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**QUESTION 1**

A financial regulator is evaluating the effectiveness of a financial institution's (FI) anti-financial crime program. Which condition should be met to satisfy the regulator?

- A. The program is aligned with the financial industry's anti-financial crime priorities.
- B. The program meets the minimum requirements of anti-financial crime standards, which are published by a financial industry association.
- C. In the past 3 years, internal auditing results show no high-severity issues and a maximum of three medium-severity and four low-severity issues.
- D. The program is drafted using a risk-based approach to avoid the FI being used as a conduit for criminal activities.

Correct Answer: D

The condition that should be met to satisfy the regulator is that the program is drafted using a risk-based approach to avoid the FI being used as a conduit for criminal activities. A risk-based approach means that the FI identifies, assesses, and understands its exposure to financial crime risks and applies appropriate measures to mitigate them. This is consistent with the international standards and best practices for anti-financial crime compliance. The program being aligned with the financial industry's anti-financial crime priorities, meeting the minimum requirements of anti-financial crime standards published by a financial industry association, or having no high-severity issues in internal auditing results are not sufficient to satisfy the regulator, as they do not necessarily reflect the specific risks faced by the FI or demonstrate its effectiveness in preventing and detecting financial crimes. References: [Advanced CAMS-FCI Study Guide], page 14-15; [FATF Guidance on Risk- Based Approach for Effective Supervision], page 7-8.

QUESTION 2

In a review of the account activity associated with Nadine Kien, an investigator observes a large number of small- to medium-size deposits from numerous individuals from several different global regions. The money is then transferred to a numbered company. Which is the next best course of action for the investigator?



An investigator at a financial institution (FI) receives an automated transaction alert based on average KYC data within the institution.

Client name	Risk rating	Profession	Country of Tax Residence	Annual Income as per KYC	Monthly Transaction Volume (Month 1)	Monthly Transaction Volume (Month 2)	Monthly Transaction Volume (Month 3)	Average Monthly Spending
Mike Jacob	Low	Accountant	Cyprus	\$ 45,000	\$ 3,251.00	\$ 8,777.70	\$11,378.50	\$ 525.00
Carl Ahmad	High	Car Dealer	Cyprus	\$ 350,000	\$ 9,333.33	\$12,600.00	\$10,360.00	\$ 6,708.33
Farah Zein	Medium	Owner of Travel Agency	Cyprus	\$ 180,000	\$ 4,800.00	\$ 6,480.00	\$ 5,328.00	\$ 4,200.00
Henry Lock	High	Owner of Jewelry Store	Cyprus	\$ 630,000	\$ 16,800.00	\$36,960.00	\$18,648.00	\$ 9,975.00
Jason Right	Low	Teacher	Cyprus	\$ 62,000	\$ 1,653.33	\$ 2,232.00	\$ 1,835.20	\$ 1,395.00
Nadine Kien	High	Trader	Cyprus	\$ 280,000	\$ 7,466.67	\$ 10,080.00	\$ 8,288.00	\$ 5,600.00
May Clous	Low	Employee at a bank	Cyprus	\$ 54,000	\$ 1,440.00	\$ 1,944.00	\$ 1,598.40	\$ 765.00
Richard Aston	Medium	Hotel Manager	Cyprus	\$ 120,000	\$ 3,200.00	\$ 4,320.00	\$ 3,552.00	\$ 1,800.00
Mason Jacob	High	Ecommerce business owner	Cyprus	\$ 430,000	\$ 11,466.67	\$15,480.00	\$28,666.67	\$ 9,316.67
Joshua White	Low	Manager at engineering company	Cyprus	\$ 90,000	\$ 2,400.00	\$ 3,240.00	\$ 2,664.00	\$1,470.00

- A. Complete the monthly review and note the activity for next month's review.
- B. File a SAR/STR on the account activity in relation to a potential funnel account.
- C. Recommend the account for exit due to frequent global transactions.
- D. No further action is required as the customer is already rated at high-risk and the monthly spending is within expectations.

Correct Answer: B

The next best course of action for the investigator is to file a SAR/STR on the account activity in relation to a potential funnel account. This is because a funnel account is a type of money laundering scheme that involves depositing funds from multiple sources into a single account, and then transferring them to another account, often in a different jurisdiction. A funnel account can be used to conceal the origin, ownership, and destination of illicit funds, and to evade currency transaction reporting requirements. The investigator should report the suspicious activity to the relevant authorities and document the findings and actions taken. The other options are incorrect because:

- A. Completing the monthly review and noting the activity for next month's review is not sufficient, as it delays the reporting of a possible money laundering scheme and exposes the financial institution to regulatory and reputational



risks. C. Recommending the account for exit due to frequent global transactions is not appropriate, as it does not address the underlying issue of potential money laundering and may alert the customer of the investigation.

D. No further action is required as the customer is already rated at high-risk and the monthly spending is within expectations is not acceptable, as it ignores the red flags of a funnel account and fails to comply with the anti-money laundering obligations of the financial institution. References: Advanced CAMS-FCI Certification | ACAMS, Section 2: Investigating Financial Crimes, page 9 Leading Complex Investigations Certificate | ACAMS, Module 2: Identifying Red Flags, page 5

QUESTION 3

An analyst reviews an alert for high volume Automated Clearing House (ACH) activity in an account. The analyst's initial research finds the account is for a commercial daycare account that receives high volumes of large government-funded ACH transactions to support the programs. The account activity consists of checks (cheques) made payable to individual names in varying dollar amounts. One check indicates rent to another business.

An Internet search finds that the daycare company owner has previous government-issued violations for safety and classroom size needs, such as not having enough chairs and tables per enrollee. These violations were issued to a different daycare name.

Simultaneous to this investigation, another analyst sends an email about negative news articles referencing local child/adult daycare companies misusing governmental grants. This prompts the financial institution (FI) to search all businesses for names containing daycare or care*. Text searches return a number of facilities as customers at the FI and detects that three of these businesses have a similar transaction flow of high volume government ACH funding with little to no daycare expenses.

The analyst determines that site visits should be conducted for the three daycare businesses. Which observations at the on-site visits would justify writing a SAR/STR? (Select Three.)

- A. Signs of severe wear and poor maintenance at the site
- B. A site located in a commercial building
- C. Lights turned off at the site during operational hours
- D. Visible attendance with children being dropped off by parents
- E. Visible signage indicating the purpose of the building
- F. A full parking lot of cars with no staff at the site

Correct Answer: ACF

The observations at the on-site visits that would justify writing a SAR/STR are signs of severe wear and poor maintenance at the site (A), lights turned off at the site during operational hours ? and a full parking lot of cars with no staff at the site (F). These observations suggest that the daycare businesses are not operating legitimately or providing adequate services to their customers, and that they may be misusing governmental grants or laundering money through their accounts. These observations are consistent with some of the red flags for fraud identified by ACAMS2, such as:

Inadequate facilities or equipment for the type of business Lack of visible activity or customers at the business location Discrepancy between reported income and expenses Unusual volume or frequency of transactions The other observations are not as relevant or indicative of fraud as options A, C, and F. A site located in a commercial building (B) could be a normal or legitimate choice for a daycare business, depending on its size, location, and availability. Visible attendance with children being dropped off by parents (D) could show that the daycare business is providing genuine services to its customers, although it does not rule out possible fraud or money laundering. Visible signage indicating



the purpose of building (E) could also show that the daycare business is transparent and legitimate, although it does not guarantee its quality or compliance.

References: 1: ACAMS Advanced Financial Crimes Investigations Certification Study Guide, available at ACAMS 2: ACAMS Fraud Prevention eLearning Course Module 3: Fraud Detection Techniques

QUESTION 4

Which actions should financial institutions perform to ensure proper data governance? (Select Three.)

- A. Establish an appropriate data management method for collecting and storing information.
- B. Ensure the accuracy of customer identification records and transaction records and appropriately manage data as a prerequisite for the effective use of IT systems.
- C. For customers who are determined to be at high risk, review their risk rating and apply risk mitigation measures as appropriate.
- D. Periodically validate integrity and accuracy of information used for IT systems such as customer information, customer identification records, and transaction records.
- E. Evaluate the nature of foreign remittance under a risk-based structure of AML/CFT and take necessary measures in accordance with the risk-based approach.
- F. Review significant discrepancies between the values of the product reported on the invoice and the fair market value.

Correct Answer: ABD

Financial institutions should perform the following actions to ensure proper data governance:

Establish an appropriate data management method for collecting and storing information. This is important to ensure that the data is consistent, reliable, and accessible for various purposes, such as risk assessment, compliance reporting,

and customer service. Data management methods may include defining data standards, policies, and procedures; implementing data quality controls and validation checks; and using appropriate data storage systems and formats.

Ensure the accuracy of customer identification records and transaction records and appropriately manage data as a prerequisite for the effective use of IT systems. This is important to comply with the anti-money laundering and counter-

terrorist financing (AML/CFT) requirements, such as customer due diligence, transaction monitoring, and suspicious activity reporting. Accurate and complete customer and transaction data also enables financial institutions to use IT systems

more effectively for data analysis, risk management, and decision making.

Periodically validate integrity and accuracy of information used for IT systems such as customer information, customer identification records, and transaction records. This is important to ensure that the data remains up-to-date, relevant, and

reliable over time. Data validation may include verifying the source and quality of the data; identifying and correcting any errors or inconsistencies; and updating or deleting any obsolete or redundant data.

References:



Data Governance for Financial Institutions - Capgemini Small and Medium-Sized Deposit-Taking Institutions (SMSBs)
Capital and Liquidity Requirements - OSFI

QUESTION 5

A financial institution (FI) banks a money transmitter business (MTB) located in Miami. The MTB regularly initiates wire transfers with the ultimate beneficiary in Cuba and legally sells travel packages to Cuba. The wire transfers for money remittances comply with the country's economic sanctions policies. A FI investigator on the sanctions team reviews each wire transfer to ensure compliance with sanctions and to monitor transfer details.

An airline located in Cuba, unrelated to the business, legally sells airline tickets in Cuba to Cuban citizens wanting to travel outside of Cuba. The airline tickets are purchased using Cuban currency (CUC).

The MTB wants 100,000 USD worth of CUC. Purchasing CUC from a Cuban bank includes a 4% fee. The MTB contacts the airline to ask if the airline will trade its CUC for USD at a lower exchange fee than the Cuban bank. The airline agrees to a 1% fee. The MTB initiates a wire transfer to the airline which appears as normal activity in the monitoring system because of the business' travel package sales.

The investigator recommends that a SAR/STR be filed. What documentation should be referenced in the SAR/STR filing? (Select Three.)

- A. All documents related to the agreement between the airline and the MTB
- B. Cumulative dollar amount of the wire transfer activity
- C. Airline's ticket sales and passenger list
- D. Cumulative dollar amount for transactions listing for all the MTB account's wire activity regarding travel packages
- E. Licensing information regarding the travel agency providing tourist sales to Cuba
- F. Account documentation on all related accounts maintained by the MTB

Correct Answer: B

The most likely reason for conducting a reverse transaction is to conceal or launder illicit funds. A reverse transaction is a transaction that reverses a previous transaction, such as a refund, a chargeback, or a cancellation. Reverse transactions can be used by money launderers to obscure the source, ownership, or destination of funds, or to create false records or invoices. For example, a money launderer may initiate a wire transfer from a high-risk jurisdiction to a low-risk jurisdiction, and then reverse the transaction after receiving confirmation of the funds. This way, the money launderer can create a paper trail that shows legitimate funds coming from a low-risk jurisdiction, while hiding the true origin of the funds. References: Advanced CAMS-FCI Study Guide, page 40-41.

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