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ACAMS CKYCA

Version Demo

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QUESTION NO: 1

Which client action would justify an internal referral for a potential suspicious activity report?

A. Opening a cash-intensive restaurant business

B. Expansion of operations to a Financial Action Task Force (FATF) high-risk country

C. Deposit of 35,000 Euro in cash without supporting evidence

D. Election of the client’s father to Parliament

ANSWER: C

Explanation:

“Deposit of 35,000 Euro in cash without supporting evidence” justifies an internal referral because a substantial cash transaction with no credible, documented explanation of source of funds presents a material money-laundering red flag. Cash can obscure the origin and ownership trail of funds, and the absence of supporting evidence prevents the institution from reasonably understanding whether the activity is consistent with the client’s known profile, occupation, business activity, and expected transaction behavior. An internal referral does not require the employee to establish that a crime occurred. It is an escalation mechanism for the designated compliance or financial-crime team to investigate, gather relevant account and customer information, assess whether suspicion exists, and determine whether a suspicious activity report or equivalent regulatory report is required. FATF’s standards require financial institutions to report transactions suspected of involving criminal proceeds or terrorist financing, including attempted transactions, promptly to the financial intelligence unit. The size of the unexplained cash deposit and the lack of source-of-funds evidence provide a reasonable basis for that review. See the FATF Recommendations and FinCEN guidance and regulations.

QUESTION NO: 2

Which action should be considered a possible red flag, indicating to a bank that the activity might warrant further investigation?

A. Making multiple cash deposits just under the reporting threshold

B. Adding a new beneficial owner after the establishment of the business relationship

C. Opening a new account without a local telephone number or utility bill

D. Sending large amounts of money to family in their home country with known sources of income

ANSWER: A

Explanation:

Making multiple cash deposits just under the reporting threshold is a significant potential red flag because the transaction pattern may indicate structuring. Structuring occurs when a person deliberately breaks up a larger amount of cash into smaller transactions to avoid currency-reporting thresholds or to reduce scrutiny. The key concern is not solely the value of any one deposit, but the repeated pattern, timing, apparent linkage among deposits, and whether the activity is consistent with the customer’s stated profile and expected account use. A bank should identify and assess such activity through ongoing transaction monitoring, review relevant customer and account information, and determine whether there is a reasonable explanation. Where suspicion remains, the institution should escalate the matter under its internal procedures and consider its suspicious activity reporting obligations under applicable law. FATF identifies transactions structured to avoid reporting or recordkeeping requirements as an example of unusual activity that should receive attention in the context of suspicious transaction reporting. The FFIEC also describes cash transactions structured below reporting thresholds as a potential indicator of money laundering. See the FATF Recommendations and the FFIEC BSA/AML Examination Manual.

QUESTION NO: 3

An owner of several trading companies worldwide is advised to register a new company for the legitimate purpose of controlling foreign assets of their trading companies. This new company is commonly referred to as a:

A. subsidiary company.

B. special purpose vehicle.

C. shell company.

D. holding company.

ANSWER: D

Explanation:

holding company. is correct because a holding company is an entity formed principally to own equity interests, investments, or assets in other companies rather than to conduct the underlying trading operations itself. In a multinational group, it may hold shares in foreign operating subsidiaries and exercise control through its ownership rights. This structure can centralize ownership, facilitate group governance, segregate assets and liabilities, and support legitimate cross-border organization and investment management.

For KYC purposes, the presence of a holding company is not inherently suspicious. However, an institution should understand the entity's business rationale, ownership and control structure, source of wealth and funds where relevant, jurisdictions involved, and the identities of ultimate beneficial owners. This enables the institution to distinguish a transparent, legitimate group structure from one designed to obscure ownership or asset flows. The Financial Action Task Force discusses the importance of obtaining adequate, accurate, and up-to-date beneficial-ownership information for legal persons, including corporate structures such as holding arrangements. See the FATF guidance on beneficial ownership of legal persons and the U.S. SEC Investor.gov overview of holding companies.

QUESTION NO: 4

A trust applies to open an account. The settlor has transferred assets to the trust but retains the power to appoint and remove trustees. Why is this information particularly important for KYC purposes?

A. It proves that the trustees are the only persons relevant to the account.

B. It removes the need to identify beneficiaries of the trust.

C. It may indicate that the settlor exercises ultimate effective control over the trust.

D. It establishes that the trust is exempt from enhanced due diligence.

ANSWER: C

Explanation:

The retained power may indicate that the settlor exercises ultimate effective control over the trust arrangement. KYC for a trust requires the institution to understand the roles of the settlor, trustees, protector where applicable, beneficiaries or class of beneficiaries, and any other person exercising ultimate effective control.

Legal transfer of assets to a trust does not necessarily mean that the settlor has no continuing influence. The retained appointment and removal powers are therefore relevant to identifying control persons and assessing the actual operation of the arrangement.

QUESTION NO: 5

In which circumstance must a KYC analyst obtain source of wealth information on a client subject to CDD?

A. Information on source of wealth for CDD clients must always be collected.

B. The client is establishing a business relationship with a private company whose benefit surpasses 10 million USD.

C. The client's senior manager is deemed to be an ultimate beneficial owner.

D. The number of business relationships involving high-risk third countries or politically exposed persons increases.

ANSWER: D

Explanation:

The number of business relationships involving high-risk third countries or politically exposed persons increases is the circumstance that requires the analyst to reassess the client's risk and apply enhanced due diligence where the heightened risk warrants it. Source of wealth describes how a customer accumulated their overall assets or net worth—for example, through employment, business ownership, inheritance, or investments. It helps the institution determine whether the customer's apparent wealth and expected activity are credible and consistent with the customer profile.

Under the FATF risk-based approach, a business relationship involving a politically exposed person requires enhanced due diligence, including reasonable measures to establish source of wealth and source of funds. Increased exposure to high-risk jurisdictions or PEP-related relationships can also raise the customer's risk profile and trigger enhanced measures. The analyst should obtain sufficiently reliable information, assess its plausibility against the customer's known profile and anticipated transactions, and document the risk assessment and supporting evidence. This supports ongoing monitoring and enables the institution to identify activity that is inconsistent with the stated origin of wealth. See the FATF Recommendations, particularly the interpretive material for customer due diligence and politically exposed persons, and FATF's guidance on Recommendation 12 and PEPs.