

BSA COMPLIANCE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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

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- 1. Which behavior may be considered "suspicious" according to BSA compliance?**
 - A. Consistent withdrawal patterns
 - B. Large deposits aligned with known business activities
 - C. Withdrawal patterns inconsistent with known activities
 - D. Regular account transfers between different banks
- 2. How often should the BSA Independent Auditor report findings to the board or management?**
 - A. As needed based on findings
 - B. Monthly, regardless of issues found
 - C. Quarterly or semi-annually
 - D. Annually, at the end of the year
- 3. If a financial institution suspects money laundering activity, what should be the first action taken?**
 - A. Immediately notify law enforcement
 - B. Stop all customer transactions permanently
 - C. Investigate the transactions and review related documents
 - D. Alter all operational procedures
- 4. What is required for a payroll customer to qualify under Phase II?**
 - A. Must be able to withdraw cash at any time
 - B. Must regularly withdraw more than \$10,000 in cash
 - C. Must operate a business for at least one year
 - D. Must derive all income from payroll transactions
- 5. What type of due diligence is required for high-risk customers?**
 - A. Standard due diligence
 - B. Enhanced due diligence
 - C. Minimal due diligence
 - D. Periodic due diligence

- 6. What does the acronym SDN stand for in financial compliance?**
- A. Specified Designated Names
 - B. Specifically Designated Nationals
 - C. Special Designated Names
 - D. Specific Data Nomenclature
- 7. Which of the following is NOT considered a type of financial service provider as an MSB?**
- A. Currency dealers or exchangers
 - B. Check cashers
 - C. Mortgage lenders
 - D. Money transmitters
- 8. What does the term 'positive match' refer to in the context of 314(a) requests?**
- A. A confirmed identification of a suspect
 - B. An interaction with a potential terrorist
 - C. A match found in the financial records
 - D. A verification of a suspicious transaction
- 9. What is necessary for a successful Suspicious Activity Report (SAR) program?**
- A. Maintaining extensive customer files
 - B. Procedures for identifying and documenting suspicious activity
 - C. Only having a designated compliance officer
 - D. Completing reports annually
- 10. What does a Suspicious Activity Report (SAR) aim to achieve?**
- A. To enhance customer services
 - B. To report suspicious transactions that may indicate financial crimes
 - C. To manage financial records
 - D. To analyze market trends

Answers

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

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Explanations

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1. Which behavior may be considered "suspicious" according to BSA compliance?

- A. Consistent withdrawal patterns
- B. Large deposits aligned with known business activities
- C. Withdrawal patterns inconsistent with known activities**
- D. Regular account transfers between different banks

Withdrawal patterns inconsistent with known activities are deemed suspicious because they may indicate potential money laundering or other illicit financial activities. Under the Bank Secrecy Act (BSA), financial institutions are required to monitor and report transactions that appear irregular or don't match the customer's typical financial behavior. If a customer usually makes small withdrawals and suddenly starts withdrawing large sums or exhibits erratic withdrawal patterns without a clear explanation, this deviation could raise red flags. The BSA emphasizes the importance of understanding a customer's baseline behavior and recognizing when their activities diverge significantly from that norm. Such anomalies warrant further investigation, as they may suggest the customer is attempting to obscure the source of funds or facilitate illegal transactions. In contrast, consistent withdrawal patterns and large deposits that align with known business activities typically reflect legitimate banking behavior and are less likely to raise concerns under BSA guidelines. Regular account transfers between banks can also be commonplace and may not appear suspicious without any additional factors suggesting further scrutiny is warranted.

2. How often should the BSA Independent Auditor report findings to the board or management?

- A. As needed based on findings
- B. Monthly, regardless of issues found
- C. Quarterly or semi-annually**
- D. Annually, at the end of the year

The appropriate frequency for the BSA Independent Auditor to report findings to the board or management is quarterly or semi-annually. This schedule aligns with the best practices for maintaining ongoing awareness and oversight of anti-money laundering (AML) compliance efforts within the organization. Regular reporting ensures that management and the board remain informed about the effectiveness of the BSA/AML program, any identified weaknesses, and any necessary improvements. By adhering to a quarterly or semi-annual reporting schedule, the organization enables timely responses to any issues that may arise, thereby minimizing risks associated with compliance failures. This regular oversight is essential in ensuring that adequate controls are in place and that necessary measures are taken to address any deficiencies promptly. Reporting findings annually would delay critical information, reducing the opportunity for timely corrective action. Monthly reporting, while ensuring frequent updates, may overwhelm management with information, especially if there are no significant issues to report. Thus, the choice of quarterly or semi-annual reporting strikes a balance between frequency and practicality, ensuring that the auditing process is efficient while still maintaining robust oversight.

3. If a financial institution suspects money laundering activity, what should be the first action taken?

- A. Immediately notify law enforcement
- B. Stop all customer transactions permanently
- C. Investigate the transactions and review related documents**
- D. Alter all operational procedures

When a financial institution suspects money laundering activity, the first action taken should be to investigate the transactions and review related documents. This step is crucial for gathering initial evidence and understanding the nature of the suspected activity. Conducting an internal investigation allows the institution to assess the situation in detail, including analyzing transaction patterns, customer behavior, and any relevant documentation or records that may shed light on the issue. This approach aligns with regulatory expectations, as financial institutions are required to have systems in place for monitoring and reporting suspicious activities. The findings from this investigation will guide further actions, whether that involves reporting the findings to law enforcement or taking other precautionary measures. In cases where immediate notification to law enforcement is considered, that action typically follows a more thorough internal assessment to ensure that the information reported is well-founded and accurate. Stopping all customer transactions permanently would likely be disproportionate to the suspicion without a full understanding of the situation. Altering all operational procedures as a first action is unnecessary and could lead to confusion and operational disruptions without a concrete basis for such changes.

4. What is required for a payroll customer to qualify under Phase II?

- A. Must be able to withdraw cash at any time
- B. Must regularly withdraw more than \$10,000 in cash**
- C. Must operate a business for at least one year
- D. Must derive all income from payroll transactions

To qualify under Phase II, a payroll customer must regularly withdraw more than \$10,000 in cash. This requirement is tied to the regulatory focus on significant cash transactions, which are often indicative of money laundering or other illicit activities. By establishing a threshold of \$10,000, the regulations aim to monitor and track larger cash movements that could pose a higher risk for financial crimes. High cash withdrawals are scrutinized because they can come from various sources, and regular patterns of such transactions may suggest that the customer is engaged in business activities with substantial cash flows. Thus, monitoring these transactions helps to ensure compliance with anti-money laundering regulations and aids in the detection of suspicious activity that may need further investigation.

5. What type of due diligence is required for high-risk customers?

- A. Standard due diligence
- B. Enhanced due diligence**
- C. Minimal due diligence
- D. Periodic due diligence

Enhanced due diligence is required for high-risk customers because these customers pose a greater potential for money laundering, terrorist financing, or other financial crimes. Standard due diligence may not provide sufficient scrutiny for these high-risk clients, as it typically involves basic identification and verification processes that are adequate for low-risk customers. Enhanced due diligence entails a more thorough examination and understanding of the customer's profile, business activities, and sources of funds, as well as ongoing monitoring of transactions. This approach helps financial institutions identify any unusual or suspicious behavior more effectively. It includes gathering additional information such as the purpose of the account, the anticipated nature of the business relationship, and continuous scrutiny through transaction monitoring. This level of due diligence is essential because it aligns with the regulatory expectations and guidelines aimed at mitigating risks associated with high-risk customers. Financial institutions must take proactive measures to ensure compliance and protect themselves from potential legal repercussions tied to these customers.

6. What does the acronym SDN stand for in financial compliance?

- A. Specified Designated Names
- B. Specifically Designated Nationals**
- C. Special Designated Names
- D. Specific Data Nomenclature

The acronym SDN in financial compliance stands for Specifically Designated Nationals. This term refers to individuals, groups, entities, and vessels that are subject to sanctions by the U.S. Office of Foreign Assets Control (OFAC). When someone is identified as an SDN, it means they are prohibited from transactions involving U.S. persons or within U.S. jurisdiction due to reasons such as involvement in terrorism, drug trafficking, or other activities that threaten the national security and foreign policy interests of the United States. Understanding this designation is critical for compliance officers and financial institutions, as they must ensure they do not engage in business with SDNs, thereby avoiding potential legal and financial penalties. Properly identifying and monitoring SDNs is a key component of anti-money laundering (AML) and counter-terrorism financing (CTF) efforts.

7. Which of the following is NOT considered a type of financial service provider as an MSB?

- A. Currency dealers or exchangers
- B. Check cashers
- C. Mortgage lenders**
- D. Money transmitters

Mortgage lenders are not categorized as money service businesses (MSBs) under the Bank Secrecy Act (BSA). MSBs primarily encompass businesses that engage in activities like currency exchange, check cashing, and money transmission, which all serve as financial services that involve the handling of monetary transactions on behalf of customers. While mortgage lenders do provide financial services related to loans and mortgages, their primary function does not involve the types of transactions typically associated with MSBs, such as converting currency or facilitating money transfers. Therefore, they fall outside the MSB definition, distinguishing them from the other options listed, which are all recognized as MSBs due to their direct involvement in money handling or transmission activities.

8. What does the term 'positive match' refer to in the context of 314(a) requests?

- A. A confirmed identification of a suspect
- B. An interaction with a potential terrorist
- C. A match found in the financial records**
- D. A verification of a suspicious transaction

In the context of 314(a) requests, a 'positive match' specifically refers to a match found in the financial records. This means that the financial institution has identified that a transaction or an account aligns with the individuals or entities that appear in the list provided by law enforcement agencies, particularly those related to potential money laundering or terrorist financing activities. The 314(a) process is part of the USA PATRIOT Act, which allows for the sharing of information between financial institutions to help identify and mitigate risks associated with money laundering and terrorist financing. When an institution finds a connection in its financial records that corresponds to the data in a 314(a) request, it indicates a significant finding or alert that needs further investigation in compliance with regulatory requirements. This connection is critical for law enforcement to take appropriate actions. Other options, while they may seem relevant in different contexts, do not align with the specific definition of a 'positive match' regarding 314(a) requests. The focus of a 'positive match' is exclusively on the financial records, making option C the accurate choice.

9. What is necessary for a successful Suspicious Activity Report (SAR) program?

- A. Maintaining extensive customer files
- B. Procedures for identifying and documenting suspicious activity**
- C. Only having a designated compliance officer
- D. Completing reports annually

For a successful Suspicious Activity Report (SAR) program, having procedures for identifying and documenting suspicious activity is essential. This procedure provides the foundation for detecting potentially illicit activities that may warrant reporting. By establishing clear guidelines and operational processes, financial institutions can effectively recognize unusual patterns or behaviors that do not fit a customer's typical transactional history or that contravene regulatory expectations. This proactive approach ensures that employees are trained to spot red flags and comprehend the circumstances that might indicate suspicious behavior, leading to timely and accurate reporting. The documentation of suspicious activities is not merely an exercise in record-keeping; it forms the basis for the subsequent analysis, investigation, and potential filing of a SAR. While maintaining customer files is important for general compliance and risk management, extensive documentation does not directly correlate to the effectiveness of a SAR program unless it assists in identifying suspicious activity. Designating a compliance officer is also a critical element of a compliance framework, but they must be supported by robust procedures to guide their actions. Lastly, while periodic report completion is necessary, an annual frequency may not adequately address ongoing risks and changes that necessitate more timely reporting. Therefore, having structured procedures is the cornerstone of an effective SAR program.

10. What does a Suspicious Activity Report (SAR) aim to achieve?

- A. To enhance customer services
- B. To report suspicious transactions that may indicate financial crimes**
- C. To manage financial records
- D. To analyze market trends

A Suspicious Activity Report (SAR) is a critical tool in the fight against financial crimes, particularly in the context of anti-money laundering (AML) regulations. The main objective of a SAR is to report suspicious transactions that may indicate criminal activities, such as money laundering, fraud, or other illicit behavior. When financial institutions detect activities that are unusual, inconsistent with a customer's known profile, or otherwise raise suspicion, they file a SAR with the Financial Crimes Enforcement Network (FinCEN) or the relevant authorities. This reporting is essential for enabling law enforcement agencies to investigate and prevent financial crimes effectively. Through the data collected from SARs, regulators and law enforcement can identify trends, patterns, and potential threats to the financial system. The other options do not align with the primary purpose of a SAR. Enhancing customer services pertains to improving the client experience rather than reporting suspicious activities. Managing financial records focuses on the organization and maintenance of financial data, which is unrelated to identifying potential criminal behavior. Analyzing market trends pertains to economic and investment analysis, a function distinct from the objective of SARs. Thus, the aim of a SAR is specifically geared towards identifying and documenting suspicious transactions that may signal underlying financial crimes.

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!

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