compliance assessments and effectiveness assessment
- C. Sanction risk assessments and the country's National Risk Assessment
- D. Country audit assessments and transaction monitoring assessments

Reveal Solution

Discussion 6

Question #298

Topic 1

Which private banking situation requires due diligence actions to be implemented according to the AML principles of the Wolfsberg group?

- A. A local wealthy individual wants to become a customer of a local retail bank.
- B. A beneficial owner of an exchange house wants to open an account with the bank.
- C. A wealthy individual from a high-risk country wants to open an account with a private bank.
- D. A new customer asks to set up an exchange house using the bank as the correspondent.

Reveal Solution

Discussion 17

Question #299

Topic 1

Which are common types of economic sanctions? (Choose three.)

- A. Targeted sanctions

- B. Technological sanctions
- C. SWIFT network sanctions
- D. Sectoral sanctions
- E. Supervisory sanctions
- F. Comprehensive sanction

Reveal Solution

Discussion 10

Question #300

Topic 1

When performing a risk assessment, which factors should be considered when identifying and measuring risk? (Choose two.)

- A. Customer composition
- B. Financial performance
- C. Product offerings
- D. Regulatory environment
- E. Company culture

Reveal Solution

Discussion 16

← Previous Questions

Next Questions →

Question #301

Topic 1

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

[Reveal Solution](#)[Discussion](#) 12

Question #302

Topic 1

Financial institutions (FIs) perform AML risk assessments to ensure:

- A. a record for regulators indicating an AML risk assessment was completed at least once.
- B. internal audit assurance that all AML-related policy and procedures are board approved.
- C. satisfaction of the board of directors' approved risk appetite.
- D. proper controls surrounding higher-risk products, services, customers, and geographic locations.

[Reveal Solution](#)[Discussion](#) 2

Question #303

Topic 1

Which key factor would result in the decision for a financial institution (FI) to exit a client relationship?

- A. After assessing all risk factors the level of residual client risk exceeds the FI's risk appetite.
- B. The client is a registered charity known to remit funds to high risk geographies where there is limited due diligence information available.
- C. Closing the client accounts will help reduce the number of transaction monitoring alerts.
- D. Client transactions generate ongoing transaction monitoring alerts that did not result in any SAR/STR filings.

Reveal Solution

Discussion 5

Question #304

Topic 1

An analyst reviewing trade finance transactions notices an increase in price of 25% over 12 months for commodities with the same specification and quantity. Which action should the analyst take?

- A. Produce an investigation report that finds evidence to substantiate the analyst's suspicion and submit a SAR/STR.
- B. Produce an investigation report that considers client activity and factors that may have legitimately affected transaction cost.
- C. Produce an updated due diligence record for the client so that monitoring can be enhanced.
- D. Produce a SAR/STR that describes apparent trade-based money laundering and submit to the Financial Investigation Unit (FIU).

Reveal Solution

Discussion 22

A SAR/STR should be filed when the accountable institution identifies that:

- A. a customer makes a cash deposit in round dollars.
- B. cash transactions have values which avoid reporting thresholds.
- C. an alert is generated by a transaction monitoring system.
- D. an employee is not clearing alerts in a timely manner.

[Reveal Solution](#)[Discussion](#) **18**

The bank's Compliance Officer is tasked with designing standards based on Basel's KYC principles. Which essential elements should be included in the program?
(Choose two.)

- A. Appointing an independent audit function
- B. Conducting a money laundering risk assessment
- C. Documenting a customer acceptance policy
- D. Establishing on-going monitoring of high-risk accounts
- E. Reporting suspicious activity

[Reveal Solution](#)[Discussion](#) **35**

Question #307

Topic 1

The main purpose of the US Treasury Department for OFAC's extraterritorial reach is to:

- A. accomplish the foreign policy and national security goals of the US.
- B. defend the US against questionable trade practices of its economic rivals.
- C. protect allied nations of the US from the economic threats of non-allied nations.
- D. align OFAC's and other countries' extraterritorial reach requirements.

Reveal Solution

Discussion 7

Question #308

Topic 1

Which trading pattern may be indicative of money laundering in capital markets?

- A. Free of payment asset transfer
- B. Remittance of a round dollar amount
- C. Trading on an account
- D. Transacting with multiple counterparties

Reveal Solution

Discussion 13

The bank's internal financial intelligence unit (FIU) has reviewed activity related to a politically exposed person (PEP); the activity in the account contains a large, round number, one time wire to an obscure organization. Which would not be a sufficient reason to file a SAR/STR?

- A. Beneficiary is largely unknown
- B. Maintain the bank's reputation
- C. Wire is a large amount
- D. Customer activity is unreasonable

[Reveal Solution](#)[Discussion](#) **20**

What is a key objective of the Egmont Group?

- A. Exchange international law interpretations among regulators through plenary sessions
- B. Foster better and secure communications across Financial Intelligence Units (FIUs) through the application of technology
- C. Provide enforcement recommendations to national law enforcement agencies pursuant to a memorandum of understanding
- D. Validate FATF implementations in countries and territories through a system of evaluations

[Reveal Solution](#)[Discussion](#) **4**

Which is a similarity between Office of Foreign Assets Control (OFAC) and UN imposed sanctions?

- A. Supporting foreign policy objectives
- B. Encouraging the sharing of funds
- C. Detering financing of terrorism
- D. Restoring sovereign lands

Reveal Solution

Discussion 6

Question #312

Topic 1

Which risks are involved in a correspondent banking client's ownership and management structure? (Choose two.)

- A. Regularity of board meetings
- B. Size of the management structure
- C. Status as a state, publicly, or privately held entity
- D. Transparency of the ownership structure
- E. Length of time since the last Wolfsberg Group review

Reveal Solution

Discussion 4

Question #313

Topic 1

Which is an emerging risk associated with cyber-enabled fraud?

- A. multiple people colluding to place funds in the financial market
- B. receipt of joint account wire transfers
- C. mismatch between account names and government-issued documentation
- D. frequent transactions in round or whole dollars

Reveal Solution

Discussion 11

Question #314

Topic 1

Money laundering can cause which consequences for a FI? (Choose two.)

- A. Reduction or loss of profitable business
- B. Increases in correspondent banking facilities
- C. Reduction in number of employees
- D. Increases in corporate taxes
- E. Increases in investigation costs and fines

Reveal Solution

Discussion 5

Question #315

Topic 1

Which action does the FATF call on member countries to take in the most serious cases when countries have significant strategic AML deficiencies?

- A. Apply countermeasures
- B. Eliminate all financial dealings
- C. Report high-risk transactions
- D. Contribute to mutual evaluations

Reveal Solution

Discussion 2

Question #316

Topic 1

What are the main components of a FATF mutual evaluation?

- A. Measuring effectiveness and technical compliance
- B. Assessing a country and training
- C. Scoping and on-site visits
- D. Drafting reports and plenary discussions

Reveal Solution

Discussion 8

Question #317

Topic 1

A FI receives a legal request to freeze assets of a client. Which action should be taken?

- A. Immediately freeze the client's assets.
- B. Wait for the approval of the legal department.
- C. Process the latest transactions before freezing the bank account.
- D. Inform the client.

Reveal Solution

Discussion 14

Question #318

Topic 1

According to recommendations from the FATF, what role does a country's Financial Intelligence Unit (FIU) play in safeguarding against money laundering?

- A. Monitors monthly public statistics on the economy
- B. Generates currency transaction reports to send to the central bank
- C. Assists the pursuit of criminal activity by producing SARs/STRs
- D. Analyzes data on STRs

Reveal Solution

Discussion 6

Question #319

Topic 1

A company is endorsing the execution of terrorism through different activities, such as the development of content for pro-terrorist TV messages, encouraging the support of terrorist activities via web, advertising the use of cryptocurrencies and paying producers and reporters for the TV and web messaging. What specific action should be considered financing of terrorism?

- A. Funding producers and reporters
- B. Advertisement of cryptocurrencies
- C. Development of content
- D. Supportive web messages

Reveal Solution

Discussion 12

Question #320

Topic 1

An existing customer has changed its business scope and jurisdictions it deals with. Which are the steps the bank needs to take to manage sanctions compliance risk for this, customer?

- A. Perform a politically exposed persons and negative media screening
- B. Conduct further sanction screening on the customer's directors and ultimate beneficial owners
- C. Deploy an independent risk-based test to ensure the screening on this customer is effective
- D. Collect further customer reference data and determine what must be screened and at which frequency

Reveal Solution

Discussion 3

← Previous Questions

Next Questions →

Question #321

Topic 1

A prospective client walks into an accounting firm wanting to incorporate a company. The accountant feels uncomfortable after the meeting. Which two of the accountant's observations warrants escalation to the compliance officer? (Choose two.)

- A. The prospective client presents confusing details about the proposed business and has very little knowledge about the proposed business activity.
- B. The prospective client is able to provide source of funds and source of wealth documents.
- C. The prospective client exhibits confidence when speaking to the accountant when providing personal details.
- D. The principal activities of the proposed company are importing and exporting new furniture.
- E. The prospective client is unable to provide information about the beneficial owners.

[Reveal Solution](#)[Discussion](#) 9

Question #322

Topic 1

What should be proven about the effectiveness of FATF 40 recommendations during a FATF mutual evaluation of a country?

- A. Money laundering and terrorist financial risks are understood by the FIs in the evaluated country.
- B. The evaluated country has implemented compliant AML/CFT laws and regulations.
- C. There is evidence that the defined outcomes of the evaluated country's AML/CFT system are achieved.
- D. The assessed country has created a Financial Intelligence Unit (FIU) to manage suspicious activities.

[Reveal Solution](#)[Discussion](#) 7

[Reveal Solution](#)[Discussion](#)

7

Question #323

Topic 1

Sanctions screening requirements include that a FI should:

- A. immediately close the bank account of an entity that appears on a sanctions list.
- B. compare customer and transaction records against periodically updated sanctions lists provided by governmental bodies.
- C. report an individual whose name appears on a sanctions list to the police.
- D. immediately freeze the bank account of an individual that appears on a sanctions list.

[Reveal Solution](#)[Discussion](#)

8

Question #324

Topic 1

Law enforcement is conducting an investigation of a FI and has submitted an overly broad and unduly intrusive request. Which is a FI's most appropriate response?

- A. Contest the request with the company's board of directors and key senior management.
- B. Delay a response until all documents can be gathered regardless of the duration.
- C. Narrow the request through a prompt response to the law enforcement agency.
- D. Ignore the request due to the unacceptable volume of information contained within.

[Reveal Solution](#)[Discussion](#)

8

Which activity associated with new or developing technologies does the FATF recommend FIs pay special attention to?

- A. Financial intermediaries performing transactions for customers
- B. High volumes of cash transactions
- C. Complex or unusually large transactions
- D. Non-face to face business relationships or transactions

[Reveal Solution](#)[Discussion](#) 8

What is a primary responsibility of a FIU?

- A. Legislate regulations that enhance the effectiveness of anti-money laundering and Sanctions compliance.
- B. Provide expertise to Egmont working groups including the development of new techniques to launder money.
- C. Act as an intermediary between the entities subject to money laundering obligations and law enforcement agencies.
- D. Publish suspicious activity reports so that entities subject to money laundering obligations are aware of the identities of criminals.

[Reveal Solution](#)[Discussion](#) 11

A non-US bank is implementing a sanction compliance program. Which extraterritorial reach of OFAC regulations would matter the most to the foreign bank?

- A. OFAC sanctions programs prohibit transactions and require the blocking of assets of foreign individuals that appear in negative media sources.
- B. OFAC administers sanctions based on criminal investigations against targeted foreign individuals.
- C. OFAC acts only under presidential wartime emergency powers, against countries and foreign individuals considered enemies of the US.
- D. OFAC has the power to impose significant penalties on foreign individuals who are found to be in violation of the blocking orders.

Reveal Solution

Discussion 6

Question #328

Topic 1

A typical red flag regarding potential money laundering in connection with an art purchase occurs when a customer:

- A. pays more at an auction for a painting than the estimated maximum price.
- B. asks to pay a large amount in cash without a comprehensible reason.
- C. buys a painting as an anonymous bidder and provides the source of wealth.
- D. asks to pay in installments and pays from two differently named accounts.

Reveal Solution

Discussion 7

Question #329

Topic 1

A compliance analyst is reviewing account activity of a customer that they suspect may be indicative of money laundering activity. Which is difficult to determine solely from the customer's account activity and KYC file?

- A. If the account is mostly dormant or has little activity
- B. If the account has multiple transfers to the same, related businesses
- C. If the activity is materially different from related businesses
- D. If there is negative media associated with counterparties

Reveal Solution

Discussion 10

Question #330

Topic 1

Which are the requirements of the Fifth AML Directive of the European Union (EU)? (Choose two.)

- A. Promoting the record keeping obligations of banks to the maximum amount of data necessary for the purposes of AML/CFT investigations.
- B. Extending AML/CFT rules to entities that provide virtual currency services.
- C. Broadening the criteria for assessing high-risk third countries.
- D. Developing a variant approach in the strategy for the treatment of organized crime and terrorism threats.
- E. Providing information access to Financial Intelligence Units (FIUs) according to the differences in the nature of their functions, competences and powers.

Reveal Solution

Discussion 6

Question #331

Topic 1

Which approach ensures the successful implementation of a transaction monitoring system?

- A. Ensuring all checks of a transaction monitoring system's rules and parameters use actual live data after the system is operational

- A. Entering all checks of a transaction monitoring system's rules and parameters use actual live data after the system is operational
- B. Implementing third-party transaction monitoring software, taking great care not to adjust pre-programmed rules and alerting thresholds
- C. Taking great care to minimize changes to transaction monitoring system rules and parameters once these have been certified as accurate
- D. Performing systems integration testing at key steps of development and user acceptance testing prior to going live with the transaction monitoring system

[Reveal Solution](#)

[Discussion](#) **7**

Question #332

Topic 1

One of the main purposes of FATF-Style Regional Bodies is to:

- A. focus on global fraud typologies.
- B. help jurisdictions implement AML and terrorism financing standards.
- C. determine global watchlist standards and ensure that those lists are maintained accordingly.
- D. set up and maintain a global Politically Exposed Persons (PEPs) database.

[Reveal Solution](#)

[Discussion](#) **8**

Question #333

Topic 1

A customer of a bank is an established art dealer. Within KYC due diligence processes, which constitutes a triggering event that requires ongoing due diligence on this client?

- A. The owner wants to exchange some foreign currency for an overseas business travel.
- B. The customer keeps adding artwork service providers to the payment beneficiary list.

C. The customer specializes in art sale and hire, and recently started an art selection consulting service.

D. The customer moves their headquarters from New Zealand to China and opens a branch in Malaysia.

Reveal Solution

Discussion 9

Question #334

Topic 1

A large FI is considering expanding business to an area of the world with weak AML laws. The risk-based assessment indicates that the location will increase the FI's risk appetite beyond the stated acceptable amount. Which risk factors should be used to identify the priority of the FI?

A. Geographic risks

B. Unknown third-party risks

C. Anonymous transactions risks

D. Cash-intensive businesses risks

Reveal Solution

Discussion 3

Question #335

Topic 1

Which activities could be considered a potential spear phishing scam? (Choose three.)

A. Members of a religious organization receive a donation request by email claiming to be from their leader.

B. Payroll receives an external email from an employee looking to update their bank account information.

C. A courier delivers a business a duplicate invoice that contains updated payment details of an existing supplier.

- D. An employee receives an email that asks to download an attachment, but the attachment is a malware.
- E. An employee receives a phone call requesting that money be sent to assist someone in trouble.
- F. A business sends its employees an email warning that email passwords must be changed to prevent cyber-fraud.

Reveal Solution

Discussion 18

Question #336

Topic 1

A financial institution (FI) is fined for failure to implement an effective AML program. Which consequences could the regulator impose on the bank's Chief AML Officer? (Choose three.)

- A. Recommend termination of employment from the FI
- B. Civil and criminal prosecution, fines, and imprisonment
- C. Loss of professional accounting and legal designations
- D. Add to the OFAC Specially Designated Nationals (SDNs) list
- E. Ban from employment in the financial services industry
- F. Prohibition from dealing with goods on the Wassenaar List

Reveal Solution

Discussion 12

Question #337

Topic 1

When considering sharing information across the institution or within the same jurisdiction, what is the key legal issue that poses challenges to sharing customer-related information?

- A. Data protection and privacy laws
- B. Technological inconsistencies and challenges
- C. Consumer protection laws
- D. Conflicting AML/CFT regulations

Reveal Solution

Discussion 5

Question #338

Topic 1

Which are characteristics of Mutual Legal Assistance Treaties (MLAT)? (Choose three.)

- A. MLAT cooperatively combats crime between countries.
- B. MLAT does not provide a legal basis for transmitting evidence.
- C. MLATs cannot be used for obtaining banking records from treaty partners.
- D. MLATs are useful for gathering evidence and intelligence in a foreign country.
- E. MLATs are neither public nor binding under international law.
- F. MLAT only involves two countries.

Reveal Solution

Discussion 9

Question #339

Topic 1

The USA PATRIOT Act on correspondent banking requires U.S. FIs that onboard new non-U.S. FIs to address which of the following? (Choose two.)

- A. Determine under a risk-based approach if correspondent accounts require enhanced due diligence (EDD) measures.
- B. Close correspondent accounts that the foreign banks allow other FIs to use.
- C. Ascertain the identity of the owners of the accounts that reside in the U.S.
- D. Perform scrutiny for possible money laundering by obtaining information of the foreign bank's AML program.
- E. Implement monitoring activities in a reasonable manner only for inbound transactions.

Reveal Solution

Discussion 4

Question #340

Topic 1

The recommended way for a FI to respond to a request from a law enforcement agency is to:

- A. hand over documents that are protected by attorney-client privilege.
- B. have an audit trail system to produce requested documentation.
- C. freeze the identified account immediately.
- D. train all staff to enable them to respond to subpoenas.

Reveal Solution

Discussion 9

← Previous Questions

Next Questions →

Question #341

Topic 1

The owner of a real estate investment company deposits multiple cashier's checks that were bought using cash over a three month period, from the sale of two apartments. This account also receives several electronic transfers from other financial institutions for \$10,000 USD each. What activity is considered suspicious of money laundering?

- A. Receiving electronic transfers for \$10,000 USD amounts from other financial institutions
- B. Using cashier's checks in the transactions with the real estate investment company's account
- C. Performing operations with real estate investment companies
- D. Using cash to buy multiple cashier's checks over a period of time

[Reveal Solution](#)[Discussion](#) 10

Question #342

Topic 1

Under the Wolfsberg Correspondent Banking Principles, which action is considered an enhanced due diligence (EDD) obligation to correspondent banking clients that present greater risks?

- A. Approval of a high-risk relationship by a senior management committee.
- B. Ongoing monitoring of clients located in tax haven countries.
- C. An evaluation done by the compliance officer in charge of the account.
- D. Conduct reviews on all high-risk relationships.

[Reveal Solution](#)[Discussion](#) **5****Question #343***Topic 1*

Which are reasons organized crime groups often use front companies? (Choose two.)

- A. Front companies generally charge higher prices than legitimate companies, so profit margins are higher.
- B. They can use the company's bank accounts to comingle deposits with those of legal businesses.
- C. Using multiple front companies can make it easier to control an entire sector of the economy.
- D. Front companies are generally subject to lighter due diligence requirements by banks and other financial services providers,
- E. Front companies are not subject to income and other sales taxes because they are not registered.

[Reveal Solution](#)[Discussion](#) **8****Question #344***Topic 1*

Which are key objectives of the Egmont Group? (Choose two.)

- A. Serving as a united body of financial intelligence units across the world
- B. Setting international standards that aim to prevent AML/CFT
- C. Serving as a prudential regulator for global financial institutions (FIs)
- D. Providing a platform for the secure exchange of financial intelligence
- E. Serving as an authoritative body in the field of anti-corruption

[Reveal Solution](#)[Discussion](#) **4****Question #345***Topic 1*

Who meets the standard to perform for the AML audit? (Choose two.)

- A. Qualified bank staff if not involved in the AML function being tested.
- B. An internal auditor with the requisite knowledge and expertise of AML.
- C. An internal auditor with a family member employed in the AML department.
- D. A consultant with limited knowledge and experience in AML but many years of internal audit experience.
- E. A consultant previously employed in the AML department within the past two years.

[Reveal Solution](#)[Discussion](#) **7****Question #346***Topic 1*

Which situation would require enhanced due diligence (EDD) be performed on a customer?

- A. A customer closes their store location and opens a new store location across town.
- B. The low-risk rating for a customer has not changed since the relationship was established 5 years ago.
- C. A prospective customer recently started and incorporated a new business.
- D. Company ownership is held in bearer share form.

[Reveal Solution](#)[Discussion](#) **5**

Question #347

Topic 1

Why should a FI require an update of its AML Risk Assessment?

- A. To identify risk considerations for sharing information based on FI changes.
- B. To satisfy law enforcement when reporting suspicious activity.
- C. To ensure the FI's alignment with the board-approved strategic plan.
- D. To ensure an accurate reflection of the FI's money laundering and other illicit financial activity risks.

Reveal Solution

Discussion 8

Question #348

Topic 1

A law enforcement agency is conducting an investigation on a FI. How should the FI respond to the law enforcement agency's requests?

- A. Share information about the investigation with analysts so they are aware
- B. Address all requests completely and in a timely manner
- C. Disregard requests when there is a justifiable reason for doing so
- D. Delay responses by informing senior management of requests

Reveal Solution

Discussion 3

Question #349

Topic 1

Which product type is subject to U.S. extra-jurisdictional reach over non-U.S. banks and non-U.S. persons under the USA PATRIOT Act?

- A. Commercial lending
- B. Trade finance
- C. Private banking
- D. Correspondent banking

Reveal Solution

Discussion 19

Question #350

Topic 1

What are the rules imposed by Office of Foreign Assets Control (OFAC) for legal entities and persons related to the U.S.? (Choose two.)

- A. Any foreign corporation is also penalized if it conducts transactions with sanctioned countries under OFAC rules.
- B. A subsidiary of a legal entity of the U.S., which is formally registered in a foreign country, is exempt from OFAC rules.
- C. A foreign individual visiting the U.S. for a short vacation is obligated to follow OFAC rules.
- D. The head office of a foreign legal entity which has a branch in the U.S. does not need to comply with OFAC rules.
- E. Nationals of the U.S. must comply with OFAC rules, regardless of where they are located in the world.

Reveal Solution

Discussion 23

Question #351

Topic 1

Which elements can trigger a review of the existing relationship during the opening of a new account? (Choose two.)

Which elements can trigger a review of the existing relationship during the opening of a new account? (Choose two.)

- A. Incoming transfers from high-risk jurisdictions
- B. A false positive result for name screening
- C. Regular checks on the flow of funds
- D. Estimated total income decrease
- E. Recent adverse media on the client

Reveal Solution

Discussion 4

Question #352

Topic 1

Which principle about safeguarding privacy and data should an auditor adhere to when performing an AML investigation?

- A. During evidence gathering, privacy laws are less important than local AML laws.
- B. Countries should clarify where AML and Data Protection Privacy are not balanced.
- C. Terrorist Financing is more relevant in the context of data protection and supersedes laws.
- D. AML and Data Protection Privacy law should not be mutually exclusive.

Reveal Solution

Discussion 9

Question #353

Topic 1

A long-term client of an insurance company makes changes to a policy that require payment of an additional lump sum. The amount payable is high, though within the client's means based on the KYC information collected. The payment is made via a company in another jurisdiction that is known to have lax AML controls. Which

indicator of suspicious activity is present?

- A. The payment was made via a company that appears to be owned and controlled by the client being insured.
- B. The additional premium payable appears to be within the client's means based on the KYC information collected.
- C. The payment was made via a company in a jurisdiction known to have lax AML controls.
- D. A long-term client wants a change to a policy that is already in force.

Reveal Solution

Discussion 5

Question #354

Topic 1

A customer puts high-denomination cash notes into a poker machine at a casino. Without placing any bets, the customer collected winnings in the form of a check from the casino. Which money laundering threats could result from the customer's activities?

- A. Micro-structuring cash
- B. Obscured beneficial ownership
- C. Misuse of money service business
- D. Legitimizing illicit funds

Reveal Solution

Discussion 3

Question #355

Topic 1

An AML specialist at a FI is presented with a search warrant. Which action should be taken to comply with the search? (Choose two.)

- A. Remember what items the agents have seized and taken from the premise.
- B. Leave the premises to allow the agents to conduct the search.
- C. Obtain a copy of the warrant or photocopy the original warrant.
- D. Record the names and affiliations of the agents who conduct the search.
- E. Proactively ask the agents as many questions as time allows.

Reveal Solution

Discussion 4

Question #356

Topic 1

A customer has borrowed the cash surrender value of their life insurance policies. Which requires a further investigation and filing of the SAR/STR?

- A. The customer uses multiple currency equivalents from different sources to pay the monthly life insurance policy premiums.
- B. The customer cancels the insurance contract without concern for the penalties after the money is borrowed.
- C. The customer has paid the monthly life insurance policy premiums with cash.
- D. The customer directs the payment of the money borrowed to an unrelated third party.

Reveal Solution

Discussion 13

Question #357

Topic 1

A bank receives a request for a subpoena for a client who has been the subject of monitoring for several months. The bank wishes to close the account in order to mitigate any additional risk. However, the government requires that the account remain open. What document must be provided to the bank to keep the account open?

- A. An authorization from the board of directors
- B. A request in writing under proper letterhead and authority from the government
- C. An email agreement between the government and the financial institution to keep the account open
- D. An order to keep the account open but with the funds frozen

Reveal Solution

Discussion 3

Question #358

Topic 1

The training department is conducting awareness training for unusual customer identification scenarios. Which two indicators should be included? (Choose two.)

- A. The customer's name and home address cannot be verified.
- B. The customer opens the account in the name of a family member who begins making large deposits.
- C. The customer requests payment of proceeds to an unrelated third party.
- D. The customer frequently exchanges small bills for large bills.
- E. The customer's internet protocol address does not match the identifying information provided during online registration.

Reveal Solution

Discussion 5

Question #359

Topic 1

Which is most relevant when examining transactions suspected of being associated with money laundering via real estate?

- A. The financial institutions involved in the transaction

- B. The asset's location
- C. The beneficial owner of the asset
- D. The currency used for payment

Reveal Solution

Discussion 3

Question #360

Topic 1

Law enforcement is confidentially investigating 20 individuals suspected of belonging to a criminal network allegedly involved in laundering tens of millions of euros for cybercriminals.

Which actions need to be taken by the AML Specialist at a bank upon learning the alert? (Choose two.)

- A. Respond to law enforcement that their request without a judicial order would breach the bank's GDPR duty with respect to its clients
- B. Report findings back to law enforcement only if they are of any significance
- C. Send out an email to all of the bank's client advisors to request information on any of the individuals
- D. Involve the bank's legal and compliance function to address the gravity of the matter
- E. Perform a search on the bank's client data platform to determine if the bank has had any business with the named individuals

Reveal Solution

Discussion 6

← Previous Questions

Next Questions →

Question #361

Topic 1

What is the core function of a FIU?

- A. Receive, analyze, and transmit reports of suspicions identified and filed.
- B. Set international standards for AML and terrorism financing for law enforcement.
- C. Coordinate, investigate, and prosecute money laundering and terrorism financing.
- D. Pursue the eradication of money laundering and terrorism financing as the main law enforcement function.

[Reveal Solution](#)[Discussion](#) 7

Question #362

Topic 1

Which is an objective of the FATF-Style Regional Bodies (FSRBs)?

- A. To issue their own recommendations, considering local typologies, ignoring the FATF 40 recommendations.
- B. To work independently from FATF and to be closely involved in improving law enforcement outcomes in their regions.
- C. To work in parallel with FATF by operating on the basis of (mutual, joint, or common) recognition of their work.
- D. To enforce implementation of the FATF recommendations amongst its member countries.

[Reveal Solution](#)[Discussion](#) 5

Which are red flags indicating potential engagement of a bank employee in money laundering? (Choose two.)

- A. Providing longer than usual services for a certain customer.
- B. Lavish lifestyle that cannot be supported by an employee's salary.
- C. Reluctance to take a vacation when the employee has sufficient leave.
- D. Failure to meet business goals for more than one period.
- E. Maintaining friendships with customers and going to restaurants, games, and other events.

[Reveal Solution](#)[Discussion](#) 2

The Wolfsberg Group has issued a number of documents since its inception aiming to:

- A. provide advice to regulators around the world on the due diligence requirements for Politically Exposed Persons (PEPs).
- B. provide FIs with an industry perspective on effective financial crime risk management.
- C. prevent money laundering or terrorist financing by establishing consistent regulatory standards across the EU.
- D. provide a standardized process amongst its bank members for combatting ML/TF in private banking.

[Reveal Solution](#)[Discussion](#) 11

A high-profile, successful entrepreneur has been a client of a Swiss private bank for more than a decade. Recently, the entrepreneur launched a political career, with rather extremist political views. On which grounds can the bank terminate the client's bank relationship? (Choose two.)

- A. The client has made its fortune in the mining and excavation industry, which the bank has deemed as a high-risk industry.
- B. The client is not able (or willing) to provide documentary evidence of tax compliance.
- C. The client's account has an increase in unusual and significant monthly inflows.
- D. Continuing the client relationship poses an increasing reputational risk, which could negatively affect the bank's future business.
- E. A business partner of the account holder requests an asset freeze, stating a business dispute and disagreement over the quality of goods and services sold to the partner.

Reveal Solution

Discussion 18

Question #366

Topic 1

How does the Egmont Group assist FI member units to accomplish their goals? (Choose three.)

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

Reveal Solution

Discussion 6

Which is true about FATF-Style Regional Bodies (FSRBs)?

- A. Tools used by FRSBs include training measures and mutual evaluations of its members.
- B. A FATF member country cannot also be a member of an FSRB.
- C. FSRBs set standards for their member countries that supplement FATF's standards.
- D. To be a member of an FSRB, a country must have enacted AML and Anti-Terrorist Financing laws.

[Reveal Solution](#)[Discussion](#) 5

In accordance with FATF standards, when the minimum AML requirements of the host country where a FI operates are less strict than those of the FI's home country, the FI:

- A. is required to impose more strict requirements on host country branches, disregarding if host country laws and regulation permit such action.
- B. should close down its operations in the host countries where minimum AML/CFT requirements are less strict than those of the home country.
- C. should always apply additional measures on their branches and majority-owned subsidiaries in host countries to manage the money laundering and terrorist financing risk overseas.
- D. is required to ensure that their branches and majority-owned subsidiaries in host countries implement the requirements of the home country, to the extent that host country laws and regulations permit.

[Reveal Solution](#)[Discussion](#) 7

Which factors specific to the securities industry increase the exposure to money laundering risk? (Choose two.)

- A. The practice of brokerage firms maintaining securities as nominees
- B. The complexity of the securities business
- C. The speed of the transactions
- D. The link to sanctioned countries
- E. The increase of sector specific guidance

[Reveal Solution](#)[Discussion](#) 6

Which is a primary purpose of imposing economic sanctions?

- A. Preventing depletion of natural resources
- B. Changing the behavior of the country
- C. Minimizing the export of trade goods
- D. Promoting competition of domestic technology

[Reveal Solution](#)[Discussion](#) 1

A compliance officer of a FI is reviewing a payment for sanctions compliance between two parties in Europe and Asia. The payment is in Euros and involves the provision of services to a company located in a jurisdiction subject to OFAC secondary sanctions. Which factor is most important in determining the compliance officer's response?

- A. A one-off commercial transaction conducted between parties in Europe and Asia is not subject to secondary sanctions.
- B. Secondary sanctions only target specific sectors of the economy such as the banking and finance sectors.
- C. The threat of U.S. sanctions against foreign individuals and entities continues to exist despite the absence of a U.S. nexus.
- D. Asset freezes only prohibit U.S. companies from engaging in certain activities with counterparts from a sanctioned jurisdiction.

[Reveal Solution](#)[Discussion](#) **16**

Which are essential elements of a KYC program identified by the Basel Committee on Banking Supervision? (Choose two.)

- A. Risk appetite
- B. Code of conduct
- C. Risk management
- D. Internal control
- E. Customer acceptance policy

[Reveal Solution](#)[Discussion](#) **6**

To ensure the independence of an audit for an AML/CFT program, those involved in the audit would best be described as being:

- A. not involved in the organization's AML/CFT compliance program and having a reporting line to the organization's CEO.
- B. not involved in the organization's STR/SAR filing process having a reporting line to the board of directors or committee thereof.
- C. not involved in the organization's STR/SAR filing process and having a reporting line to the organization's CEO.
- D. not involved in the organization's AML/CFT compliance program and having a reporting line to the board of directors or committee thereof.

[Reveal Solution](#)

[Discussion](#) **5**

Question #374

Topic 1

Which test should be included in a bank's OFAC sanctions screening audit program?

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

[Reveal Solution](#)

[Discussion](#) **8**

Question #375

Topic 1

While conducting a review of a medium-risk customer, an analyst noted that a newly added authorized signatory is a foreign politically exposed person (PEP). Which is the appropriate next step for the analyst to take?

- the appropriate next step for the analyst to take?
- A. Review beneficial ownership to finalize the risk category of the customer.
 - B. Remove the PEP as the authorized signatory.
 - C. Re-categorize the customer as high-risk.
 - D. Categorize the authorized PEP signatory as high-risk.

[Reveal Solution](#)

[Discussion](#) **6**

Question #376

Topic 1

The compliance department receives an internal referral that appears to indicate terrorist financing. What is the first step that should be taken in the investigation process?

- A. Exit the relationship
- B. Gather background and transaction information
- C. Immediately file a SAR/STR
- D. Notify the Board of Directors

[Reveal Solution](#)

[Discussion](#) **6**

Question #377

Topic 1

Typical events to identify and investigate potential AML activities include: (Choose three.)

- A. blocked transactions involving individuals included in the OFAC SDN list.
- B. subpoenas requesting information for civil cases.
- C. internal tips from employees of the bank about potential suspicious activity.
- D. requests from law enforcement agencies.
- E. alerts triggered by the automated AML monitoring system.
- F. accounts going to dormant status.

Reveal Solution

Discussion 13

Question #378

Topic 1

A professional dealer in precious metals and stones in an EU country plans to implement measures to reduce the risk of being misused for money laundering purposes. Which measures are most relevant for achieving this goal? (Choose two.)

- A. Stop accepting cash payments in currencies other than Euro.
- B. Stop accepting payments from persons other than the beneficiary.
- C. Only accept trades related to precious metal pool accounts maintained by sophisticated precious metal companies.
- D. Limit the acceptance of purchases without adequate customer identification information.
- E. Limit direct contact between customer and employees.

Reveal Solution

Discussion 2

Question #379

Topic 1

Which is an indicator that there is an attempt to conceal a company's true beneficial ownership?

which is an indicator that there is an attempt to conceal a company's true beneficial ownership?

- A. Recent changes to the company's ownership structure have been documented internally and are reflected in documents filed with local authorities.
- B. Beneficial ownership information from the time that the company was formed several years ago does not match the current beneficial ownership information.
- C. The person filling out an application on the company's behalf indicates that a beneficial owner is a nominee for another person not named in the company's documentation.
- D. The company has a subsidiary in another jurisdiction, and the beneficial ownership of the subsidiary includes a local investor in that jurisdiction.

Reveal Solution

Discussion 4

Question #380

Topic 1

What should a bank do if it suspects one of its employees may be involved in mortgage loan fraud?

- A. Conduct an investigation by gathering and analyzing information on the employee.
- B. Automatically file a police report about the employee's potential misconduct.
- C. Initiate civil litigation against the employee to recover damages for losses incurred.
- D. File a SAR/STR on the employee's activities if management thinks it is suspicious.

Reveal Solution

Discussion 3

← Previous Questions

Next Questions →

Question #381

Topic 1

What action does the USA PATRIOT Act allow the US government to take regarding FIs that are based outside of the US?

- A. Allow all US regulators to place a non-US FI on the list of Specially Designated Nationals (SDN).
- B. Subpoena documents from FIs that have no presence in the US.
- C. Revoke the banking licenses of non-US FIs in countries outside the US.
- D. Sanction a country when an individual FI does not comply with US law.

[Reveal Solution](#)[Discussion](#) 4

Question #382

Topic 1

AML training programs should extend beyond basic concepts to deliver targeted training by:

- A. offering internal policies training, such as customer identification and verification procedures and policies.
- B. offering periodic refresher training on AML bases (usually annually) for existing employees.
- C. offering general background and history training pertaining to money laundering controls.
- D. offering appropriate training tailored to the individual's specific roles, like alerts investigators and SARs writers.

[Reveal Solution](#)[Discussion](#) 4

Which is a purpose of imposing sanctions?

- A. Limit opportunities for desirable behavior
- B. Encourage business deals
- C. Deter countries from choosing a desirable course of action
- D. Accomplish foreign policy and national security goals

[Reveal Solution](#)[Discussion](#) 8

A law enforcement agency submits several requests to a FI. Which request is legitimate and requires the bank to respond?

- A. Seize privileged documents upon written request.
- B. Freeze an account in terms of a court order.
- C. Produce documents and testimony without a subpoena.
- D. Keep an account open upon verbal request.

[Reveal Solution](#)[Discussion](#) 5

According to the USA PATRIOT Act, under which condition would U.S. FIs maintain correspondent accounts for foreign shell banks?

- A. Correspondent accounts at foreign shell banks can be maintained by U.S. FIs, but the bank must be certified by FATF.
- B. Correspondent accounts at foreign shell banks can be maintained by U.S. FIs, but only in certain countries.
- C. Correspondent accounts for foreign shell banks at U.S. FIs must go through a rigorous, risk-based approval process.
- D. Correspondent accounts for foreign shell banks at U.S. FIs cannot maintain these types of accounts.

[Reveal Solution](#)[Discussion](#) 4

Who bears the ultimate responsibility for approving a FI's relationship with a politically exposed person (PEP)?

- A. Enhanced due diligence (EDD) compliance officer
- B. Relationship manager
- C. KYC analyst
- D. Senior management

[Reveal Solution](#)[Discussion](#) 6

Which should a FI implement in order to identify and investigate money laundering activity from their clients? (Choose two.)

- A. Whistleblower hotline
- B. Code of conduct
- C. Transaction monitoring
- D. Adverse news screening
- E. Integrity policy

Reveal Solution

Discussion 14

Question #388

Topic 1

Which is the most severe consequence for a FI if the regulator finds it is in breach of AML/CFT regulatory obligations?

- A. Civil sanctions
- B. Loss of license
- C. Negative reputation
- D. Monetary fines

Reveal Solution

Discussion 11

Question #389

Topic 1

Which type of formal agreement occurs between countries that wish to aid each other in the investigation and enforcement of criminal laws?

- A. Foreign Information Exchange
- B. Inter-country Agreement to Combat Trafficking
- C. Mutual Legal Assistance Treaty
- D. Joint Comprehensive Peace Agreement

Reveal Solution

Discussion 4

Question #390

Topic 1

A new business opened an account at a bank. After a month of activity, the account is referred to AML Investigations for potential human trafficking activity. Which red flags most likely triggered the referral? (Choose two.)

- A. Trade in large volumes conducted with countries that are part of the diamond pipeline
- B. Multiple purchases of virtual currency at or just below the reporting threshold
- C. Conducting the businesses transactions online without visiting a branch
- D. Several lodging and food payments made on the same day at unusual hours for a business
- E. Several cash deposits along the country's border that are quickly withdrawn by third parties

Reveal Solution

Discussion 8

Question #391

Topic 1

According to FATF, FIs should exit the relationship with a client in which case?

- A. The client is a politically exposed person (PEP)
- B. There is a change in ownership structure
- C. The country of incorporation has been elevated to high-risk
- D. The client refuses to update information

Reveal Solution

Discussion 5

Question #392

Topic 1

Which red flags should be considered prior to establishing a relationship with a third party? (Choose two.)

- A. The third party has sufficient capability to provide the services or goods for which it is being engaged.
- B. The third party has a declaration of non-family or business ties with government officials.
- C. The third party has requested unusual payment or billing procedures.
- D. The third party has a lack of anti-corruption compliance clauses in agreements.
- E. The third party's amount to be paid for goods and services appears to be reasonable.

Reveal Solution

Discussion 10

Question #393

Topic 1

Which statements relate to the mandate, roles, and responsibilities of the Financial Action Task Force (FATF) and the FATF-Style Regional Bodies (FSRBs)? (Choose two.)

- A. FATF member countries cannot be members of an FSRB at the same time.
- B. FSRBs have the right to develop standards with which their member countries are bound to comply.
- C. FSRBs play an essential role in identifying and addressing AML technical assistance needs for their individual member countries.
- D. In the process of setting standards, FATF will only consider inputs from its member countries as part of the consultation process.
- E. FATF and FSRBs are free-standing organizations that share the common goals of combating money laundering and the financing of terrorism and proliferation.

Reveal Solution

Discussion 6

Question #394

Topic 1

According to the Financial Crimes Enforcement Network, after an initial suspicious activity report has been filed for a customer, a financial institution must perform a continuing review of the account for a period of how many days?

- A. 30 days
- B. 60 days
- C. 90 days
- D. 120 days

Reveal Solution

Discussion 14

Question #395

Topic 1

An oil exploration company based in France does business with oil refineries in Iran, which is subject to comprehensive Office of Foreign Assets Control (OFAC) sanctions. What type of OFAC sanctions should be imposed against the French company?

- A. Secondary
- B. List-based
- C. Country-based
- D. Sectoral

Reveal Solution

Discussion 8

Question #396

Topic 1

Which is a characteristic of the Financial Action Task Force (FATF) 40 recommendations?

- A. They provide a list of mandatory requirements for an effective AML regulatory framework.
- B. They comprise global standards for countering money laundering, recognized by government bodies across the world.
- C. They are automatically transposed into local law across the EU member states and the US.
- D. They enable FATF's active engagement in law enforcement matters, investigations, or prosecutions.

Reveal Solution

Discussion 6

Question #397

Topic 1

When using virtual assets such as Bitcoin to finance terrorism, which tactic may be used to ensure that the virtual assets are not easily seized by law enforcement?

- A. Using self-hosted wallets to create many different donation addresses that are updated continuously
- B. Posting donation addresses that are linked to accounts at centralized virtual asset service providers
- C. Using the same donation address across multiple donation campaigns and media types
- D. Forming relationships with virtual asset service providers that have strong KYC processes in place to avoid suspicion

[Reveal Solution](#)

[Discussion](#) 7

Question #398

Topic 1

According to the Financial Action Task Force, which action must a financial institution take to fulfill customer due diligence obligations?

- A. Verify the customer is not on any sanction lists.
- B. Identify shareholders listed on the stock exchange of corporate entities holding fifty percent of the shares.
- C. Obtain information on the intended nature of the banking relationship.
- D. Secure a written declaration from the customer confirming the source of the funds.

[Reveal Solution](#)

[Discussion](#) 4

Question #399

Topic 1

In its paper, Customer Due Diligence for Banks, the Basel Committee on Banking Supervision identified which risks on banking institutions as a result of an inadequate KYC program?

- KYC program:
- A. Outsourcing, legal, concentration, reputational
 - B. Credit, operational, market, concentration
 - C. Legal, reputational, operational, concentration
 - D. Security, information, local, operational

Reveal Solution

Discussion 3

Question #400

Topic 1

A country that does not have strong predicate offenses and is lax in prosecuting AML cases could suffer which social/economic consequence?

- A. Loss of tax revenue
- B. Increased organized crime and corruption
- C. US sanctions
- D. Reputation risk for the port

Reveal Solution

Discussion 10

← Previous Questions

Next Questions →

Question #401

Topic 1

The AML compliance officer of a financial institution (FI) has been advised that the institution is being investigated by the country's financial intelligence unit (FIU). What should the AML compliance officer do? (Choose two.)

- A. Monitor the progress of the investigation by keeping clear records.
- B. Share investigation results with other FIs to help them prepare.
- C. Send an informative communication to all employees about the investigation.
- D. Provide all information to the FIU as soon as possible to avoid delays.
- E. Inform senior leadership and the board of the investigation.

[Reveal Solution](#)[Discussion](#) 9

Question #402

Topic 1

Which regulatory bodies cooperate when dealing with cross-border suspicious or unusual financial activity investigations?

- A. European Commissions
- B. Wolfsberg Groups
- C. Financial Action Task Forces
- D. Financial Intelligence Units

[Reveal Solution](#)[Discussion](#) 2

Question #403

Topic 1

Which regulation regarding data privacy has to be considered while carrying out a financial crime investigation?

- A. Securities Financing Transactions Regulation
- B. General Data Protection Regulation
- C. European Enforcement Order
- D. Rome II Regulation

Reveal Solution

Discussion 5

Question #404

Topic 1

How does the Financial Action Task Force (FATF) measure the effectiveness of a country's efforts to combat money laundering and terrorist financing?

- A. Mutual evaluation
- B. Series of internal audits followed by reporting to FATF
- C. Basel Committee
- D. FATF Evaluation Committee

Reveal Solution

Discussion 3

Which principles of the Egmont Group of Financial Intelligence Units (FIUs) are aimed at maximizing cooperation between FIUs to more effectively combat money laundering? (Choose two.)

- A. Information exchange should take place informally, without too many formal prerequisites.
- B. FIU cooperation should always be channeled through designated intermediaries.
- C. Formal Egmont Group membership requirements ensure a high commitment of the eligible FIUs.
- D. It is within an FIU's authority to sign Memorandums of Understanding independently.
- E. Eliminating spontaneous information sharing between FIUs to reduce the burden of excess investigative work.

[Reveal Solution](#)[Discussion](#) 5

Using the customer profile and expected activity information, a financial institution should be able to identify transactions that are difficult to:

- A. make economic sense.
- B. be strategically viable.
- C. make viable profitability.
- D. cross verify.

[Reveal Solution](#)[Discussion](#) 17

What should an employee do after witnessing suspicious activity from a coworker?

- A. Request that the coworker provide justification for their actions.
- B. Discuss the suspicious activity with your supervisor.
- C. Request help from colleagues in determining that the best course of action.
- D. Escalate to the company's conflict line or compliance department.

[Reveal Solution](#)[Discussion](#) **2**

When may Office of Foreign Assets Control (OFAC) sanctioned-related transactions be allowed that would otherwise be prohibited?

- A. Through an OFAC licensing process to determine that the transaction does not undermine the US policy objectives
- B. When the bank's board of directors approves the OFAC risk appetite for sanction-related transactions
- C. Only when the federal banking regulator provides OFAC approval before the transactions are processed
- D. After going through a robust internal OFAC audit process that reviews sanction-related risks

[Reveal Solution](#)[Discussion](#) **7**

According to recommendations from the Financial Action Task Force, what role does a country's financial intelligence unit play in safeguarding against money laundering?

- According to recommendations from the Financial Action Task Force, what role does a country's financial intelligence unit play in safeguarding against money laundering?
- A. Monitors monthly public statistics on the economy
 - B. Assists the pursuit of criminal activity by producing suspicious activity reports
 - C. Generates currency transaction reports to send to the central bank
 - D. Analyzes data on suspicious activity reports

Reveal Solution

Discussion 7

Question #410

Topic 1

Which constitute red flags in connection with a company involved in illegal logging? (Choose three.)

- A. High number of transactions through company's connected bank accounts
- B. Executive's association with politically exposed persons
- C. Business registry activities state promotion of environmental protection
- D. Expeditious shipment of wood too far away jurisdictions
- E. Paper packaging demand production
- F. Use of heavy machinery in non-protected areas

Reveal Solution

Discussion 13

Question #411

Topic 1

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

Client A is tagged 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. Contact the Federal Bureau of Investigation (FBI) to communicate the investigation findings.
- D. Restrain or block the client's account(s) until law enforcement makes an arrest.

Reveal Solution

Discussion 7

Question #412

Topic 1

Which is an extraterritorial function of Office of Foreign Assets Control sanctions?

- A. Requiring all appropriate elements of the financial services industry to report potential money laundering
- B. Interrupting the EU's economic and financial relations with third countries
- C. Prohibiting transactions and requiring the blocking of assets of designated persons and organizations
- D. Implementing targeted measures such as arms embargoes, travel bans, and financial or commodity restriction

Reveal Solution

Discussion 2

Question #413

Topic 1

Which of the following employee behaviors would not trigger an AML red flag?

- A. An employee generates high earnings on investments made on the stock market.
- B. An employee is involved in an excessive number of unresolved exceptions.
- C. An employee uses company resources to further private interests.
- D. An employee lives a lavish lifestyle that could not be supported by his or her salary.

Reveal Solution

Discussion 9

Question #414

Topic 1

Which is a key aspect of the first EU Directive on Money Laundering?

- A. It extended the scope beyond drug-related crimes.
- B. It established drug trafficking as a predicate offense of money laundering.
- C. It expanded the definition of criminal activity to all serious crimes.
- D. It defined money laundering as a separate crime.

Reveal Solution

Discussion 6

Question #415

Topic 1

Which is a valid extraterritorial effect of the USA PATRIOT Act?

- A. Broker-dealers cannot have correspondent accounts with a foreign bank that does not have a physical presence in any country.
- B. Foreign branches of US banks can maintain correspondent accounts with banks that do not have a physical presence in any country.

C. Any deposits into foreign banks are not considered to have been deposited into any interbank account the foreign bank may have in the US.

D. Financial institutions are allowed to specifically direct client transactions that move their funds into, out of, or through an internal bank concentration account.

[Reveal Solution](#)

[Discussion](#) **6**

Question #416

Topic 1

A compliance officer is reviewing transactions related to a company suspected of being involved in wildlife trafficking. Which of the activities below are common in wildlife trafficking schemes? (Choose two.)

- A. Payment of transportation charges using a fraudulent financial instrument
- B. Exchanging fiat currency to cryptocurrency to accomplish payment to the wildlife farm
- C. Large dollar wire transfers between wildlife farms and firms operating in inconsistent lines of business
- D. Customer requests payment of proceeds to an unrelated third party
- E. Activity involving politically exposed persons with environmental, game, or forestry oversight

[Reveal Solution](#)

[Discussion](#) **7**

Question #417

Topic 1

Three individuals enter a casino and use cash to purchase chips worth 20,000 USD. The trio uses 200 USD in chips to play games and then combine their funds to request a casino cheque.

What is the potential red flag that alludes to money laundering?

- A. The trio engage in minimal gambling and combine the funds to request a casino cheque for the chips presented.
- B. The trio purchased chips worth 20,000 USD and requested a casino cheque for the remaining chips.
- C. The trio uses chips worth 200 USD to gamble before requesting the refund.
- D. The trio purchased the chips with cash and proceeded to gamble.

Reveal Solution

Discussion 10

Question #418

Topic 1

A bank's transaction surveillance system triggers an alert for a deposit of 250,000 USD into a client's account. According to the bank's KYC information, the client works for a financial advisory firm, and earns approximately 100,000 USD per year. Which actions should be taken? (Choose three.)

- A. File the suspicious transaction immediately to the financial intelligence unit.
- B. Review the transaction background in the bank's transaction platform.
- C. Review the alert if the deposit is made in cash.
- D. Discard the alert as a false positive hit.
- E. Contact the client advisor to learn if he has any insight on the transaction background.
- F. Request information and documentation from the client on the background of the transaction.

Reveal Solution

Discussion 18

Question #419

Topic 1

Which is a goal of Financial Action Task Force Regional-Style Bodies?

- A. Analyzing new or developing methods in which criminals or terrorists abuse the financial system in their region
- B. Executing sound AML processes in response to recommendations
- C. Setting standards to assess whether members have an adequate AML regime
- D. Enforcing local AML laws and regulations

Reveal Solution

Discussion 8

Question #420

Topic 1

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

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

Reveal Solution

Discussion 10

← Previous Questions

Next Questions →

Question #421

Topic 1

A foreign bank's compliance officer receives a request for information from a US bank, alerting the foreign bank to the possibility that it may have transferred funds on behalf of an Office of Foreign Assets Control (OFAC)-sanctioned person, who holds an account with the foreign bank. Which statements are true with respect to said funds and the information in relation to the transaction under scrutiny? (Choose two.)

- A. US authorities are only permitted to seize the funds transferred by the foreign bank under OFAC sanctions if there is an equivalent sanctions regime of the UN which has been contravened.
- B. The USA PATRIOT Act authorizes the Secretary of the Treasury or the Attorney General to subpoena records from the foreign bank that maintains a correspondent account with a US bank.
- C. If a US citizen were part of the foreign bank's Board deliberations where a decision was made to onboard the OFAC-sanctioned entity as a client, then they can be confronted with criminal charges.
- D. If the funds are seized, then the foreign bank would be within its rights to dispute such seizure.
- E. US authorities have no power (in terms of the PATRIOT Act) to sanction the foreign bank for transferring funds on behalf of an OFAC-sanctioned entity.

[Reveal Solution](#)[Discussion](#) 5

Question #422

Topic 1

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? (Choose two.)

- A. The source of funds in the structure
- B. The general purpose behind the structure

- C. The responsibility and authority in the structure
- D. The management structure of the trust
- E. The general nature of business of the trust

Reveal Solution

Discussion 6

Question #423

Topic 1

A US casino customer has won 55,518 USD. The customer goes to the casino cashier cage to execute some transactions. Which transactions are an indicator of money laundering? (Choose two.)

- A. The customer requests the cashing out of the winnings in checks under 10,000 USD.
- B. The customer transfers 50,000 USD to another personal bank account located in the customer's resident country.
- C. The customer requests the cashing out of the winnings in a single check.
- D. The customer transfers 100,000 USD to another personal bank account located outside the customer's resident country.
- E. The customer transfers all the winnings to another personal bank account located outside the customer's resident country.

Reveal Solution

Discussion 20

Question #424

Topic 1

A retail bank prepares a yearly AML risk assessment. Which inherent risk factor is likely the most relevant?

- A. The provision of brokerage services
- B. The provision of cash services

- C. The provision of payable through accounts
- D. The provision of remote check deposit services

Reveal Solution

Discussion 9

Question #425

Topic 1

The law enforcement agency (LEA) of a foreign jurisdiction contacts a financial institution (FI) regarding one of the FI's clients. The LEA advises that the client is currently wanted for prosecution as a result of a series of human trafficking charges. What should the FI do? (Choose two.)

- A. Comply immediately with the foreign jurisdiction and turn over all client information.
- B. Inform local LEA and regulator of the request for awareness.
- C. Review the client's activity, determine if suspicious activity exists, and report accordingly.
- D. Advise the LEA that the government needs to be contacted for extradition.
- E. Close the client's accounts immediately to avoid any undue risk.

Reveal Solution

Discussion 4

Question #426

Topic 1

The Chief Compliance Officer (CCO) of a financial institution has been asked by a manufacturing customer reliant upon imported raw materials if there will be repercussions to his business following the weak assessment of the recent publicly issued Financial Action Task Force (FATF) Mutual Evaluation Report (MER). How should the CCO respond?

- A. Citing inaccurate content of the MER, the president of the country has called upon the FATF to publicly withdraw the MER and commission an independent review

of findings.

B. Negative consequences will not occur because the manufacturing customer has been trading with reputable countries and suppliers for many years without incident.

C. Mandate termination of all cross-border trading until evidence can be provided to show an improved position of compliance for the weaknesses stated in the MER.

D. Delayed processing of cross-border transfer of funds between countries may occur due to increased scrutiny to determine the legitimacy of each transfer.

Reveal Solution

Discussion 11

Question #427

Topic 1

Which does the USA PATRIOT Act stipulate for foreign banks concerning correspondent banking?

A. Illicit funds deposited with a foreign bank can be seized by the US government by confiscating the same amount of funds deposited in a correspondent account in the US.

B. The US federal banking agency can require foreign banks to produce records or information related to any account opened in the US or other countries.

C. A subpoena issued to a foreign bank that maintains a correspondent account in the US can require the bank to submit any records except for records in a foreign jurisdiction.

D. US banks that maintain correspondent accounts for foreign banks must keep identification records of foreign bank owners with 50% or more ownership in the bank.

Reveal Solution

Discussion 9

Question #428

Topic 1

Which are primary purposes of Financial Action Task Force (FATF)-Style Regional Bodies? (Choose two.)

- A. Imposing special measures for non-cooperative jurisdictions
- B. Providing expertise and input in FATF policy-making
- C. Providing due diligence for foreign correspondent banks
- D. Promoting effective implementation of FATF recommendations
- E. Acting as a prudential regulatory body for financial institutions

Reveal Solution

Discussion 8

Question #429

Topic 1

What are the three basic functions of a national financial intelligence unit?

- A. Receive, analysis, disseminate
- B. Compile, assess, monitor
- C. Investigate, report, record
- D. Train, share, collect

Reveal Solution

Discussion 4

Question #430

Topic 1

According to the Financial Action Task Force, financial institutions should be required to implement:

- A. independent AML programs to ensure privacy and safeguard confidential information.

- B. a process to designate an officer at a senior level who ensures a safe exchange of information for AML and terrorism financing purposes.
- C. special procedures for encryption of information to be exchanged with affiliates and branches.
- D. group-wide programs, including policies and procedures regarding AML compliance.

[Reveal Solution](#)

[Discussion](#) **4**

Question #431

Topic 1

How does the Asian/Pacific Financial Action Task Force (FATF)-Style Regional Body help its members implement recommendations from the FATF? (Choose two.)

- A. Promotes laws that allow judicial challenges to seizure orders by an administrative body
- B. Requires members to maintain lists of regional money laundering and terrorists financing issues relevant to their region
- C. Encourages cooperative AML efforts in the region
- D. Facilitates the adoption and implementation of internationally accepted AML measures by member jurisdictions
- E. Endorsed regulations that define money laundering based on the model laws issued by the respective member states

[Reveal Solution](#)

[Discussion](#) **8**

Question #432

Topic 1

Which payment method for purchasing luxury items is a red flag for potential money laundering?

- A. Credit card
- B. Wire transfer
- C. Cash

D. Personal loan

Reveal Solution

Discussion 5

Question #433

Topic 1

According to the Basel Committee's principles on customer due diligence, a bank should:

- A. maintain systems to detect suspicious transactions based on a customer's velocity and volume patterns.
- B. file a suspicious activity report when there is reason to believe the bank is being used for criminal activity.
- C. obtain the information to establish the identity of a customer, beneficial owners, and any person acting on behalf of the customer.
- D. refuse to conduct ongoing business with a customer who fails to provide proper identification documentation.

Reveal Solution

Discussion 5

Question #434

Topic 1

Release of the EU's Fourth AML Directive resulted in what change to member state's procedures? (Choose two.)

- A. Knowledge of criminal conduct could be inferred from objective factual circumstances.
- B. Money laundering and terrorist financing were defined as separate crimes, expanding the directive's measures.
- C. The threshold for reporting suspicious transactions decreased from 15,000 EUR to 10,000 EUR.
- D. The scope of obliged entities was enlarged from casinos to all providers of gambling services.
- E. All financial institutions were required to identify and verify the beneficial owner of legal entities.

[Reveal Solution](#)[Discussion](#) **10****Question #435***Topic 1*

Which transaction monitoring processes would alert a bank for red flag activity?

- A. A client makes a prepayment on their credit card and a week later makes multiple cash withdrawals using an automated teller machine (ATM) in a foreign country.
- B. A client who does not typically make extravagant credit card purchases books an airline ticket on a travel website.
- C. A charity account receives multiple electronic transfers and then sends a wire transfer to a higher-risk country.
- D. The company has a name that is similar to that of a company whose directors are named on the bank's internal blacklist.

[Reveal Solution](#)[Discussion](#) **14****Question #436***Topic 1*

Private investment companies are potentially vulnerable to money laundering because:

- A. they are shell companies formed to maintain a client's confidentiality.
- B. it can be difficult to identify the people who are the ultimate beneficial owners.
- C. they transact shares that are not traded on a stock exchange.
- D. they exist in offshore jurisdictions with tight secrecy laws to protect the privacy of their owner(s).

[Reveal Solution](#)[Discussion](#) **14**

Which is a key characteristic of the Financial Action Task Force (FATF) Regional Style Bodies for combatting money laundering/terrorist financing?

- A. Emphasizing regional co-operation between member countries
- B. Implementing regional mutual evaluation procedures
- C. Instructing each member country to place FATF recommendations into law
- D. Enabling FATF standards to be specific to each region

[Reveal Solution](#)[Discussion](#) 6

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

[Reveal Solution](#)[Discussion](#) 6

Cybersecurity risk can result in identity theft by:

- A. compromising individual's personal data.
- B. identifying bugs in personal data processors.
- C. executing false transactions.
- D. issuing false passwords

[Reveal Solution](#)

[Discussion](#) **1**

Question #440

Topic 1

A new customer has just been onboarded in a securities firm. After a few weeks, there are unusual trading patterns that are being flagged. Which pattern is most concerning to the compliance officer?

- A. The customer accumulates securities of a low volume counter in small increments on a weekly basis.
- B. The customer engages in large trading in securities that are liquid or highly priced from the trading account.
- C. The customer receives many incoming wire transfers from related parties to the trading account.
- D. The customer's repeated trading in securities that are low priced and low volume counters.

[Reveal Solution](#)

[Discussion](#) **12**

[← Previous Questions](#)