

Exam Questions CAMS

Certified Anti-Money Laundering Specialist (the 6th edition)

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NEW QUESTION 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

Answer: D

NEW QUESTION 2

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 that enables effective management of the risk until a permanent plan can be developed

Answer: D

NEW QUESTION 3

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

Answer: D

NEW QUESTION 4

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

Answer: AB

NEW QUESTION 5

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 institutions is not dealing with a sanctioned individual or entity

Answer: B

NEW QUESTION 6

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.

- A. A customer in country A makes frequent wire transfers to a single customer in country B that are slightly under the legal reporting threshold.
- B. 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.
- C. 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.

Answer: B

NEW QUESTION 7

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 tunneled 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

Answer: AC

NEW QUESTION 8

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 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

Answer: C

NEW QUESTION 9

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 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

Answer: BD

NEW QUESTION 10

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

Answer: AB

NEW QUESTION 10

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

Answer: C

NEW QUESTION 14

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

Answer: D

NEW QUESTION 15

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

Answer: D

NEW QUESTION 16

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

Answer: D

NEW QUESTION 18

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

Answer: C

NEW QUESTION 19

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

Answer: B

NEW QUESTION 20

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.

Answer: B

NEW QUESTION 24

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 to 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 to purchase to be made in the names of the private companies

Answer: C

NEW QUESTION 29

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

Answer: D

NEW QUESTION 32

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

Answer: C

NEW QUESTION 33

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

Answer: C

NEW QUESTION 34

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.

Answer: B

NEW QUESTION 38

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

Answer: B

NEW QUESTION 40

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

Answer: CD

NEW QUESTION 41

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

Answer: C

NEW QUESTION 42

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

Answer: C

NEW QUESTION 45

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

Answer: B

NEW QUESTION 46

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

Answer: CD

NEW QUESTION 51

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

Answer: C

NEW QUESTION 55

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 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

Answer: D

NEW QUESTION 57

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

Answer: C

NEW QUESTION 59

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

Answer: A

NEW QUESTION 63

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 on 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

Answer: C

NEW QUESTION 66

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

Answer: BC

NEW QUESTION 70

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.

Answer: AD

NEW QUESTION 74

The compliance officer at a crowd funding website is in charge of monitoring new crowd funding projects. Recently, the number of crowd funding 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

Answer: D

NEW QUESTION 76

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

Answer: CD

NEW QUESTION 77

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 business with illicit funds

Answer: B

NEW QUESTION 81

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

Answer: C

NEW QUESTION 85

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

Answer: B

NEW QUESTION 87

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

Answer: A

NEW QUESTION 90

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