

CERTIFIED AML FINTECH COMPLIANCE ASSOCIATE (CAFCA) PRACTICE TEST (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. When does name screening typically occur?**
 - A. Only when a suspicious transaction is detected
 - B. During the onboarding process and ongoing
 - C. Only once a year for compliance
 - D. At random times throughout the year
- 2. What is a primary benefit of using a banking as a service provider?**
 - A. Increased liability
 - B. Faster speed to market and overcoming regulatory complexities
 - C. Access to all banking services
 - D. Reduced customer interaction
- 3. What is the importance of AML policies in a company's operations?**
 - A. They generate profit for the company
 - B. They establish a framework for compliance
 - C. They are solely for regulatory audits
 - D. They provide marketing strategies
- 4. What does it mean to "freeze" a financial account in AML practices?**
 - A. To permanently close the account
 - B. To temporarily halt transactions on an account suspected of illegal activities
 - C. To increase the account's interest rate
 - D. To transfer the account to another institution
- 5. How can faster payments contribute to the risks in Fin Tech?**
 - A. They reduce the customer's satisfaction
 - B. They increase compliance costs
 - C. They can complicate fraud detection
 - D. They limit transaction amounts
- 6. Which of the following is a key component of AML compliance programs?**
 - A. High-risk onboarding processes only.
 - B. Public awareness campaigns about terrorism.
 - C. Effective customer due diligence measures.
 - D. Strong client relationships without stringent checks.

7. What is a “risk appetite statement” in the context of AML?

- A. A legal requirement to disclose all financial risks faced by an organization.
- B. A declaration that outlines the level and types of risk an organization is willing to accept in pursuit of its objectives.
- C. A record of all past transactions related to money laundering detection.
- D. An unalterable set of practices for all AML compliance measures.

8. Customer risk assessment in AML involves?

- A. Evaluating customer credit scores
- B. Verifying income statements
- C. Identifying and evaluating customer risk factors
- D. Assessing the duration of customer relationships

9. Under what circumstances is a Suspicious Activity Report typically filed?

- A. For regular business transactions
- B. Only for high-value transactions
- C. To report unusual or suspicious transaction patterns
- D. It is never required

10. Which of the following best describes 'due diligence' in AML?

- A. A passive approach to managing risks
- B. The proactive investigation of clients and transactions
- C. A simplified verification process
- D. The assignment of fixed cash limits

Answers

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

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Explanations

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1. When does name screening typically occur?

- A. Only when a suspicious transaction is detected
- B. During the onboarding process and ongoing**
- C. Only once a year for compliance
- D. At random times throughout the year

Name screening typically occurs during the onboarding process and on an ongoing basis to ensure compliance with anti-money laundering (AML) regulations and to assess risks associated with customers. During onboarding, financial institutions verify the identities of their customers and screen their names against various watchlists, such as those for sanctions, politically exposed persons (PEPs), and other risk indicators. This initial screening helps prevent illicit activities and ensures that the institution does not engage with high-risk individuals or entities. Ongoing name screening is equally important, as customer risk profiles can change over time. Financial institutions are required to continuously monitor their existing customers for any changes that could affect their risk status. This includes screening for new sanctions lists or adverse media reports that may arise after the customer's initial onboarding. Regular updates and screenings can help institutions identify potentially suspicious behavior or transactions early, thus enhancing their overall compliance efforts and mitigating risks effectively. The other options do not align with the standard practices of name screening within compliance frameworks. Name screening should not be limited to only when a suspicious transaction is detected or conducted at random times, as these approaches would lack the necessary thoroughness and regularity required by regulatory standards. Furthermore, conducting screenings only once a year would not be sufficient to manage ongoing risk effectively.

2. What is a primary benefit of using a banking as a service provider?

- A. Increased liability
- B. Faster speed to market and overcoming regulatory complexities**
- C. Access to all banking services
- D. Reduced customer interaction

The primary benefit of using a banking as a service (BaaS) provider is the faster speed to market and the ability to overcome regulatory complexities. BaaS allows fintech companies and other businesses to leverage existing banking infrastructure, enabling them to launch financial products and services more quickly than if they were to build everything from scratch. This approach streamlines the process of obtaining necessary licenses and complying with various regulatory requirements by utilizing the frameworks established by the BaaS provider, which is already compliant with necessary regulations. Speed to market is essential in the competitive fintech landscape, where businesses aim to meet rapidly evolving customer needs and preferences. Additionally, overcoming regulatory complexities is crucial in the financial sector due to the stringent and often intricate regulations governing various banking activities. By partnering with a BaaS provider, businesses can navigate these challenges more effectively, ensuring compliance while focusing on their core services and customer engagement.

3. What is the importance of AML policies in a company's operations?

- A. They generate profit for the company
- B. They establish a framework for compliance**
- C. They are solely for regulatory audits
- D. They provide marketing strategies

The significance of AML policies in a company's operations primarily lies in their role in establishing a framework for compliance. These policies serve as a structured set of guidelines and procedures intended to prevent, detect, and respond to money laundering activities and terrorist financing. By having robust AML policies in place, companies can ensure they are adhering to applicable legal and regulatory requirements, thereby minimizing the risk of financial crime and its associated consequences, such as legal penalties, reputational damage, and loss of customer trust. Additionally, effective AML policies help organizations develop a risk-based approach to compliance, allowing them to identify and manage the specific risks they face in their transactions and customer relationships. This proactive stance not only enhances operational integrity but also fosters a culture of compliance within the organization. Ultimately, the implementation of comprehensive AML policies is crucial for safeguarding the company's interests and securing the financial system as a whole.

4. What does it mean to "freeze" a financial account in AML practices?

- A. To permanently close the account
- B. To temporarily halt transactions on an account suspected of illegal activities**
- C. To increase the account's interest rate
- D. To transfer the account to another institution

Freezing a financial account in Anti-Money Laundering (AML) practices refers to the action of temporarily halting transactions on an account that is suspected of being involved in illegal activities. This measure is vital for preventing any further movement of potentially illicit funds while investigations are conducted. By freezing the account, financial institutions can mitigate risks associated with money laundering and ensure compliance with regulatory requirements. During this period, account holders cannot make withdrawals, deposits, or any other transactions, allowing authorities the necessary time to investigate the source of funds and the legitimacy of the account activities. If suspicions are confirmed, the account may ultimately be closed or flagged for further legal action. The other choices don't accurately reflect the purpose or nature of a freeze in AML contexts. Permanently closing an account eliminates any opportunity to investigate further, increasing the risk of overlooking illicit activity. Increasing an account's interest rate or transferring it to another institution does not contribute to the goal of preventing potentially illegal transactions and would not address the suspicions prompting the freeze.

5. How can faster payments contribute to the risks in Fin Tech?

- A. They reduce the customer's satisfaction
- B. They increase compliance costs
- C. They can complicate fraud detection**
- D. They limit transaction amounts

Faster payments can complicate fraud detection due to the rapid nature of the transactions. In traditional payment systems, transactions may take longer to process, allowing time for monitoring, verification, and the implementation of security measures that can help prevent fraudulent activities. However, with faster payment systems, transactions are executed almost instantaneously, which can hinder the ability to conduct thorough checks and validations. As the speed of transactions increases, there is less time to analyze patterns, identify anomalies, and respond to potential fraudulent behaviors. This can lead to an environment where fraudulent transactions might be completed before they can be intercepted, thereby increasing the risk profile for financial institutions and their customers. The immediacy of these transactions can also result in less opportunity for customers to report suspicious activities before their money is moved, further enhancing the potential for fraud. Understanding this dynamic is crucial for AML (Anti-Money Laundering) compliance efforts, as faster payment systems necessitate more sophisticated and real-time monitoring solutions to manage the increased risks associated with fraud in these environments.

6. Which of the following is a key component of AML compliance programs?

- A. High-risk onboarding processes only.
- B. Public awareness campaigns about terrorism.
- C. Effective customer due diligence measures.**
- D. Strong client relationships without stringent checks.

Effective customer due diligence measures are a key component of AML compliance programs as they involve the processes and procedures that institutions must implement to accurately identify, assess, and understand their customers. This includes verifying customer identities, understanding the nature of their activities, and assessing the risk they may pose in terms of money laundering or terrorist financing. By conducting thorough customer due diligence, institutions can better identify and monitor suspicious activities, ensuring that they are able to fulfill their regulatory obligations and mitigate potential risks. This process also contributes to the overall integrity of the financial system by helping to prevent the misuse of financial services for illegal activities. The other options do not encapsulate the direct responsibilities and necessary steps involved in AML compliance. High-risk onboarding processes alone do not cover the comprehensive approach required; public awareness campaigns, while valuable for informing the public, do not serve as direct measures within an AML framework; and strong client relationships, if not accompanied by rigorous checks, could lead to compliance gaps and increased risks.

7. What is a “risk appetite statement” in the context of AML?

- A. A legal requirement to disclose all financial risks faced by an organization.
- B. A declaration that outlines the level and types of risk an organization is willing to accept in pursuit of its objectives.**
- C. A record of all past transactions related to money laundering detection.
- D. An unalterable set of practices for all AML compliance measures.

A “risk appetite statement” is a fundamental component in the risk management framework of an organization, particularly in the context of Anti-Money Laundering (AML). This statement serves as a declaration that outlines the level and types of risk an organization is willing to accept in pursuit of its objectives. It helps to provide clarity on the organization's tolerance for risk, guiding decision-making processes and ensuring that risk management efforts align with the overall business strategy. By establishing a clear risk appetite, organizations can assess and manage potential risks associated with money laundering and financial crimes more effectively. This ensures that the organization's strategies, policies, and procedures are in line with its risk tolerance levels, thereby facilitating informed choices about resource allocation and compliance measures. It translates the abstract concept of risk into practical terms, directly impacting how AML strategies are implemented and monitored. In comparison, the other options do not accurately reflect the purpose or function of a risk appetite statement within AML. For instance, the notion of a legal requirement to disclose all risks focuses more on compliance rather than the risk acceptance framework that a risk appetite statement provides. Additionally, maintaining a record of past transactions does not relate to risk appetite but rather to operational or regulatory compliance activities. Lastly, the idea of it being an unalterable

8. Customer risk assessment in AML involves?

- A. Evaluating customer credit scores
- B. Verifying income statements
- C. Identifying and evaluating customer risk factors**
- D. Assessing the duration of customer relationships

Customer risk assessment in Anti-Money Laundering (AML) is a crucial process that helps financial institutions and businesses identify and mitigate potential risks associated with their customers. The correct choice focuses on identifying and evaluating customer risk factors, which is essential for determining the level of due diligence required for each customer relationship. This involves analyzing elements such as a customer's geographic location, transaction behaviors, the nature of their business, and their financial activities. By understanding these factors, institutions can categorize customers into different risk levels, allowing them to apply appropriate controls and monitoring measures tailored to the specific risks presented by each customer. While evaluating credit scores and verifying income statements can provide some insight into a customer's financial health, they do not directly address the broader spectrum of risks related to money laundering activities. Similarly, assessing the duration of customer relationships is less relevant since it does not provide a comprehensive understanding of potential criminal behavior or sources of illicit funds. Therefore, the emphasis on identifying and evaluating customer risk factors is foundational to effective AML practices.

9. Under what circumstances is a Suspicious Activity Report typically filed?

- A. For regular business transactions
- B. Only for high-value transactions
- C. To report unusual or suspicious transaction patterns**
- D. It is never required

A Suspicious Activity Report (SAR) is typically filed in response to unusual or suspicious transaction patterns. These reports are a critical component of anti-money laundering (AML) efforts and are required by financial institutions and certain businesses to detect and prevent potential illicit activities. Filing a SAR allows regulatory authorities to investigate these activities further and take appropriate measures. The essence of a SAR is to provide insight into transactions that deviate from the norm, indicating possible criminal activity, such as money laundering or fraud. Therefore, it is essential for institutions to monitor their customers' behavior continuously, looking for red flags that warrant further scrutiny. By focusing on transaction patterns rather than just the value of individual transactions or regular business dealings, entities can more effectively combat financial crime. In contrast, filing a SAR is not necessary for standard or routine transactions, and simply conducting a high-value transaction does not automatically qualify for a report unless there are underlying suspicious elements. Additionally, the notion that a SAR is never required is fundamentally incorrect, as these reports play a crucial role in ensuring compliance with AML regulations and enhancing the integrity of the financial system.

10. Which of the following best describes 'due diligence' in AML?

- A. A passive approach to managing risks
- B. The proactive investigation of clients and transactions**
- C. A simplified verification process
- D. The assignment of fixed cash limits

'Due diligence' in the context of Anti-Money Laundering (AML) refers to the proactive investigation of clients and transactions. This process is fundamental for financial institutions and other entities to identify, assess, and mitigate potential risks associated with money laundering and terrorist financing activities. By conducting thorough due diligence, institutions can better understand their customers, verify their identities, and monitor transactions for suspicious activity. This proactive approach enables organizations to take necessary actions based on the information gathered, thereby ensuring compliance with regulatory requirements and enhancing their ability to mitigate financial crime risks effectively. It emphasizes the importance of preventive measures over reactive strategies, ensuring that institutions are not just responding to illicit activities but actively working to identify and thwart such activities before they can escalate. Options that suggest a passive approach, simplified processes, or fixed limits do not align with the dynamic nature of due diligence needed in AML practices. Instead, effective AML compliance relies heavily on thorough assessments and ongoing monitoring of client behavior and transactions.

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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