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## Question: 1

The financial industry relies heavily on rules-based approaches to transaction monitoring to detect suspicious activities.

Scenario-based systems use technology and algorithms to identify: (Choose three.)

- A. fraudulent identities involving stolen or manufactured identification.
- B. suspicious behavior involving a transaction that occurs at an unusual time of day.
- C. hidden beneficial owners.
- D. transaction patterns involving transactions that exceed a certain dollar amount.
- E. anomalies involving a transaction that occurs in a location far away from the customer's usual spending patterns.

**Answer: B, D, E**

Explanation:

Scenario-based systems use algorithms to detect suspicious behaviors, such as transactions occurring at unusual times, those exceeding specified thresholds, or those taking place in locations inconsistent with a customer's typical activity. These anomalies help identify potential financial crime risks.

## Question: 2

A financial institution plans to implement adverse media screening with Artificial Intelligence (AI)/Machine Learning (ML) capabilities. During testing, the system produces high volumes of irrelevant news articles for review.

What is the best way to address this issue?

- A. Narrow the media sources to avoid unrelated articles
- B. Rely on manual filtering by investigators
- C. Increase the frequency of updates to media sources
- D. Adjust AI/ML models to focus on high-risk keywords/phrases from reputable media sources

**Answer: D**

Explanation:

The most effective way to reduce irrelevant results in AI/ML-driven adverse media screening is to fine-tune the models to prioritize high-risk keywords and reliable sources. This improves precision by filtering out noise and directing focus toward content that is more likely to indicate financial crime risk.

### Question: 3

When services are provided by a trust and company service provider (TCSP) connected to a high-risk country, which of the following may present an immediate financial crime risk concern?

- A. Management structure
- B. Governance framework
- C. Asset structure
- D. Origin of the funds

**Answer: D**

Explanation:

The origin of the funds is a primary financial crime risk when dealing with a TCSP connected to a high-risk country. Funds originating from such jurisdictions may be linked to illicit activity, especially if source verification is weak or absent.

### Question: 4

Which benefits are most commonly associated with transitioning from a rules-based approach to artificial intelligence (AI) and machine learning-based tools in transaction monitoring? (Choose three.)

- A. Reduction in the number of false positives in long term
- B. Complete automation of compliance processes
- C. Elimination of the need for human oversight
- D. Increased flexibility in adapting to changing financial crime risks
- E. Enhanced ability to detect emerging patterns and anomalies

**Answer: A, D, E**

Explanation:

Transitioning to AI and machine learning in transaction monitoring offers benefits such as long-term reduction in false positives, improved adaptability to evolving financial crime risks, and enhanced detection of complex or emerging patterns and anomalies that rules-based systems may miss.

### Question: 5

Why is it important to use multiple sanctions lists, such as United Nations (UN), Office of Foreign Assets Control ("OFAC"), and European Union ("EU") lists, in name screening systems?

- A. To avoid sanctions breach related to payments
- B. To avoid onboarding customers previously exited due to true match
- C. To meet international regulatory requirements and identify risks across jurisdictions
- D. To be in line with the risk appetite statement

**Answer: C**

Explanation:

Using multiple sanctions lists ensures that financial institutions meet international regulatory obligations and can identify sanctions-related risks across different jurisdictions. This comprehensive approach strengthens compliance and reduces the likelihood of exposure to sanctioned individuals or entities.

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