Certified Anti-Money Laundering Specialist Certification (CAMS) Practice Exam (Sample)

Study Guide

BY EXAMZIFY

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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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 must be established for the US principal money laundering law to enforce its 'Extraterritorial Reach'?**
   - A. A direct bank-to-bank communication
   - B. Illegal activities involving the transportation of funds to/from the US
   - C. Approval from international governing bodies
   - D. A prior criminal record of the individual involved

2. **Who primarily uses hawalas and alternative remittance systems?**
   - A. Expatriates sending money back to their home country
   - B. Government agencies transferring funds
   - C. Corporations making international payments
   - D. Tourists exchanging currency

3. **Which type of account does not show activity other than interest or maintenance fees?**
   - A. Dormant Account
   - B. Active Account
   - C. Joint Account
   - D. Business Account

4. **What is a primary function of a Commodity Pool?**
   - A. To buy real estate directly
   - B. To trade futures or options contracts
   - C. To provide loans to members
   - D. To manage public investment funds

5. **What is the primary goal of hedge funds?**
   - A. To stabilize market prices
   - B. To profit from various market conditions
   - C. To guarantee returns for investors
   - D. To create new financial instruments

6. Who conducts the Financial Sector Assessment Program (FSAP)?

A. The Bank for International Settlements

B. The International Monetary Fund (IMF) and the World Bank

C. The Federal Reserve System and the Treasury Department

D. Regional Development Banks

7. What distinguishes a cardholder from other users?

A. A cardholder can authorize transactions

B. A cardholder is typically the account owner

C. A cardholder does not need permission to use their card

D. A cardholder has a higher credit limit

8. What is the basis for filing a Suspicious Transaction Report (STR/SAR)?

A. On a customer's profile alone

B. On observable suspicious activity

C. On employee recommendations

D. On public perception of the client

9. What does margin refer to in investing?

A. The total value of all investments

B. The practice of borrowing money to invest

C. The income generated from securities

D. The amount of cash available for immediate use

10. What was the specific focus of UN Security Council Resolution 1373?

A. General crime prevention

B. Cybersecurity measures

C. Terrorism and terrorist financing

D. International trade regulations

Answers

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

Explanations

1. What must be established for the US principal money laundering law to enforce its 'Extraterritorial Reach'?

- A. A direct bank-to-bank communication
- B. Illegal activities involving the transportation of funds to/from the US
- C. Approval from international governing bodies
- D. A prior criminal record of the individual involved

The correct answer relates to the enforcement of the US principal money laundering law's extraterritorial reach, which necessitates evidence of illegal activities that involve the transportation of funds to or from the United States. This requirement is crucial because the law is designed to address money laundering activities that impact the US financial system, regardless of where the actual laundering occurs. Establishing a connection between illegal activities and the transportation of funds in relation to the US is essential for the jurisdiction of US law enforcement. It ensures that even if the illicit activity happens outside the US, the law can still be applied if there is a direct link to American financial interests or institutions. This reflects the understanding that financial crimes are often transnational and that the integrity of the US financial system needs protection against such threats. The other choices, while they may relate to aspects of international finance or crime prevention, do not specifically establish the necessary legal grounds for extraterritorial enforcement of the US money laundering laws.

2. Who primarily uses hawalas and alternative remittance systems?

- A. Expatriates sending money back to their home country
- B. Government agencies transferring funds
- C. Corporations making international payments
- D. Tourists exchanging currency

Hawalas and alternative remittance systems primarily serve expatriates sending money back to their home country. These informal systems provide a way for individuals, often migrant workers, to transfer funds across borders without relying on traditional banking systems, which may involve higher fees and regulatory hurdles. Expatriates typically prefer these methods for several reasons: they often offer lower transaction costs, faster transfer times, and a degree of anonymity that can be appealing in regions where traditional banking is less accessible or trusted. Additionally, these systems are often based on trust and familial or community ties, making them a practical solution for sending money home to support families. While the other groups mentioned do use various methods for transferring funds, they are not the primary users of hawalas and alternative remittance systems. Government agencies usually work through formal financial systems and established banking channels. Corporations often utilize formal banking mechanisms or wires for international payments, ensuring compliance with local and international regulations. Tourists exchanging currency typically engage with currency exchange services rather than remittance systems focused on transferring funds to a specific individual's home country.

3. Which type of account does not show activity other than interest or maintenance fees?

A. Dormant Account

B. Active Account

C. Joint Account

D. Business Account

A dormant account is defined specifically as one that has not had any customer-initiated activity for a certain period of time, typically ranging from six to twelve months, depending on the institution's policies. The only transactions that may occur in such an account are those related to the accrual of interest or the deduction of maintenance fees. This lack of active transactions means that the account holder is not regularly using their account for standard banking activities like deposits or withdrawals. In contrast, an active account is characterized by frequent transactions and customer engagement. Joint accounts involve more than one account holder, usually facilitating shared usage, which would result in more frequent activity. Business accounts similarly are utilized for operational purposes, leading to regular deposits and withdrawals. Therefore, both joint and business accounts would display a higher level of activity compared to a dormant account. Understanding the characteristics of dormant accounts is critical in the context of anti-money laundering, as these accounts can be targeted for illicit activities due to their inactive status.

4. What is a primary function of a Commodity Pool?

A. To buy real estate directly

B. To trade futures or options contracts

C. To provide loans to members

D. To manage public investment funds

A commodity pool primarily serves the purpose of pooling funds from multiple investors to trade in commodity futures or options contracts. This investment structure allows individual investors to participate in the commodities market, which they might not be able to access on their own due to high capital requirements or the complexities involved in trading these instruments. The essence of a commodity pool lies in its pooled resources, which are professionally managed to speculate on the price movements of various commodities. Participants are typically seeking to gain exposure to this market as a means of diversification, hedging against inflation, or achieving capital growth. The other options do not accurately reflect the primary function of a commodity pool. Buying real estate directly, providing loans to members, or managing public investment funds pertain to different investment strategies or financial structures that do not align with the primary objective of commodity pooling, which is focused specifically on futures and options trading.

5. What is the primary goal of hedge funds?

A. To stabilize market prices

B. To profit from various market conditions

C. To guarantee returns for investors

D. To create new financial instruments

The primary goal of hedge funds is to profit from various market conditions. Hedge funds are designed to take advantage of market inefficiencies and can employ a wide range of investment strategies, including long and short positions, leverage, and derivatives. This flexibility allows them to generate returns in both rising and falling markets, making them unique compared to more traditional investment vehicles that might focus solely on growth. While some other options touch on aspects relevant to financial markets, they do not encapsulate the fundamental purpose of hedge funds. Stabilizing market prices is typically a role associated with more centralized financial institutions, and guaranteeing returns is unrealistic in any investment context, as markets inherently carry risks. Lastly, while the creation of new financial instruments can be a byproduct of hedge fund activities, it is not the primary goal. Thus, the ability to navigate different market scenarios to achieve profitability is what fundamentally defines the purpose of hedge funds.

6. Who conducts the Financial Sector Assessment Program (FSAP)?

A. The Bank for International Settlements

B. The International Monetary Fund (IMF) and the World Bank

C. The Federal Reserve System and the Treasury Department

D. Regional Development Banks

The Financial Sector Assessment Program (FSAP) is conducted by the International Monetary Fund (IMF) and the World Bank. This program is designed to evaluate the stability and soundness of a country's financial system, assess its resilience to shocks, and identify any vulnerabilities. The collaboration between the IMF and the World Bank is crucial as it combines financial stability assessments with a broader developmental perspective. The FSAP provides a comprehensive analysis that includes the regulatory framework, systemic risks, and the overall health of the financial institutions within a country. By integrating expertise from both the IMF, which focuses on monetary cooperation and financial stability, and the World Bank, which concentrates on poverty alleviation and development, the FSAP aims to provide actionable recommendations that can strengthen financial sectors worldwide. Other institutions listed, such as the Bank for International Settlements, primarily serve as a bank for central banks and focus on fostering international monetary and financial cooperation rather than conducting assessments. The Federal Reserve and Treasury Department represent the financial regulatory framework of the United States but do not engage in the global FSAP processes. Regional Development Banks focus on lending and development strategies within specific geographic areas rather than conducting assessments of financial sectors.

7. What distinguishes a cardholder from other users?

<u>A. A cardholder can authorize transactions</u>

B. A cardholder is typically the account owner

C. A cardholder does not need permission to use their card

D. A cardholder has a higher credit limit

The distinction of a cardholder primarily lies in their ability to authorize transactions. This means that a cardholder has the legal authority to use the payment card, making financial decisions such as approving purchases and managing the card's associated benefits or liabilities. This function is important in various contexts, such as personal liability for debts incurred while using the card and the relationship with the card issuer. While other users of a card, such as authorized users, may be permitted to use the card for purchases, they typically do not possess the same level of authority to manage the account or make overriding financial decisions. Therefore, the ability to authorize transactions is a key characteristic that sets a cardholder apart from other users, highlighting their primary role in the ownership and management of the account. The other options describe attributes or situations that may not universally apply to all cardholders or may be shared with authorized users, but do not define the exclusive qualities that a cardholder possesses. For instance, account ownership may involve different responsibilities or levels of access depending on the arrangement with the issuing bank, and a higher credit limit is not an inherent trait of being a cardholder, as limits can vary based on creditworthiness and issuer policies.

8. What is the basis for filing a Suspicious Transaction Report (STR/SAR)?

A. On a customer’s profile alone

<u>B. On observable suspicious activity</u>

C. On employee recommendations

D. On public perception of the client

Filing a Suspicious Transaction Report (STR) or Suspicious Activity Report (SAR) is primarily based on observable suspicious activity. This means that financial institutions are required to identify and report transactions or patterns that raise concerns about potential money laundering, fraud, or other financial crimes. The emphasis on observable behaviors ensures that the report is grounded in concrete evidence rather than assumptions or subjective opinions. Observable suspicious activity can include a variety of behaviors, such as unusual patterns of transaction frequency, transactions that significantly deviate from the customer’s normal behavior or the typical activities within their industry, and transactions involving high-risk jurisdictions. These indicators help in building a case for suspicion, making it clear for law enforcement or regulatory bodies to investigate further. While customer profiles, employee recommendations, and public perception may inform an institution's overall risk assessment, they are not sufficient alone to justify filing an STR/SAR. Relying solely on customer profiles could overlook specific activities that are suspicious. Employee recommendations, while valuable, might also stem from personal bias rather than objective criteria. Public perception could be influenced by unfounded rumors or biases that do not accurately reflect the risk posed by a client. Therefore, focusing on observable suspicious activity provides a more reliable foundation for mandatory reporting, ensuring compliance with anti

9. What does margin refer to in investing?

A. The total value of all investments

B. The practice of borrowing money to invest

C. The income generated from securities

D. The amount of cash available for immediate use

Margin in investing specifically refers to the practice of borrowing money from a brokerage to purchase securities. This allows investors to buy more assets than they could with just their own capital. Essentially, margin trading involves using borrowed funds to increase the potential return on investment. However, it also increases exposure to risk, as losses can accumulate quickly if the market moves unfavorably. By using margin, investors can leverage their positions, meaning they can control larger amounts of securities while only investing a portion of the total amount themselves. This strategy can amplify gains; however, it also means that margins can lead to more significant losses, as the investor is still responsible for repaying the borrowed funds. Understanding margin is crucial for investors, as it can significantly impact both strategy and risk management in financial markets. This is particularly relevant in discussions around investment practices and the associated risks in anti-money laundering contexts, where leveraging can lead to complex transactions that might trigger red flags for illicit activity.

10. What was the specific focus of UN Security Council Resolution 1373?

A. General crime prevention

B. Cybersecurity measures

C. Terrorism and terrorist financing

D. International trade regulations

The specific focus of UN Security Council Resolution 1373 is on terrorism and terrorist financing. Adopted in the aftermath of the September 11 attacks in 2001, this resolution establishes a framework for member states to prevent and combat terrorism on a global scale. It emphasizes the need for countries to criminalize the financing of terrorism and to take action against those who collect or provide funds for terrorist activities. The resolution also underscores the importance of enhancing international cooperation and information sharing in the fight against terrorism. By highlighting the connection between terrorism and its funding sources, the resolution aims to disrupt the financial networks that support terrorist groups, making it a crucial component of international efforts to combat terrorism. This focus on both the act of terrorism itself and the financing mechanisms that enable these activities is central to understanding how global governance tackles security threats related to terrorism.

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://cams.examzify.com

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