

Certified AML FinTech Compliance Associate (CAFCA) Practice Test (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

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- 1. Can money laundering be associated with any type of business?**
 - A. No, only banks can be involved**
 - B. Yes, virtually any business can be exploited for money laundering activities**
 - C. Only large corporations are vulnerable**
 - D. It is limited to businesses in high-risk sectors**
- 2. Which regulatory framework governs AML practices in the European Union?**
 - A. The Anti-Money Laundering Act**
 - B. The Fourth Anti-Money Laundering Directive (4AMLD)**
 - C. The Financial Action Task Force Guidelines**
 - D. The EU Financial Regulation**
- 3. Which legislation serves as an anti-bribery measure with extraterritorial reach?**
 - A. The Foreign Corrupt Practices Act and UK Bribery Act 2010**
 - B. The Anti-Corruption Act and International Trade Act**
 - C. The Global Bribery Prevention Act and Federal Ethics Guidelines**
 - D. The Financial Accountability and Transparency Act and the Bribery Prevention Act**
- 4. What is an "indemnity"?**
 - A. A document detailing customer complaints**
 - B. A legal document used for information requests**
 - C. A record of financial transactions**
 - D. A form of government sanction**
- 5. What is an example of politically exposed persons (PEPs)?**
 - A. Local business owners**
 - B. Heads of state and government officials**
 - C. School administrators**
 - D. Corporate employees**

6. What distinguishes "soft" enforcement from "hard" enforcement in AML regulation?

- A. Soft enforcement includes legal penalties**
- B. Hard enforcement consists of guidance and recommendations**
- C. Soft enforcement comprises guidance and recommendations**
- D. Hard enforcement is about informal discussions**

7. Which of the following best defines "money service businesses" (MSBs)?

- A. Financial institutions focused on investment services**
- B. Non-bank entities providing currency exchange and money transfer services**
- C. Government agencies monitoring bank activities**
- D. Banks providing online transaction services**

8. In what context is the term "smurfing" used in relation to money laundering?

- A. Referring to underground crime syndicates**
- B. A method of structuring large amounts of cash into smaller, less suspicious sums**
- C. A strategy used for legal tax evasion**
- D. A type of investment strategy**

9. What is a significant goal of forensic auditing in AML?

- A. To enhance customer experience**
- B. To analyze employee performance**
- C. To ensure compliance with AML regulations**
- D. To automate transaction processing**

10. What type of transactions typically require reporting under AML regulations?

- A. Small transactions below a certain threshold**
- B. Only international fund transfers**
- C. Large cash transactions and suspicious activities**
- D. Transactions with government entities**

Answers

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

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Explanations

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1. Can money laundering be associated with any type of business?

- A. No, only banks can be involved**
- B. Yes, virtually any business can be exploited for money laundering activities**
- C. Only large corporations are vulnerable**
- D. It is limited to businesses in high-risk sectors**

Money laundering can indeed be associated with virtually any type of business. This is because the fundamental process of money laundering involves concealing the origins of illegally obtained money, and this can happen in a vast array of contexts. Any business that deals with cash transactions, for example, can serve as a conduit for laundering because cash is difficult to trace. Even seemingly legitimate businesses can be exploited because they may have operations or financial activities that are not closely scrutinized. Additionally, the diversity of businesses, from small local shops to larger corporations, means that there are numerous opportunities for illicit funds to be integrated into the legitimate economy. Criminals often take advantage of any business structure that provides a cover for their activities, leading to a widespread potential for money laundering across different sectors, not just limited to banking or high-risk industries. This understanding emphasizes the importance of robust compliance measures, as any business can be targeted or unwittingly involved in these activities.

2. Which regulatory framework governs AML practices in the European Union?

- A. The Anti-Money Laundering Act**
- B. The Fourth Anti-Money Laundering Directive (4AMLD)**
- C. The Financial Action Task Force Guidelines**
- D. The EU Financial Regulation**

The Fourth Anti-Money Laundering Directive (4AMLD) is the correct answer because it specifically provides the framework for anti-money laundering (AML) practices across the European Union. Adopted in 2015, this directive aims to enhance and harmonize AML legislation among EU member states, setting out requirements for customer due diligence, reporting obligations, and measures to prevent the misuse of financial systems for money laundering and terrorist financing. 4AMLD builds upon earlier directives and incorporates recommendations made by the Financial Action Task Force (FATF), ensuring that member states adhere to international standards in their AML regulations. This directive is essential for guiding not only financial institutions but also various non-financial sectors affected by money laundering risks. The other choices, while relevant in the broader context of AML efforts, do not directly serve as the key regulatory framework for the EU. The Anti-Money Laundering Act is primarily a reference to legislation specific to certain jurisdictions, and not an overarching EU directive. The Financial Action Task Force Guidelines are international standards but do not themselves constitute a regulatory framework within the EU. The EU Financial Regulation pertains to financial management and oversight within the EU, rather than specifically addressing AML practices.

3. Which legislation serves as an anti-bribery measure with extraterritorial reach?

- A. The Foreign Corrupt Practices Act and UK Bribery Act 2010**
- B. The Anti-Corruption Act and International Trade Act**
- C. The Global Bribery Prevention Act and Federal Ethics Guidelines**
- D. The Financial Accountability and Transparency Act and the Bribery Prevention Act**

The Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act 2010 both serve as significant anti-bribery measures with extraterritorial reach. The FCPA, enacted in the United States, prohibits the bribery of foreign officials to gain or retain business and applies to both U.S. individuals and entities, as well as foreign companies that conduct business within the U.S. This means that its enforcement can extend beyond U.S. borders to any entity engaging in corrupt practices related to U.S. commerce. Similarly, the UK Bribery Act 2010 has an expansive scope that applies to both individuals and organizations that conduct business in the UK, regardless of where the bribery occurs. This means that non-UK entities can also be prosecuted under this law if they are deemed to have engaged in bribery while conducting business in or related to the UK. In conjunction, these two pieces of legislation create a powerful framework for combating corruption and bribery on an international level, highlighting the commitment of their respective jurisdictions to uphold ethical business practices globally. By focusing on these laws, individuals and businesses can better understand the implications of bribery and the importance of compliance, particularly in a global marketplace.

4. What is an "indemnity"?

- A. A document detailing customer complaints**
- B. A legal document used for information requests**
- C. A record of financial transactions**
- D. A form of government sanction**

An indemnity refers to a legal concept where one party agrees to compensate another for any harm or loss that may occur. This understanding is typically presented in the form of a contract, wherein one party provides assurance that they will take responsibility for certain liabilities or damages resulting from their actions or the actions of another party. The answer about the legal document used for information requests aligns with how indemnity is often related to legal frameworks, particularly when it pertains to revealing information or conducting transactions that may involve risks for one or both parties. In various regulatory settings, including financial services, indemnity clauses help protect parties from liability, thus facilitating the flow of information while managing potential risks. Moving away from the incorrect options, a document detailing customer complaints does not fit the definition of indemnity, as it does not involve the concept of protection against potential damages. Similarly, a record of financial transactions is focused on the accounting side rather than legal liabilities. Lastly, government sanctions usually relate to penalties or restrictions imposed and do not encompass the idea of indemnification or liability coverage defined by legal agreements.

5. What is an example of politically exposed persons (PEPs)?

- A. Local business owners
- B. Heads of state and government officials**
- C. School administrators
- D. Corporate employees

Politically exposed persons (PEPs) are individuals who hold prominent public positions or responsibilities, which can increase their risk for involvement in bribery, corruption, or money laundering due to their access to government resources and influence. The correct answer identifies this category effectively by mentioning heads of state and government officials, who distinctly fall under the definition of PEPs. These individuals often face heightened scrutiny because their positions might allow them to take advantage of their influence or access to public funds in ways that could lead to financial misconduct. The concept of PEPs is important in anti-money laundering (AML) frameworks, as it necessitates enhanced due diligence when dealing with such individuals. In contrast, local business owners, school administrators, and corporate employees do not typically fall within this definition, as their roles do not inherently carry the same level of responsibility or potential for influence in governmental affairs. This distinction is crucial for financial institutions and compliance professionals when assessing the risks associated with various clients.

6. What distinguishes "soft" enforcement from "hard" enforcement in AML regulation?

- A. Soft enforcement includes legal penalties
- B. Hard enforcement consists of guidance and recommendations
- C. Soft enforcement comprises guidance and recommendations**
- D. Hard enforcement is about informal discussions

The distinction between "soft" enforcement and "hard" enforcement in AML (Anti-Money Laundering) regulation primarily relates to the nature and approach of regulatory actions taken. Soft enforcement typically emphasizes guidance, recommendations, and best practices that regulatory bodies provide to financial institutions rather than imposing immediate legal penalties or actions. This approach fosters a cooperative environment where institutions can align their practices with regulatory expectations without the immediate threat of sanctions. In contrast, hard enforcement involves more stringent measures, including formal legal penalties, sanctions, and other punitive actions against entities that fail to comply with AML laws. This type of enforcement is meant to ensure compliance through deterrence, where the focus is on holding institutions accountable for serious breaches of AML regulations. Understanding that soft enforcement supports and encourages compliance through guidance clarifies its role in the regulatory landscape, helping institutions to develop their systems effectively without the fear of immediate retribution. This is vital in promoting a compliance culture that enhances overall AML efforts within the financial system.

7. Which of the following best defines "money service businesses" (MSBs)?

- A. Financial institutions focused on investment services**
- B. Non-bank entities providing currency exchange and money transfer services**
- C. Government agencies monitoring bank activities**
- D. Banks providing online transaction services**

The correct definition of "money service businesses" (MSBs) is provided in the option that describes non-bank entities offering currency exchange and money transfer services. MSBs play a crucial role in the financial ecosystem by facilitating the movement of funds across borders and within domestic markets. They include businesses such as money transmitters, currency exchange offices, and check cashers. Unlike traditional financial institutions or banks, MSBs are typically not focused primarily on investment services or providing loans. Instead, they cater to consumers who need to exchange money or transfer funds quickly, often serving populations that may not have access to conventional banking services. This characteristic distinguishes MSBs as essential players, especially in regions with a high demand for remittance and cash services. Furthermore, MSBs are subject to regulatory oversight to combat money laundering and ensure compliance with anti-terrorism financing laws, which highlights their importance in maintaining the integrity of the financial system. Thus, the definition that emphasizes their role as non-bank entities engaging in currency exchange and money transfer encapsulates what MSBs are and what function they serve within the broader financial landscape.

8. In what context is the term "smurfing" used in relation to money laundering?

- A. Referring to underground crime syndicates**
- B. A method of structuring large amounts of cash into smaller, less suspicious sums**
- C. A strategy used for legal tax evasion**
- D. A type of investment strategy**

The term "smurfing" in relation to money laundering specifically refers to the method of structuring large amounts of illegally obtained cash into smaller, less suspicious increments. This practice allows individuals to evade detection by financial institutions and regulatory authorities. By breaking up large sums of money into smaller transactions, each of which falls below thresholds that would require reporting, money launderers can deposit these amounts into banks without raising significant red flags. This method effectively disguises the origins of the money, making it harder for authorities to trace back to criminal activity. In the context of money laundering, smurfing is an essential tactic for those looking to integrate illicit funds into the financial system while minimizing the risk of detection by law enforcement agencies. This technique underscores the importance of robust transaction monitoring and reporting mechanisms within financial institutions to detect patterns that might indicate money laundering activities.

9. What is a significant goal of forensic auditing in AML?

- A. To enhance customer experience
- B. To analyze employee performance
- C. To ensure compliance with AML regulations**
- D. To automate transaction processing

A significant goal of forensic auditing in anti-money laundering (AML) is to ensure compliance with AML regulations. Forensic auditing involves the examination and evaluation of a firm's financial information and practices to detect and prevent financial crimes, including money laundering. This process includes identifying suspicious transactions, evaluating the effectiveness of internal controls, and determining whether the organization is adhering to applicable laws and regulations. By focusing on compliance, forensic auditing helps financial institutions identify gaps in their AML programs, assess risks, and implement necessary measures to mitigate those risks. This is crucial in maintaining the integrity of the financial system and ensuring that organizations do not become conduits for illegal activities. An effective forensic audit thus plays a key role in safeguarding against compliance failures, legal repercussions, and potential damage to the institution's reputation. The other options, while relevant in different contexts, do not align with the primary aim of forensic auditing within the scope of AML efforts. Enhancing customer experience and analyzing employee performance deal with operational aspects rather than compliance, and automating transaction processing focuses on efficiency rather than evaluating adherence to legal standards.

10. What type of transactions typically require reporting under AML regulations?

- A. Small transactions below a certain threshold
- B. Only international fund transfers
- C. Large cash transactions and suspicious activities**
- D. Transactions with government entities

Large cash transactions and suspicious activities are the primary types of transactions that typically require reporting under Anti-Money Laundering (AML) regulations. AML frameworks are designed to identify and mitigate the risks associated with money laundering and financial crimes, and large cash transactions often attract scrutiny due to their potential association with illicit activities. In many jurisdictions, financial institutions are required to report cash transactions that exceed a specific threshold, which indicates significant financial activity that could be part of money laundering schemes. Additionally, suspicious activities—meaning any transaction or behavior that appears irregular or anomalous in the context of a customer's financial pattern—must also be reported, regardless of the transaction amount. This is essential for maintaining compliance with AML laws and fostering a transparent financial system. The focus on large cash transactions is particularly pertinent as they can be a means to obscure the source of funds, which is a core concern of AML regulations. Hence, institutions are mandated to monitor and report these transactions to help detect and prevent money laundering and associated risks effectively.

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://cafca.examzify.com>

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

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