

ACAMS CAMS Exam

Volume: 225 Questions

Question No: 1

Which of the following is not an example of layering

- A. Using cash deposited in a bank account to purchase an asset
- B. Exchanging cash for a monetary instrument
- C. Using an inbound wire transfer to purchase an asset
- D. Using an inbound wire transfer to purchase a monetary instrument

Answer: B

Explanation:

This answer uses physical cash to purchase an asset, and is a feature of placement. All other answers use money that is already in the financial system and are thus examples of layering

Question No: 2

What are key effects of money laundering on countries? Choose three.

- A. Reputation risk
- B. Losing control of regulatory policy
- C. Being forced into adverse fiscal policies
- D. Losing control of monetary policy

Answer: A, C, D

Explanation:

Counties can suffer reputational risk if they are known as a haven for money laundering, they may be forced to make adverse fiscal (tax and budget) policy to compensate for the tax revenue lost to criminal laundering, and they may lose control of monetary policy as currency flows are directed by launderers out of the country. The country should use regulatory policy to enforce antimoney laundering.

Question No: 3

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Risks of correspondent banking include the following. Choose three.

- A. The effectiveness of the regulatory regime may be unknown
- B. The ultimate customers are at arms length
- C. The USA Patriot Act did not address correspondent banking risks
- D. The volumes of transactions are high

Answer: A, B, D

Explanation:

While the regulatory regime may be known, the effectiveness of that regime on any one institution may be difficult to assess beyond standard checklists. The arms-length nature of correspondent banking means that customer due diligence of the ultimate customer is difficult or impossible, and the transaction volumes are high, so suspicious transactions are hidden in the noise.

Question No: 4

Which of the following are most vulnerable to the placement stage of money laundering? Choose two.

- A. Purchasing diamonds
- B. Overpaying a credit card balance
- C. Obtaining cashiers cheques
- D. Internet casinos

Answer : A, C

Explanation:

Gem stones and cashiers cheques can be purchased using cash, making them vulnerable to placement. Credit cards and internet casinos do not usually allow cash payments, and so are less likely to be used as part of the placement phase.

Question No: 5

Which of the following describes a payable through account.

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- A. A numbered account where the customer is unknown
- B. A correspondent account that can be used directly by the respondent's customers without the respondent's oversight
- C. Internal bank accounts used to assist in the settlement and processing of customer transactions. Also known as omnibus, settlement, or collection account.
- D. A system where a bank offers accounts to another bank to enable it to perform transactions in a location where it does not have a physical presence

Answer: B, C

Explanation:

describes a concentration account, D is a correspondent account, A is numbered account

Question No: 6

What is a risk of concentration accounts?

- A. the underlying customer identification can be lost
- B. comingling of clean and dirty funds can occur
- C. customers may be unaware they are using them
- D. confidentiality and secrecy between client and banker

Answer: A

Explanation:

the internal accounts used by the bank may be set up so that the audit trail is lost when they are used. The other answers are not relevant risks to the use of concentration accounts

Question No: 7

What are two risks associated with private banking?

- A. The area was not covered by the Wolfsburg group
- B. politically exposed persons
- C. Private investment companies

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D. Lack of competition

Answer: B, C

Explanation:

Politically exposed persons (PEPs) use private banking, and may have access to funds derived from embezzlement or bribes. Wealthy users of private banking often use private investment companies (PICs) to manage their wealth which may hide the beneficial owners. The Wolfsburg group did cover private banking, and there is intense competition in private banking, making those answers incorrect.

Question No: 8

Which of the following is a correct statement?

- A. smurfs travel from bank to bank withdrawing cash from ATMs
- B. smurfing is a way to avoid triggering a currency reporting threshold
- C. smurfs are dead people who's accounts have been taken over by money launderers
- D. smurfing requires an insider at a financial institution

Answer: B

Explanation:

Smurfing is used to deposit cash at a financial institution below the reporting threshold. A is incorrect because smurfs deposit cash, rather than withdrawing it. C is incorrect, smurfs often use accounts set up using dead peoples identities, but the term does not refer to them. D is incorrect because this is relates to cuckoo smurfing

Question No: 9

Which one of the following might indicate microstructuring?

- A. converting \$800 of travellers cheques to a wire transfer
- B. using counter deposit slips
- C. large cash deposits
- D. using cash to purchase a gold ingot

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Answer: B

Explanation:

Microstructuers often use counter deposit slips as they make many small cash deposits and will have insufficient pre-printed paying in slips. A is incorrect as there is no cash involved, C&D both mention either large cash amounts, or expensive items which would not indicate microstructuring, which uses small amounts of cash, typically under \$1000.

Question No: 10

Cuckoo smurfing features which three of the following?

- A. An unwitting bank account owner
- B. An insider in a financial institution
- C. An accomplice in a foreign country who deposits cash
- D. Concentration of funds

Answer: A, B, C

Explanation:

Although the remitter is expecting funds to be sent via an international wire transfer, in a cuckoo smurfing situation, an accompanied in a financial institution diverts it elsewhere. The funds are instead deposited as dirty cash by an accomplice in a foreign country into the unwitting recipient's bank account. There is no concentration of funds as this would cause a discrepancy between the remittance and receipt which would raise the alarm.

Question No: 11

What is the best way to guard against the risk of money laundering by bank staff?

- A. Ensure that key staff are registered with the regulator
- B. Ensure segregation of duties for all tasks
- C. Conduct initial and ongoing criminal background checks
- D. Ensure managers review staff work periodically

Answer: C

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Explanation:

All of these are methods to guard against money laundering risks, however not all of them are effective. Registering staff with the regulator is not possible in all jurisdictions, and may only cover senior roles not all roles that might be at risk of money laundering, segregation of duties is effective, but would not be practical for all tasks, reviewing work periodically may be effective, but would very much depend on the depth and scope of the review.

The most effective method is to conduct initial and ongoing criminal background checks.

Question No: 12

Why are credit unions (building societies) vulnerable to money laundering?

- A. They are small in size
- B. They have high levels of cash transactions
- C. They offer complex products
- D. They are not regulated

Answer: B

Explanation:

These financial institutions are low risk because they are small, but they are vulnerable because of the level of cash transactions. They do not usually offer complex products, and they are regulated.

Question No: 13

At which stages of money laundering are credit cards used? Choose two.

- A. Layering
- B. Structuring
- C. Integration
- D. Placement

Answer: A, C

Explanation:

Structuring and placement are methods of disposing of cash, which many credit cards do not

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permit. They are used for structuring and integration.

Question No: 14

Which of the following are money laundering risks at insurance companies? Choose two:

- A. Early cancellation capabilities of car insurance
- B. Salesmen are incentivised
- C. Underpaying insurance and requesting refunds
- D. Cancelling life policies during the 'free look' period

Answer: B, D

Explanation:

Salesmen that are incentivised may overlook their suspicions, and cancelling life insurance during the free look period enables the launderer to obtain a refund of clean money. Underpaying insurance does not lead to an excess cash balance and cancelling car insurance early would not lead to a large refund so is not a significant risk of money laundering.

Question No: 15

What is wash trading?

- A. The ability to launder funds using nominee accounts
- B. The inherent anonymity granted by many broker-dealers
- C. The use of offsetting trades to launder funds
- D. The trading of commodities

Answer: C

Explanation:

The use of two offsetting trades means that the market can move in either direction and the principle is safe. The loss of dirty money in one account is compensated by the creation of legitimate gains in another trading account. None of the other descriptions matches that of a wash trade.

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Question No: 16

Securities dealers are attractive to money launderers for the following reasons. Choose three:

- A. They have information that can be used for insider trading
- B. They use high speed wire transfers
- C. They have a competitive, commission-driven culture
- D. They use cash accounts that are not subject to banking AML controls

Answer: B, C, D

Explanation:

Broker dealers are not party to insider information. They do use wire transfers, which are useful to money launderers, the commission driven culture could cause sales staff to overlook the source of funds, and their cash accounts are not subject to the same level of AML oversight at banking accounts.

Question No: 17

Casinos and other gaming venues are attractive to money launderers for the following reasons. Choose three:

- A. They offer a plausible source of recently acquired wealth
- B. Gambles can be placed so that there is very little risk to capital
- C. The variety of gambling opportunities are useful at the integration stage
- D. Funds can be made available in different jurisdictions

Answer: A, B, D

Explanation:

C is incorrect because gaming venues offer a means to place cash, rather than integrate it. All of the other answers are correct.

Question No: 18

Which two of the following makes gold the most attractive to money launderers?

- A. It has high demand due to religious or cultural reasons

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- B. It can be used in the placement phase
- C. It can be easily melted down
- D. It can be used in the layering phase

Answer: B, D

Explanation:

Gold can be purchased for dirty cash, meaning it is useful in the placement phase. It can also be exchanged for cash or other items or physically handed to another person with little or no audit trail, making it useful in the integration phase. Although gold is in high demand and can be easily melted down, these are not the most useful features of gold to money launderers.

Question No: 19

Why are travel agents vulnerable to money launderers? Choose one.

- A. They sell hotel rooms in high risk destinations
- B. Hotels are frequented by politically exposed persons
- C. Refunds can be made to third parties
- D. They are listed in the FATF 40 recommendations

Answer: C

Explanation:

Expensive flights and hotels can be purchased for a third party, who can then request a refund of the cost.

Question No: 20

Vehicle sellers are susceptible to money laundering because of the following reasons. Choose three:

- A. They allow third party payments
- B. They sell high value items
- C. They allow down trading

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D. They allow partial down payments

Answer: A, C, D

Explanation:

They allow third party payments which can obscure the link between the asset and the source of the funds. They do sell high value items, but this in and of itself does not make the vehicle seller susceptible, so this is not a correct answer. They do allow down trading, with the difference available as a cheque made out from the dealer. They allow partial down payments which could be used for structuring.

Question No: 21

Lawyers are more useful in money laundering than company formation agents because of the following reason:

A. They have a client-attorney privilege

B. They can represent the launderer in court

C. They can create complex vehicles such as private investment companies

D. They can act as nominee shareholders, directors and secretaries

Answer: A

Explanation:

The attorney-client privilege means that some information cannot be released to law enforcement. While a lawyer does represent a client in court, this is not part of the money laundering process. Both lawyers and company formation agents can create complex vehicles and act as nominee, so these factors do not make lawyers more useful.

Question No: 22

Real estate is most often associated with which two of the following:

A. Layering

B. Placement

C. Integration

D. Structuring