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Certified Anti-Money Laundering Specialist (6th Edition)

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QUESTION NO: 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**Explanation:**

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

QUESTION NO: 2

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

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

ANSWER: B C**Explanation:**

<https://www.fincen.gov/resources/statutes-regulations/guidance/requests-law-enforcement-financial-institutions-maintain>

QUESTION NO: 3

Why should a financial institution (FI) require an update of its AML risk assessment?

- A. To identify risk considerations for sharing information based on FI changes
- B. To ensure an accurate reflection of the FI's money laundering and other illicit financial activity risks
- C. To satisfy law enforcement when reporting suspicious activity

D. To ensure the FI's alignment with the board-approved strategic plan

ANSWER: B

Explanation:

A financial institution should regularly update its AML risk assessment in order to ensure that the results of the assessment are accurate and reflect the current money laundering and other illicit financial activity risks that the institution may face. This helps to ensure the institution has a comprehensive understanding of the risks associated with its activities and can implement adequate controls and procedures as necessary.

QUESTION NO: 4

One of the red flags of microstructuring is:

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

ANSWER: D

Explanation:

Reference: <https://www.acamstoday.org/developing-terrorist-financing-typologies-for-aml-programs/>

QUESTION NO: 5

The owner of a real estate investment company deposits multiple cashier's checks that were bought using cash over a three-month period, from the sale of two apartments. This account also receives several electronic transfers from other financial institutions for 10,000 USD each. What activity is considered suspicious of money laundering?

- A. Using cash to buy multiple cashier's checks over a period of time
- B. Using cashier's checks in the transactions with the real estate investment company's account
- C. Performing operations with real estate investment companies
- D. Receiving electronic transfers for 10,000 USD amounts from other financial institutions

ANSWER: A

Explanation:

Using cash to buy multiple cashier's checks over a period of time is considered suspicious activity of money laundering. This method is commonly known as structuring, where individuals or entities use cash to buy multiple monetary instruments such as cashier's checks in small amounts, to avoid reporting requirements. This behavior could be an attempt to evade transaction monitoring and reporting requirements by a financial institution. Additionally, the fact that the account also

receives multiple electronic transfers for the same amount could be a red flag for money laundering as it is a common technique used to layer or disguise the origin of illicit funds.

Reference: Certified Anti-Money Laundering Specialist (the 6th edition) Study Guide, page 100-101.

QUESTION NO: 6

The new compliance officer has reviewed the bank's anti-money laundering training program. The program consists of online training for all new employees within 30 days of hire date and annual refresher training to all employees. In addition, there is specialized training for areas that deal with higher risk products and customers.

Over the last year, there have been no regulatory changes and no new products or services have been introduced. The compliance officer wants to propose to the board of directors that the annual refresher training is still current and can be delivered unchanged to all employees.

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

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

ANSWER: B C**QUESTION NO: 7**

A profitable commercial customer who operates an import-export business has multiple accounts with the same institution at branches in different locations. The customer receives funds from a jurisdiction perceived as highly corrupt according to Transparency International ratings. The customer makes frequent transfers among the accounts and prefers to manage the accounts separately. What should the institution do to mitigate the risk associated with these accounts?

- A. File a suspicious transaction report
- B. Diminish the importance of the subjective Transparency International rating
- C. Conduct a trade-price manipulation analysis
- D. Develop a system to monitor all the activity

ANSWER: A**QUESTION NO: 8**

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

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

ANSWER: C E

QUESTION NO: 9

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

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

ANSWER: D

Explanation:

Reference: [https://ro.uow.edu.au/cgi/viewcontent.cgi? referer=&httpsredir=1&article=4643&context=theses](https://ro.uow.edu.au/cgi/viewcontent.cgi?referer=&httpsredir=1&article=4643&context=theses) (93)

QUESTION NO: 10

According to the Basel Committee's principles on customer due diligence, a bank should:

- A. maintain systems to detect suspicious transactions based on a customer's velocity and volume patterns.
- B. refuse to conduct ongoing business with a customer who fails to provide proper identification documentation.
- C. obtain the information to establish the identity of a customer, beneficial owners, and any person acting on behalf of the customer,
- D. file a suspicious activity report when there is reason to believe the bank is being used for criminal activity.

ANSWER: C

Explanation:

According to the Basel Committee's principles on customer due diligence, banks must obtain the necessary information to establish the identity of their customers, beneficial owners, and any persons acting on behalf of their customers. This includes verifying the identity of the customer and the beneficial owners and assessing the customer's risk profile. Additionally, banks must conduct ongoing due diligence to ensure that the customer does not give rise to suspicions of money laundering or terrorist financing [1].

QUESTION NO: 11

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

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

ANSWER: A**Explanation:**

Reference: <https://www.fia.tc/wp-content/uploads/2018/04/FIA-SARGUIDE-0515-1.0.pdf>

QUESTION NO: 12

Which are essential elements of a KYC program identified by the Base1 Committee on Banking Supervision? (Select Two.)

- A. Internal control
- B. Customer acceptance policy
- C. Code of conduct
- D. Risk appetite
- E. Risk management

ANSWER: A C**QUESTION NO: 13**

A US casino customer has won 55,518 USD. The customer goes to the casino cashier cage to execute some transactions. Which ^transactions are an indicator of money laundering? (Select Two.)

- A. The customer transfers 100.000 USD to another personal bank account located outside the customer's resident country,
- B. The customer requests the cashing out of the winnings in checks under 10.000 USD.

- C. The customer transfers all the winnings to another personal bank account located outside the customer's resident country.
- D. The customer requests the cashing out of the winnings in a single check.
- E. The customer transfers 50.000 USD to another personal bank account located in the customer's resident country.

ANSWER: A B

Explanation:

These options involve transferring funds to another country, which could indicate cross-border movement of illicit funds, and cashing out winnings in checks under 10,000 USD, which could indicate structuring to avoid reporting thresholds. The other options do not seem as suspicious or relevant to money laundering.

QUESTION NO: 14

In the FATF 40 recommendations, the focus of AML efforts has been expanded beyond Financial Institutions. Which three businesses and/or professions are covered? Choose 3 answers

- A. casinos, when customers engage in financial transactions equal to or above a designated Threshold
- B. Real estate agents when they are involved in transactions for clients concerning buying and selling properties
- C. Dealers in art, when they engage in any cash transaction with a customer at or above a designated threshold
- D. Trust and company service providers

ANSWER: A B D

Explanation:

Expanded coverage of industries :

* 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; managing client money, securities or other assets; establishing or managing bank, savings or securities accounts; organizing contributions for the creation or management of companies; creating, operating or managing legal persons or arrangements and buying and selling businesses

* trust and company service providers when they prepare or carry out transactions for a client concerning certain activities

QUESTION NO: 15

Which are characteristics of Mutual Legal Assistance Treaties (MLATs)? (Select Three.)

- A. MLATs are neither public nor binding under international law.
- B. MLATs cannot be used for obtaining banking records from treaty partners.
- C. MLATs do not provide a legal basis for transmitting evidence.
- D. MLATs only involve two countries.

only involving two countries,

- E. MLATs cooperatively combat crime between countries.

cooperatively combating crime between countries, and

- F. MLATs are useful for gathering evidence and intelligence in a foreign country. MLATs are public and binding under international law (A), can be used for obtaining banking records from treaty partners (B), and provide a legal basis for transmitting evidence ©.

ANSWER: D E F**Explanation:**

Mutual Legal Assistance Treaties (MLATs) are characteristics of

D. only involving two countries,

E. cooperatively combating crime between countries, and

F. being useful for gathering evidence and intelligence in a foreign country. MLATs are public and binding under international law (A), can be used for obtaining banking records from treaty partners (B), and provide a legal basis for transmitting evidence ©.

QUESTION NO: 16

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

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

ANSWER: A

Explanation:

Reference: https://www.fmu.gov.pk/docs/AML_CFT_Guide_for_Accountants.pdf (30)

QUESTION NO: 17

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

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

ANSWER: A B

QUESTION NO: 18

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

Expeditious shipment of wood to far away jurisdictions,

- E. Use of heavy machinery in non-protected areas

Use of heavy machinery in non-protected areas, and

- F. Executive's association with politically exposed persons

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.

ANSWER: D E F

Explanation:

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: 19

Financial Intelligence Units (FIUs) are responsible for:

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

ANSWER: A**Explanation:**

Reference: https://knowledgehub.transparency.org/assets/uploads/helpdesk/Financial-Intelligence-Units_Design-Mandate-Powers_2019_PR.pdf

QUESTION NO: 20

The recommended way for a financial institution to respond to a request from a law enforcement agency is to:

- A. train all staff to enable them to respond to subpoenas.
- B. hand over documents that are protected by attorney-client privilege
- C. freeze the identified account immediately
- D. have an audit trail system to produce requested documentation

ANSWER: D**Explanation:**

Financial institutions are required by law to maintain records and documentation of customer transactions and to provide this information to law enforcement agencies upon request. However, financial institutions should also have policies and procedures in place to ensure that they comply with legal and regulatory requirements and protect customer privacy. Providing protected documents that are privileged under attorney-client privilege or freezing an account immediately may not be the appropriate response and may expose the financial institution to legal or reputational risks.

Reference: CAMS (6th ed.), Chapter 6, p. 261-262.