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Question: 1

A bank account is established for a new business customer. The business was established five years ago with an address in another state. The business website contains few details other than stating it is a real estate business.

One principal has an international telephone number and appears to be living in another country. The other principal works out of a recreational vehicle.

What warrants enhanced due diligence in this scenario?

- A. Shell company
- B. Human trafficker
- C. Politically exposed person
- D. Money laundering through real estate

Answer: D

Explanation:

Money laundering through real estate is a common method of disguising the source and ownership of illicit funds. Real estate transactions often involve large amounts of money, complex legal structures, and cross-border transfers, which can obscure the true nature and origin of the funds. The new business customer in this scenario raises several red flags that warrant enhanced due diligence, such as:

The business was established five years ago but has a vague website and no physical presence in the state where it is registered.

One of the principals has an international phone number and lives abroad, which could indicate a foreign shell company or a politically exposed person.

The other principal works out of a recreational vehicle, which could suggest a lack of legitimate business activity or income.

The business claims to be a real estate business, but does not provide any details about its projects, clients, or partners.

These factors suggest that the business may be involved in money laundering through real estate, either by purchasing properties with illicit funds, using properties to generate illegal income, or selling properties to launder money. Therefore, the financial institution should conduct enhanced due diligence to verify the identity, background, and source of funds of the business and its principals, as well as the purpose and nature of the account relationship.

Reference:

ACAMS Study Guide for the CAMS Certification Examination - 6th Edition, Chapter 2: Money Laundering Risks and Methods, pp. 46-47

Enhanced Due Diligence in Construction and Real Estate, by James Swenson, Ethixbase 360

Due Diligence & Legal Considerations in Commercial Real Estate, by Justia

Question: 2

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

Explanation:

According to the ACAMS CAMS Certification Video Training Course¹, one of the red flags for money laundering is “transferring funds to or from foreign countries or jurisdictions that are known to have weak anti-money laundering standards or are considered high-risk for money laundering or terrorist financing” (Module 2, Lesson 3, Part 2). This is also consistent with the suspicious activity report (SAR) criteria, which require financial institutions to report transactions that “involve funds derived from illegal activity or are intended or conducted to hide or disguise funds or assets derived from illegal activity” or “involve the use of the financial institution to facilitate criminal activity” (31 CFR § 1020.320(a)(2)).

Therefore, the customer’s request to transfer funds to accounts in three different foreign jurisdictions should be the focus of the SAR, as it may indicate an attempt to launder money or finance terrorism.

Reference:

ACAMS CAMS Certification Video Training Course

[31 CFR § 1020.320 - Reports by banks of suspicious transactions]

Question: 3

A government has instituted a new anti-money laundering laws which require all financial institutions to obtain certain information from its customers.

Which step should an institution located in this jurisdiction take to ensure compliance?

- A. Change procedures to require that the necessary information is obtained
- B. Change procedures and systems as necessary and provide employee training
- C. Send a notice to customers asking them to provide the necessary information
- D. Change systems to ensure the required information is automatically obtained from all customers

Answer: B

Explanation:

According to the CDD Rule, covered financial institutions must establish and maintain written procedures that are reasonably designed to identify and verify beneficial owners of legal entity customers and to include such procedures in their anti-money laundering compliance program¹. These

procedures should also be updated as necessary to reflect changes in the law or the institution's risk profile². Moreover, the institution should provide adequate training to its employees on the new requirements and monitor their compliance³.

Reference:

1: FinCEN Guidance, FIN-2020-G002, August 3, 2020, p. 1

2: Your responsibilities under money laundering supervision - GOV.UK, Section: Customer due diligence requirements

3: Customer identification: Know your customer (KYC) | AUSTRAC, Section: Training and awareness

Question: 4

An anti-money laundering audit identifies a significant weakness in how transaction monitoring alerts are cleared. Audit sampling identified potentially suspicious activity that was cleared as not suspicious. Management accepts the audit finding and develops a remediation plan.

What is the role of the auditor during the correction phase?

- A. Directing the remediation of the deficiency in a timely manner
- B. Developing procedures to provide sufficient risk-based documentation for clearing alerts
- C. Providing training to the alert clearing department on the importance of effective alert clearing
- D. Validating the successful remediation of the issue once management indicates the issue is resolved

Answer: D

Explanation:

The audit function should report to the audit committee of the board of directors (or similar oversight body) and independently evaluate the risk management and controls of the bank through periodic assessments, including the adequacy of the bank's controls to mitigate the identified risks, the effectiveness of the bank's staff's execution of the controls, the effectiveness of the compliance oversight and quality controls and the effectiveness of the training.

Question: 5

Which method to launder money through deposit-taking institutions is closely associated with International trade?

- A. Forming a shell company
- B. Using Black Market Peso Exchange
- C. Structuring cash deposits withdrawals
- D. Investing in legitimate business with illicit funds

Answer: B

Explanation:

The Black Market Peso Exchange (BMPE) is a trade-based money laundering technique commonly used

by narcotics traffickers in Colombia and Mexico. The central feature uses a money trader to ensure that US drug sales revenue doesn't cross any borders. Instead, those dollars are used to purchase any number of legitimate commodities from unsuspecting businesses on behalf of legitimate South American businesspersons, whose legitimate imports are used to obtain pesos for the drug cartels. This method is closely associated with international trade because it involves the exchange of goods and currencies across different countries, and it exploits the discrepancies between the official and unofficial exchange rates.

Reference:

CAMS Certification Package - 6th Edition | ACAMS, Chapter 2: Money Laundering Risks and Methods, page 35 Black Market Peso Exchange in Money Laundering - Financial Crime Academy

What is BMPE ? - Sanction Scanner Overview - FinCEN.gov

Reference: http://fraudaid.com/Dictionary-of-Financial-Scam-Terms/black_market_peso_exchange.htm

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