CHARTERED INSTITUTE FOR
SECURITIES & INVESTMENT

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LEVEL 3

COMBATING FINANCIAL CRIME (VERSION 12)

TIME ALLOWED: 1 HOUR

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:

35-50	Pass
0-34	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.

1 The 22 predicate offences of the 6th Money Laundering Directives (6MLD) have been extended to include environmental crime and which of the following?

A Cybercrime

B Terror-related crime

C Identity theft

D Dark web activity

2 How does the European Central Bank contribute to the supervisory oversight of European Credit Institutions?

A It defines and implements monetary policy in the Eurozone

B It performs audits independently of European governments

C It instructs country specific regulators to perform inspections of credit institutions

D It collects and centralises statistics on foreign exchange operations

3 The Money Laundering, Terrorist Financing and Transfer of Funds (information on the payer) Regulations2017 (MLR 2017) enhances existing rules in several areas including, the risk-based approach, third parties, reckless statements, politically exposed persons (PEPs)and which other?

A AML detection principals

B Relevant persons

C Enhanced due diligence

D The global reach of terrorist financial crime

4 What role does the Basel Committee on Banking Supervision (BCBS) play in combating money laundering?

A It offers basic procedural guidelines to banks

B It ensures jurisdictions have effective anti-money laundering systems

C It establishes best practice for training and the sharing of expertise

D It identifies areas for improvement in domestic and international law

5 A recent activity carried out under the banner of the 'StAR initiative' related to policy advice. Which specific audience is this **most** likely to be aimed at?

A Compliance officers

B Developing countries

C Major banks

D Reinsurance companies

6 A technology company wishes to export electronic games to a country subject to UN arms embargo. The games could potentially be converted into a primitive weapons launch operations system. Your bank is approached to provide trade finance.

You advise your bank that:

A provision of finance for this transaction falls under the Financial Action Task Force definition of proliferation finance

B any criminal act will have been committed by the technology company only

C the bank should consider providing finance through an offshore company as a safeguard

D no law has been broken as any piece of electronics could potentially be converted

7 One of the key differences between money laundering and terrorist financing often relates to the:

A taxation status of the assets being used

B legitimacy of the original funds

C geographical jurisdiction of the assets being used

D accessibility of the original funds

8 The distinction between active bribery and passive bribery primarily relates to whether the person involved is:

A acting intentionally or unintentionally

B making or receiving the offer

C undertaking the role as a private citizen or a public official

D accepting a financial gift or payment in kind

9 When considering the differences between the offences of bribery and corruption, only:

A bribery requires the gain of illegitimate advantage

B bribery requires the offer of something for acceptance

C corruption technically involves an aspect of criminal behaviour

D corruption involves gaining advantage by non-monetary means

10 In order to be classified as bribing another person under the UK Bribery Act 2010 (Section 1), what requirement is necessary regarding the payment of the bribe?

A It must be paid directly by the person seeking to gain advantage

B It must be paid in a recognised monetary format

C It can be paid either by the briber or by a third party

D It can only be termed a bribe once accepted by the recipient

11 In order to be guilty of fraud by failing to disclose information, what criteria **must** be met?

A A clear financial gain for the fraudster

B A clear financial loss for the victim

C A legal duty to safeguard the interests of third parties

D A legal duty to disclose the information

12 Liz received an email identified as being part of a 419 fraud. What is this email MOST likely to have required her to do?

A Pay a sum to a friend supposedly in financial trouble abroad

B Make an up-front payment to claim her share in a large fund

C Purchase an initial tranche of shares which will generate a return to secure further shares

D Make regular payments to a charity with the promise of a guaranteed prize-fund win

13 A small firm in a dynamic industry that wishes to expand its operations on a sound and sustainable basis is likely to change its corporate structure in what way?

A Centralised to decentralised

B Decentralised to centralised

C Risk-based to dynamic

D Dynamic to risk-based

14 Which of the following statements **best** describes the role legislation and regulations play in the formulation of internal policies and procedures for combating financial crime?

A As legislation provides the governing laws these must take precedence over regulations

B Legislation provides the governing laws while regulations describe how these should be implemented

C Regulations describe how to implement legislation but do not have the same effect as primary laws

D Legislation is used to dictate company policy and regulations are used to cascade this down to specific management responsibilities

15 Transaction reports submitted by financial institutions play a key role in assisting regulators in combating financial crime by:

A helping to detect market abuse

B identifying every currency accepted by authorised providers

C confirming the origin of regular premium monies

D including money laundering indemnity statements

16 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

17 Financial institutions must keep details of records used to confirm the identity of its account holders for at least five years from what date?

A When the records were presented

B When the account was opened

C The date of the last transaction

D The date the account was closed

18 In order to mitigate money laundering risks, financial institutions have a regulatory duty to establish and maintain robust defences and what else?

A Anti-money laundering officers

B Compliance rule books

C Risk management frameworks

D Anti-money laundering interventions

19 Which of the following combinations of factors is generally the most relevant to assess in order to gauge the inherent money laundering risk which a financial organisation may be open to from each classification of client?

A Age and size of organisation

B Customer base and business relationship

C Business relationship and experience of senior managers

D Customer base and age of organisation

20 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

21 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

22 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

23 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

24 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

25 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

26 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

27 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

28 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

29 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

30 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

31 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

32 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

33 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

34 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

35 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

36 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

37 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

38 A company has been found guilty under the Criminal Finances Act 2017. What is the **maximum** penalty the company could face?

A Being banned from the industry and an unlimited fine

B A criminal conviction and an unlimited fine

C 14 years imprisonment and a £100,000 fine

D 7 years imprisonment and a £100,000 fine

39 Under the 5th Money Laundering Directive's (5MLD's) definition of a Politically Exposed Person (PEP), which of the following would be regarded as a prominent public function?

A A governmental employee

B A civil servant

C A Member of Parliament

D A court barrister

40 Under its guidance in relation to Politically Exposed Persons (PEPs), the FCA identifies three risk factors.

They are Personal+Professional, Geography and which other?

A Product

B Exposure

C Domicile

D Remuneration

41 How does JMLSG guidance become relevant within the UK courts system?

A It is applied specifically in all cases involving individuals but not companies

B It is presented as law in all UK court cases involving non-nationals

C The courts are obliged to take note of it in legal proceedings

D It is deemed to be 'law of the land' during any money laundering hearing or prosecution

42 In combating financial crime, financial sanctions come in many forms and will be adapted to individual circumstances.

What will they involve, broadly speaking?

A Bans and/or asset freezing

B Bans and/or asset stripping

C Investment bans and/or public censorship

D Restrictions on access to capital markets and/or investment bans

43 Any person or financial institution in the UK knowingly dealing in any way with the property of a person or entity on The Office of Financial Sanctions Implementation's (OFSI) consolidated list is specifically deemed to have:

A committed a criminal offence

B committed a fraudulent act

C participated in terrorist activity

D participated in money laundering activity

44 A non-US company operating on US territory offers a substantial gift, effectively a bribe, to a foreign company. A small part of the gift finds its way into the hands of a minor government official. Has an offence been committed under the Foreign Corrupt Practices Act (FCPA) 1977?

A No offence is committed. A bribe must be made directly to a government official

B No offence is committed in the US. The non-US company is simply operating on US territory. No US persons are involved

C Yes, even if a small part of a bribe is indirectly received by a government official. An offence is committed

D Yes, US law is applied on an extra-territorial basis

45 For whistleblowing cases, who is a 'prescribed person' for financial services businesses under the Public Interest Disclosure Act (PIDA) 1998?

A The National Crime Agency

B The Office of Communications (Ofcom)

C The Financial Conduct Authority

D The Financial Ombudsman Service

46 Which of the following is a key difference between the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act (FCPA) 1977?

A The FCPA has no exemption for facilitation payments

B The Bribery Act 2010 has no exemption for facilitation payments

C The FCPA has no defence for promotional payments

D The Bribery Act 2010 requires the intent to be corrupt or improper

47 The Foreign Account Tax Compliance Act (FATCA) is intended to:

- **A** gather tax information from crown dependencies and overseas territories (CDOT)
- **B** provide common reporting standards on residents' assets
- **C** detect tax evasion by US persons hiding money outside the US
- **D** provide an alternative reporting arrangement for non-domiciled UK individuals

48 The documents issued by the Financial Action Task Force represent a mix of guidance and:

- **A** technical advice
- **B** best practice
- **C** non-binding codes
- **D** mandatory rules

49 The introduction of strict liability by the Criminal Finances Act 2017 means that in cases relating to tax evasion:

- **A** negligence or intent need not be proved in order to convict
- **B** the extent of any penalty will be unaffected by the circumstances
- **C** an element of conspiracy must be proved in order to convict
- **D** the employer is only responsible for the contracted actions of its employees

50 When a firm carries out screening against sanction lists, it is important that this is conducted:

A in real time

B by a third party

C in absolute secrecy

D using two-factor authentication

Combating Financial Crime (Version 12)

Question Number	Answer	Syllabus Reference
1	A	2.2.1
2	B	2.4.2
3	B	2.1.3
4	A	2.4.1
5	B	1.2.4
6	A	1.1.1
7	B	3.1.1
8	B	4.4.1
9	B	4.1.1
10	C	4.2.1
11	D	5.1.1
12	B	5.2.1
13	A	8.1.4
14	B	8.3.5
15	A	5.3.5
16	B	8.3.6
17	D	8.6.1
18	C	8.7.3
19	B	8.2.2
20	B	1.2.1
21	C	1.2.3
22	C	2.1.1
23	A	2.1.2
24	C	2.3.2
25	A	2.3.3
26	A	3.2.1
27	D	3.3.1
28	B	4.2.2
29	A	4.2.6
30	A	4.2.5
31	D	5.3.2
32	D	6.1.1
33	C	8.2.3
34	A	8.3.2
35	B	1.2.2
36	D	8.7.1
37	A	8.5.1
38	B	6.2.6
39	C	8.4.6
40	A	8.4.7
41	C	1.5.3
42	A	7.1.3

43	A	7.1.4
44	C	4.3.1
45	C	8.3.7
46	B	4.3.2
47	C	6.1.2
48	B	1.4.1
49	A	6.2.4
50	A	7.1.1