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QUESTION 1

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.

QUESTION 2

Why is a more robust supervisory approach needed by regulators when overseeing small- and medium-sized money service businesses (MSBs) compared to larger MSBs for combatting terrorist financing (TF)?

- A. Small- and medium-sized MSBs need to be targeted to ensure that competition in the industry remains constant and uniform.
- B. Small- and medium-sized MSBs need to be robustly supervised so the regulator can maintain visibility in combatting TF.
- C. Small- and medium-sized MSBs are more likely to falsify records to appear less risky in order to keep the banking relationship.



D. Small- and medium-sized MSBs are more at risk of allowing transactions linked to TF due to the lack of skilled compliance resources.

Correct Answer: D

A more robust supervisory approach is needed by regulators when overseeing small- and medium-sized MSBs compared to larger MSBs for combatting TF because small- and medium-sized MSBs are more at risk of allowing transactions

linked to TF due to the lack of skilled compliance resources. Small- and medium-sized MSBs may face challenges in implementing effective AML/CFT controls, such as conducting risk assessments, applying customer due diligence

measures, monitoring transactions, detecting suspicious activities, and reporting to the authorities. They may also have limited access to training, guidance, and tools to enhance their compliance capabilities. Therefore, regulators need to

provide more supervision and support to small- and medium-sized MSBs to ensure that they comply with the AML/CFT requirements and mitigate the TF risks.

References:

Sustainable Growth for Small and Medium-Sized Enterprises ... - MDPI Lessons on Resilience for Small and Midsize Businesses - HBR

QUESTION 3

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