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Exam : **CAMS**

Title : Certified Anti-Money
Laundering Specialists (the
6th edition)

Vendor : ACAMS

Version : DEMO

QUESTION NO: 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.

Answer: C

this situation requires enhanced due diligence actions according to the AML principles of the Wolfsberg group. The Wolfsberg group is an association of 13 global banks that aims to develop standards and best practices for AML and CFT in the private banking sector. The group has issued a set of principles and guidance on how to conduct due diligence on private banking customers, especially those who pose higher risks, such as politically exposed persons (PEPs), customers from high-risk countries, and customers with complex or opaque structures. According to the Wolfsberg group, private banks should apply a risk-based approach to customer due diligence and perform enhanced measures for high-risk customers, such as obtaining senior management approval, verifying the identity and source of wealth of the customer and the beneficial owner, understanding the purpose and nature of the relationship, and conducting ongoing monitoring and review.

ACAMS Study Guide 6th Edition, Chapter 4, Section 4.5, page 118: "The Wolfsberg Group". ExamTopics, Question 466: "Which private banking situation requires due diligence actions to be implemented according to the AML principles of the Wolfsberg group?"

QUESTION NO: 2

The primary objectives of the United Nations in developing sanctions regimes include: (Select Three.)

- A. to support governments and regimes in the peaceful resolution of conflict.
- B. to deter non-democratic and non-constitutional changes within countries.
- C. to force developing nations to adopt liberal or substantive democracies.
- D. to punish governments for having weak financial crime controls.
- E. to support the protection of human rights.

Answer: A,B,E

UN sanctions regimes are not punitive but aim to:

- * B: "Support peaceful resolution of conflicts."
- * D: "Deter non-democratic and unconstitutional changes of government."
- * E: "Promote respect for human rights and humanitarian law."(CAMS 6th Edition, United Nations Sanctions; UN Security Council Mandates) Incorrect:
- * A: The UN does not impose sanctions to force regime type.
- * C: Sanctions are not for punishing weak AML controls.

References:

CAMS 6th Edition, UN Sanctions

UN Security Council, Sanctions Objectives

QUESTION NO: 3

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

Answer: D

The potential client is attempting to commit the illegal activity of using insider information to trade securities.

Insider information is any material, non-public information that could affect the price or value of a security, such as earnings reports, mergers, acquisitions, or regulatory actions. Insider trading is the act of buying or selling securities based on insider information, which gives the trader an unfair advantage over other investors who do not have access to such information. Insider trading violates the principles of market integrity, fairness, and transparency, and can undermine investor confidence and trust. Insider trading is also a form of market abuse and financial crime, and is subject to civil and criminal penalties.

ACAMS Study Guide for the CAMS Certification Examination - 6th Edition, Chapter 1: Risks and Methods of Money Laundering and Terrorism Financing, Section 1.3: Financial Crime, Subsection 1.3.3: Market Abuse, pp. 25-26 ACAMS CAMS Certification Video Training Course, Module 1: Risks and Methods of Money Laundering and Terrorism Financing, Lesson 1.3: Financial Crime, Sublesson 1.3.3: Market Abuse, Video Time: 2:00-3:

30

Exam CAMS: Certified Anti-Money Laundering Specialist (the 6th edition), Question 12, Answer C

QUESTION NO: 4

Which money laundering risks are posed by the misuse of trust and asset management services? (Select Three.)

- A. Concealing sources of funds
- B. Allowing for third-party custody safekeeping of funds
- C. Adding a layer of anonymity to transactions
- D. Concealing true legal and beneficial owners
- E. Establishing escrow accounts for real estate transactions

Answer: A,C,D

* A, C, D:

* "Trust and asset management services can facilitate the concealment of the source of funds (A), provide a layer of anonymity to transactions (C), and obscure the true legal and beneficial owners (D). These are well-established ML/TF risks in the private wealth sector."(CAMS 6th Edition, ML/TF Risks in Trust and Asset Management)

* B and E are normal aspects of asset management and are not in themselves ML/TF risks unless combined with other suspicious behaviors.

References:

CAMS 6th Edition, Risks in Trust and Asset Management
FATF Recommendations 24, 25

QUESTION NO: 5

Which constitute red flags in connection with a company involved in illegal logging? (Select Three.)

- A. Business registry activities state promotion of environmental protection
- B. High number of transactions through company's connected bank accounts
- C. Paper packaging demand production
- D. Expeditious shipment of wood to far away jurisdictions
- E. Use of heavy machinery in non-protected areas
- F. Executive's association with politically exposed persons

Answer: D,E,F

Red flags in connection with a company involved in illegal logging include: D. Expeditious shipment of wood to far away jurisdictions, E. Use of heavy machinery in non-protected areas, and F. Executive's association with politically exposed persons. These red flags could be indicative of attempts to conceal the origin of illegally harvested wood and to avoid detection by government authorities.

QUESTION NO: 6

Which of the following laws or regulations can impact the application of AML/CFT programs and require financial institutions (FI) to balance multiple compliance requirements?

- A. Consumer protection laws may intersect with AML/CFT requirements when handling customer complaints or disputes, potentially affecting how FIs implement their compliance programs.
- B. AML/CFT laws are the primary focus for FIs, and other regulations like data privacy and consumer protection may only indirectly influence their compliance obligations
- C. Environmental, social, and governance (ESG) frameworks can influence a FI's risk management strategies but are generally considered separate from core AML/CFT compliance requirements
- D. Data privacy laws can restrict the sharing of customer information, while financial inclusion initiatives require FIs to avoid excessive de-risking that could exclude vulnerable populations.

Answer: D

QUESTION NO: 7

Which accurately describes the social and economic impacts of money laundering?

- A. Money laundering impacts the financial sector, which is critical for economic growth.
- B. Foreign investors are often attracted to jurisdictions with significant money laundering activity as the same conditions favour legitimate economic activity.
- C. Money launderers generally remit any tax revenue that would be due in the jurisdictions in which they operate via front businesses.
- D. Increased money laundering generally results in greater economic stability as profits are reinvested in the jurisdiction.

Answer: A

Money laundering has a significant negative impact on the financial sector by undermining the integrity of financial markets. It distorts asset and commodity prices and leads to the misallocation of resources, which can dampen economic growth. The process also erodes public trust in the financial system and can deter foreign investment.

QUESTION NO: 8

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

Answer: C

According to the Financial Action Task Force (FATF) 40 Recommendations, financial institutions should obtain senior management approval before establishing new correspondent banking relationships¹. This is to ensure that the financial institution has assessed the money laundering and terrorist financing risks associated with the respondent institution and has applied appropriate due diligence measures. The FATF also requires financial institutions to gather sufficient information about the respondent institution, its business activities, its reputation, its supervision, and its anti-money laundering and counter-terrorist financing policies and procedures¹. Additionally, the FATF recommends that financial institutions document the respective responsibilities of each institution and prevent the use of their accounts by shell banks¹.

1: Guidance on Correspondent Banking Services, FATF, 2016

Reference: <https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf> (15)

QUESTION NO: 9

Which three statements are true about on-line banking offering a significant money laundering risk to a financial institution?

- A. The nature of on-line banking can make it difficult to establish who is controlling the account
- B. The ease of access through the internet enables cross border movement of funds
- C. Due to client confidentiality, information collected on-line cannot be shared with law enforcement agencies on mere suspicion
- D. The speed of electronic transaction enables execution of multiple complex transactions within short time frame

Answer: A,B,D

On-line banking offers a significant money laundering risk to a financial institution because: The nature of on-line banking can make it difficult to establish who is controlling the account. On-line banking allows customers to access their accounts remotely, without face-to-face contact with the financial institution. This can pose challenges for verifying the identity and

legitimacy of the account holder, especially if the account is opened on-line or through a third-party intermediary. On-line banking can also facilitate the use of anonymous or fictitious identities, or the use of proxies or nominees to hide the true beneficial owner of the account. The ease of access through the internet enables cross border movement of funds. On-line banking allows customers to transfer funds quickly and easily across different jurisdictions, without physical movement of cash or other instruments. This can increase the risk of money laundering, as funds can be moved to or from high-risk countries or regions, or through multiple accounts or financial institutions, to obscure the origin, destination, or purpose of the funds. On-line banking can also enable customers to access or use alternative payment systems or virtual currencies, which may have lower regulatory oversight or transparency standards than traditional banking systems.

The speed of electronic transaction enables execution of multiple complex transactions within short time frame. On-line banking allows customers to conduct transactions in real time, with minimal or no human intervention or verification. This can increase the risk of money laundering, as customers can execute multiple transactions in a short period of time, or use complex transaction structures or patterns, to avoid detection or reporting thresholds, or to conceal the source, nature, or ownership of the funds. On-line banking can also enable customers to use automated or algorithmic trading systems, which may generate large volumes of transactions that are difficult to monitor or analyze.

CAMS Study Guide - 6th Edition, Chapter 5, pages 139-140

CAMS Certification Exam Outline, Domain 2, Task 2.1, Skill 2.1.1

Online Banking and Money Laundering, ACAMS Today, September 2012

QUESTION NO: 10

Which is a goal of Financial Action Task Force Regional-Style Bodies?

- A.** Executing sound AML processes in response to recommendations
- B.** Enforcing local AML laws and regulations
- C.** Analyzing new or developing methods in which criminals or terrorists abuse the financial system in their region
- D.** Setting standards to assess whether members have an adequate AML regime

Answer: C

QUESTION NO: 11

A non-U.S. bank asks its U.S. correspondent whether there is risk of having funds seized in their correspondent account if a customer is involved in a predicate offense. The correspondent bank's reply should be,

- A.** "No, only U.S. accounts for U.S. citizens can be seized and forfeited by the competent authority."
- B.** "No, only correspondent accounts of U.S. banks can be seized and forfeited by government agencies."
- C.** "Yes, if it is suspected that money laundering has occurred solely in the U.S."
- D.** "Yes, also if the customer's account is used in a country other than the U.S. by suspected money launderers."

Answer: D

The bank's current anti-money laundering program is inadequate because it does not include

a process for monitoring customer account activity, which is a key component of detecting and reporting suspicious transactions. The fact that the consultant and the bank have mutual clients does not affect the risk rating of those customers, nor does it justify a lower level of scrutiny. The bank should revise its procedures to ensure that it has a comprehensive and risk-based approach to customer due diligence, transaction monitoring, and reporting.

CAMS Certification Package - 6th Edition, Chapter 3: Compliance Standards for Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT), pp. 67-69.

FATF Guidance for a Risk-Based Approach: Legal Professionals, pp. 10-11, 19-20.

BSA/AML Internal Audit: PwC, pp. 1-2.

QUESTION NO: 12

Which of the following are common indicators of possible money laundering within the securities industry?

(Select Two.)

- A. Receiving securities into an existing brokerage account following the death of a spouse
- B. Allowing fixed income securities to mature
- C. Using brokerage accounts like deposit accounts
- D. Engaging in transactions involving nominees or third parties

Answer: C,D

QUESTION NO: 13

A bank in an offshore jurisdiction approaches an institution about opening a new correspondent banking relationship. Prior to opening the account, the new account representative obtains copies of the offshore bank's anti-money laundering policies and procedures, and all appropriate legal documentation for the bank; ascertains no third parties will be able to access the accounts; and determines the owners of the bank, the bank's primary business activities, and the business address of the bank. Which of the following steps does the Basel Committee on Banking Supervision's Customer Due Diligence for Banks Paper recommend the banker take prior to opening Oils correspondent account?

1. Conduct a site visit and meet all the principals and beneficial owners in person.
 2. Verify the bank has a physical presence in the country where it is incorporated.
 3. Confirm the bank is subject to regulatory supervision with adequate anti-money laundering laws.
 4. Obtain and maintain a complete listing of the correspondent bank's customers, including politically exposed persons.
- A. 1 and 2 only
 - B. 1 and 4 only
 - C. 2 and 3 only
 - D. 3 and 4 only

Answer: C

The Basel Committee on Banking Supervision's Customer Due Diligence for Banks Paper recommends that banks should verify the bank has a physical presence in the country where it is incorporated and confirm the bank is subject to regulatory supervision with adequate anti-money laundering laws before opening a correspondent account. These steps are intended to prevent the establishment of relationships with shell banks, which are banks that have no

physical presence in any country and are not affiliated with a regulated financial group. Shell banks pose a high risk of money laundering and terrorist financing, as they can be used to hide the identity and source of funds, evade regulatory oversight, and facilitate illicit transactions.

Therefore, banks should conduct enhanced due diligence on correspondent banks that operate in offshore jurisdictions, where the regulatory standards and transparency may be lower or insufficient.

ACAMS CAMS Certification Study Guide, 6th Edition, Chapter 4, Section 4.3.1, p. 1091

ACAMS CAMS Certification Exam Outline, 6th Edition, Domain 2, Task 2.2, p. 52
Basel Committee on Banking Supervision, Customer Due Diligence for Banks, October 2001, p. 13-143

QUESTION NO: 14

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

Answer: B

According to the ACAMS CAMS Study Guide, one of the methods that attorneys may use to facilitate money laundering is to make payments to third parties on behalf of their clients, using funds from their client accounts. This may obscure the source and destination of the funds, and create a false appearance of legitimate transactions. Therefore, making payment to various people is a red flag for potential money laundering in this situation.

ACAMS CAMS Study Guide, 6th Edition, page 117

FATF Report on Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals, June

2013, page 341

AML/CFT Red Flags for Lawyers, AML-CFT.net, October 20202

QUESTION NO: 15

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

Answer: B,D

Q Law enforcement may be given access to a financial institution customer's financial records if they serve a legal summons or subpoena, or if they have circumstantial evidence to suspect money laundering. These are two of the exceptions to the general rule that financial

institutions must protect the privacy of their customers' financial information under the Right to Financial Privacy Act (RFPA) of 1978. The RFPA also allows access to customer records in other situations, such as with the customer's consent, in response to judicial orders, or for certain intelligence or counterintelligence purposes¹.

Option A is incorrect because a suspicious transaction report (STR) does not automatically grant law enforcement access to the customer's financial records. The STR is a confidential document that is filed by the financial institution to the Financial Intelligence Unit (FIU) of the country, and the FIU may decide to share the information with law enforcement if it deems appropriate². However, law enforcement still needs to follow the RFPA procedures to obtain the customer's records from the financial institution.

Option C is incorrect because the investigation of a customer being made public in the media does not give law enforcement the right to access the customer's financial records. The media exposure may raise the public interest or the urgency of the investigation, but it does not override the RFPA requirements. Law enforcement still needs to obtain a legal summons, subpoena, or other valid authorization to access the customer's records from the financial institution.

References:

1: Right to Financial Privacy Act of 1978, 12 U.S.C. §§ 3401-3422 2: ACAMS Study Guide for the CAMS Certification Examination, 6th Edition, Chapter 2: Compliance Standards for Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT), p. 47

QUESTION NO: 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: A

According to the ACAMS Study Guide, one of the essential elements of an effective anti-money laundering (AML) program is to assign clear roles and responsibilities to all staff members, regardless of their position or department¹. This ensures that everyone is aware of their obligations and expectations in relation to AML compliance, and that they receive appropriate training and guidance. Therefore, the firm should update all job descriptions to include references to AML responsibilities, such as identifying and reporting suspicious activity, conducting customer due diligence, and adhering to AML policies and procedures. The other options are not sufficient or correct, because:

B). Responding that only compliance personnel have AML responsibilities is incorrect, because AML compliance is not only the responsibility of the compliance department, but of the entire organization¹. All staff members should be involved in the AML program and contribute to its effectiveness.

C). Sending an email to all staff stating that personnel must observe the AML policy is not sufficient, because it does not specify what the AML policy entails, or how it applies to different roles and functions. An email is also not a permanent or formal way of communicating AML responsibilities, and it may not reach all staff members or be taken seriously.

D). Replying that a description of AML responsibilities is included in the annual training is not sufficient, because it does not address the issue of the job descriptions, which should reflect the AML responsibilities of each position. Moreover, annual training may not be frequent or comprehensive enough to cover all aspects of AML compliance, and it may not be tailored to the specific needs and risks of each role or department.

References:

1: ACAMS Study Guide, 6th Edition, Chapter 2: Developing an Effective Anti-Money Laundering Program, page 49.

QUESTION NO: 17

The role of FATF-style regional bodies (FSRBs) is to; (Select Three.)

- A. identify and address the current financial crime trends through the issuance of typologies originating in members outside of their FSRB's Jurisdiction.
- B. provide AM L/C FT technical assistance needed by members in their FSRB jurisdiction.
- C. coordinate technical assistance for members in their FSRB jurisdiction
- D. set and amend the FATF 40 Recommendations for members in their FSRB jurisdiction.
- E. identify and address any gaps in the AML/CFT policies for members outside of their FSRB jurisdiction.
- F. offer mutual evaluation and follow-up processes for members in their FSRB Jurisdiction.

Answer: B,C,F

QUESTION NO: 18

Which should be provided to the board of directors or designated specialized committee when preparing suspicious activity reports (SARs)?

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

Answer: C

The board of directors or designated specialized committee should be provided with statistical data regarding SARs filed during the reported period, such as the number, type, and amount of SARs, as well as any trends or patterns identified. This would enable them to oversee the effectiveness of the anti-money laundering program and ensure compliance with regulatory requirements. Providing too much detail, such as names of customers or copies of SARs, could compromise the confidentiality of the SARs and expose the institution to legal risks.

References:

ACAMS Study Guide for the CAMS Certification Examination, 6th Edition, Chapter 5, page 153, section

"Reporting to the Board of Directors or Designated Specialized Committee".
ACAMS CAMS Certification Video Training Course, Module 5, Lesson 5.4, "Reporting to the Board of Directors or Designated Specialized Committee".

QUESTION NO: 19

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

Answer: A

The charity frequently withdrawing cash from the bank indicates possible terrorist financing, as cash transactions are often used to conceal the source, destination, and purpose of funds. Cash transactions also make it difficult to trace the flow of funds and identify the beneficiaries. Terrorist financiers may use charities as a cover to collect and distribute funds for their activities, and may exploit the cash-based nature of charitable donations to avoid detection¹².

Reference:<https://www.fatf-gafi.org/media/fatf/documents/reports/FATF%20Terrorist%20Financing%20Typologies%20Report.pdf>

QUESTION NO: 20

Which element is generally required of all anti-money laundering programs?

- A. A computer-based suspicious activity monitoring system
- B. A qualified compliance officer to manage the program
- C. Annual in-person AML training for all employees
- D. An enhanced due diligence program for all new customers

Answer: B

a qualified compliance officer is a mandatory element of all anti-money laundering programs, regardless of the type or size of the financial institution. The compliance officer is responsible for developing, implementing, and overseeing the anti-money laundering program, ensuring its compliance with the relevant laws and regulations, and reporting any suspicious activity to the appropriate authorities¹². The compliance officer should have sufficient authority, resources, and expertise to perform these duties effectively.

Anti-Money Laundering (AML) | FINRA.org¹

Anti-Money Laundering Program and Suspicious Activity Reporting Requirements For Insurance Companies Frequently Asked Questions | FinCEN.gov²

QUESTION NO: 21

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

- A. The institution should close the account due to the obvious risk it represents
- B. The institution should keep the account open due to the need to continue to monitor the

account

C. The institution should consult its counsel and AML compliance officer and determine whether closing the account is in accord with the institution's procedures

D. The institution should not close the account due to the risk of tipping off the customer and upsetting the criminal investigation

Answer: C

According to the ACAMS Study Guide, 6th Edition, page 184, "The decision to close an account should be made in consultation with the institution's legal counsel and AML compliance officer, and in accordance with the institution's policies and procedures." Closing an account may not always be the best option, as it may trigger the customer's suspicion, interfere with law enforcement investigations, or expose the institution to legal risks. Therefore, the institution should carefully weigh the pros and cons of closing an account, and follow its own internal guidelines.

ACAMS Study Guide, 6th Edition, page 184

What steps should the institution take? - Exam4Training

Suspicious Transaction Report (STR) / Suspicious Activity Report (SAR) | AML-CFT

QUESTION NO: 22

Which of the below would be relevant money laundering red flags for life insurance companies? (Select Two.)

A. Paying premium several years in advance and terminating early for a refund

B. Natural persons having more than one insurance policy

C. High-premium life insurances that provide high payouts

D. Regularly switching policies and accepting penalties

E. Beneficiary payouts to elderly people

Answer: A,D

* Paying premium several years in advance and terminating early for a refund (A): "A typical red flag is when a policyholder pays large premiums up front and then seeks early termination to receive a refund. This can be used to launder illicit funds by integrating them into the financial system and then retrieving 'clean' money." (CAMS 6th Edition, Life Insurance ML/TF Risks; FATF Guidance for a Risk-Based Approach for the Life Insurance Sector)

* Regularly switching policies and accepting penalties (D): "Frequent changes in insurance policies or products, even at a financial loss, are considered suspicious. This may indicate an attempt to obscure the money trail or integrate illicit proceeds." (CAMS 6th Edition, ML/TF Red Flags in Life Insurance) Incorrect Options:

* B: Having multiple policies is common and not itself a red flag.

* C: High premiums/payouts are not inherently suspicious.

* E: Beneficiary payouts to elderly people are not ML/TF red flags.

References:

CAMS 6th Edition, Life Insurance Red Flags

FATF Guidance for a Risk-Based Approach for the Life Insurance Sector

QUESTION NO: 23

In addition to monitoring for suspicious activity, what are electronic monitoring systems also valuable for?

- A. Identifying how customers are using products
- B. Highlighting the skills of the system analysts
- C. Proving to the Board of Directors that the FIU is doing its job
- D. Meeting mandatory regulatory requirements for system implementation

Answer: D

"Transaction Monitoring Systems and Ongoing Monitoring: Since the transactional monitoring system is key to mitigating ML risk within the bank, the Committee recognizes that AML risks require more than just appropriate policies and procedures; banks must have adequate and appropriate monitoring systems. For most banks, this will involve an IT monitoring system. If the bank does not believe it needs an IT monitoring system, it should document the rationale for why it does not need one.

QUESTION NO: 24

Which activity is most likely to facilitate money laundering through on-line banking systems with inadequate controls?

- A. Conducting a large volume of transactions
- B. Providing continuous worldwide access
- C. Conducting anonymous transactions
- D. Conducting large value transactions

Answer: C

Conducting anonymous transactions is the most likely activity to facilitate money laundering through online banking systems with inadequate controls. Anonymous transactions allow money launderers to hide their identity, source and destination of funds, and the purpose of their transactions from the authorities and the financial institutions. Online banking systems that do not have proper KYC, customer due diligence, and transaction monitoring controls are vulnerable to being exploited by money launderers who can use various techniques, such as encryption, proxy servers, virtual currencies, prepaid cards, and online gambling, to conduct anonymous transactions¹²³.

ACAMS CAMS Certification Study Guide, 6th Edition, Chapter 2, page 40-41, 43-44 ACAMS CAMS Certification Video Training Course, Module 2, Lesson 2.4, Money Laundering Using New Payment Methods

- 1, Fighting money laundering in the age of online banking, virtual currencies and internet gambling | ERA Forum
- 2, Financial crime risk management in digital payments | McKinsey
- 3, The Relationship Between Digital Banking and Financial Crime

QUESTION NO: 25

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? (Select Two.)

- A. Review the client's activity, determine if suspicious activity exists, and report accordingly.
- B. Advise the LEA that the government needs to be contacted for extradition.
- C. Comply immediately with the foreign jurisdiction and turn over all client information.

- D. Inform local LEA and regulator of the request for awareness.
- E. Close the clients accounts immediately to avoid any undue risk.

Answer: A,D

According to the Certified Anti-Money Laundering Specialist (the 6th edition), the financial institution (FI) should take the following actions:

- A). Review the client's activity, determine if suspicious activity exists, and report accordingly. The FI should assess the risk of the situation and determine if there is any suspicious activity that needs to be reported to the appropriate authorities. This would involve conducting a review of the client's account activity and transactions to determine if there are any indicators of money laundering or terrorist financing.
- D). Inform local LEA and regulator of the request for awareness. The FI should inform the local law enforcement agency and regulator of the request from the foreign jurisdiction to raise awareness of the situation and determine if any further actions need to be taken.

QUESTION NO: 26

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

Answer: A

The compliance officer should perform the first step of reviewing the institution's risk assessment before implementing any changes to the customer onboarding program. The risk assessment is a key component of the AML compliance program, as it identifies and measures the institution's exposure to money laundering and terrorist financing risks. The risk assessment should be updated regularly and reflect the institution's products, services, customers, geographic locations, and delivery channels. By reviewing the risk assessment, the compliance officer can determine the adequacy and effectiveness of the current customer onboarding program and identify any gaps or weaknesses that need to be addressed. The compliance officer can also benchmark the institution's risk assessment against the regulatory expectations and best practices in the industry.

The other steps are also important, but they should be performed after the risk assessment review. Revising training materials for frontline staff, conducting enhanced due diligence on high risk customers, and resolving substantive discrepancies in customer verification are all part of the customer onboarding program, but they depend on the risk assessment to provide the appropriate level of controls and procedures. For example, the training materials should reflect the risk assessment results and the revised customer onboarding policies. The enhanced due diligence should be applied to customers who pose a higher risk according to the risk assessment criteria. The customer verification should be consistent with the risk assessment and the customer identification program.

AML KYC Onboarding Lifecycle Process Flow | Guide - AdvisoryHQ

New EBA AML Guidelines on the use of Remote Customer Onboarding Solutions - Bird &

Bird KYC Onboarding Process 2023 - AML requirements - Sumsb Review of any AML/CF T program begins with the Risk Based Approach. It should first check the internal system to identify risk factors and design program accordingly.

QUESTION NO: 27

A large financial institution (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. Cash-intensive businesses risks
- D. Anonymous transactions risks

Answer: A

A). Geographic risks should be used to identify the priority of the FI in this scenario. According to the CAMS Manual (6th Edition), "Geographic risk refers to the possibility that the location of a customer, transaction, or product may increase the likelihood of money laundering or terrorist financing because of weak or nonexistent AML/CFT controls" (p. 59). In this scenario, the expansion to an area of the world with weak AML laws would increase the FI's geographic risk.

Reference: Certified Anti-Money Laundering Specialist (the 6th edition), Section 3.2.3 Geographic Risks, p. 59.

QUESTION NO: 28

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

Answer: C

When a high volume of incoming wire transfers generates an alert about a client and the funds are immediately debited by cash withdrawals and outgoing wire transfers, the first information that should be reviewed to investigate this alert/case is the customer's account activity. This is because the account activity can reveal the origin, destination, purpose, frequency, and amount of the wire transfers, as well as any unusual or inconsistent patterns that may indicate money laundering or fraud. The account activity can also help to compare the wire transfers with the customer's profile, risk rating, expected behavior, and source of funds.

Reviewing the account activity can help to determine if the alert is a false positive or a true positive, and if further investigation or reporting is required.

References:

CAMS Study Guide, 6th Edition, Chapter 4, Section 4.3.2, p. 1251

Investigating Alert/Case of High Volume Wire Transfers | CAMS Exam Prep2 Wire Transfer Red Flags: Money Laundering & Fraud Risks - Alessa3

QUESTION NO: 29

After evaluating recent changes to international standards, an anti-money laundering specialist should consider enhanced due diligence on accounts held by

1. lawyers.
2. foreign exchange dealers.
3. retail account holders.
4. precious metal dealers.

A. 1, 2, and 3 only

B. 1, 2, and 4 only

C. 1, 3, and 4 only

D. 2, 3, and 4 only

Answer: B

Enhanced due diligence (EDD) is a higher level of customer due diligence that is required for customers or accounts that pose a higher risk of money laundering or terrorist financing.

According to the FATF Recommendations, EDD measures may include obtaining additional information on the customer, the beneficial owner, the intended nature and purpose of the business relationship, the source and destination of funds, and the reasons for transactions. EDD is also required for customers or accounts that are from or in countries that do not have adequate AML/CFT systems or are subject to sanctions or embargoes.

Among the four categories of customers or accounts listed in the question, lawyers, foreign exchange dealers, and precious metal dealers are considered as high-risk by the FATF and other international standards, and therefore require EDD. Lawyers may be involved in transactions that conceal the origin or ownership of illicit funds, such as creating shell companies, trusts, or foundations. Foreign exchange dealers may facilitate the movement of illicit funds across borders or jurisdictions, or provide anonymous or pseudonymous services. Precious metal dealers may deal with high-value goods that are easily convertible into cash, or may be used to launder proceeds of crime or evade sanctions.

Retail account holders, on the other hand, are generally considered as low-risk customers or accounts, unless they exhibit unusual or suspicious behavior or transactions. Therefore, they do not require EDD by default, but only when there are specific indicators of higher risk.

[ACAMS Study Guide for the CAMS Certification Examination, 6th Edition], Chapter 3: Compliance Standards for Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT), pp. 75-76, 79-80.

FATF Guidance on Correspondent Banking Services, October 2016, pp. 7-8, 12-13.

Customer Due Diligence - Overview, Federal Financial Institutions Examination Council, April 2018, pp. 1-2, 5-6.

Customer due diligence, The Law Society, accessed on February 9, 2024.

Anti-Money Laundering (AML) Source Tool for Broker-Dealers, U.S. Securities and Exchange Commission, May 16, 2022, pp. 1-2, 5-6.

QUESTION NO: 30

The degree of attraction that a company holds to criminal organizations is influenced by the (Select Two.)

- A. amount of annual fees associated with the jurisdiction.
- B. permissibility of bearer shares.
- C. rules governing the disclosure of beneficial ownership by the jurisdiction.
- D. ease of travel to the jurisdiction.

Answer: B,C

The susceptibility of a company or jurisdiction to ML/TF abuse is significantly increased by:

* Permissibility of bearer shares (B): "Bearer shares make it easy to hide ownership and control, presenting a major risk for misuse by criminals." (CAMS 6th Edition, Beneficial Ownership and Company Transparency)

* Rules governing the disclosure of beneficial ownership by the jurisdiction (C): "Weak requirements or loopholes in beneficial ownership disclosure are frequently exploited to conceal criminal involvement in corporate structures." (CAMS 6th Edition, Chapter: Legal Persons and Arrangements) Incorrect Options:

- * A: High or low fees are not a significant ML/TF risk driver.
- * D: Ease of travel is unrelated to ML/TF risk related to company structures.

References:

CAMS 6th Edition, Beneficial Ownership and Transparency
FATF Recommendations 24, 25

QUESTION NO: 31

An anti-money laundering expert is hired by a new Internet bank to assess the money laundering threat to the bank. Because it is an online bank the most important recommendation for the expert to make is that the bank

- A. limit the amount which can be processed per transaction.
- B. ensure that prospective new customers can be properly identified.
- C. set up automated programs to analyze transaction for money laundering activity.
- D. ensure that a firewall is set up to protect the transactions.

Answer: B

One of the main challenges and risks for online banks is the verification of customer identity and the prevention of identity fraud. Online banks are more vulnerable to money laundering and terrorist financing because they do not have face-to-face contact with their customers and may rely on third-party sources or digital methods to verify customer information.

Therefore, the most important recommendation for the anti-money laundering expert to make is that the online bank ensures that prospective new customers can be properly identified and that their identity documents and information are verified using reliable and independent sources. This is also in line with the international standards and best practices for anti-money laundering and counter-terrorist financing, such as the FATF Recommendations, the Basel Committee on Banking Supervision principles, and the EU's Fifth Anti-Money Laundering Directive¹²³ The other options are less important or less effective than ensuring customer identification. Limiting the amount that can be processed per transaction may reduce the exposure to large-scale money laundering, but it does not prevent the use of multiple

transactions or accounts to launder smaller amounts. Setting up automated programs to analyze transactions for money laundering activity may enhance the detection and reporting of suspicious transactions, but it does not address the root cause of money laundering, which is the concealment of the source and ownership of illicit funds. Ensuring that a firewall is set up to protect the transactions may improve the security and confidentiality of the online banking system, but it does not prevent the misuse of the system by money launderers who have legitimate access to the system¹²³

1: Anti-Money Laundering Guide for Digital Banks by sanctions.io, 2022

2: The fight against money laundering: Machine learning is a game changer by McKinsey, 2021

3: FATF Guidance on Digital Identity, 2020

QUESTION NO: 32

A bank is preparing for a regulatory exam after a previous regulatory exam identified weaknesses in its AML program. Since the last exam, the bank has:

Improved its written AML program

Hired an experienced AML compliance officer

Demonstrated a stronger culture of compliance

Focused on clearing its transaction monitoring case backlog and enhancing its sanctions screening program Which of the following are correct? (Select Two.)

- A. The bank is likely to face secondary sanctions from global financial institutions despite addressing many of the previous concerns.
- B. The bank is protected from reputational risk arising from any regulatory action because regulatory orders must remain confidential.
- C. The bank may face the risk of regulatory orders to remediate its AML program despite addressing many of the previous concerns.
- D. The bank may face civil or criminal penalties if it is unable to demonstrate sustained improvement in addressing the previous concerns.
- E. The regulatory agency may require the bank's board of directors to publicly share the actions taken to address the previous concerns in order to limit its reputational risk.

Answer: C,D

Regulatory exams assess whether financial institutions comply with AML/CFT laws and have adequately addressed previous deficiencies.

Option C (Correct): Regulators may still issue remediation orders if the bank's improvements do not fully resolve prior AML compliance gaps.

Option D (Correct): If deficiencies persist, regulators may impose civil or criminal penalties.

Why Other Options Are Incorrect:

Option A (Incorrect): Secondary sanctions typically apply to institutions violating international sanctions laws, not AML program deficiencies.

Option B (Incorrect): Regulatory orders are not always confidential-major enforcement actions may be publicly disclosed.

Option E (Incorrect): Boards are responsible for AML oversight but are not always required to disclose corrective actions publicly.

Best Practices for Addressing AML Exam Findings:

Document all remediation efforts with clear implementation timelines.

Demonstrate a culture of compliance through leadership and training.
Ensure sustained improvements, not just short-term fixes.

Reference:

FATF Recommendation 18 (AML Compliance & Internal Controls)
Basel Committee's Guidelines on Regulatory Compliance in AML
OCC and FinCEN Enforcement Actions on AML Deficiencies

QUESTION NO: 33

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

According to the ACAMS study guide, one of the red flags for money laundering in crowdfunding platforms is "projects that are fully funded within a very short period of time, especially if the funding comes from a small number of donors or from a single donor" (p. 222). This could indicate that the project is a front for laundering illicit funds or financing terrorism. The other options are not necessarily indicative of money laundering risk, as they could be explained by legitimate factors such as the popularity, urgency, or ambition of the project.

ACAMS. (2020). Study Guide for the Certification Examination for Anti-Money Laundering Specialists (6th ed.). Miami, FL: ACAMS.

ESMA. (2015) Questions and Answers: Investment-based crowdfunding and money laundering/terrorist financing 1. Paris, France: ESMA.

QUESTION NO: 34

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

Answer: B

If an employee of a financial institution is found to have assisted in money laundering or any other criminal activity, the institution should take appropriate disciplinary action and report the employee to the relevant authorities. This is not only a legal obligation, but also a sound compliance practice to protect the institution's reputation and integrity. Disciplining the employee without informing the authorities would be insufficient and potentially expose the institution to further legal risks. Ignoring the employee's involvement or requiring additional

training for all employees would be ineffective and inappropriate responses.

ACAMS CAMS Certification Package - 6th Edition, Chapter 5: Compliance Standards for Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT), pp. 121-1221

ACAMS CAMS Certification Package - 6th Edition, Chapter 6: AML Compliance Program, pp. 143-1441

ACAMS CAMS Certification Video Training Course, Module 5: Compliance Standards for Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT), Lesson 5.2: International Standards and Best Practices²

ACAMS CAMS Certification Video Training Course, Module 6: AML Compliance Program, Lesson 6.4:

Internal Controls²

QUESTION NO: 35

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

Answer: C

Under the USA PATRIOT Act, a U.S. bank that maintains a correspondent account for a foreign bank operating under an offshore license must obtain from the foreign bank the name and address of a person residing in the United States who is authorized to accept service of legal process for records related to the correspondent account¹. This requirement is intended to facilitate the U.S. authorities' access to information and records regarding the correspondent account and its underlying transactions, especially in cases where the foreign bank is located in a jurisdiction that does not cooperate with U.S. law enforcement or regulatory requests².

USA PATRIOT Act, Section 319(b)(2)(A)¹

ACAMS, CAMS Examination Study Guide, 6th Edition, Chapter 5, pp. 151-152

Reference: https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/CBDDQ-Capacity-Building/Wolfsberg%27s_CBDDQ_Capacity_Building_Guidance_Final%20V1.1.pdf