

Post-assessment

This assessment will test your understanding of anti-money laundering and terrorism financing and your knowledge of customer concepts.

There is a single correct response for each question.

Question 1 – money laundering

Why do criminals launder money?

- a) Through this activity, criminals can transport illegally acquired funds to different countries without getting caught.
- b) Criminals want to protect the money that they have earned through criminal activities.
- c) Criminals try to steal money from the bank that they use for money laundering activities.
- d) Criminals want to invest their money in legal activities.

Criminals launder money because:

i – a, b, c

ii – a, b, d

iii – b, c, d

Question 2 – money laundering

Identify the placement techniques in the following statements:

- a) A construction worker in Dubai uses a non-licensed alternative remittance system to remit legal funds to his family in India.
- b) A suspicious customer from a drug-producing country deposits US \$100,000 in his offshore bank account.
- c) A doctor in Alabama makes a monthly single cash deposit of US \$9,000 in his local bank. No transaction report is filed.
- d) A drug smuggler uses illegal funds to purchase diamonds. He pays cash for them.

Placement techniques are used in:

i – a and b

ii – a and d

iii – b and c

iv – b and d

Question 3 – money laundering

Indicate whether the following statement is True or False.

Money launderers often use professional intermediaries to layer their illegal funds. These professional intermediaries include lawyers, company formation agents, accountants and other professionals working in non-financial institutions. A banker is not generally regarded as a professional intermediary because he works in a financial institution.

Question 4 – layering techniques

Indicate whether the following statement is True or False.

Layering techniques include:

- giving bearer shares in a shell company to an individual who is not affiliated with the company;
- hiring a lawyer to oversee company accounts in offshore jurisdictions; and
- transferring funds to the offshore bank account of a shell company.

Question 5 – placement techniques

A restaurant receives \$3,000,000 in cash over a period of time from an unnamed source. The restaurant deposits the funds into a bank account. Against this account, cheques are written for the benefit of an offshore company. The offshore company uses the money to pay for imports of furniture from a well-known Australian furniture company.

In relation to the example above, which statement best describes the placement stage?

- a) The restaurant deposits the money into a bank account.
- b) The money is transferred to an offshore company.
- c) The offshore company buys furniture from an Australian company.

Question 6 – layering techniques

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Question 7 – integration techniques

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Question 8 – placement techniques

Some institutions may be used by criminals to transfer and hide illegal wealth. The institutions are often located in countries with well-developed secrecy laws and attractive tax structures.

These institutions are called:

- a) offshore banks
- b) trusts
- c) shell companies
- d) front companies

Question 9 – money laundering

Some legal entities create a layer of anonymity between assets and funds and the individuals with interests in those assets or funds. Generally, these entities exist solely on paper although they are often represented by the owners to be actual, operational businesses.

These entities are called:

- a) offshore banks
- b) trusts
- c) shell companies
- d) front companies

Question 10 – money laundering

Legal devices can be used to set up an entity to segregate assets or funds managed by an individual or institution for the benefit of a specified beneficiary. The deed establishing the entity does not necessarily name the beneficiary but this person can control the entity's assets and funds.

Such entities are called:

- a) offshore banks
- b) trusts
- c) shell companies
- d) front companies

Question 11 – stages of money laundering

Indicate whether the following statement is True or False.

Placement, layering and integration can be achieved using a single money laundering technique.

Question 12 – money laundering

Indicate whether the following statement is True or False.

Cash-intensive businesses such as newspaper stands, laundromats, video game arcades, bars and restaurants are good placement vehicles.

Question 13 – stages of money laundering

Indicate whether the following statement is True or False.

Integration cannot happen without layering because integration requires complex movement and disguising of funds as a pre-condition.

Question 14 – stages of money laundering

Indicate whether the following statement is True or False.

Of the three stages (placement, layering and integration), generally illegal money is most difficult to trace at the integration stage.

Question 15 – know your customer

This risk is defined as 'the potential that adverse publicity regarding a bank's business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of the institution.' This is a significant risk factor for banks as their businesses depend on maintaining customer and marketplace confidence. Which type of risk is this?

This type of risk is known as:

- a) operational risk
- b) legal risk
- c) concentration risk
- d) reputational risk

Question 16 – know your customer

One type of risk is the risk of failed internal control processes, people and systems caused by external risk factors such as money laundering activities. If a bank is unable to manage this risk effectively, it can result in exposure to legal action, reputational risks and financial losses.

This type of risk is known as:

- a) operational risk
- b) legal risk
- c) concentration risk
- d) reputational risk

Question 17 – know your customer

Another type of risk is the risk of leaving your business open to law suits from stakeholders because of failed internal procedures, such as the KYC policy. The penalties could be fines, criminal liabilities or special penalties. The cost of a legal battle can be extremely high but even more detrimental are the implications for the reputation of an institution that it is unable to protect itself from litigation because of a failure to identify customers and their businesses.

This type of risk is:

- a) operational risk
- b) legal risk
- c) concentration risk
- d) reputational risk

Question 18 – know your customer

Another type of risk applies to both the assets and liabilities sides of the balance sheet. A loss on either side of the balance sheet could have a big impact on an institution because of the size of the exposure or dependence on a single entity (or a related group of entities). Financial institutions, in particular banks, require their credit departments to have information systems, which identify customers with excessive credit facilities. These databases are maintained to ensure that there is never too much exposure to a single customer or a company.

This type of risk is:

- a) operational risk
- b) legal risk
- c) concentration risk
- d) reputational risk

Question 19 – know your customer

Indicate whether the following statement is True or False.

When conducting customer identification, certain customers require enhanced due diligence. Trusts, nominees and fiduciaries need to be monitored closely because by definition they are regarded as potentially high-risk money laundering conduits.

Question 20 – know your customer

Indicate whether the following statement is True or False.

When conducting customer identification, certain customers require enhanced due diligence. Customers with large and unverified deposits pose higher risk to financial institutions.

Question 21 – know your customer

Indicate whether the following statement is True or False.

When conducting customer identification, certain customers require enhanced due diligence. Non-face-to-face customers are generally acceptable without enhanced due diligence when they are referred by trustworthy customers. Enhanced due diligence needs only to be applied to non-face-to-face customers if there are unusual circumstances that arouse suspicion (e.g. the customers have unreasonable transaction requests).

Question 22 – know your customer

There are different ways to assess customers for ML/TF risks, including:

- a) reviewing type of person (individual, company, trust, etc.)
- b) reviewing type of account (business, fiduciary, etc.)
- c) reviewing country of origin
- d) (a) and (c) above
- e) (a), (b) and (c) above

Question 23 – money laundering

Indicate whether the following statement is True or False.

Indicate whether the following statement is true or false. A government regulator regulates publicly listed companies. Therefore, anti-money laundering compliance procedures do not need to be implemented when engaging in financial transactions with such entities.

Question 24 – know your customer

A financial institution opens an account for a travel agency. The travel agency conducts a very high percentage of its business in cash compared to other travel agencies in the same market.

The principal AML responsibility of the financial institution is to ensure that:

- a) proper due diligence is done at account opening.
- b) proper due diligence is done at account opening and the customer and its accounts are properly monitored.
- c) the customer and its accounts are properly monitored.

Question 25 – know your customer

When conducting customer identification, certain customers require enhanced due diligence.

In this context, identify the following statement as True or False.

It is always risky to conduct business with correspondent banks because correspondent accounts act as layering techniques for many money launderers. Enhanced due diligence is needed for such customers.

Question 26 – know your customer

Indicate whether the following statement is True or False.

When conducting customer identification, certain customers require enhanced due diligence. Non-profit organisations can be risky customers because they receive deposits from many unknown sources and are free to disburse funds to multiple sources for non-profit purposes. These charitable donations often cannot be verified and enhanced due diligence should be applied to these customers. Enhanced due diligence should be applied to these customers.

Question 27 – know your customer

Penny Bank has a customer who is a lawyer. The lawyer maintains two accounts at the bank. One is his own personal transacting account and the second is an account for a businessman in a foreign country. This overseas businessman regularly deposits large sums of money in the second account. Simultaneously, he places 1% of the total funds in his lawyer's account at Penny Bank. This activity has been taking place for just over a year.

Which of the following money laundering risks does Penny Bank face?

- a) Reputational risk because an account maintained by a professional intermediary is considered a high-risk account and there is always a possibility the bank may be embroiled in a scandal.
- b) Legal risk because the bank may be identified as a collaborator of illegal activities if the lawyer is proven to be laundering funds.
- c) Concentration risk because the bank has a large exposure to the lawyer.
 - i. a and b
 - ii. a and c
 - iii. b and c

Question 28 – know your customer

Indicate whether the following statement is True or False

Banking secrecy refers to the non-disclosure by a bank of the name or details of a customer. Corporate secrecy refers to the situation when the name of a corporation is known but the identity of its shareholders is not known.

Question 29 – AUSTRAC's role

Which of the following functions is not part of AUSTRAC's role?

- a) Receiving cash transaction reports from regulated entities.
- b) Regulatory licensing of financial institutions.
- c) Inspecting 'cash dealers' and solicitors to ensure compliance with the FTR Act.
- d) Educating and guiding regulated entities and the public on the FTR Act.

Question 30 – AUSTRAC's role

What is the scope of AUSTRAC's responsibilities?

- a) AUSTRAC monitors AML compliance by 'cash dealers' and supports enforcement agencies in their fight against money laundering.
- b) AUSTRAC monitors and directly enforces AML compliance by banks and insurance companies.
- c) AUSTRAC monitors and directly enforces AML compliance by all businesses defined as 'cash dealers'.

Question 31 – reporting obligations

Which of the following statements is correct?

- a) A cash dealer has an international funds transfer instruction reporting obligation only if the cash dealer is a remittance business.
- b) A cash dealer has an international funds transfer instruction reporting obligation only if the cash dealer is an authorised deposit-taking institution (ADI).
- c) All cash dealers are subject to the regular international funds transfer instruction reporting obligations.

Question 32 – reporting obligations

Indicate whether the following statement is True or False.

Suspect transactions need only be reported by banks.

Question 33 – reporting obligations

Indicate whether the following statement is True or False.

International funds transfer instructions need to be reported by cash dealers only when they are senders of funds.

Question 34 – reporting obligations

What is a significant cash transaction?

- a) A cash transaction or wire transfer involving the transfer of \$10,000 or more.
- b) A cash transaction involving the transfer of \$20,000 or more.
- c) A cash transaction involving the transfer of \$10,000 or more.

Question 35 – reporting obligations

Indicate whether or not the transaction described below qualifies or does not qualify as a significant cash transaction.

Mary Brown wire transfers \$12,000 from her account to an account in the Cayman Islands. This transaction:

- a) qualifies as a significant cash transaction.
- b) does not qualify as a significant cash transaction.

Question 36 – reporting obligations

Indicate whether the following statement is True or False.

A suspect transaction report is not required for transactions less than \$5,000 in value.

Question 37 – FTR Act

Indicate whether the following statement is True or False.

According to the KYC requirements under the FTR Act, an 'account' may involve a facility for depositing or withdrawing cash, paying cheques or payment orders, or safety deposit.

Question 38 – reporting obligations

Natasha has a bank account with Bank of Tricky. Her current account balance is \$103.54. The only deposits in Natasha's bank account are her fortnightly salary payments of \$1,800. On Monday Natasha deposits \$7,500 in cash and on Friday she deposits \$9,500 in cash. What form should the teller complete and send to AUSTRAC?

- a) A suspect transaction report
- b) An international funds transfer instruction report
- c) A significant cash transaction report
- d) A cross-border movement of physical currency report

Question 39 – reporting obligations

David arrives home to Australia from his holiday in Austria, bringing with him 6,509 EURO (approximately equivalent to AUD10,566). Custom officials need to forward a report of this money to AUSTRAC via:

- a) An international funds transfer instruction report
- b) A cross-border movement of physical currency report
- c) A cross-border movement of bearer negotiable instruments
- d) An AML/CTF compliance report

Question 40 – CBM-BNI

Indicate whether the following statement is True or False.

Bearer negotiable instruments of \$10,000 or more only need to be reported when entering Australia.

Question 41 – CBM-BNI

Which of the following is not a bearer negotiable instrument?

- a) travellers cheques
- b) money orders
- c) bullion
- d) bearer bonds

Question 42 – remitters registration

Indicate whether the following statement is True or False.

All remittance service providers must register with AUSTRAC.

Question 43 – remitters registration

Which of the following is not an example of a typical alternative remittance process?

- a) A customer places an order with their chosen remitter.
- b) The remitter identifies their customer by verifying two original documents.
- c) The remitter's agent delivers funds according to an instruction.

Question 44 – AML/CTF program

The primary purpose of Part A of the AML/CTF program is:

- a) to set out the applicable customer identification procedures.
- b) to identify, mitigate and manage the ML/TF risks to the reporting entity.
- c) to register designated remittance services with AUSTRAC.

Question 45 – AML/CTF program

A joint AML/CTF program is:

- a) a program that applies to each reporting entity that is a member of a designated business group where those members elect to have a joint program.
- b) a program that consists of Parts A and B.
- c) a program where joint reporting entities hold an Australia financial service licence.

Question 46 – terrorism financing

Indicate whether the following statement is True or False.

Terrorist organisations need money to sustain media campaigns and win political support.

Question 47 – AML/CTF Act

A designated business group comprises two or more members which are:

- a) related to each other.
- b) reporting entities (or foreign companies who would be reporting entities if resident in Australia).
- c) parties to a joint venture agreement.
- d) both a) and b), or c) if applicable.

Question 48 – AML/CTF Rules

Indicate whether the following statement is True or False.

The AML/CTF Rules set out additional and/or clarified obligations of reporting entities.

Post-assessment Answers

1. Answer: ii
2. Answer: iv
3. Answer: False
4. Answer: True
5. Answer: a
6. Answer: b
7. Answer: c
8. Answer: a
9. Answer: c
10. Answer: b
11. Answer: True
12. Answer: True
13. Answer: False
14. Answer: True
15. Answer: d
16. Answer: a
17. Answer: b
18. Answer: c
19. Answer: True
20. Answer: True
21. Answer: False
22. Answer: e
23. Answer: False
24. Answer: b
25. Answer: True
26. Answer: True
27. Answer: i
28. Answer: True
29. Answer: b
30. Answer: a
31. Answer: c
32. Answer: False
33. Answer: False
34. Answer: c
35. Answer: b
36. Answer: False
37. Answer: True
38. Answer: a
39. Answer: b
40. Answer: False
41. Answer: c
42. Answer: False
43. Answer: b
44. Answer: b
45. Answer: a
46. Answer: True
47. Answer: d
48. Answer: True

AUSTRAC intends to maintain its Introduction to AML/CTF e-learning application as an evolving resource to reflect changing patterns of behaviour, legislative development and the broader Anti-Money Laundering environment. Should you require further information on the e-learning application, AUSTRAC's operations, the *Financial Transaction Reports Act 1988* (FTR Act) or the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), please contact:

AUSTRAC Help Desk via:

help_desk@austrac.gov.au or Telephone 1300 021 037.

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