



CHARTERED INSTITUTE FOR
SECURITIES & INVESTMENT

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LEVEL 3

COMBATING FINANCIAL CRIME

TIME ALLOWED: 1 HOUR

DO NOT REMOVE FROM EXAM ROOM

**THIS PAPER MUST BE HANDED TO THE INVIGILATOR
WHEN THE EXAM HAS FINISHED**

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Desk Number

How to use this sample paper

These 50 questions should be answered in an hour in the real exam, so make sure you time yourself accurately.

Record your answer for each question by circling your selected answer.

When you have finished the test, you may check your answers against the **Answer Sheet** at the back of this paper.

The exam is scored as follows:

46-50	Pass with Merit
35-45	Pass
30-34	Marginal Fail
0-29	Fail

For those questions you answered incorrectly, the answer sheet will show you the corresponding syllabus element, sub element and learning objective against which the questions were written, so you can identify any syllabus areas where you may need to revise further.

Combating Financial Crime

- 1 What are the country evaluation methodology components as categorised by the Financial Action Task Force?
 - A Technical compliance assessment and effectiveness assessment
 - B Effectiveness assessment and risk-based assessment
 - C Risk-based assessment and rules-based assessment
 - D Rules-based assessment and technical compliance assessment

- 2 Which instrument requires countries to implement anti-corruption measures which may even affect their existing laws, institutions and working practices?
 - A EU Directive 2015/849/EC
 - B Merida Convention
 - C Palermo Convention
 - D Vienna Convention

- 3 Where a company reports acts that may amount to offences of bribery or corruption to the Serious Fraud Office, this is known as:
 - A whistleblowing
 - B tipping-off
 - C self-reporting
 - D external reporting

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- 4 Which movement aims to free the world of corruption and has chapters in more than 100 countries?
- A Council of Europe`s Group of States against Corruption
 - B Global Witness
 - C Organisation for Economic Co-operation and Development
 - D Transparency International
- 5 When considering the presentation of evidence in court following an allegation of money laundering, a suspicious activity report must be kept:
- A in the public domain to ensure transparency
 - B confidential to protect the reporting institution only
 - C confidential to protect the individual reporter only
 - D confidential to protect the reporting institution and the individual reporter

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- 6 Which of the following characteristics would be considered when gauging a product's risk of being used for the purposes of money laundering?
- A Tax position
 - B Interest rate payable
 - C How long it has been on the market
 - D Inherent risk score
- 7 Under the UK Bribery Act 2010, a person has been found guilty of receiving a bribe as a summary offence.
- What is the maximum fine allowed?
- A £5,000
 - B £10,000
 - C £50,000
 - D £75,000

Combating Financial Crime

- 8 A financial firm becomes suspicious of a transaction before it occurs.
- Who must they notify under the consent regime?
- A The UK Financial Intelligence Unit
 - B The Financial Action Task Force
 - C The Financial Conduct Authority
 - D The National Crime Agency
- 9 Which categories of the Financial Action Task Force's recommendations deals with the obligations placed on financial institutions when dealing with high-risk customers?
- A Money Laundering and Confiscation
 - B AML/CFT Policies and Coordination
 - C Preventive measures
 - D Transparency and Beneficial Ownership of Legal Persons and Arrangements

Combating Financial Crime

- 10 Where an employee within a financial institution has suspicions about a transaction, they should make their concerns known to:
- A their line manager
 - B the FCA
 - C a member of senior management or the board of directors
 - D the money laundering reporting officer
- 11 Which of the following actions could be taken to impose financial sanctions on a named individual who is committing terrorist activities?
- A Public censorship and financial penalties
 - B Travel bans and public censorship
 - C Fines and imprisonment
 - D Travel bans and personal bank accounts frozen
- 12 What is the maximum prison sentence that can be imposed under the Police and Crime Act 2017 for an individual who breaches UK sanctions?
- A Two years
 - B Five years
 - C Seven years
 - D Ten years

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- 13 In order to ensure staff, who may be in financial difficulties and therefore could be tempted to commit a fraud are appropriately managed, what should happen periodically?
- A Staff rotation across teams
 - B Background checks
 - C Regular AML training
 - D Staff-wide solvency declarations
- 14 Under Part 8 of the Police and Crime Act 2017, what is the maximum custodial penalty that can be imposed under new civil powers to impose penalties on companies and individuals who breach UK, EU or UN sanctions?
- A Six months
 - B Two years
 - C Seven years
 - D Life sentence

Combating Financial Crime

- 15 A key principle in investigating financial crime is that:
- A there is often a paper trail that leads back to the offender
 - B cooperation between states can always be achieved
 - C a money laundering reporting officer is required to instigate proceedings
 - D regulation is consistent from state to state
- 16 Which type of investment fraud most commonly occurs as a result of call centres selling dubious investment products by telephone?
- A Boiler room scams
 - B 419 fraud
 - C Ponzi schemes
 - D Dodd-Frank abuse

17 A lawyer has knowingly helped a person to buy a house with criminal money.

In these circumstances the lawyer has committed the offence of:

- A arrangement
- B concealment
- C acquisition
- D failure to disclose

18 A financial institution has a correspondent banking relationship with a shell bank.

In these circumstances, the financial institution must:

- A cease the relationship immediately
- B notify the regulator regarding conflicts of interest
- C not deal with politically exposed persons
- D only use the shell bank for private banking

Combating Financial Crime

- 19 The Wolfsberg Group`s statement on the suppression of financing terrorism expressed their commitment to:
- A checks against the sanctions list and international cooperation
 - B checks against the sanctions list and the Payment Services Directive
 - C the Payment Services Directive and proper financial record keeping
 - D proper financial record keeping and the regulation of fund transfers
- 20 What is a key element of the second Payments Services Directive (PSD2)?
- A Criminalise internet-based fraud for payments
 - B Limit the powers of the European Banking Authority
 - C Impose stricter rules for records required for payments
 - D Make it safer to use internet payment services

Combating Financial Crime

- 21 The regulator has announced that an investment bank will be investigated regarding potential financial crimes.

How is this most likely to impact them?

- A It will increase their financial risk
- B It will lower their regulatory risk
- C It will increase their reputational risk
- D It will lower their legal risk

- 22 Barny has been found guilty of a bribery offence, and his fine is being dealt with as a summary offence.

What maximum fine could be imposed on Barny?

- A £5,000
- B £10,000
- C £100,000
- D An unlimited amount

Combating Financial Crime

- 23 A financial institution which is arranging or executing transactions is required to submit suspicious transaction reports to the FCA:
- A without delay
 - B within two business days
 - C within five business days
 - D within ten business days
- 24 Which body has a remit of developing countermeasures to money laundering and terrorist financing?
- A Eurojust
 - B Financial Action Task Force
 - C Europol
 - D Basel Committee on Banking Supervision
- 25 The International Monetary Fund helps to combat money laundering via its regular assessments of:
- A recovered assets
 - B beneficial ownership
 - C financial stability
 - D economic policy

Combating Financial Crime

- 26 In respect of guidance issued by the JMLSG in the UK, in what way does it secure regulatory approval for the recommendations contained within it?
- A The FCA considers the Guidance to be the `relevant guidance` under the regulations
 - B The PRA and the FCA support the guidance in principal although it is not legally enforceable
 - C The JMLSG has enforcement powers, delegated to it by the FCA
 - D The FCA and the PRA transpose all JMLSG guidance into their handbooks
- 27 Which of the following would constitute a risk factor for a financial institution considering whether or NOT to do business in a particular country?
- A Ability of PEPs to open accounts
 - B Monitoring of cross border currency movements
 - C Requirements to record large cash transactions
 - D Permitted use of numbered accounts

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28 Colin works for a financial services company and under the Bribery Act is deemed to be an associated person.

This confirms that:

- A Colin has been acting for the firm
- B Colin is a person who has been attempted to be bribed by a third party
- C Colin is a member of the self-reporting function
- D Colin is a director or board member

29 Members of industry groups that facilitate practical solutions for business, need to guard against which risk?

- A Being in breach of EU legislation
- B It's influence over industry conflicts with global best practice
- C Breaching competition law
- D Their chairmanship seat extends beyond Company Code of Conduct rules

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- 30 The Terrorist Financing Convention requires states to establish terrorist financing offences as being:
- A criminal offences only
 - B criminal offences and civil offences
 - C civil offences only
 - D civil offences and torts
- 31 Under the Fraud Act 2006, "intending to make a gain for oneself or another, or to cause loss to another or to expose another to a risk of loss" is the definition of fraud by:
- A abuse of position
 - B failing to disclose information
 - C false representation
 - D making a misleading statement
- 32 Under the Fourth Money Laundering Directive (4MLD), a member of the board of a central bank is classified as holding:
- A a close association
 - B the status of a politically exposed person
 - C sole beneficial ownership of a corporate body
 - D joint beneficial ownership of a corporate body

- 33 What is a key limitation of a financial institution installing a system-based compliance programme?
- A The FCA will not approve the use of such systems
 - B Their effectiveness is difficult to monitor
 - C The system is unlikely to provide any material benefit
 - D These type of systems become quickly outdated
- 34 A person who acts in an official capacity for a foreign government in the context of making national laws against corruption is known as a:
- A foreign minister
 - B foreign public official
 - C civil servant
 - D foreign counterparty
- 35 What should an investment adviser be aware of regarding tax evasion and avoidance?
- A Both evasion and avoidance are legal practices
 - B Both evasion and avoidance are illegal practices
 - C Only tax evasion is a legal practice
 - D Only tax avoidance is a legal practice

Combating Financial Crime

- 36 Which of the following responsibilities would NORMALLY be considered as the domain of an external auditor as opposed to an internal auditor?
- A Reporting to shareholders
 - B Ensuring risk management processes are effective
 - C Reviewing the means by which an organisation protects its assets
 - D Recommending how to implement regulations internally
- 37 A preventive injunction that is designed to prevent a loss or injury in future, is known as:
- A a freezing order
 - B monitoring
 - C tracing
 - D an Anton Piller Order
- 38 Transparency International's Integrity Pacts are anti-corruption tools most commonly used by:
- A activists
 - B educators
 - C the private sector
 - D the public sector

Combating Financial Crime

- 39 What is a key function of the Monitoring Team which assists the United Nations Security Council Committee?
- A To make recommendations on new policies
 - B To monitor levels of terrorism on a global basis
 - C To review names on the sanctions lists
 - D To enforce laws to freeze terrorist assets
- 40 What is the name given to a system infrastructure that assists firms in identifying the indicators of fraudulent activity?
- A Fraud Detection and Mapping Software
 - B Suspicious Transaction Tracking and Reporting Technology
 - C Cyber Crime and Risk Penetration and Interrogation Utility
 - D Enterprise Fraud and Misuse Management
- 41 Under FCA rules, what must a financial firm have in place, to monitor its compliance with anti-money laundering rules?
- A An internal audit function
 - B Internal controls
 - C An external audit function
 - D External controls

Combating Financial Crime

- 42 Under the Financial Action Task Force's risk based approach, anti-money laundering procedures within a financial firm must be approved by its:
- A board of directors
 - B chief executive officer
 - C money laundering reporting officer
 - D senior management
- 43 What training must be given to employees of a financial institution, relating to whistle-blowing procedures?
- A Training that is relevant to their role
 - B Training that is relevant to all employees
 - C Training that is only required in areas specified by senior management
 - D Training material that is outlined in the UK Corporate Governance Code

44 A group of criminals has been involved in a money laundering operation.

They have now successfully received their money from what appears to be a legitimate source.

Which stage(s) of the money laundering process are most likely to have been achieved by the group?

- A Placement and layering only
- B Layering only
- C Placement, layering and integration
- D Layering, integration and disposal

45 What defence can a commercial organisation successfully use as a defence against a bribery charge?

- A Adequate anti-bribery procedures were in place
- B Undue influence was placed by a third party
- C The transaction was with a government agency
- D The offence would have been impossible to detect in the eyes of a reasonable person

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- 46 What does the Recommendation 5 of the Financial Action Task Force (FATF) cover?
- A Detecting terrorist abuse of the financial system
 - B Preventing misuse of non-profit organisations
 - C Targeted financial sanctions related to terrorism
 - D The criminalisation of terrorist financing
- 47 A stockbroker gives out information that gives a false impression about an investment. If they know this information is misleading, what offence have they committed?
- A Insider dealing
 - B Unlawful disclosure
 - C Manipulating devices
 - D Dissemination
- 48 Know Your Customer (KYC) checks are designed to verify a customer`s:
- A identity and source of funds
 - B residence
 - C identity and residence
 - D identity, residence and source of funds

Combating Financial Crime

- 49 The development of regulations for cross-border cooperation between states to combat financial crime is based on common:
- A jurisdictions only
 - B principles and jurisdictions only
 - C principles and recommendations only
 - D principles only
- 50 In what circumstances is a financial institution most likely to require a decision from the UK Financial Intelligence Unit?
- A When it intends to proceed with a transaction which has been thought to be suspicious
 - B When dealing with politically exposed persons or their counterparties
 - C When seeking to place a large financial transaction on behalf of a foreign government
 - D When performing a check against the sanctions list

ANSWER SHEET

Combating Financial Crime

Question	Key	Syllabus	Unit	Element
1	A	2	3	3
2	B	2	2	2
3	C	4	2	7
4	D	4	5	1
5	D	9	1	1
6	D	8	2	1
7	A	4	2	2
8	D	9	6	1
9	C	2	3	2
10	D	9	2	1
11	D	7	1	3
12	C	7	1	4
13	B	8	3	6
14	C	7	1	4
15	A	1	2	5
16	A	5	2	1
17	A	2	1	2
18	A	8	3	2
19	A	3	3	3
20	D	3	3	2
21	C	8	2	2
22	A	4	2	8
23	A	9	5	1
24	B	1	2	1
25	C	2	2	1

ANSWER SHEET

Combating Financial Crime

26	A	2	4	2
27	D	8	3	1
28	A	4	2	4
29	C	8	3	8
30	A	3	2	1
31	C	5	1	1
32	B	9	4	4
33	B	9	3	3
34	B	4	2	3
35	D	6	1	1
36	A	8	3	9
37	A	1	4	3
38	D	5	4	1
39	C	3	2	2
40	D	8	3	5
41	B	1	2	3
42	D	2	3	1
43	A	8	3	7
44	C	2	1	1
45	A	4	2	9
46	D	3	3	1
47	D	5	3	2
48	C	9	4	1
49	C	1	2	4
50	A	9	6	3