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Question: 1

A legal entity applies to open an account in a financial institution. The owners of the entity are 20 individuals with equal shareholding. Who should be identified as the Ultimate Beneficial Owner (UBO), per Financial Action Task Force (FATF) guidelines?

- A. Any six shareholders whose collective shareholding exceeds 25%
- B. All 20 shareholders, because none exceeds the 25% threshold
- C. No one; this is an orphan legal entity because it has no UBOs
- D. The person(s) exercising control and/or acting as a senior management official(s)

Answer: D

Explanation:

FATF guidelines require identifying UBOs as individuals owning more than 25% or, if no one meets that threshold, those who exercise control through other means. In this case, no shareholder owns more than 25%, so the UBO is identified based on control, typically the person(s) in senior management.

Question: 2

Assets under management show an increase of investors whose income originates from high-risk jurisdictions. This indicates higher risk in which area?

- A. Customer
- B. Geographical
- C. Political
- D. Economic

Answer: B

Explanation:

FATF considers jurisdictions with weak AML/CFT controls as high-risk. An increase in investors from such regions raises geographical risk, since the customers' funds originate from locations with elevated money laundering or terrorism financing threats.

Question: 3

During a routine CDD update in a financial institution, a junior member of the compliance department

identifies that the spouse of the reviewed client was elected as a member of government. Which action should the junior member take?

- A. Inform the relationship manager about the election of the client's spouse
- B. Make a note on the client's account of this fact and continue operations as usual.
- C. File a suspicious transaction report because the client did not notify the financial institution.
- D. Update the client's information to reflect that the client is related to a politically exposed person.

Answer: D

Explanation:

FATF guidelines require enhanced due diligence when a client becomes a Politically Exposed Person (PEP) or is related to one. Since the client's spouse is now a government member, the client must be classified as related to a PEP, and the institution's records must be updated accordingly.

Question: 4

A KYC analyst is onboarding a high-net-worth client and, during the screening process, notices that the prospective client is the parent of a government minister. After the analyst performs a source of wealth analysis, whose approval is needed before opening the account?

- A. Relationship management
- B. Senior management
- C. Team management
- D. Project management

Answer: B

Explanation:

FATF requires that the decision to establish or continue a business relationship with a Politically Exposed Person (PEP), or their close family members, must be approved by senior management after appropriate enhanced due diligence has been completed.

Question: 5

A politically exposed person (PEP) is eager to open a private account with an international bank. In addition to performing the normal CDD, which measure should be required from the AML officer?

- A. Conduct enhanced ongoing monitoring of the business relationship each quarter.
- B. Obtain senior management approval for establishing such business relationships.
- C. Contact law enforcement, as PEPs pose enhanced risks to an institution.
- D. Make a note of a PEP business relationship and file a suspicious transaction report to the local financial intelligence unit.

Answer: B

Explanation:

FATF requires that before establishing a business relationship with a PEP, financial institutions must obtain senior management approval, along with applying enhanced due diligence measures such as verifying the source of wealth and funds.

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