

CERTIFIED ANTI-MONEY LAUNDERING SPECIALIST CERTIFICATION (CAMS) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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 was FINTRAC established?**
 - A. January 2000
 - B. November 2001
 - C. April 2002
 - D. September 2003
- 2. What is the role of financial institutions in combating money laundering?**
 - A. To solely monitor transactions
 - B. To actively implement AML policies and procedures
 - C. To aid in regulatory compliance only
 - D. To prioritize customer service over compliance
- 3. Which type of risk does 'Legal Risk' encompass according to regulatory standards?**
 - A. Risk associated with market fluctuations
 - B. Risk stemming from financial losses only
 - C. Risk resulting from potential litigation and unenforceable contracts
 - D. Risk due to technological failures
- 4. What does an Alternative Remittance System (ARS) typically involve?**
 - A. Cross-border value transfer without the banking system
 - B. Peer-to-peer lending platforms
 - C. International trade financing
 - D. Traditional banking services
- 5. What type of financial account is used to manage the processing of transactions between banks?**
 - A. Checking account
 - B. Investment account
 - C. Clearing account
 - D. Savings account

- 6. 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
- 7. Emerging technologies can affect money laundering by...**
- A. Making transactions slower and more costly
 - B. Introducing new methods to hide illicit activities
 - C. Reducing the need for regulations
 - D. Facilitating transparent financial practices
- 8. Which person in the financial institution is primarily responsible for overseeing compliance with AML regulations?**
- A. Chief Financial Officer
 - B. Chief Compliance Officer
 - C. Internal Auditor
 - D. Operations Manager
- 9. What function does a third-party processor serve in credit card transactions?**
- A. Manages customer accounts
 - B. Processes transactions for banks
 - C. Provides loans to customers
 - D. Issues credit cards
- 10. According to FATF Recommendation 30, what should competent authorities be provided with?**
- A. Only financial resources
 - B. Adequate financial, human, and technological resources
 - C. Marketing tools for outreach
 - D. External audits for accountability

Answers

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

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Explanations

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1. When was FINTRAC established?

- A. January 2000
- B. November 2001**
- C. April 2002
- D. September 2003

The correct answer is November 2001 because that is when the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) was officially established. This organization plays a crucial role in Canada's fight against money laundering and terrorist financing, as it serves as the country's primary financial intelligence unit. The establishment of FINTRAC was a response to the need for a centralized agency that could analyze financial transactions and provide law enforcement agencies with the necessary intelligence to combat illicit financial activities. This timing is significant in the context of global efforts to enhance financial regulation and scrutinize money laundering activities, particularly following events like the September 11 attacks, which heightened awareness of the need for robust anti-money laundering measures. Understanding the history and establishment of such organizations is essential for comprehending the broader context of anti-money laundering efforts and regulations in Canada and worldwide.

2. What is the role of financial institutions in combating money laundering?

- A. To solely monitor transactions
- B. To actively implement AML policies and procedures**
- C. To aid in regulatory compliance only
- D. To prioritize customer service over compliance

The role of financial institutions in combating money laundering is fundamentally about active engagement in implementing Anti-Money Laundering (AML) policies and procedures. This means that institutions must establish a comprehensive framework that includes the development of internal controls, ongoing employee training, transaction monitoring systems, and robust risk assessment measures. By actively implementing these policies, financial institutions are not only addressing existing risks but also creating a proactive stance against potential money laundering activities. This involves detecting suspicious activities, reporting them to relevant authorities, and maintaining transparency in their operations. Moreover, adherence to these protocols ensures that financial institutions can comply with regulatory requirements and contribute effectively to the overall stability of the financial system. In contrast, merely monitoring transactions or focusing solely on compliance with regulations without proactive implementation of AML measures would not suffice in identifying and preventing money laundering activities. Prioritizing customer service at the expense of compliance would also undermine the integrity of the financial institution and its ability to fulfill its regulatory responsibilities. Thus, a comprehensive and proactive approach is necessary for financial institutions to successfully combat money laundering.

3. Which type of risk does 'Legal Risk' encompass according to regulatory standards?

- A. Risk associated with market fluctuations
- B. Risk stemming from financial losses only
- C. Risk resulting from potential litigation and unenforceable contracts
- D. Risk due to technological failures

Legal risk encompasses the potential for financial loss that arises from litigation, regulatory actions, or legal proceedings. This type of risk can stem from various factors, including the possibility of contracts being found unenforceable, non-compliance with laws and regulations, or disputes over legal obligations. The implication is that if an organization faces a lawsuit or if there's uncertainty related to the legal validity of contractual agreements, this can result in significant costs and impacts on financial stability. In contrast to the other options, which address different categories of risk such as market fluctuations or technological issues, legal risk specifically pertains to the intersection of law and business operations, highlighting the consequences of legal uncertainties. Understanding and managing legal risk is crucial for organizations to mitigate the impacts of any adverse legal action, safeguarding their assets and reputation.

4. What does an Alternative Remittance System (ARS) typically involve?

- A. Cross-border value transfer without the banking system
- B. Peer-to-peer lending platforms
- C. International trade financing
- D. Traditional banking services

An Alternative Remittance System (ARS) typically involves cross-border value transfer without utilizing the traditional banking system. This definition captures the essence of ARS as it refers to informal money transfer mechanisms that operate outside the formal financial sector, often providing services where regular banking resources are limited or unavailable. These systems can facilitate the movement of funds between individuals in different countries by leveraging networks, often relying on personal relationships or community ties, instead of traditional banking methods. Common examples of ARS include hawala and informal value transfer systems (IVTS), which can offer lower fees and faster services compared to formal banking channels. In contrast, the other options relate to different financial activities. Peer-to-peer lending platforms involve matching borrowers with individual lenders but do not necessarily represent means for cross-border value transfer. International trade financing refers to specific financial products and services that support businesses engaged in international trade, which is more structured and involves commercial transactions. Traditional banking services operate within the formal financial system, offering remittance options that follow regulatory practices, which is distinct from the informal structures characteristic of ARS.

5. What type of financial account is used to manage the processing of transactions between banks?

- A. Checking account
- B. Investment account
- C. Clearing account**
- D. Savings account

A clearing account is specifically designed for the purpose of managing and processing the transactions between banks. These accounts serve as a temporary holding space during the settlement of transactions, allowing for the effective reconciliation of financial transfers. When transactions occur between different financial institutions, funds do not always move instantly; instead, they often go through a clearing process. Clearing accounts facilitate this process by consolidating debits and credits from various transactions and ensuring that they can be settled efficiently. This is essential for maintaining accurate records and ensuring that the financial system functions smoothly. In contrast, checking accounts are primarily used for everyday banking transactions by individuals and businesses but do not specifically address the needs of banking institutions in clearing transactions. Investment accounts are focused on holding and managing assets for growth, while savings accounts are intended for saving money and earning interest. Both checking and savings accounts involve customer transactions rather than inter-bank processing, and investment accounts do not directly relate to the clearing and settlement of transactions between financial institutions.

6. 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.

7. Emerging technologies can affect money laundering by...

- A. Making transactions slower and more costly
- B. Introducing new methods to hide illicit activities**
- C. Reducing the need for regulations
- D. Facilitating transparent financial practices

Emerging technologies play a significant role in the evolution of money laundering methods. The correct choice highlights that these technologies often introduce new tools and platforms that can be manipulated to obscure the origins of illicit funds. For instance, advancements like cryptocurrency, blockchain technology, and online payment systems can create a veil of anonymity, which money launderers exploit to obscure the traceability of financial transactions. These technologies can enable sophisticated techniques for layering and integrating illicit funds, making it more challenging for authorities to detect and investigate suspicious activities. Additionally, the use of encrypted communications and privacy-focused digital currencies adds complexity to the enforcement of anti-money laundering regulations. Thus, the introduction of these innovative technologies creates a landscape where criminals can effectively hide their activities, necessitating a continuous evolution of regulatory responses and compliance measures within financial systems.

8. Which person in the financial institution is primarily responsible for overseeing compliance with AML regulations?

- A. Chief Financial Officer
- B. Chief Compliance Officer**
- C. Internal Auditor
- D. Operations Manager

The Chief Compliance Officer plays a crucial role in ensuring that a financial institution adheres to all relevant anti-money laundering (AML) regulations and internal policies. This position is responsible for developing, implementing, and maintaining compliance programs that reflect the institution's commitment to preventing money laundering and financial crime. Having direct oversight over compliance activities, the Chief Compliance Officer also ensures that the organization is continuously monitoring its processes and reporting to regulatory bodies as required. This includes training staff on compliance issues and assessing the effectiveness of the AML program, making adjustments as necessary in response to regulatory changes or findings from audits. In contrast, other roles like the Chief Financial Officer focus primarily on the financial operations and health of the institution rather than compliance issues. The Internal Auditor is involved in evaluating the implementation of controls and operational effectiveness, which may include reviewing AML compliance, but they do not have the overarching responsibility for compliance itself. The Operations Manager is mainly concerned with the day-to-day activities of the institution and does not hold primary accountability for AML compliance. Each position is vital within the institution, but the Chief Compliance Officer is specifically charged with the mandate of ensuring that AML regulations are being followed effectively.

9. What function does a third-party processor serve in credit card transactions?

- A. Manages customer accounts
- B. Processes transactions for banks**
- C. Provides loans to customers
- D. Issues credit cards

A third-party processor plays a crucial role in the facilitation of credit card transactions, specifically in processing transactions for banks. This entity acts as an intermediary that handles the transaction data between the merchant and the bank, ensuring that payment information is securely transmitted and that the transaction is authorized. By processing transactions, the third-party processor takes on the task of verifying credit card details, checking for fraud, and managing the flow of funds between the credit card issuer (the bank) and the merchant. This streamlining of the transaction process helps improve efficiency and speed, reducing the burden on banks to handle every individual transaction directly. The other choices do not accurately describe the primary function of a third-party processor. Managing customer accounts pertains more to financial institutions or customer service teams rather than a processor's role. Providing loans to customers typically falls under the realm of banks or lending institutions, not processors. Issuing credit cards is the responsibility of financial institutions and credit card companies that offer physical or virtual cards to consumers.

10. According to FATF Recommendation 30, what should competent authorities be provided with?

- A. Only financial resources
- B. Adequate financial, human, and technological resources**
- C. Marketing tools for outreach
- D. External audits for accountability

FATF Recommendation 30 emphasizes the necessity for competent authorities to possess adequate resources to effectively carry out their responsibilities related to anti-money laundering (AML) and combating the financing of terrorism (CFT). This recommendation sets forth that these authorities must be equipped not just with financial resources, but also with sufficient human and technological resources. Having a well-rounded set of resources ensures that competent authorities can investigate suspicious activities, enforce compliance, and carry out necessary inspections and audits. Financial resources alone would limit an authority's capacity to operate effectively. Human resources, including trained personnel, are crucial for interpreting data, conducting investigations, and engaging with other stakeholders. Technological resources are increasingly vital for analyzing large sets of data, identifying trends, and enhancing overall operational efficiency. The other options focus narrowly on specific types of resources or tools that do not align with the comprehensive approach outlined in Recommendation 30. For instance, marketing tools for outreach do not directly contribute to the operational effectiveness of competent authorities in AML/CFT efforts, and external audits, while important for accountability, do not ensure that authorities are equipped to fulfill their roles adequately.

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!

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