

Bank Secrecy Act Compliance Specialist (BSACS) Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

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- 1. If a credit union cashes checks for non-members, how is it classified for BSA purposes?**
 - A. As a registered MSB**
 - B. As an unauthorized transaction**
 - C. As a regular banking activity**
 - D. As an MSB for BSA purposes**
- 2. What is the primary purpose of Anti-Money Laundering (AML) programs?**
 - A. To facilitate international trade**
 - B. To detect, prevent, and report activities related to money laundering and terrorist financing**
 - C. To enhance customer service in banks**
 - D. To provide financial training to employees**
- 3. What should MSBs do if they become aware of unlawful activities related to their services?**
 - A. Report to the local authorities**
 - B. Act independently without reporting**
 - C. Consult with their lawyers**
 - D. Immediately notify FinCEN**
- 4. What is a Currency Transaction Report (CTR)?**
 - A. A report for transactions involving more than \$1,000**
 - B. A report that must be filed for transactions over \$10,000 in cash**
 - C. A report related to loan applications**
 - D. A report filed for electronic fund transfers**
- 5. Who conducts the independent testing of the BSA program?**
 - A. Only external auditors**
 - B. Credit union personnel or outside parties**
 - C. Only the BSA Officer**
 - D. Any employee**

- 6. Which of the following transfers are excluded from the BSA funds transfer rule?**
- A. All transfers less than \$5,000**
 - B. Debit transfers and electronic funds transfers as defined by the EFTA**
 - C. Transfers over \$3,000 between domestic banks**
 - D. Transfers done through wire services only**
- 7. What is the typical retention period under the Bank Secrecy Act for financial records?**
- A. 3 years**
 - B. 5 years**
 - C. 7 years**
 - D. 10 years**
- 8. What must a credit union retain during the account opening process?**
- A. Only the updated member information**
 - B. Original information obtained during account opening**
 - C. Only the member's employment information**
 - D. None of the above**
- 9. How should credit unions report positive matches to 314(a) requests?**
- A. Email communication**
 - B. Via the Secure Information Sharing System (SISS)**
 - C. Postal mail**
 - D. Internal memo**
- 10. What is the threshold for filing a SAR regarding a suspicious \$4,000 transaction?**
- A. Always file, regardless of transaction amount**
 - B. If the transaction is below the \$1,000 threshold**
 - C. If it is suspected to involve criminal activity, even if below the \$5,000 threshold**
 - D. If the customer is a new account holder**

Answers

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1. C
2. B
3. D
4. B
5. B
6. B
7. B
8. B
9. B
10. C

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Explanations

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1. If a credit union cashes checks for non-members, how is it classified for BSA purposes?

- A. As a registered MSB**
- B. As an unauthorized transaction**
- C. As a regular banking activity**
- D. As an MSB for BSA purposes**

When evaluating how a credit union cashes checks for non-members within the context of the Bank Secrecy Act (BSA), it is important to understand the nature of regular banking activities in relation to BSA compliance requirements. Cashing checks for non-members can be classified as a regular banking activity because it falls under the general services that financial institutions offer to the public. This activity does not automatically make the credit union a money services business (MSB), since MSBs have specific definitions and typically include businesses that engage in activities such as currency exchange, money transferring, or issuing traveler's checks. Under the BSA, while credit unions and other financial institutions must adhere to compliance requirements, the act of cashing checks itself is part of their routine operations, provided that they continue to comply with applicable regulations, such as verifying the identity of the individuals involved and monitoring for suspicious activities. Therefore, the classification of cashing checks for non-members as a regular banking activity accurately reflects the nature of the transaction in terms of compliance obligations. Options reflecting unauthorized transactions or MSB classifications do not accurately represent the nature of cashing checks as a service provided by credit unions, thus distinguishing them from routine banking functions.

2. What is the primary purpose of Anti-Money Laundering (AML) programs?

- A. To facilitate international trade**
- B. To detect, prevent, and report activities related to money laundering and terrorist financing**
- C. To enhance customer service in banks**
- D. To provide financial training to employees**

The primary purpose of Anti-Money Laundering (AML) programs is to detect, prevent, and report activities related to money laundering and terrorist financing. These programs are essential in the financial industry as they help institutions identify potentially suspicious activities that could indicate illegal transactions, including the masking of proceeds from criminal activities or the funding of terrorism. By implementing effective AML measures, banks and financial institutions play a crucial role in safeguarding the financial system against infiltration by illicit funds, thereby promoting integrity and stability in the economic landscape. AML programs involve various components, such as customer due diligence, transaction monitoring, and reporting mechanisms, which enable institutions to fulfill regulatory requirements and combat financial crimes effectively. The focus on detecting and preventing activity related to money laundering and terrorist financing underscores the critical importance of these programs in upholding the law and ensuring the safety of the financial environment for all users.

3. What should MSBs do if they become aware of unlawful activities related to their services?

- A. Report to the local authorities**
- B. Act independently without reporting**
- C. Consult with their lawyers**
- D. Immediately notify FinCEN**

Money Services Businesses (MSBs) have a critical responsibility under the Bank Secrecy Act (BSA) to prevent and report suspicious activities. When MSBs become aware of unlawful activities related to their services, they are required to file a Suspicious Activity Report (SAR) with FinCEN (the Financial Crimes Enforcement Network). This reporting is essential for regulatory compliance and plays a significant role in the deterrence and detection of financial crimes, including money laundering and terrorist financing. Notifying FinCEN directly aligns with the legal requirements set forth by the BSA, which emphasizes the importance of timely reporting to help authorities take appropriate action against illegal activities. By immediately notifying FinCEN, MSBs ensure that the information is given to the proper regulatory body that can analyze it in conjunction with other data, potentially leading to broader investigations. The other options, while potentially valid in certain contexts, do not specifically fulfill the obligations under the BSA. Reporting to local authorities may be appropriate, but it does not replace the MSB's obligation to report to FinCEN. Acting independently without reporting contradicts regulatory compliance. Consulting with lawyers could be prudent for legal advice, but it does not satisfy the requirement to report unlawful activities to FinCEN. Hence,

4. What is a Currency Transaction Report (CTR)?

- A. A report for transactions involving more than \$1,000**
- B. A report that must be filed for transactions over \$10,000 in cash**
- C. A report related to loan applications**
- D. A report filed for electronic fund transfers**

A Currency Transaction Report (CTR) is specifically designed to capture information about cash transactions that exceed \$10,000. This requirement is established under the Bank Secrecy Act (BSA), which mandates financial institutions to file CTRs to help the government track large cash expenditures that may indicate money laundering or other illegal activities. The CTR must be filed for each transaction that involves more than \$10,000 in cash, whether it's a single transaction or multiple transactions within a certain time period. The significance of filing a CTR accurately is that it provides law enforcement with crucial data to detect and prevent financial crimes. This information involves not only the amount involved but also details regarding the individuals and entities participating in the transaction. While other reports also play important roles in the realm of financial monitoring and compliance, they do not focus specifically on cash transactions over the \$10,000 threshold, which is the defining characteristic of a CTR.

5. Who conducts the independent testing of the BSA program?

- A. Only external auditors**
- B. Credit union personnel or outside parties**
- C. Only the BSA Officer**
- D. Any employee**

The independent testing of the BSA program is crucial as it helps ensure that the program is functioning effectively and in compliance with regulatory requirements. The correct choice reflects that this testing can be conducted by credit union personnel, provided they are not involved in the daily operations of the BSA program, or by outside parties who are independent of the credit union's operations. This independence is essential to avoid conflicts of interest and ensure a thorough examination of the controls and compliance efforts. While external auditors or independent consultants bring a level of expertise and objectivity, it is also permissible for trained credit union personnel to conduct the testing, provided they are sufficiently independent from the BSA functions. This flexible approach allows credit unions to engage resources that can perform critical assessments of their BSA programs, which is important for maintaining a robust compliance environment. The other options are less appropriate because they either limit the scope of who can perform the testing too narrowly or do not provide the independence necessary for an effective evaluation. For instance, stating that only external auditors conduct this testing disregards the potential for skilled internal staff to carry out this function effectively. Similarly, indicating that only the BSA Officer or any employee should conduct the testing fails to recognize the need for independence and objectivity in the assessment process.

6. Which of the following transfers are excluded from the BSA funds transfer rule?

- A. All transfers less than \$5,000**
- B. Debit transfers and electronic funds transfers as defined by the EFTA**
- C. Transfers over \$3,000 between domestic banks**
- D. Transfers done through wire services only**

The correct answer highlights that certain types of transfers, namely debit transfers and electronic funds transfers as defined by the Electronic Fund Transfer Act (EFTA), are excluded from the Bank Secrecy Act's funds transfer rule. This exclusion is significant because the BSA regulations specifically focus on tracking financial transactions that could potentially involve illicit activities such as money laundering or terrorism financing. The reason that debit transfers and electronic funds transfers under the EFTA are excluded lies in the nature of these transactions. They are typically consumer-oriented and subject to specific consumer protection regulations, which already provide a framework for monitoring and safeguarding these types of activities. As a result, the BSA recognizes that these transfers fall under existing regulations, thus allowing them to be exempt from additional burdens imposed by the BSA's funds transfer rule. Understanding this helps clarify why that specific category of transfers does not require heightened scrutiny under the BSA, making it simpler for financial institutions to navigate compliance without redundancy. In contrast, the other options suggest exclusions that do not align with the BSA guidelines. Transfers less than \$5,000 are not inherently excluded, as the threshold for the BSA's reporting obligations is more nuanced and considers various factors beyond just the amount. Transfers over \$3,000 between domestic

7. What is the typical retention period under the Bank Secrecy Act for financial records?

- A. 3 years
- B. 5 years**
- C. 7 years
- D. 10 years

The Bank Secrecy Act (BSA) establishes a framework for the retention of financial records, which is crucial for compliance and for meeting the requirements of regulatory agencies. The typical retention period for financial records under the BSA is indeed 5 years. This duration aligns with the time frame during which financial institutions must be prepared to provide records for audits and investigations, especially concerning suspicious activity reports (SARs) and currency transaction reports (CTRs). Records such as transaction logs and internal reviews must be kept for this designated period to assist with any potential inquiries from law enforcement or regulatory agencies. Maintaining these records for 5 years ensures that institutions can effectively respond to investigations and comply with reporting obligations, fostering transparency and accountability within the financial system. This retention period is designed to balance regulatory requirements with the operational needs of financial institutions.

8. What must a credit union retain during the account opening process?

- A. Only the updated member information
- B. Original information obtained during account opening**
- C. Only the member's employment information
- D. None of the above

During the account opening process, a credit union is required to retain the original information obtained during that process. This requirement is in line with the regulations set forth by the Bank Secrecy Act (BSA) and its implementing regulations, which emphasize the importance of maintaining accurate and complete records for all members. Retaining the original information serves several key purposes: it ensures that the credit union can verify the identity of its members, helps in monitoring for suspicious activity, and provides necessary documentation in the event of an audit or regulatory review. Complete and accurate records are essential for compliance efforts, especially concerning anti-money laundering (AML) regulations. The other choices do not encompass the full breadth of the required documentation. Simply retaining updated member information or focusing solely on specific details such as employment information would not fulfill the comprehensive record-keeping requirements mandated by the BSA. Thus, retaining the original information collected during account opening is crucial for compliance and operational integrity within a credit union.

9. How should credit unions report positive matches to 314(a) requests?

A. Email communication

B. Via the Secure Information Sharing System (SISS)

C. Postal mail

D. Internal memo

Credit unions should report positive matches to 314(a) requests via the Secure Information Sharing System (SISS). This method is specifically designed for secure communication of sensitive information, which includes responses to 314(a) requests under the USA PATRIOT Act. The SISS allows financial institutions to share information in a secure manner, ensuring compliance with the Bank Secrecy Act while protecting the privacy and security of the data being transmitted. Using SISS reflects adherence to the established protocols for reporting suspicious transactions and assisting law enforcement agencies in combating money laundering and other financial crimes. The platform is recommended because it minimizes the risks associated with using less secure methods, such as email or postal mail, which may expose sensitive information to unauthorized access. Moreover, internal memos do not provide a standardized process for handling such inquiries, which is essential in regulatory compliance. Therefore, the Secure Information Sharing System is the most appropriate and compliant way to report positive matches to 314(a) requests.

10. What is the threshold for filing a SAR regarding a suspicious \$4,000 transaction?

A. Always file, regardless of transaction amount

B. If the transaction is below the \$1,000 threshold

C. If it is suspected to involve criminal activity, even if below the \$5,000 threshold

D. If the customer is a new account holder

The correct answer pertains to the requirement to file a Suspicious Activity Report (SAR) when there is a reasonable suspicion that a transaction involves criminal activity, regardless of the specific dollar amount. In this case, even though the transaction is \$4,000, if there is credible belief that it indicates potential criminal behavior, a SAR should be filed. This obligation is guided by the principle that SARs are meant to help law enforcement agencies detect and prevent money laundering and other suspicious activities. Under the Bank Secrecy Act, the threshold for mandatory SAR reporting is generally \$5,000 for transactions that are suspicious; however, if there is suspicion of criminal activity, the reporting requirement takes precedence, highlighting that the nature of the transaction is more important than the dollar amount. This underscores the regulatory emphasis on the context of the transaction and the intent behind it. Thus, in scenarios of suspicion, especially involving potentially illicit activities, filing a SAR is the appropriate course of action, which is why this option is justified as correct.