

ACAMS

Exam CAMS

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

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[Total Questions: 509]

Topic break down

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Topic 1, Exam Pool A

Question No : 1 - (Topic 1)

What does designating a country as being of “prime money laundering concern” allow the U.S. government to do?

- A.** Obtain transactional information from U.S.-owned subsidiary banks located outside the U.S.
- B.** Close some or all correspondent or payable-through accounts
- C.** Ensure the inclusion of that country onto FATF’s Non-Cooperative Country and Territory list
- D.** Ensure the inclusion of that country into the office of Foreign Asset Control country sanctions programs

Answer: C

Question No : 2 - (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

Answer: C

Question No : 3 - (Topic 1)

A branch manager for a small community bank has a new customer who deposits for 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

Answer: D

Question No : 4 - (Topic 1)

How can a financial institution verify the nature and purpose of a business and its legitimacy?

- A. By reviewing a copy of the corporation's latest audited reports and accounts
- B. By undertaking a company search or other commercial inquiries to see that the institution has not been, or is not in the process of being dissolved or terminated
- C. By reviewing the company's website
- D. By using an independent information verification process, such as by accessing public and private databases

Answer: D

Question No : 5 - (Topic 1)

Which three procedures should a compliance officer looking to revise an institution's CTF efforts include in accordance with the Wolfsberg Group's Statement on the Suppression of the Financing of Terrorism?

- A. Consulting applicable lists and taking appropriate actions to determine if customers appear on such lists
- B. Reporting matches from lists of known or suspected terrorists to relevant authorities
- C. Maintaining customer information to facilitate timely retrieval of such information
- D. Reviewing only original identification documents when verifying customers

Answer: A,B,C

Explanation:

UNUSUAL CUSTOMER IDENTIFICATION CIRCUMSTANCES

- Customer furnishes unusual or suspicious identification documents or declines to produce originals for verification."

Question No : 6 - (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

Answer: C

Question No : 7 - (Topic 1)

A businessman requests a European private bank to open a numbered or alternate name account. According to the Basel Committee on Banking Supervision principles, which of the following is the most important question the banker should ask?

- A. Who will control the account?
- B. Who will inherit the proceeds in the event of the businessman's death?
- C. How much money will be deposited into the account?
- D. What account-opening date should I record'!

Answer: B

Question No : 8 - (Topic 1)

Why are Money Services Business (MSBs) frequently accused of being high risk for money laundering?

- A. A MSB should be used to hide money from a regulated entity
- B. MSBs generally charge lower commission rates than banks charge making them attractive to criminals
- C. MSBs can route funds to more high risk countries than banks
- D. MSBs are subject to regulatory scrutiny which varies greatly from country to country

Answer: B

Question No : 9 - (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

Answer: D

Question No : 10 - (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

Answer: C

Reference: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32018L0843&from=EN>

Question No : 11 - (Topic 1)

A suspicious transaction report filed on a car dealer structuring deposits initiates a criminal investigation. The dealer changes branches and begins placing transactions with a frontline

employee to whom the dealer has given numerous gifts.

This employee handles all of the dealer's structured deposits and does not report the suspicious activity internally.

The competent authority has advised the anti-money laundering specialist to avoid tipping off the employee until the investigation is finalized.

What action should the specialist take next?

- A. Recommend the immediate termination of the employee.
- B. Advise that the dealer's accounts should be closed.
- C. Consult with senior management and the legal advisor.
- D. Inform the institution's regulatory agency of the situation.

Answer: D

Question No : 12 - (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

Answer: A,C

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

Question No : 13 - (Topic 1)

In general, what is an element that a financial institution or business does not have to specifically address in an anti-money laundering program?

- A. A system of internal policies, procedures and controls
- B. A designated compliance officer with day-to-day oversight over the AML program
- C. An ongoing employee training program
- D. A description of its OFAC program to address government watch list screening

Answer: D

Question No : 14 - (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.

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

Answer: C

Question No : 15 - (Topic 1)

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

Answer: B

Question No : 16 - (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

Answer: B

Explanation:

Evaluating the risk scoring model and conducting the risk assessment itself may need to be performed annually, every eighteen to twenty-four months, before the launch of a new product, or when an acquisition of another financial institution occurs.

Reference: [https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/faqs/17.%20Wolfsberg-Risk-](https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/faqs/17.%20Wolfsberg-Risk-Assessment-FAQs-2015.pdf)

[Assessment-FAQs-2015.pdf](https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/faqs/17.%20Wolfsberg-Risk-Assessment-FAQs-2015.pdf) (10)

Question No : 17 - (Topic 1)

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.

Answer: A

Explanation:

https://www.naic.org/documents/committees_d_antifraud_meetingcc_faqsinsurance_103105.pdf

Question No : 18 - (Topic 1)

When creating an anti-money laundering program for a foreign bank with branches in the United States, which of the following are included among the four minimum elements required under the USA PATRIOT Act?

1. The development of a Know Your Customer program.
2. An ongoing employee training program.
3. The designation of a compliance officer.
4. An independent audit function to test the program.

- 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

Question No : 19 - (Topic 1)

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

Answer: C

Reference: <https://www.acams.org/aml-resources/eu-fourth-aml-directive/>

Question No : 20 - (Topic 1)

An offshore company is owned by four equal partners that reside in separate jurisdictions. One partner presents an authenticated power of attorney apparently executed by the remaining three partners in his favor and requests that a bank account be opened on behalf of all partners. He needs this done quickly because there is a large deposit pending. The account-opening officer contacts the bank's anti-money laundering officer for advice. Which of the following should the anti-money laundering officer advise as an initial step?

- A. Verify the identity of all the partners.
- B. Verify the source of the deposit.
- C. File a suspicious transaction report with the appropriate Financial Intelligence Unit.
- D. File a suspicious transaction report with the Egmont Group.

Answer: C

Question No : 21 - (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

Answer: B

Explanation:

Undermining the Legitimate Private Sector: One of the most serious microeconomic effects of money laundering is felt in the private sector. Money launderers are known to use front companies: businesses that appear legitimate and engage in legitimate business but are in

fact controlled by criminals who commingle the proceeds of illicit activity with legitimate funds to hide the ill-gotten gains. These front companies have a competitive advantage over legitimate firms as they have access to substantial illicit funds, allowing them to subsidize products and services sold at below market rates. This makes it difficult for legitimate businesses to compete against front companies. Clearly, the management principles of these criminal enterprises are not consistent with traditional free market principles, which results in further negative macroeconomic effects

Reference: <http://people.exeter.ac.uk/watupman/undergrad/rtb/effects2.htm>

Question No : 22 - (Topic 1)

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

Question No : 23 - (Topic 1)

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.

Answer: A

Question No : 24 - (Topic 1)

According to the Financial Action Task Force 40 Recommendations, Designated Non-Financial Businesses and Professionals include which entities?

- A.** Commodities traders
- B.** Money services businesses
- C.** Hawala operators
- D.** Real estate agents

Answer: D

Reference: [http://www.fatf-](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%20(approved%20February%202012)%20reprint%20May%202012%20web%20version.pdf)

[gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%20\(approved%20February%202012\)%20reprint%20May%202012%20web%20version.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%20(approved%20February%202012)%20reprint%20May%202012%20web%20version.pdf) (page 19, DNFBPs: customer due diligence, bulleted point (b))

Question No : 25 - (Topic 1)

Which of the following provides anti-money laundering specialists information related to money laundering trends?

1. Egmont Group's 100 Cases
2. Financial Action Task Force Typologies
3. FinCEN's SAR Activity Review
4. The Wolfsberg Principles

- 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: C

Question No : 26 - (Topic 1)

Transfers of money over the last 6 months to a corporation in a jurisdiction with strict secrecy laws triggered an alert. Which of the following should cause the most suspicion of money laundering?

- A. The jurisdiction is a known tax haven.
- B. The company has bearer shares.
- C. The corporation director is a European citizen.
- D. No financial statements have been filed for 3 years.

Answer: A

Question No : 27 - (Topic 1)

In many jurisdictions, financial institutions are prohibited from hiring a person who has been convicted of what type of offense?

- A. Kidnapping
- B. Offenses involving dishonesty
- C. Driving while under the influence
- D. Protests of government action

Answer: B

Reference: http://www.capitol.hawaii.gov/hrscurrent/vol07_ch0346-0398/HRS0378/HRS_0378-0003.htm (See 9th point)

Question No : 28 - (Topic 1)

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

- A. Representing a client court
- B. Understanding 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

Answer: C,D,E

Explanation:

<https://www.ojp.gov/pdffiles1/Digitization/119840NCJRS.pdf>

Question No : 29 - (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

Answer: B,C

Reference: <https://www.sec.gov/about/offices/ocie/amlsourcetool.htm>

Question No : 30 - (Topic 1)

In the summer, an institution identifies anti-money laundering concerns regarding a customer's account

activity. The customer, an ice cream, 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

Answer: B,D

Question No : 31 - (Topic 1)

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.

Answer: B,D

Reference: <https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/faqs/20.%20Wolfsberg-FAQs-on-Intermediaries-May-2012.pdf> (2)

Question No : 32 - (Topic 1)

According to the European Union Money Laundering Directives, "knowledge, intent or purpose" required as an element for money laundering may be inferred from

- A. Objective factual circumstances.
- B. Subjective factual circumstances.
- C. Objective non-factual circumstances.
- D. Subjective non-factual circumstances.

Answer: C

Question No : 33 - (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

Answer: A,D

Question No : 34 - (Topic 1)

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

Answer: B

Reference: https://www.treasury.gov/resource-center/faqs/Sanctions/Documents/faq_all.html

"Who must comply with OFAC regulations? U.S. persons must comply with OFAC regulations, including all U.S. citizens and permanent resident aliens regardless of where they are located, all persons and entities within the United States, all U.S. incorporated entities and their foreign branches. In the cases of certain programs, foreign subsidiaries owned or controlled by U.S. companies also must comply. Certain programs also require foreign persons in possession of U.S.-origin goods. please refer to: <https://home.treasury.gov/policy-issues/financial-sanctions/frequently-asked-questions/ofac-consolidated-frequently-asked-questions>

Question No : 35 - (Topic 1)

According to the Financial Action Task Force 40 Recommendations, Designated Non-Financial Businesses and Professions include

- A. commodities traders.
- B. money services businesses.
- C. hawala operators.
- D. real estate agents.

Answer: D

Explanation:

These designated nonfinancial businesses and professions (DNFBPs) include — casinos when customers engage in financial transactions equal to or above a designated threshold..... — real estate agents when they are involved in transactions for clients

concerning buying and selling properties; — dealers in precious metals and stones when they engage in any cash transaction with a customer at or above a designated threshold; — lawyers, notaries and independent legal professionals and accountants when they prepare or carry out transactions for clients concerning buying and selling real estate;; and — trust and company service providers when they prepare or carry out transactions for a client concerning certain activities

Question No : 36 - (Topic 1)

A European Union (EU) bank has a correspondent banking relationship with a U.S. bank. Under USA PATRIOT Act Section 311, the U.S. government has enacted special measures against a designated entity that has a payable-through account with the EU bank. Which of the following actions might the U.S. bank be required to take regarding the EU bank's services for the designated entity?

- A. Ensure the designated entity's confidential information is not shared with other entities.
- B. Obtain additional information about customers permitted to use this account.
- C. Verify that the EU bank serves the designated entity.
- D. Perform enhanced due diligence on the EU bank.

Answer: C

Question No : 37 - (Topic 1)

Which of the following reflect money laundering risk indicators in relation to a securities account?

1. A high level of activity in that securities account immediately followed by a high volume of securities transactions.
2. Frequent wire transfers into an account immediately followed by debit card transactions.
3. Frequent wire transfers into an account immediately followed by checks (cheques) or other payment instruments drawn on the account.

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2, and 3

Answer: C

Question No : 38 - (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

Answer: A,D

Question No : 39 - (Topic 1)

What are two requirements of United States financial institutions when conducting business with an

international 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