Financial Crime SpecialistExam

ACFCS CFCS

Version Demo

Total Demo Questions: 14

Total Premium Questions: 144

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Topic Break Down

Topic	No. of Questions
Topic 1, Money Laundering	59
Topic 2, Terrorist Financing	5
Topic 3, Fraud	39
Topic 4, Corruption	11
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QUESTION NO: 1

You are an investigator at a small bank Your transaction monitoring system alerts you to unusual activity happening in a business account for a consulting firm ABC Consulting.

The account activity consists of incoming wires from a personal account at another institution there are three to four incoming wires each week from one individual. The next day an outgoing check would be issued to the same person for a slightly larger amount with the memo "Wire reimbursement + fee " Web searches indicate that this person is employed by your customer ABC Consulting Additional activity consists of small cash deposits.

Which are Ihe red flags in this scenario? Choose 2 answers

A. Money being wired into this account from a personal account may constitute commingling of funds

B. The customer does not appear to be operating a legitimate business

C. The customer is a marketing consulting firm which is always considered a high-risk industry

D. The customer may be layering transactions to conceal the source or purpose of funds

ANSWER: A D

Explanation:

Money being wired into this account from a personal account may constitute commingling of funds is a red flag because the activity mixes an employee's personal funds with a business account without an apparent ordinary business purpose. Repeated personal wires followed almost immediately by checks back to the same individual, each for a larger amount described as a reimbursement plus a fee, are inconsistent with a straightforward consulting-company payment flow. The pattern may indicate that the business account is being used to move funds on behalf of an individual rather than to support identifiable customer operations. The additional small cash deposits further support the need to understand the source of funds and whether the account activity is consistent with the customer's expected profile.

The customer may be layering transactions to conceal the source or purpose of funds is also appropriate because the rapid movement of funds through the business account, coupled with a changed payment form and an added amount, can obscure the economic purpose and source of the money. FinCEN identifies transactions lacking an apparent lawful purpose or that are inconsistent with a customer's known business as suspicious-activity indicators. A financial institution should investigate the underlying purpose, supporting records, and relationship between the employee and the funds. See FinCEN Advisory FIN-2014-A005 and FinCEN BSA E-Filing resources.

QUESTION NO: 2

During a training session on OFAC compliance, an employee asks about the consequences of processing transactions involving individuals or entities designated under OFAC sanctions programs. What is the most accurate response to the employee's inquiry?

A. Processing transactions involving individuals or entities designated under OFAC sanctions programs may result in civil penalties but not criminal charges.

B. Processing transactions involving individuals or entities designated under OFAC sanctions programs is permissible if authorized by senior management.

C. Processing transactions involving individuals or entities designated under OFAC sanctions programs may result in both civil and criminal penalties.

D. Processing transactions involving individuals or entities designated under OFAC sanctions programs is permissible if conducted through offshore accounts.

ANSWER: C

Explanation:

Processing transactions involving individuals or entities designated under OFAC sanctions programs may result in both civil and criminal penalties. OFAC administers and enforces U.S. economic and trade sanctions, and its regulations generally prohibit U.S. persons—including financial institutions, their employees, and entities organized under U.S. law—from dealing in property or interests in property of blocked persons unless OFAC has issued a specific or general license authorizing the activity. Violations can lead to substantial civil monetary penalties, including penalties assessed on a strict-liability basis in appropriate circumstances. Where conduct is willful, criminal enforcement may also apply, potentially resulting in fines and imprisonment under the applicable statutory authorities. A sound sanctions compliance program therefore requires effective screening, prompt escalation of potential matches, blocking or rejecting transactions as required, recordkeeping, and timely reporting to OFAC. Authorization by internal management, transaction routing, or account location does not substitute for OFAC authorization. OFAC's enforcement framework and penalty guidance emphasize that the organization's awareness, the nature of the conduct, and the quality of its compliance controls can affect enforcement outcomes. See OFAC's Civil Penalties and Enforcement Information and its Economic Sanctions Enforcement Guidelines.

QUESTION NO: 3

Which actions have led to penalties or violations of sanctions regimes overseen by the Office of Foreign Assets Control (OFAC)? Choose 2 answers

A. Stripping wire transfer information to conceal customer information

B. Failing to search customers against the sanctions list

C. Conducting transactions with high-risk individuals

D. Conducting transactions with entities that have been removed from the sanctions list

ANSWER: A B

Explanation:

Stripping wire transfer information to conceal customer information is a well-established sanctions-evasion practice that has resulted in major OFAC enforcement actions. Payment messages must retain complete and accurate originator, beneficiary, and other relevant details so financial institutions can identify sanctioned parties, sanctioned jurisdictions, and prohibited activity. Deliberately deleting, altering, or omitting that information can facilitate processing of transactions that otherwise would be blocked or rejected under U.S. sanctions requirements.

Failing to search customers against the sanctions list can also lead to violations and penalties because an effective sanctions-compliance program requires risk-based screening of customers and other relevant parties against OFAC's Specially Designated Nationals and Blocked Persons List and other applicable sanctions lists. Screening supports identification of blocked persons before accounts are opened, payments are processed, or relationships continue. OFAC's compliance framework identifies sanctions-list screening and testing as important controls within a risk-based program, while its enforcement materials document penalties arising from deficient screening and transaction-filtering practices. See OFAC's Sanctions List Service and its Framework for OFAC Compliance Commitments.

QUESTION NO: 4

An examiner with a federal regulatory agency has been looking into complaints against a securities broker dealer who is suspected of selling fraudulent high-yield bonds to clients The broker-dealer had been offering these bonds for the last eighteen months.

A few weeks ago when several clients asked to withdraw the funds they had invested in the bonds, they received vague and seemingly evasive responses from the broker. Since then, the broker has been unresponsive and has not returned to her office.

The investigator has obtained the broker-dealer s bank account records for the past two years by court order and is currently analyzing canceled checks written on the account.

What information would the investigator be most likely to learn from reviewing these checks?

A. An approximate amount of funds the broker-dealer obtained via fraud

B. Persons who may have received payments from the broker during the fraud scheme

C. The names of persons who invested in the suspected fraud scheme

D. Payments from the broker's account that were reversed or stopped

ANSWER: B

Explanation:

Persons who may have received payments from the broker during the fraud scheme is correct because canceled checks are primary payment records. A check generally identifies the drawer's account, the date, check number, amount, and named payee; the front and back of the paid item may also show endorsements, depositary-bank information, or image-processing data. Reviewing the checks written from the broker-dealer's account can therefore help the investigator identify individuals and entities that received funds and trace possible disbursements connected to the suspected scheme. The dates and amounts on the checks can be compared with customer investments, account deposits, and the timing of withdrawal requests to develop the flow-of-funds analysis. This can reveal potential recipients of investor money, such as related parties, vendors, personal associates, or earlier investors, and can provide leads for interviews and subpoenas. Under the Uniform Commercial Code, the person to whom an instrument is payable is determined by the instrument's terms, supporting the evidentiary value of payee information on checks. See UCC § 3-110: Identification of Person to Whom Instrument Is Payable and the Federal Reserve's Regulation CC provisions governing check collection and returns.

QUESTION NO: 5

Ms. Lee, a compliance analyst at a multinational bank, discovers that a new client has close business ties with entities in a country subject to comprehensive OFAC sanctions. What is the most appropriate action for Ms. Lee to take regarding the onboarding of the new client?

A. Proceed with onboarding the new client but restrict transactions involving entities in the sanctioned country.

B. Conduct enhanced due diligence on the new client and obtain approval from senior management before proceeding with onboarding.

C. Reject the onboarding of the new client due to the client's business ties with entities in a sanctioned country.

D. Seek guidance from OFAC on the permissibility of onboarding the new client given the circumstances.

ANSWER: B

Explanation:

Conduct enhanced due diligence on the new client and obtain approval from senior management before proceeding with onboarding is the most appropriate response because close business ties to entities in a comprehensively sanctioned jurisdiction create material sanctions exposure but do not, by themselves, establish that the prospective client is a blocked person or that every relationship or activity is prohibited. The bank should obtain sufficient information about the client's ownership and control, beneficial owners, counterparties, jurisdictions, expected products and services, source of funds, and anticipated transaction flows. This allows it to determine whether the relationship could involve prohibited dealings, evasion risks, blocked persons, or activity requiring a specific authorization. The resulting risk assessment should be documented, and senior management should decide whether the relationship is within the institution's risk appetite and whether suitable controls can manage the identified exposure. OFAC's sanctions-compliance guidance emphasizes risk-based due diligence, screening, escalation, and management commitment as core elements of an effective sanctions compliance program. See OFAC Framework for Compliance Commitments and OFAC Sanctions Programs and Country Information.

QUESTION NO: 6

A bank is considering whether to process a payment for Company A. Company A is not named on a sanctions list. However, 30% of Company A is owned by a blocked person and 25% is owned by a second blocked person. The remaining shares are held by unrelated investors.

Which two statements are correct under OFAC's 50 Percent Rule? Choose 2 answers

A. Company A is treated as blocked because blocked persons own 55% of it in the aggregate

B. Company A is not blocked because neither blocked person owns 50% individually

C. The bank should assess and document indirect and aggregate ownership by blocked persons

D. The bank may process the payment because Company A is not separately listed

ANSWER: A C

Explanation:

Company A is treated as blocked because blocked persons own 55% of it in the aggregate. Under OFAC's 50 Percent Rule, an entity owned directly or indirectly, individually or in the aggregate, 50% or more by one or more blocked persons is itself considered blocked, even if it is not separately identified on the SDN List.

The bank should treat property and interests in property of Company A as blocked when subject to U.S. jurisdiction and follow applicable blocking, reporting, and escalation procedures. Screening only the legal entity's name is insufficient because ownership analysis is necessary to identify entities blocked by operation of the rule.

QUESTION NO: 7

An individual wrote emails lo a local government posing as officials from companies with ongoing contracts with the government In the emails, he requested that wire transfers for payments owed be remitted to new bank accounts The emails appeared legitimate because they included valid but unlawfully obtained tax identification numbers for the companies In all the individual managed to steal nearly $2 million.

Which step would BEST address Ihe gap in the local government’s fraud prevention program?

A. Conducting a fraud risk assessment of the controls used for funds transfer approvals

B. Conducting more frequent bank reconciliations to screen for fraudulent electronic transactions

C. Conducting thorough due diligence on all contractors and subcontractors

D. Conducting analyses of contractor tax identification numbers and their approved bank accounts

ANSWER: A

Explanation:

Conducting a fraud risk assessment of the controls used for funds transfer approvals is the best step because the loss resulted from a weakness in the process for approving changes to a contractor’s payment instructions. A targeted fraud risk assessment would map the payment-change and wire-approval workflow, identify where an impersonator could cause staff to rely on an emailed request, assess the likelihood and impact of that scenario, and determine whether preventive controls are appropriately designed and operating. The resulting control improvements could include independent verification of account-change requests through a known contact method, segregation of duties, documented authorization, callback procedures using established contact details, and heightened review of unusual payment changes. These measures address the underlying control gap before funds are released, rather than merely identifying a loss afterward. Fraud risk assessments are a core component of an effective fraud risk management program because they connect relevant fraud schemes to proportionate preventive and detective controls. The Committee of Sponsoring Organizations describes fraud risk assessment as a foundational principle of fraud risk management in its Fraud Risk Management Guide. The Association of Certified Fraud Examiners also emphasizes assessing fraud risks and implementing controls tailored to identified risks in its fraud resources.

QUESTION NO: 8

A customer wishes to open a personal account at Bank A with a cashier's check A representative at Bank A has the customer fill out a questionnaire including questions about the source of wealth as well as the primary purpose of the account.

To perform appropriate due diligence which three activities should Bank A perform? Choose2answers

A. Conduct enhanced due diligence due to the account being opened with a cashier's check

B. Take into account factors such as whether the customer lives in a high-risk jurisdiction

C. Confirm the customers source of wealth including verification of employment

D. Verity the customer's personal details such as the customer's address both via his provided identification and independently through public record searches

ANSWER: B D

Explanation:

Taking into account factors such as whether the customer lives in a high-risk jurisdiction is an essential part of a risk-based customer due-diligence process. Geographic exposure can affect a customer's money-laundering, terrorist-financing, sanctions, corruption, and fraud risk profile. The bank should use this information, together with information about the customer, products, expected account activity, and stated account purpose, to determine the appropriate level and extent of due diligence and monitoring. The Financial Action Task Force requires institutions to identify, assess, and understand money-laundering and terrorist-financing risks and to apply enhanced measures where higher risks are identified. See FATF Recommendations.

Verifying the customer's personal details such as the customer's address both via his provided identification and independently through public record searches supports reliable customer identification and verification. A bank should obtain identifying information and verify the customer's identity using documentary and, when appropriate, nondocumentary methods. Independent sources can help corroborate information and resolve discrepancies before the account is opened. This is consistent with customer identification program expectations described in the FFIEC BSA/AML Examination Manual.

QUESTION NO: 9

As an internal auditor for a commercial financial institution you are reviewing fixed term loans to a commercial customer that you are convinced were used to launder proceeds of crime.

Which three situations support your suspicion of money laundering? Choose 3 answers

A. Loan proceeds were partly disbursed by wire to a higher risk country with strict customer privacy laws

B. The company's CFO is Ihe son-in-law of the Minister of Defense for a neighboring country

C. Repayment terms were not followed and the loan was fully repaid early

D. The customer is now classified as higher credit risk and would no longer qualify for a loan

ANSWER: A B C

Explanation:

The facts indicating that loan proceeds were partly wired to a higher-risk country with strict customer-privacy laws, that the company's CFO is the son-in-law of a neighboring country's Minister of Defense, and that repayment terms were not followed but the loan was fully repaid early are all material money-laundering red flags. Cross-border movement of loan proceeds to a higher-risk or opaque jurisdiction can obscure the destination, ownership, and purpose of funds. A close family relationship to a senior foreign public official creates a politically exposed person connection. Financial institutions should apply risk-based enhanced due diligence to foreign politically exposed persons and their family members because of the elevated risk that public-position influence or corrupt proceeds may be involved. An unexpected early payoff, particularly after irregular repayment behavior, can indicate that the loan was used to introduce illicit funds into the financial system and then create an apparently legitimate repayment trail. Taken together, these circumstances warrant escalation, further transaction review, source-of-funds and source-of-wealth inquiries, and consideration of suspicious-activity reporting under applicable law. FATF's standards address enhanced due diligence for politically exposed persons and risk-based controls: FATF Recommendations. FATF also identifies the misuse of financial products and cross-border activity as relevant laundering-risk considerations: FATF National Risk Assessment guidance.

QUESTION NO: 10

Joe Brown a new small business owner wants lo open a new business account at Mega Bank. He Sils down with a bank officer who is very friendly and asks about his new business and his family Joe becomes uncomfortable about sharing so much information about himself with a stranger. He expresses his concern and the bank officer tells him that this information is required for anyone opening a newaccount with Mega Bank and that every other bank is going to ask him the same questions.

Assuming it is a low-risk customer which information does a bank need to collect and then verify from a new account holder?

A. Joe's previous employment information and income

B. Number of employees expected transactions and types of expenses

C. Business name industry address tax identification number and corporate documents

D. Financial documents on Joe's income and source of funds

ANSWER: C

Explanation:

“Business name industry address tax identification number and corporate documents” is correct because a bank’s Customer Identification Program must obtain identifying information for each customer opening an account and use risk-based procedures to verify that customer’s identity. For a business customer, the core identifying details include the legal business name, physical address, taxpayer identification number, and formation or governing documentation that establishes the entity’s existence and authority. Examples of suitable documents include articles of incorporation, a partnership agreement, a government-issued business license, or comparable records, depending on the entity type. The bank must retain specified identification records and document how verification was performed. Although the customer is characterized as low risk, that characterization may affect the extent and timing of certain due diligence measures; it does not remove the fundamental requirement to identify and verify the business customer at account opening. A bank should also understand the nature and purpose of the relationship sufficiently to develop an expected customer profile, consistent with its risk-based customer due-diligence program. The U.S. Customer Identification Program requirements are set out in 31 CFR § 1020.220; FinCEN’s overview of customer due diligence is available at FinCEN’s CDD Rule page.

QUESTION NO: 11

John purchased a property live years ago Real estate records show that two years ago, John transferred his interest to a third parley Susan. Susan obtained a mortgage on the properly with a mortgage company Company Z.

John maintains the properly and pays the mortgage and taxes John only lives there on the weekends John also rents a room to someone who lives at the property full time.

You are the investigator tasked with identifying the property's beneficial owner Who is the beneficial owner?

A. John

B. Company Z

C. Susan

D. Renter

ANSWER: A

Explanation:

John is the beneficial owner because the facts indicate that he retains the real-world benefits, responsibilities, and effective control associated with ownership, notwithstanding the recorded transfer of title. He maintains the property and pays its mortgage and taxes—substantial, continuing obligations ordinarily borne by an owner. His ability to use the property on weekends and rent a room also demonstrates that he continues to exercise control over its use and derive economic benefit from it. These facts support the conclusion that the title transfer may be nominal and that Susan may be holding legal title for John’s benefit. Beneficial ownership analysis must look beyond public records and formal legal ownership to identify the natural person who ultimately owns, controls, or benefits from an asset. This is especially important where transaction patterns, payment activity, occupancy, and property management are inconsistent with the apparent owner’s role. FATF describes a beneficial owner as the natural person who ultimately owns or controls an asset or arrangement, emphasizing the need to identify the person behind formal structures and legal title. See the FATF Recommendations and FATF's beneficial-ownership concealment analysis.

QUESTION NO: 12

A manufacturer exports industrial pumps through distributors in several jurisdictions. A distributor proposes sales to customers in a region near a comprehensively sanctioned country and refuses to identify the ultimate end users, stating that disclosure would undermine its commercial relationships.

Which two actions are MOST appropriate to manage the manufacturer's sanctions risk? Choose 2 answers

A. Obtain and assess information about the ultimate end users and intended use of the pumps

B. Rely on the distributor's statement that customer information is commercially confidential

C. Screen the distributor, proposed end users, and relevant owners or controllers against applicable sanctions lists

D. Complete sanctions screening only after the goods have been delivered

ANSWER: A C

Explanation:

Obtaining information about the ultimate end user and intended use of the pumps is necessary because the distributor's role should not prevent the manufacturer from understanding who will receive potentially controlled goods and whether the transaction creates sanctions or diversion risk. Screening the distributor, proposed end users, and relevant owners or controllers against applicable sanctions lists is also necessary to identify blocked or otherwise restricted parties. A contractual certification can support a compliance program, but it is not a substitute for risk-based due diligence where significant red flags exist. Continuing to ship without resolving the end-user concern would create an unacceptable risk that goods are diverted to prohibited parties or destinations.

QUESTION NO: 13

You are preparing an application to restrain assets believed to be proceeds of a procurement-fraud scheme. The suspect has transferred funds through several companies and recently placed a luxury apartment in the name of a relative. Investigators have evidence that the suspect paid the purchase deposit and continues to pay the apartment's mortgage and maintenance costs.

Which two facts would BEST support a request to restrain the apartment pending further proceedings? Choose 2 answers

A. The suspect paid the purchase deposit for the apartment

B. The suspect continues to pay the mortgage and maintenance costs

C. The relative holds legal title to the apartment

D. The suspect is generally known to live an expensive lifestyle

ANSWER: A B

Explanation:

Evidence that the suspect paid the purchase deposit provides a direct financial nexus between the suspect and acquisition of the apartment. Evidence that the suspect continues to pay the mortgage and maintenance costs further supports an inference that the relative may be holding the asset as a nominee and that the suspect retains beneficial use or control.

The relative's legal title is relevant but does not defeat restraint where there is evidence of beneficial ownership, control, or criminal proceeds. The suspect's general reputation for wealth, without a transaction-specific connection to the apartment, would be much weaker evidence. A successful restraint application should identify the asset, trace relevant funds where possible, explain the suspected criminal nexus, and address the risk of dissipation under the applicable legal framework.

QUESTION NO: 14

A U.S. citizen opens an account in an offshore bank in a country that has a bilateral Model II FATCA agreement with an initial deposit of $10,000. USD Over the course of time the kinds in the account exceed $60,000 USD.

Which obligation under FATCA applies?

A. The bank is required to file a Suspicious Activity Report or Suspicious Transaction Report (SAR or STR)

B. The bank is required to report U.S. account holders to the U.S. Internal Revenue Service

C. The bank would be subject to a mandatory withholding tax on income Irom U S financial assets it holds

D. None the bank may accept Ihe deposited funds and is under no further obligation than to follow applicable local law

ANSWER: B

Explanation:

The bank is required to report U.S. account holders to the U.S. Internal Revenue Service. Under the Model 2 intergovernmental agreement approach to FATCA, participating foreign financial institutions generally register with the IRS, perform FATCA due diligence, obtain the required account-holder documentation, and report information on U.S. accounts directly to the IRS. This differs from the Model 1 approach, under which financial institutions report to their own tax authority for onward transmission to the IRS. The customer's status as a U.S. citizen is a key indicator of a U.S. account, and the institution must apply its FATCA due-diligence and reporting procedures to determine whether the account is reportable. Account balances and values are among the information that may be reported for a reportable U.S. account. FATCA's purpose is to improve tax compliance by identifying financial accounts held outside the United States by U.S. persons. The U.S. Treasury's Model 2 agreement text expressly contemplates direct reporting by reporting financial institutions to the IRS, subject to the agreement's terms and applicable local-law requirements. See the U.S. Treasury Model 2 FATCA agreement and the IRS overview of FATCA.