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Exam : **CAMS7**

Title : Certified Anti-Money
Laundering Specialist (CAMS7
the 7th edition)

Vendor : ACAMS

Version : DEMO

NO.1 During a routine periodic KYC refresh of a policyholder and client of an insurance company, updated business registry documentation has highlighted that the policyholder's business has changed addresses five times during the last year and that the ultimate beneficial owner (UBO) changed two weeks ago. What actions should be taken immediately?

- A.** Investigate the changes of address and change of UBO and in the meantime decline payment and withdrawal instructions from the policy until completion of the investigation and next steps are agreed upon
- B.** Request the relationship manager set up a meeting with the policyholder to update their address and submit details of the new UBO in the name of good customer service
- C.** Investigate the changes of address and change of UBO and in the meantime freeze the client's policy
- D.** File a suspicious transaction report because the insurance company was not made aware of the business' change of UBO

Answer: A

Explanation:

The combination of frequent address changes and a recent change in the ultimate beneficial owner raises potential red flags that warrant immediate investigation. To mitigate risk, the insurance company should investigate these changes and temporarily decline any payment or withdrawal instructions until the review is complete and appropriate steps are agreed upon. This ensures both regulatory compliance and protection against potential misuse of the policy.

NO.2 There are three types of factors that can be used to authenticate someone ownership, knowledge, and inherent factors. Which of the following factors falls under inherent factors?

- A.** Challenge-response
- B.** Fingerprint
- C.** Security token
- D.** Passphrase

Answer: B

Explanation:

Fingerprint is an inherent factor because it is a biometric trait - something the user is. Inherent factors rely on physical or behavioral characteristics such as fingerprints, facial recognition, or voice, which are unique to the individual.

NO.3 Which of the following are common indicators of possible money laundering within the securities industry? (Choose two.)

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

Answer: AD

Explanation:

Using brokerage accounts like deposit accounts (e.g., frequent cash deposits or withdrawals) and conducting transactions through nominees or third parties are common red flags in the securities industry. These behaviors can obscure the origin or ownership of funds and are often used to

facilitate money laundering.

NO.4 Which of the following are key financial crime risks associated with real estate companies? (Choose four.)

- A.** Buying property allows for the movement of large amounts of funds in a single transaction
- B.** Criminal networks could purchase real estate for use as supply houses or locations to grow, manufacture, or distribute illicit narcotics
- C.** Markets can be volatile, and buyers may not achieve a strong return on their investment
- D.** Beneficial ownership information might be opaque, and criminals may abuse arrangements like shell companies and trusts
- E.** Real estate transactions often involve financial institutions and other professional gatekeepers
- F.** The high value of properties may require multiple types of financing, which can make it more difficult to identify the source of funds

Answer: ABDE

Explanation:

Real estate companies face key financial crime risks due to the ability to move large sums in a single transaction, the use of property by criminal networks for illicit operations, the opacity of beneficial ownership structures, and the involvement of professional gatekeepers - such as lawyers and financial institutions - who may unknowingly facilitate money laundering.

NO.5 Which payment type presents the highest financial crime risk?

- A.** A check returning a mortgage overpayment made in error
- B.** A payment made to a mixer platform
- C.** A regular standing order to a high-interest savings account
- D.** A bill payment made to a friend after splitting a dinner bill

Answer: B

NO.6 A large international bank is conducting a comprehensive review of its risk management framework to ensure it effectively addresses various financial crime risks, including AML, CFT, sanctions, fraud, anti-bribery and corruption (ABC), and tax evasion.

The bank's compliance team is responsible for evaluating the current risk assessment processes, identifying potential gaps, and recommending enhancements to better mitigate these risks.

During this review, the team needs to consider the different types of risk assessments and how to integrate findings into the overall risk management strategy.

Which approach should the compliance team prioritize to enhance the bank's ability to identify, assess, and mitigate the identified risks?

- A.** Use a static risk assessment model that remains unchanged until a significant regulatory update occurs to ensure consistency in the evaluation process over time
- B.** Delegate the risk assessment process to individual business units to conduct independently and allow for specialized assessments tailored to each unit's specific activities
- C.** Conduct a periodic enterprise-wide risk assessment that includes identifying inherent risks, evaluating the effectiveness of existing controls, and determining residual risks
- D.** Focus primarily on AML risk assessments, as these are typically the most scrutinized by regulators, while addressing other financial crime risks only when issues are identified

Answer: C

Explanation:

Conducting a periodic enterprise-wide risk assessment (EWRA) is the most effective approach to identifying, assessing, and mitigating financial crime risks. It ensures all inherent risks across areas like AML, CFT, sanctions, fraud, ABC, and tax evasion are evaluated, existing controls are assessed, and residual risks are identified. This comprehensive view enables a cohesive and proactive risk management strategy aligned with regulatory expectations.

NO.7 Which of the services provided by Trust and Company Service Providers (TCSPs) present the greatest financial crime risks? (Choose three.)

- A. Providing clear procedures to ensure compliance with local tax regulations
- B. Using trusts to obscure the identity of beneficial owners
- C. Promoting the use of complex corporate structures
- D. Maintaining accurate and updated beneficial ownership details for all customers registered for their services
- E. Establishing shell companies for holding financial assets

Answer: BCE

Explanation:

Trust and Company Service Providers (TCSPs) pose the greatest financial crime risks when they use trusts to obscure beneficial ownership, promote complex corporate structures that make tracing ownership difficult, and establish shell companies that can be used to hold and move illicit funds. These activities can facilitate money laundering, tax evasion, and other financial crimes by concealing the true origin and control of assets.

NO.8 The purpose of a risk appetite statement is to:

- A. clearly define the level of risk exposure to financial crime which a financial institution is willing to take.
- B. help investors understand the risk a financial institution is willing to take.
- C. help customers understand which financial institutions may be willing to bank their business.
- D. eliminate high-risk business types from a financial institution.

Answer: A

Explanation:

A risk appetite statement clearly defines the level and type of financial crime risk a financial institution is willing to accept in pursuit of its objectives. It guides decision-making and ensures consistency in risk-taking across the organization.

NO.9 Unusual wire transfer transactions can include: (Choose two.)

- A. wire transfers in different currencies between accounts held at different banks for the same client.
- B. an incoming third-party wire transfer followed by the purchase of real estate in the client's name.
- C. an incoming wire transfer followed by the loan payment to a third party that is a business associate of the client.
- D. multiple wire transfers sent to counterparties associated with the client as per KYC documentation.

Answer: AB

Explanation:

Unusual wire transfer transactions may include transfers in different currencies between accounts at different banks for the same client, which can be used to obscure fund flows, and incoming third-party transfers followed by real estate purchases, which may indicate layering and integration stages of money laundering. These patterns deviate from typical financial behavior and warrant closer scrutiny.

NO.10 Perpetual KYC includes: (Choose two.)

- A. triggers identifying static data changes and data based on client's behaviors in real time.
- B. periodic refreshing at one-, three- and five-year cycles.
- C. ability to prioritize better based on client data rather than driven by schedules alone.
- D. classification of clients into categories of risk.

Answer: AC

Explanation:

Perpetual KYC (pKYC) involves real-time monitoring of data triggers, such as static changes or behavioral anomalies, and prioritization based on client-specific data rather than fixed refresh schedules. This dynamic approach enhances risk management by responding more quickly to changes in client risk profiles.

NO.11 While gaming platforms are typically used for recreational purposes, they can potentially be used for terrorist financing through games in which players can:

- A. buy in-game items with virtual in-game currencies.
- B. exchange in-game items with other players.
- C. trade in-game items with other players that can be exchanged for fiat currency
- D. obtain in-game materials by performing in-game activities.

Answer: C

Explanation:

Terrorist financing can be facilitated on gaming platforms particularly through the trading of in-game items for fiat currency. This mechanism allows for the movement of value outside the formal financial system, potentially evading detection and reporting requirements.

"One of the key ML/TF risks in online gaming is the ability to convert virtual assets or in-game items into real-world (fiat) currency, thereby providing a channel for laundering money or funding terrorist activities."

NO.12 Having a risk-based approach is central to a financial institution understanding the money laundering and terrorist financing risk to which they are exposed. The development of a money laundering and terrorist financing risk assessment is a key starting point. Commonly used risk factors include. (Select Three.)

- A. product risk.
- B. credit risk.
- C. geographic risk.
- D. customer risk.
- E. liquidity risk.

Answer: ACD

Explanation:

The CAMS 6th Edition clearly identifies a risk-based approach as the cornerstone of effective AML/CFT programs. Risk assessments should consider various risk factors that directly influence exposure to ML/TF.

Product risk (A): Certain products or services may present higher ML/TF risks, such as private banking, correspondent banking, or cash-intensive products. "Products and services offered, and their inherent risk levels, must be assessed as part of the risk-based approach." Geographic risk (C): Jurisdictions where the customer operates or where transactions are conducted may present higher or lower risks due to factors such as weak AML regulations or high corruption. "Geographic risk considers where a customer is located and/or where transactions occur, referencing countries with increased risk, such as those identified by the FATF." Customer risk (D): The type of customer, such as PEPs, non-residents, or companies with complex structures, may present higher ML/TF risks. "Customer risk assessment is based on the customer's profile, activity, and ownership structure, and is a critical component in risk-based monitoring."

NO.13 A wealthy individual is using a complex corporate structure to facilitate illegal logging and then illegal mining of the resulting resources from that land. Which category of predicate crime is taking place?

- A. Trade-based money laundering
- B. Corruption
- C. Illicit resource trade
- D. Environmental crime

Answer: D

Explanation:

The CAMS 6th Edition specifically lists environmental crime as a predicate offense for money laundering. Environmental crimes include activities such as illegal logging, illegal mining, and illegal trade in wildlife.

"Environmental crime, including illegal logging and mining, is recognized as a predicate offense to money laundering. Such crimes often involve complex corporate structures to hide the illicit origin of the proceeds."

NO.14 What is the primary advantage of using a risk-based approach in allocating compliance resources?

- A. It reduces the overall cost of compliance programs.
- B. It eliminates the need for periodic audits of low-risk customers.
- C. It ensures focus on high-risk areas while maintaining operational efficiency.
- D. It standardizes compliance processes across all regions.

Answer: C

Explanation:

The CAMS 6th Edition highlights that a risk-based approach enables organizations to efficiently allocate compliance resources, focusing efforts on areas presenting the highest risk, thereby ensuring both regulatory compliance and operational effectiveness.

"A risk-based approach allows firms to concentrate resources and controls where the risk of ML/TF is highest, while applying simplified measures to lower-risk areas. This enhances both effectiveness and efficiency."

NO.15 The UN Security Council's primary role in imposing sanctions is that it has the authority to:

- A.** impose sanctions to maintain or restore international peace and security.
- B.** impose sanctions on countries that lack AML/CFT controls.
- C.** conduct research on and analyze the impacts of sanctions to improve the effectiveness of sanctions regimes.
- D.** impose sanctions on economic targets to maintain or restore financial stability within a country.

Answer: A

Explanation:

The United Nations Security Council (UNSC) is the only body with the legal authority under international law to impose binding sanctions on countries, entities, or individuals.

"The Security Council's primary function in imposing sanctions is to maintain or restore international peace and security. These sanctions are legally binding on all UN member states."

NO.16 According to the Financial Action Task Force's (FATF's) "Guidance for a Risk-Based Approach Life Insurance Sector," which of the following are money laundering red flags relating to the involvement of a third party in a life insurance product? (Select Two.)

- A.** A customer engages an attorney to consult on the issuance of the policy.
- B.** A customer transfers the policy to another insurance company unaffiliated with the original policy issuer.
- C.** Payments are regularly received from third parties that have no apparent relationship with the policy holder.
- D.** A customer names an apparently unrelated third party as a beneficiary.

Answer: CD

Explanation:

FATF and CAMS 6th Edition highlight certain third-party activities as red flags for money laundering in the life insurance sector:

Payments are regularly received from third parties that have no apparent relationship with the policy holder (C): "Red flags include payments made by third parties, especially where there is no apparent connection between the third party and the policy holder." A customer names an apparently unrelated third party as a beneficiary (D): "Another warning sign is when beneficiaries have no apparent relation to the policyholder."

NO.17 The relationship manager in the corporate banking department at a bank is required to take specialized AML training tailored to the risks the department is most likely to encounter. Which types of content are most appropriate for this training? (Select Two.)

- A.** Money laundering typologies applicable to monetary instrument reporting
- B.** Applicable AML laws and regulations
- C.** Regulatory exam best practices
- D.** Money laundering typologies applicable to corporate loans

Answer: BD

Explanation:

Specialized AML training must be relevant to the specific risks the corporate banking team faces, including legal/regulatory expectations and the ML/TF typologies applicable to their products and

customer base.

Applicable AML laws and regulations (B): "Staff must be aware of the applicable AML/CFT laws and regulatory requirements relevant to their business area." Money laundering typologies applicable to corporate loans (D): "Training should include typologies and red flags that are most relevant to the risks present in the specific business line, such as corporate lending."

NO.18 Which of the following statements is true regarding Office of Foreign Assets Control (OFAC) sanctions? (Select Two.)

- A.** Sanctions can only be placed on certain individuals in foreign countries as designated by OFAC
- B.** Blocked funds must be placed into an interest-bearing account on a financial institution's books
- C.** Sanctions can be either comprehensive or selective using the blocking of assets and trade restrictions to accomplish foreign policy and national security goals
- D.** OFAC sanctions automatically expire after five years unless renewed by Congress

Answer: BC

Explanation:

OFAC sanctions are a key element of the U.S. AML/CFT framework. According to the CAMS 6th Edition and OFAC regulations:

Blocked funds must be placed into an interest-bearing account on a financial institution's books (B): "Blocked property must be held in a separate interest-bearing account on the books of the U.S. financial institution." Sanctions can be either comprehensive or selective using the blocking of assets and trade restrictions (C): "OFAC administers both comprehensive and targeted (selective) sanctions programs to fulfill U.S. foreign policy and national security goals."

NO.19 Risks associated with real estate transactions include (Select Two.)

- A.** cross-border purchases.
- B.** purchases in the name of a natural person.
- C.** paying true market price for a property.
- D.** non-financed purchases.

Answer: AD

Explanation:

Real estate transactions are vulnerable to ML/TF risks, particularly when there is limited transparency or unusual payment methods:

Cross-border purchases (A): "Purchases by foreign buyers, especially from high-risk jurisdictions, are a red flag for money laundering in the real estate sector." Non-financed purchases (D): "Non-financed (all-cash) purchases can indicate the introduction of illicit funds into the financial system, bypassing the controls of mortgage lenders."

NO.20 Reference data screening includes the screening of which types of datasets? (Select Two.)

- A.** Types of payment messages
- B.** Customers
- C.** Third-party service providers
- D.** Customer spouses

Answer: BC

Explanation:

Reference data screening is a core element of AML/CFT programs and typically covers:

Customers (B): "All customers must be screened against sanctions, PEP, and adverse media lists as part of onboarding and ongoing due diligence." Third-party service providers (C): "Screening should extend to relevant third parties, such as agents and service providers, to prevent indirect exposure to sanctioned entities."

NO.21 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: BC

Explanation:

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." 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."

NO.22 Which risks inherent to real estate sector carry the highest AML/CFT risk? (Select Two.)

- A. Use of cash to purchase property
- B. Unlicensed real estate agents acting as front companies
- C. Use of a registered trust for the purchase of property
- D. Use of a company for the purchase of property
- E. Manipulation of the value of a property

Answer: AD

Explanation:

Real estate ML/TF risk is highest where transparency is low or the origin of funds is obscured: Use of cash to purchase property (A): "All-cash transactions in real estate present a high ML risk, as they bypass traditional financial scrutiny and facilitate the placement of illicit funds." Use of a company for the purchase of property (D): "Purchasing property through companies, especially shell companies, can conceal the beneficial owner and the true source of funds."

NO.23 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: AD

Explanation:

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." 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."

NO.24 Which financial crime risks are inherent to e-commerce platforms? (Select Four.)

- A. E-commerce platforms exploited to move criminal proceeds
- B. Use of stolen bank cards for online purchases
- C. E-commerce platforms susceptible to fraud schemes
- D. E-commerce platforms used as a front for illicit transactions
- E. E-commerce platforms encouraging unregulated peer-to-peer lending
- F. Use of foreign currency to mask criminal proceeds

Answer: ABCD

Explanation:

A, B, C, D are all identified by CAMS 6th Edition and FATF as primary financial crime risks for e-commerce platforms:

A: Platforms can be exploited to launder money by processing the movement of criminal proceeds under the guise of legitimate sales.

B: Use of stolen credit/debit cards for online purchases is a common fraud and ML technique.

C: Fraud schemes (such as chargebacks or fake listings) are widespread on e-commerce platforms.

D: E-commerce platforms can serve as fronts for illicit goods or services, masking the true nature of transactions.

NO.25 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: ACD

Explanation:

"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."

NO.26 An agent of a wealthy individual residing in Country A, which is on the EU list of high-risk third jurisdictions, approaches a notary in Country B, which is in the EU. The agent wants to complete a disposal of assets recently acquired at auction by the wealthy individual through an offshore company. The agent also has a power of attorney to act on behalf of the offshore company issued by a respectable law firm from Country C, which is also in the EU. The agent asks the notary to proceed with the disposal as quickly as possible without paying any specific attention to related costs or taxes to be paid as a result of this transaction. The notary notices the intended transfer price is significantly

lower than the one recorded at auction, but the agent does not want to discuss this matter and claims that it is not covered by the power of attorney. Which red flags should the notary consider? (Select Two)

- A. The agent requested a disposal of assets at a lower price than recently acquired.
- B. The assets acquired through an auction were put in the name of an offshore company
- C. The agent acted on behalf of an individual residing in a country which is on the EU's list of high-risk jurisdictions
- D. The power of attorney was issued by a law firm in a different EU country from where the transaction took place.

Answer: AC

Explanation:

A: Selling assets at a significant loss, especially shortly after purchase, is a classic red flag for asset laundering and value manipulation, which can be used to disguise the true nature of proceeds.
C: Transactions involving individuals from high-risk jurisdictions, as identified by the EU and FATF, warrant heightened scrutiny due to increased ML/TF risk.

NO.27 A bank has joined a public-private partnership (PPP) to work with law enforcement and regulators on combating financial crime. However, the bank's data protection officer is concerned about sharing sensitive customer data, and the compliance officer is worried about potential delays in receiving useful information from the government. Which of the following best describes a benefit of PPPs in fighting financial crime?

- A. PPPs improve financial crime detection and prevention by sharing intelligence between banks and law enforcement.
- B. PPPs help banks reduce compliance costs by automating information sharing.
- C. PPPs allow banks to manage their own suspicious activity report (SAR) filing process without the need to involve the Financial Intelligence Unit (FIU).
- D. PPPs maximize the efficiency of the bank's compliance program by providing real-time intelligence from law enforcement.

Answer: D

NO.28 Which of the following conditions contribute to a politically exposed person (PEP) posing greater risk than a typical high-risk bank customer? (Select Two.)

- A. The family members and close associates of PEPs may be involved in illicit activities.
- B. PEPs are granted unlimited credit and financial immunity under international banking regulations.
- C. PEPs may exploit embassy activities to conceal bribery and corruption transactions.
- D. PEPs can have illegitimate fund sources but are legally protected from having their accounts closed for activities outside a bank's risk appetite.

Answer: AC

Explanation:

PEPs are recognized by CAMS 6th Edition and FATF as posing elevated risk due to:

A). The family members and close associates of PEPs may be involved in illicit activities:"The risks extend beyond the PEP to family members and close associates, who may be used to conceal the movement of illicit funds." C). PEPs may exploit embassy activities to conceal bribery and corruption transactions:"PEPs may use their position or diplomatic privileges, such as embassy operations, to

disguise or facilitate the movement of illicit funds."

NO.29 In a large US bank, an individual leads a team in charge of overseeing the governance and effectiveness of the bank's transaction monitoring approach. Which strategies should the team implement? (Select Two.)

- A.** Periodic and ad hoc cooperation with the legal team to appropriately investigate and monitor the transactions of subjects of subpoenas or government inquiries
- B.** Periodic review of client profiles to ensure that the most up-to-date information is on file for high-risk clients in line with the bank's internal policies and procedures
- C.** Periodic review of suspicious activity reports (SARs) filed with FinCEN to determine whether any should be withdrawn
- D.** Periodic review of the transaction monitoring scenarios and their productivity to ensure that appropriate AML typologies are reflected

Answer: BD

Explanation:

Effective oversight of transaction monitoring includes:

Periodic review of client profiles to ensure up-to-date information for high-risk clients (B): "Reviewing and updating customer profiles is essential to ensure that monitoring scenarios are based on current risk data." Periodic review of transaction monitoring scenarios and productivity to ensure appropriate AML typologies are reflected (D): "Firms should periodically review the parameters and output of transaction monitoring systems to ensure they continue to identify relevant ML/TF risks and typologies."

NO.30 Which of the following is a key consideration for a global organization when managing AFC and sanctions compliance across multiple jurisdictions?

- A.** Ensuring sanctions compliance by relying solely on international bodies like the UN because there is no requirement to adhere to local laws
- B.** Ensuring group policies and procedures prioritize adherence to US regulations because they are the most influential worldwide
- C.** Applying global AFC and sanctions policies to ensure consistency without the need to adapt to local regulations
- D.** Ensuring group policies cater to compliance with each country's specific AML and sanctions regulations

Answer: D

Explanation:

Global organizations must ensure their policies and procedures comply with local laws and regulations in each country where they operate, even when maintaining group-wide consistency. Relying solely on international or U.S. standards does not ensure compliance with all local requirements, which may be more stringent or specific.

"A global group-wide program should ensure adherence to local AML and sanctions laws and regulations in every jurisdiction in which it operates. Local adaptation of policies is essential to address jurisdiction-specific risks and legal requirements."

NO.31 According to guidelines issued by Basel Committee on Banking Supervision relating to corporate governance principles for banks, what is the role of the board of directors in addressing an

institution's AML oversight and governance?

- A.** The board of directors should be responsible for overseeing the management of the bank's compliance risk but not involved in establishing a compliance policy that explains the processes by which compliance risks are to be identified and managed throughout the organization.
- B.** The board of directors should establish a compliance function and approve the bank's policies for identifying, assessing, monitoring, reporting, and advising on compliance risk.
- C.** The compliance function must have sufficient authority, stature, independence, and resources to be effective on its own and should not have access to the board of directors.
- D.** The compliance function should report directly to the CEO concerning the bank's compliance with applicable laws, rules, and standards and only update the board of directors on the bank's efforts in managing compliance risk when required.

Answer: B

Explanation:

The Basel Committee on Banking Supervision (BCBS) requires that the board of directors establish and oversee the compliance function and approve the bank's AML/CTF compliance policies and procedures, including processes for identifying, assessing, monitoring, and reporting compliance risks.

"The board of directors should establish a compliance function and approve compliance policies and processes for identifying, assessing, monitoring, and reporting compliance risks throughout the organization."

NO.32 Assessing the money laundering risk related to a product within the financial sector includes assessing the: (Select Two.)

- A.** governance arrangements
- B.** complexity of the products
- C.** results of the last audit
- D.** financial status of the business

Answer: AB

Explanation:

Governance arrangements (A): "Sound governance and risk management arrangements are fundamental to assessing and managing ML/TF risk in products and services." Complexity of the products (B): "Complexity increases risk--products that are highly complex, opaque, or allow for multiple layers or jurisdictions are more vulnerable to misuse for ML/TF."

NO.33 In the process of mutual evaluations and subsequent follow-ups used by the Financial Action Task Force (FATF) to assess the quality of various jurisdictions' AML controls, the FATF:

- A.** imposes economic sanctions on jurisdictions with lax AML controls to force them to strengthen their controls.
- B.** conducts on-site inspections of financial institutions in jurisdictions with lax AML controls to identify deficiencies and recommend improvements.
- C.** publishes annual reports ranking all member jurisdictions based on their self-assessment of AML controls.
- D.** conducts a peer review process whereby member countries assess the AML controls of other jurisdictions and provide recommendations for improvement.

Answer: D

Explanation:

The FATF conducts mutual evaluations--a peer review process--whereby member countries assess each other's AML/CFT systems. This includes on-site visits and reviews by international experts, with public reports containing recommendations for improvement. The process is not punitive and does not impose sanctions.

"FATF mutual evaluations are peer reviews in which experts from member countries assess another member's AML/CFT system and provide recommendations."

NO.34 Which of the following are part of a risk-based approach? (Select Three.)

- A.** Determining detailed risk profiles for customers based on their activities and relationships
- B.** Focusing monitoring primarily on previously flagged customers while using standard controls for others
- C.** Choosing and applying effective controls that align with the identified risk levels
- D.** Performing a comprehensive risk assessment to identify customer, transaction, and geographic risks
- E.** Allocating resources equally across all customer segments to ensure fairness

Answer: ACD

Explanation:

A risk-based approach is central to AML/CFT programs and includes:

A: Creating detailed risk profiles for customers based on their behaviors and connections.

C: Applying controls that are tailored to the actual risk (not a one-size-fits-all approach).

D: Performing a thorough risk assessment, considering customer, transaction, and geographic factors

"A risk-based approach involves risk profiling, tailored controls, and comprehensive risk assessment across key risk factors."

NO.35 Which activities are part of adverse media screening for negative news and reputational risks?

(Select Three.)

- A.** Analyzing customer sentiment through feedback and surveys
- B.** Identifying individuals or entities linked to criminal activities or sanctions
- C.** Periodically monitoring regulatory updates and enforcement actions for associated entities
- D.** Scanning publicly available news articles and regulatory alerts
- E.** Monitoring changes in credit scores of individuals or entities

Answer: BCD

Explanation:

Adverse media screening seeks to identify reputational or financial crime risk by:

B: Identifying links to criminal activity or sanctions.

C: Monitoring regulatory actions and updates for risk associations.

D: Regularly scanning news and public records for negative information.

"Adverse media screening involves collecting and reviewing publicly available information, news, and regulatory actions to detect links to criminal activity or reputational risks."