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QUESTION 1

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 2

The training department is conducting awareness training for unusual customer identification scenarios. Which two indicators should be included? (Select Two.)

- A. The customer opens the account in the name of a family member who begins making large deposits.
- B. The customer's name and home address cannot be verified
- C. The customer's internet protocol address does not match the identifying information provided during online registration.
- D. The customer requests payment of proceeds to an unrelated third party.
- E. The customer frequently exchanges small bills for large bills.

Correct Answer: AB

This information can be found in the Certified Anti-Money Laundering Specialist (CAMS) study guide, 6th edition, under the section on Unusual Customer Identification Scenarios. The guide explains that two indicators that should be included in awareness training for unusual customer identification scenarios are:

- A. The customer opens the account in the name of a family member who begins making large deposits.

This is an indicator of potential structuring, where a customer may be attempting to avoid triggering reporting thresholds by depositing funds in smaller amounts over time. It is important for staff to be aware of this scenario and to monitor accounts for potential suspicious activity.

- B. The customer's name and home address cannot be verified. This is an indicator of potential identity theft or other fraudulent activity. If a customer's identifying information cannot be verified, it is important for staff to conduct additional due

diligence to ensure that the customer is legitimate and that the account is not being used for illicit purposes.

QUESTION 3

A SAR/STR on cash activity is filed for a company registered in the Marshall Islands operating a Mediterranean beach bar and hotel. The company has three nominee directors, one nominee shareholder, and another individual declared as both the beneficial owner and authorized signatory. Which information is key for law enforcement's physical surveillance of cash activity? (Select Two.)

- A. The identification details of the nominee shareholder
- B. The company's operating address
- C. The identification details of the beneficial owner and authorized signatory
- D. The company's registered address
- E. The identification details of the nominee directors

Correct Answer: BC

The identification details of the beneficial owner and authorized signatory are key for law enforcement's physical surveillance of cash activity, as they would help identify the person who controls and operates the company and who is responsible for its financial transactions. The company's operating address is also key, as it would help locate the

premises where the cash activity takes place and observe any suspicious movements or behaviors. The identification details of the nominee shareholder and directors are not relevant, as they are not involved in the management or operation of the company. The company's registered address is also not relevant, as it is likely to be a shell or mailbox address that does not reflect the actual location of the business. References: Advanced CAMS-FCI Study Guide, page 44-45; [FATF Guidance on Transparency and Beneficial Ownership], page 12-13.

QUESTION 4

A KYC specialist from the first line of defense at a bank initiates an internal escalation based on a letter of credit received by the bank.

MEMO

To: Jane Doe. Compliance Manager, Bank B From: Jack Brown, KYC Specialist, Bank B

RE: Concerning letter of credit

A letter of credit (LC) was received from a correspondent bank. Bank A. in Country A. in Asia with strict capital controls, providing guarantee of payment to Bank B's client for the export of 10 luxury cars located in Country B. located in Europe.

Bank A's customer is a general in the army where Bank A is headquartered.

The information contained in the LC is as follows:

1.

Advising amount per unit 30.000.00 EU ?0 units of BMW

2.

Model IX3

3.

Year of registration: 2020

Upon checks on Bank B's client, the exporter mentioned that the transactions were particularly important, and a fast process would be much appreciated in order to avoid reputational damage to the firm and the banks involved in the trade finance process. The exporter has a longstanding relationship with Bank B and was clearly a good income generator. The exporter indicated that, as a general, the importer was trustworthy.

The relationship manager