

MONEY LAUNDERING PRACTICE TEST (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

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THE FULL VERSION STUDY GUIDE**

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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. In the context of money laundering, what is layering primarily used for?**
 - A. Concealing the origins of illegal funds
 - B. Identifying all beneficiaries of a transaction
 - C. Reporting all transactions in detail
 - D. Ensuring the legitimacy of a transaction
- 2. What role do financial institutions play in AML compliance?**
 - A. They only need to report suspicious activities
 - B. They must implement systems to detect and prevent money laundering
 - C. They are responsible for auditing transactions for clients
 - D. They do not play a significant role
- 3. What is a common method used by money launderers to obscure the source of funds?**
 - A. Investing in real estate
 - B. Using complex corporate structures
 - C. Opening multiple bank accounts
 - D. All of the above
- 4. What is the role of law enforcement concerning money laundering?**
 - A. To promote financial literacy among citizens
 - B. To investigate, prevent, and prosecute money laundering activities
 - C. To provide financial services
 - D. To manage public relations
- 5. Which bureau of the Treasury Department provides strategic analyses of money laundering developments?**
 - A. FATF
 - B. FinCEN
 - C. SEC
 - D. OFAC

- 6. How is beneficial ownership information relevant in AML efforts?**
- A. It simplifies tax processes for companies
 - B. It helps identify who ultimately controls or benefits from a company, preventing anonymity in illicit transactions
 - C. It is beneficial for gathering client feedback
 - D. It helps in marketing financial products
- 7. What type of transactions does AML sanctions screening primarily target?**
- A. Legal and ethical transactions
 - B. High-value luxury purchases
 - C. Prohibited transactions
 - D. Standard banking operations
- 8. Which situation is most likely to be deemed suspicious activity?**
- A. John makes a large deposit into an annuity via wire transfer
 - B. Laura presents a refund check to pay for a new life insurance policy
 - C. Toby deposits into an annuity with a personal check
 - D. Cassandra pays her insurance premium with cash
- 9. What factor contributes to the insurance industry's susceptibility to money laundering?**
- A. The regulators do not understand the insurance industry
 - B. There is a general lack of AML supervision in the insurance industry
 - C. The insurance industry is exempt from most anti-money laundering regulations
 - D. The anti-money laundering rules and regulations are too vague
- 10. Which of the following is NOT a required aspect of KYC when executing a transaction for a new client?**
- A. The client's occupation
 - B. The client's address
 - C. The size of the transaction relative to income
 - D. The number of the client's dependents

Answers

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

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Explanations

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1. In the context of money laundering, what is layering primarily used for?

- A. Concealing the origins of illegal funds
- B. Identifying all beneficiaries of a transaction
- C. Reporting all transactions in detail
- D. Ensuring the legitimacy of a transaction

Layering is a crucial step in the process of money laundering, primarily used to obscure the origins of illegal funds. This phase involves executing a series of complex financial transactions designed to confuse and cloud the trail of money, making it difficult for authorities to trace the initial source of the illicit funds. In practice, this can include transferring money between different banks, converting cash into financial instruments, or moving funds across various jurisdictions. The objective is to create a convoluted path that separates the financial assets from their criminal origins, thereby enhancing the money launderer's ability to integrate these funds into the legitimate economy without raising suspicions. Layering does not focus on identifying beneficiaries or ensuring transaction legitimacy; rather, it prioritizes obfuscation and deception to evade detection by law enforcement. Thus, it supports the overarching goal of money laundering, which is to make illicit funds appear legal.

2. What role do financial institutions play in AML compliance?

- A. They only need to report suspicious activities
- B. They must implement systems to detect and prevent money laundering
- C. They are responsible for auditing transactions for clients
- D. They do not play a significant role

Financial institutions play a critical role in anti-money laundering (AML) compliance by being proactive rather than reactive. They are required to implement comprehensive systems and controls designed to detect and prevent money laundering activities. This includes developing internal policies, conducting risk assessments to identify vulnerabilities, training employees to recognize suspicious activities, and establishing reporting procedures to ensure compliance with legal obligations. By adopting such measures, financial institutions not only help protect themselves from being used as conduits for illicit funds but also contribute to the integrity of the financial system as a whole. Such proactive measures are essential for identifying and mitigating risks associated with potential money laundering activities before they can take place. This comprehensive approach aligns with the principles of AML regulations, which aim to combat financial crimes effectively.

3. What is a common method used by money launderers to obscure the source of funds?

- A. Investing in real estate
- B. Using complex corporate structures
- C. Opening multiple bank accounts
- D. All of the above

Money launderers often use a variety of methods to obscure the source of illicit funds, and each of the mentioned strategies is commonly employed. Investing in real estate allows them to integrate illegal profits into legitimate assets, making it harder to trace the original source of the money. The use of complex corporate structures can further shield the identity of those involved and complicate tracking, as these structures can obscure ownership and make it difficult to follow the money trail. Opening multiple bank accounts is a tactic that can facilitate the layering of transactions, allowing funds to be moved around and diluted in multiple locations, again making it challenging for authorities to trace the original source. Collectively, these methods form a comprehensive strategy that illustrates the lengths to which money launderers will go to hide their activities and maintain the appearance of legitimacy. Thus, recognizing that all these approaches are commonly utilized highlights the complexity and the multifaceted nature of money laundering practices.

4. What is the role of law enforcement concerning money laundering?

- A. To promote financial literacy among citizens
- B. To investigate, prevent, and prosecute money laundering activities**
- C. To provide financial services
- D. To manage public relations

Law enforcement plays a critical role in the fight against money laundering through investigation, prevention, and prosecution of related activities. Money laundering typically involves making illegally obtained funds appear legitimate, which can have severe repercussions for the financial system and society at large. This function entails various responsibilities, such as gathering evidence, identifying and apprehending suspects, and building cases that can withstand the scrutiny of the legal system. The involvement of law enforcement is fundamental to disrupting the operations of criminal organizations that rely on money laundering to hide the origins of their profits. Their work often involves collaborating with financial institutions, international agencies, and other stakeholders to track illicit financial flows and enforce compliance with anti-money laundering (AML) regulations. Promoting financial literacy or managing public relations, while valuable in their own rights, do not directly address the criminal aspects of money laundering. Providing financial services is primarily the role of banks and financial institutions, not law enforcement. Therefore, the comprehensive approach of investigating, preventing, and prosecuting money laundering embodies the essential duties of law enforcement in this context.

5. Which bureau of the Treasury Department provides strategic analyses of money laundering developments?

- A. FATF
- B. FinCEN**
- C. SEC
- D. OFAC

The Bureau that provides strategic analyses of money laundering developments is FinCEN (Financial Crimes Enforcement Network). FinCEN's primary role within the Treasury Department is to analyze financial transactions, identify suspicious activities, and facilitate the sharing of information regarding financial crimes among various entities, including law enforcement and regulatory agencies. By issuing reports and conducting studies on trends in money laundering and other financial crimes, FinCEN helps shape policies and practices aimed at combatting money laundering. In contrast, other entities listed serve different purposes: FATF (Financial Action Task Force) is an intergovernmental organization focused on combating money laundering and terrorist financing on a global scale but does not operate within the Treasury Department. The SEC (Securities and Exchange Commission) primarily oversees securities markets and regulates securities transactions rather than providing specific analyses related to money laundering. OFAC (Office of Foreign Assets Control) is responsible for enforcing economic and trade sanctions based on U.S. foreign policy and national security goals, which include aspects related to money laundering but are not focused on analyzing developments in the practice itself. Thus, FinCEN is the correct answer as it directly addresses the strategic analyses of money laundering developments.

6. How is beneficial ownership information relevant in AML efforts?

- A. It simplifies tax processes for companies
- B. It helps identify who ultimately controls or benefits from a company, preventing anonymity in illicit transactions**
- C. It is beneficial for gathering client feedback
- D. It helps in marketing financial products

Beneficial ownership information is crucial in anti-money laundering (AML) efforts as it reveals the true individuals who own, control, or benefit from a company, rather than just the nominal or legal owners. This transparency is essential for preventing anonymity in financial transactions, which can be exploited for illicit activities, including money laundering and tax evasion. By understanding who ultimately controls a company, financial institutions and regulators can better assess risk, monitor suspicious activities, and ensure compliance with legal requirements aimed at deterring financial crimes. This information strengthens the integrity of the financial system by addressing the risks associated with shell companies and complex corporate structures that can often obscure the true owners. Thus, beneficial ownership data plays a pivotal role in enabling law enforcement and regulatory bodies to combat money laundering effectively.

7. What type of transactions does AML sanctions screening primarily target?

- A. Legal and ethical transactions
- B. High-value luxury purchases
- C. Prohibited transactions**
- D. Standard banking operations

Anti-Money Laundering (AML) sanctions screening primarily targets prohibited transactions. AML regulations aim to detect and prevent illicit financial activities that could involve the use of illegal funds or support criminal enterprises. By screening transactions against government-imposed sanctions lists, financial institutions can identify and block transactions that violate regulations and potentially facilitate money laundering or terrorist financing. Prohibited transactions encompass activities involving individuals, organizations, or countries that are subject to sanctions due to their involvement in illegal activities, such as drug trafficking, human trafficking, or terrorism. The focus of AML screening is, therefore, on identifying these high-risk transactions to mitigate financial crimes. In contrast, legal and ethical transactions, high-value luxury purchases, or standard banking operations do not primarily fall under the scope of AML sanctions screening, as they typically do not involve the laundering of money or funding of illegal activities.

8. Which situation is most likely to be deemed suspicious activity?

- A. John makes a large deposit into an annuity via wire transfer**
- B. Laura presents a refund check to pay for a new life insurance policy
- C. Toby deposits into an annuity with a personal check
- D. Cassandra pays her insurance premium with cash

The situation that is most likely to be deemed suspicious activity is John making a large deposit into an annuity via wire transfer. Large deposits, especially through wire transfers, can draw scrutiny and may be considered suspicious if they do not align with the individual's typical financial behavior or source of funds. Wire transfers are often associated with higher risk, as they can facilitate quick movement of funds without clear documentation of the source, making it easier for illicit funds to be integrated into the financial system. Other transactions, such as presenting a refund check for a new life insurance policy or depositing into an annuity with a personal check, typically involve more traceable methods of payment. They are more likely to reflect legitimate financial activities and carry less risk of suspicion. Similarly, paying an insurance premium with cash may not inherently raise red flags unless the amount is unusually high or inconsistent with the customer's known activities. In general, the unusual characteristics of large wire transfers, particularly when they deviate from standard behavior, make them a common focus for monitoring suspicious activity in financial settings.

9. What factor contributes to the insurance industry's susceptibility to money laundering?

- A. The regulators do not understand the insurance industry
- B. There is a general lack of AML supervision in the insurance industry**
- C. The insurance industry is exempt from most anti-money laundering regulations
- D. The anti-money laundering rules and regulations are too vague

The insurance industry's susceptibility to money laundering is largely attributed to a general lack of anti-money laundering (AML) supervision within the sector. This insufficiency in oversight can create environments where illicit activities may go unnoticed or unchallenged, allowing individuals to exploit insurance products for money laundering purposes. One reason for this is that the insurance industry often has less stringent reporting requirements compared to the banking sector. This can lead to fewer controls in place to detect suspicious activities. Additionally, the complexity and variety of insurance products can make it easier for perpetrators to integrate illicit funds without raising red flags. The lack of robust supervision means that insurance companies may not implement comprehensive AML programs or may not prioritize training staff to identify and report suspicious transactions adequately, further increasing their vulnerability to being unwittingly involved in money laundering schemes.

10. Which of the following is NOT a required aspect of KYC when executing a transaction for a new client?

- A. The client's occupation
- B. The client's address
- C. The size of the transaction relative to income
- D. The number of the client's dependents**

The aspect that is not required in the Know Your Customer (KYC) process when executing a transaction for a new client is the number of the client's dependents. KYC is primarily focused on gathering information that helps to verify a client's identity and assess their risk profile in terms of potential money laundering or other financial crimes. The client's occupation, address, and details regarding the size of the transaction in relation to income are all critical components of KYC. These elements help financial institutions understand the nature of the client's activities, verify their identity, and determine if the transactions are consistent with known profiles and expected behavior. In contrast, the number of dependents does not directly contribute to the assessment of the client's financial activities or their risk level concerning money laundering. Therefore, it is not considered a required aspect of KYC procedures. This distinction is important for institutions to focus their due diligence efforts on relevant and risk-sensitive information.

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://moneylaundering.examzify.com>

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

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