



Anti-Money Laundering

The sample questions are related to the AIBP core subject "Anti-Money Laundering". The students are advised to thoroughly read the exam guidelines and the course syllabus for this course before start studying for the paper. The questions are shared to give an idea to the student about the paper format and types of questions. For further information visit the IBP website www.ibp.org.pk

Multiple Choice Questions

Each MCQ carry one mark.

Q1. Which of the following is NOT a feature of off-shore banking accounts?

- A. Minimal regulatory oversight
- B. Tax benefits
- C. Client confidentiality
- D. Stringent KYC requirements (Answer)

Q2. The stage of money laundering at which illicit money first enters the financial system is called _____.

- A. integration
- B. layering
- C. placement (Answer)
- D. placement and layering

Q3. Anti-money laundering Ordinance was promulgated in:

- A. 2006
- B. 2007 (answer)
- C. 2008
- D. 2009



Constructed Response Question

Each CRQ carry five marks.

Question:

- A. What is a Know your Employee (KYE) program? **1 Mark**
- B. Describe any TWO risks covered by KYE Program **2 Marks**
- C. Elaborate any TWO procedures adopted to comply with the KYE guidelines. **2 Marks**

Answer:

Part-A

Know Your Employee (KYE) program is aimed at performing an independent review of proactive measures taken by the management at the time of hiring, such review shall be an enabling tool for identifying and regularizing lapses in the due diligence process of HR / organization.

To put in place stringent control and endeavor to prevent fraud and forgeries, money laundering and financing of terrorism.

Part-B

Background screening can be an effective risk-management tool, providing management with some assurance that the information provided by the applicant is true and that the potential employee has no criminal record. Used effectively, the pre-employment background checks may reduce turnover by verifying that the potential employee has the requisite skills, certification, license or degree for the position; may deter theft and embezzlement; and may prevent litigation over hiring practices. An institution should verify that contractors are subject to screening procedures similar to its own.

Employee-associated with fraud can potentially devastate a business and destroy reputation. The organization should not take a chance with decisions based on assumptions always check the facts so for that it has to ensure 'know your employee' function to protect itself.

Part-C

Following are the procedures adopted to comply with KYE guidelines:

1. After conducting the interview, the HR will conduct an exercise of calling and checking references (at least 2) which the candidate has provided.
2. These referrers should be outside the organization.



3. ECIB check to identify if an applicant is a loan defaulter in past
4. Signing on Code of Conduct Guidelines.
5. Conduct verification of residential address and other pertinent details with references.
6. Verification of educational documents and professional memberships (if any).
7. Screening of every employee should be conducted through Name lists, to identify any possible match against proscribed entities for this purpose quarterly MIS of new employees inducted during a preceding quarter must be sent to CCG with 7 working days of quarter end.
8. NADRA VeriSys.





Extended Response Question

Each ERQ carry ten marks.

Question:

You are serving as the Head of Money Laundering Prevention Office for the country in your bank. One fine morning, while reviewing the day's newspaper, you come across a piece of news that a group of illegal immigrants have been arrested in an East European country. The group was trying to assist a separatist group, with known linkages to a South Asian NGO, once a charity organization and now banned (and assets frozen) internationally, because of their alleged role in financially assisting known and suspected terrorists. The arrested group was in possession of original and skimmed credit cards of your bank. The scrutiny of these cards has revealed that they have been used for online purchases of substances and chemicals that can be used in explosives, drugs and circuit boards, for destinations based in western countries. The orders were placed from cyber cafes of Eastern Europe. These card accounts have seen third party drawn check deposits in the last couple of months to fund them with credit balances; effectively increasing their already high limits through over payments. The available balances were withdrawn in the Middle East and South Asia by seemingly unknown persons through primary and supplementary cards both. Though you are still not aware of these credit card numbers, expectations run high to counter the possible fall-outs for your bank. You have been asked to urgently present the damage control and prevention plan to the CEO and Group Compliance Head.

- A. Give any SIX kinds of transaction monitoring parameters that could have generated red flags, alerting the bank to the above scenario. **6 marks**
- B. Analyze the FOUR options available to identify the impacted credit cards. **4 marks**

Answer:

Part A

1. Strict monitoring of limits.
2. Flag all credit balances.
3. Monitor the repayment methods.
4. Encourage transfers from customer's own accounts.
5. Flag all third party cheques drawn in favor or endorsed for the credit card customers.
6. Monitor transactions originating from a country different than the one from which the card was issued.
7. Monitor the international cash withdrawals or restrict the same.
8. Monitor the funds transfer transactions via credit card.
9. In general, monitor all cross border transactions.
10. Monitor the credit cards made and cancelled in a short duration (possible money mules).
11. Set parameters to learn usual transaction patterns to identify unusual patterns.
12. Monitor geographical areas of usage of supplementary cards and primary cards both



Part B

1. Start identifying all transactions being conducted in the Eastern Europe, and confirm with clients if they are travelling (to rule out skimming). Also, check if these European transactions are in person or online.
2. Make the monitoring rules more stringent, e.g. to identify high value online purchases beyond certain limits.
3. Compile list of overpaid cards for scrutiny.
4. Compile list of cards with payments received via third party cheques.

