

BSA Compliance Practice exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

- 1. What does the CDD/MDD rule define as a "legal entity"?**
 - A. A natural person opening an account**
 - B. A corporation, LLC or similar entity creating public documents**
 - C. An unincorporated association**
 - D. A sole proprietorship operating under a personal name**
- 2. During an audit, what is one area that the BSA Independent Auditor might focus on?**
 - A. Sales strategies for products**
 - B. Transaction reporting processes**
 - C. Investment practices of the bank**
 - D. Customer demographic trends**
- 3. What is a potential consequence of failing to file required reports timely under BSA?**
 - A. Loss of client trust and business**
 - B. Significant fines and potential criminal charges**
 - C. Negative impact on employee morale**
 - D. Increased operational costs**
- 4. True or False: The credit union's board of directors is ultimately responsible for the credit union's BSA compliance?**
 - A. True**
 - B. False**
 - C. Only if the BSA Officer is absent**
 - D. True, but only partially**
- 5. What is structuring in the context of BSA compliance?**
 - A. Making large deposits at multiple locations**
 - B. Breaking up a transaction to evade reporting requirements**
 - C. Transferring money overseas**
 - D. Using different financial institutions for each transaction**

- 6. What is the role of the Office of Foreign Assets Control (OFAC) in relation to the BSA?**
- A. To provide loans to foreign entities**
 - B. To administer and enforce economic and trade sanctions based on U.S. foreign policy**
 - C. To regulate the interest rates of financial institutions**
 - D. To oversee consumer protection laws**
- 7. What is the primary goal of an institution's BSA/AML program that is evaluated by the BSA Independent Auditor?**
- A. To improve staff morale**
 - B. To ensure effective anti-money laundering measures**
 - C. To enhance customer relationships**
 - D. To increase profit margins**
- 8. What triggers the filing of a Marijuana Limited SAR?**
- A. When the business violates state laws**
 - B. When the institution lacks sufficient customer due diligence (CDD)**
 - C. When the institution believes the business does not violate state law**
 - D. When the institution identifies a known suspect**
- 9. What is the primary goal of BSA compliance?**
- A. To enhance customer service quality**
 - B. To prevent and detect money laundering and other financial crimes**
 - C. To ensure competitive interest rates**
 - D. To maximize financial institution profits**
- 10. What is the primary function of a BSA Independent Auditor?**
- A. To execute customer transactions**
 - B. To assess the institution's marketing strategies**
 - C. To evaluate the effectiveness of the BSA/AML program**
 - D. To determine staff performance levels**

Answers

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

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Explanations

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1. What does the CDD/MDD rule define as a "legal entity"?

- A. A natural person opening an account
- B. A corporation, LLC or similar entity creating public documents**
- C. An unincorporated association
- D. A sole proprietorship operating under a personal name

The CDD (Customer Due Diligence) and MDD (Minimum Due Diligence) rule defines a "legal entity" specifically as a corporation, limited liability company (LLC), or a similar entity that creates public documents. This definition is pivotal in the context of financial institutions and their obligations under anti-money laundering (AML) regulations. Legal entities are critical in establishing transparency within the financial system, as they are typically required to provide documentation that verifies their formation, ownership structure, and operational nature. This facilitates a more thorough understanding of any risks associated with engaging in financial transactions with these entities. Moreover, differentiating between legal entities and individuals is essential in applying the appropriate due diligence measures. While individuals (natural persons) and other forms of business structures, such as sole proprietorships and unincorporated associations, exist, they do not meet the specific criteria set by CDD/MDD rules for what constitutes a legal entity. This focus on entities that can publicly document their formation and operations allows for better monitoring and adherence to compliance regulations, thereby supporting the overarching goals of the BSA (Bank Secrecy Act) and related laws in preventing illicit activities.

2. During an audit, what is one area that the BSA Independent Auditor might focus on?

- A. Sales strategies for products
- B. Transaction reporting processes**
- C. Investment practices of the bank
- D. Customer demographic trends

The focus of the BSA Independent Auditor during an audit should indeed be on transaction reporting processes. This area is critical in ensuring that financial institutions comply with the Bank Secrecy Act (BSA) and other related regulations. Transaction reporting processes include how a bank detects, records, and reports suspicious activity and large transactions. This aspect of compliance is vital for identifying potential money laundering or fraud activities. Effective transaction reporting ensures that the institution can accurately file Suspicious Activity Reports (SARs) and Currency Transaction Reports (CTRs), all of which play a crucial role in the broader anti-money laundering (AML) framework. By examining these processes, auditors can assess whether a bank is adhering to the regulatory requirements, implementing effective internal controls, and has proper documentation and procedures in place to report required transactions to regulators. Understanding transaction reporting processes also helps to identify any weaknesses or gaps in the institution's ability to monitor transactions accurately, which is essential for preventing illicit activities and maintaining overall financial integrity.

3. What is a potential consequence of failing to file required reports timely under BSA?

- A. Loss of client trust and business**
- B. Significant fines and potential criminal charges**
- C. Negative impact on employee morale**
- D. Increased operational costs**

Failing to file required reports timely under the Bank Secrecy Act (BSA) can lead to significant fines and potential criminal charges for both individuals and financial institutions. The BSA mandates that certain transactions, including suspicious activity reports (SARs) and currency transaction reports (CTRs), be filed to help detect and prevent money laundering and other financial crimes. When institutions neglect this responsibility, regulatory agencies may impose harsh penalties due to the heightened risk of financial crime that arises from non-compliance. Fines can reach substantial amounts, and in severe cases, individuals involved may face criminal charges, including conspiracy or involvement in financial fraud schemes. The other outcomes, while noteworthy, do not encapsulate the direct legal implications tied to compliance failures under the BSA as strongly as the potential for fines and criminal charges. While loss of client trust, negative impacts on employee morale, and increased operational costs may arise from non-compliance, they are secondary to the critical legal risks associated with the BSA regulations. The regulatory framework is designed to ensure that financial institutions actively participate in safeguards against illicit activity, and timely reporting is a key part of that responsibility.

4. True or False: The credit union's board of directors is ultimately responsible for the credit union's BSA compliance?

- A. True**
- B. False**
- C. Only if the BSA Officer is absent**
- D. True, but only partially**

The board of directors of a credit union holds ultimate responsibility for the institution's compliance with the Bank Secrecy Act (BSA). This responsibility encompasses ensuring that there are appropriate systems and controls in place to comply with BSA regulations, which is crucial to prevent money laundering and terrorist financing. The board is tasked with overseeing the implementation of compliance programs and policies, providing support for the BSA compliance staff, and ensuring that the organization is actively monitoring compliance requirements. While a BSA Officer may handle the day-to-day activities related to compliance, the board still maintains accountability for the organization's overall adherence to BSA regulations. The roles of various positions within the credit union, such as the BSA Officer, are critical to the effective management of the compliance program, but they work under the authority and direction of the board. This reflects the board's commitment to integrating compliance into the credit union's operations and governance structure. Hence, the statement is true, affirming the board's crucial role in BSA compliance initiatives.

5. What is structuring in the context of BSA compliance?

- A. Making large deposits at multiple locations
- B. Breaking up a transaction to evade reporting requirements**
- C. Transferring money overseas
- D. Using different financial institutions for each transaction

Structuring, also known as smurfing, refers specifically to the practice of breaking up a large transaction into smaller amounts in order to evade the mandatory reporting requirements imposed by the Bank Secrecy Act (BSA). Financial institutions are required to report transactions exceeding a certain threshold, typically \$10,000. By intentionally splitting funds into smaller amounts that fall below this reporting limit, individuals seek to avoid detection and scrutiny by regulatory agencies. This tactic is often employed by individuals engaged in illicit activities to launder money or avoid regulatory oversight. It is a deliberate attempt to circumvent compliance obligations and can lead to serious legal repercussions for both the individual conducting these transactions and the financial institutions that may unknowingly facilitate them. While making large deposits at multiple locations or using different financial institutions for each transaction can still raise red flags, these actions alone do not fully capture the strategic intent behind structuring. Transferring money overseas, while it can be part of broader attempts to launder money, does not specifically define the act of structuring within the BSA context.

6. What is the role of the Office of Foreign Assets Control (OFAC) in relation to the BSA?

- A. To provide loans to foreign entities
- B. To administer and enforce economic and trade sanctions based on U.S. foreign policy**
- C. To regulate the interest rates of financial institutions
- D. To oversee consumer protection laws

The role of the Office of Foreign Assets Control (OFAC) in relation to the Bank Secrecy Act (BSA) primarily involves administering and enforcing economic and trade sanctions. These sanctions are based on U.S. foreign policy and national security goals. OFAC's responsibilities include ensuring that individuals, firms, and countries that pose significant threats to the United States are not able to access the U.S. financial system. This is crucial for BSA compliance because financial institutions are required to monitor transactions and account relationships to identify potential risks related to sanctioned entities. By implementing these sanctions, OFAC helps prevent illegal activities, including money laundering and terrorist financing, which are key concerns of the BSA. Financial institutions that comply with OFAC regulations help uphold U.S. economic sanctions, reducing the risk of engaging in transactions that could violate the law. Understanding OFAC's role is important within the context of BSA compliance because institutions must develop policies and practices that align with both BSA requirements and OFAC regulations to effectively manage anti-money laundering (AML) efforts and ensure compliance with U.S. laws.

- 7. What is the primary goal of an institution's BSA/AML program that is evaluated by the BSA Independent Auditor?**
- A. To improve staff morale**
 - B. To ensure effective anti-money laundering measures**
 - C. To enhance customer relationships**
 - D. To increase profit margins**

The primary goal of an institution's BSA/AML program, as evaluated by the BSA Independent Auditor, is indeed to ensure effective anti-money laundering measures. This is crucial because the core purpose of these programs is to detect and prevent financial crimes, including money laundering and the financing of terrorism. The effectiveness of a BSA/AML program is measured by its ability to identify suspicious activities, report them appropriately, and comply with regulatory requirements. By assessing the BSA/AML program's effectiveness, auditors can gauge how well the institution adheres to legal standards and minimizes the risk of being used for illicit financial activities. This focus helps protect both the institution and the financial system at large from criminal abuse, ensuring compliance with laws, regulations, and best practices. The other options, while they may contribute to a healthy organizational environment and business success, do not align with the main objective of the BSA/AML program, which is fundamentally about compliance and risk management in the context of preventing money laundering and maintaining the integrity of the financial system.

- 8. What triggers the filing of a Marijuana Limited SAR?**
- A. When the business violates state laws**
 - B. When the institution lacks sufficient customer due diligence (CDD)**
 - C. When the institution believes the business does not violate state law**
 - D. When the institution identifies a known suspect**

The correct answer is that the filing of a Marijuana Limited SAR (Suspicious Activity Report) is triggered when the institution believes the business does not violate state law. This is important because under the Bank Secrecy Act (BSA), financial institutions that provide services to marijuana-related businesses must assess their activities closely. When an institution identifies a business that is compliant with state regulations regarding marijuana, it is still necessary to report certain transactions to the Financial Crimes Enforcement Network (FinCEN) due to potential federal law conflicts and the need for transparency. This is significant for institutions because it allows them to maintain compliance with both state and federal regulations. The process helps convey that although the business is operating legally at the state level, there still exist risks and compliance obligations for the financial institution. As such, even lawful activities can raise red flags that require monitoring and reporting. The other options do not correctly describe the trigger for a Marijuana Limited SAR. A violation of state laws does not necessarily warrant a Marijuana Limited SAR if the business is operating legally. Insufficient customer due diligence might lead to other compliance issues but is not a direct trigger for this specific type of SAR. Similarly, identifying a known suspect typically pertains to other suspicious activity categories and does not align with the specific

9. What is the primary goal of BSA compliance?

- A. To enhance customer service quality
- B. To prevent and detect money laundering and other financial crimes**
- C. To ensure competitive interest rates
- D. To maximize financial institution profits

The primary goal of BSA compliance is to prevent and detect money laundering and other financial crimes. The Bank Secrecy Act (BSA) was enacted to encourage financial institutions to assist government agencies in detecting and preventing money laundering, the financing of terrorism, and other financial crimes that may pose a risk to the financial system. This compliance framework includes the requirement for financial institutions to implement policies, procedures, and controls to identify suspicious activities and report them to the appropriate authorities, thereby contributing to the overall integrity and security of the financial system. While enhancing customer service quality, ensuring competitive interest rates, and maximizing financial institution profits are important aspects of banking operations, they do not align with the core objectives of the BSA. The legislation specifically focuses on creating a robust environment for monitoring and reporting suspicious activities, which ultimately serves to protect the financial system from abuse.

10. What is the primary function of a BSA Independent Auditor?

- A. To execute customer transactions
- B. To assess the institution's marketing strategies
- C. To evaluate the effectiveness of the BSA/AML program**
- D. To determine staff performance levels

The primary function of a BSA Independent Auditor is to evaluate the effectiveness of the BSA/AML (Bank Secrecy Act/Anti-Money Laundering) program. This involves reviewing the institution's adherence to regulatory requirements, assessing the adequacy of policies and procedures, and determining whether controls are functioning properly to detect and prevent money laundering and terrorist financing. The independent auditor plays a critical role in identifying weaknesses within the BSA/AML program and providing recommendations for improvement. This evaluation ensures that the institution is compliant with applicable laws and regulations, which is essential for mitigating risks associated with financial crimes. The other choices do not align with the primary responsibilities of a BSA Independent Auditor. While executing customer transactions, assessing marketing strategies, and determining staff performance levels may be functions relevant to other areas of the institution, they do not pertain directly to the BSA compliance role or the specific objectives of evaluating money laundering controls and measures.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://bsacompliance.examzify.com>

We wish you the very best on your exam journey. You've got this!