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| 37 | A | B | C | D | E |
| 38 | A | B | C | D | E |
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PRACTICE QUESTIONS

Global Fintech Institute

**L1B**

Level 1B

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

# Before you begin

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## What this is

9 practice questions for Global Fintech Institute L1B, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

## If something looks wrong

Send us three things and we will check it:

- the exam code, L1B
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

**QUESTION 1**

MULTIPLE CHOICE

Which of the following documents are typically required to complete the Know Your Customer (KYC) process for a new individual client opening a standard retail account? (Choose two.)

- ☒ **A Government-issued photo identification**
- ☒ **B Proof of residential address**
- ☐ C The client's birth certificate
- ☐ D Annual income tax returns from the previous five years
- ☐ E A credit score report from a consumer reporting agency

**ANSWER A - B**

**WHY** Standard retail KYC requires a government-issued photo ID (such as a passport or driver's licence) and proof of residential address (such as a recent utility bill or bank statement). A birth certificate is not routinely required, five years of tax returns are an Enhanced Due Diligence item not standard KYC, and pulling a credit score report is not part of KYC identification.

**QUESTION 2**

MULTIPLE CHOICE

Which of the following transactions are recognised AML red flags that should trigger further investigation under the FATF typologies? (Choose two.)

- ☒ **A Reluctance by a client to provide identification information or to fill out required forms**
- ☒ **B Use of multiple unrelated accounts to collect and then transfer funds to a single beneficiary**
- ☐ C A long-standing client making regular monthly salary deposits into their personal account
- ☐ D A client making a one-time lump-sum payment to settle a documented invoice
- ☐ E A customer transferring funds between two accounts they hold at the same bank

**ANSWER A - B**

**WHY** Refusal to provide identification and the structuring of activity through multiple unrelated accounts that funnel to a single beneficiary are both classic FATF-recognised AML red flags. Routine salary deposits, settling a documented invoice, and internal transfers between a customer's own accounts at the same institution are normal, expected activity.

**QUESTION 3**

SINGLE CHOICE

Under the G20/OECD High-Level Principles on Financial Consumer Protection, what is the primary purpose of requiring financial firms to disclose key information about products and services to consumers?

- ☒ **A To allow consumers to compare competing offerings and make informed choices**
- ☐ B To enable regulators to calculate the firm's annual supervisory fee
- ☐ C To satisfy internal marketing and brand-awareness targets
- ☐ D To generate audit evidence for the firm's compliance department

**ANSWER A**

**WHY** Disclosure under the G20/OECD High-Level Principles exists so that consumers have the information needed to compare products and make informed financial decisions. The other options describe activities that may be tangentially related to a firm's operations but are not the purpose of the disclosure principle.

**QUESTION 4**

SINGLE CHOICE

Which department is primarily responsible for ensuring that customer onboarding, transaction monitoring and suspicious activity reporting procedures are followed in accordance with regulations?

- ☒ **A The compliance department**
- ☐ B The marketing department
- ☐ C The treasury department
- ☐ D The information technology department

**ANSWER A**

**WHY** The compliance function owns the policies, training and oversight that ensure onboarding, transaction monitoring and suspicious activity reporting are carried out in line with applicable regulation. Marketing, treasury and IT support the business but are not primarily responsible for regulatory adherence.

**QUESTION 5** SINGLE CHOICE

When enhanced due diligence (EDD) is required for a client, what additional step goes beyond standard Customer Due Diligence (CDD)?

- ☒ **A** Obtaining source-of-wealth and source-of-funds information
- ☐ **B** Recording the client's name in the customer relationship management system
- ☐ **C** Sending a welcome email with the firm's general terms of business
- ☐ **D** Verifying the client's date of birth against a public calendar

**ANSWER A**

**WHY** Enhanced Due Diligence requires additional measures such as obtaining information on the client's source of wealth and source of funds, particularly for higher-risk relationships such as politically exposed persons. The other items are routine administrative actions, not EDD measures.

**QUESTION 6** SINGLE CHOICE

Under FATF Recommendations, what is the standard threshold above which cash transactions must typically be reported by financial institutions through a cash transaction report?

- ☒ **A** USD/EUR 10,000 (or local currency equivalent)
- ☐ **B** USD/EUR 1,000 (or local currency equivalent)
- ☐ **C** USD/EUR 100,000 (or local currency equivalent)
- ☐ **D** USD/EUR 1,000,000 (or local currency equivalent)

**ANSWER A**

**WHY** The FATF Recommendations set USD/EUR 10,000 (or the local currency equivalent) as the threshold for currency-transaction reporting obligations on financial institutions. Reporting at USD 1,000 or USD 100,000 or USD 1,000,000 does not reflect the FATF standard.

**QUESTION 7** SINGLE CHOICE

An employee notices several transactions that appear inconsistent with what they know about a long-standing client. Under AML obligations, what is the appropriate next action?

- ☒ **A** File an internal suspicious activity/transaction report and notify the Money Laundering Reporting Officer (MLRO)
- ☐ **B** Confront the client directly to ask them to explain the transactions
- ☐ **C** Ignore the transactions because the client has been with the firm for many years
- ☐ **D** Transfer the transactions to a different account so they are harder to trace

**ANSWER A**

**WHY** Employees who identify potentially suspicious activity must report it internally to the MLRO; this is the cornerstone of AML reporting obligations. Confronting the client may tip them off (a tipping-off offence), ignoring the activity breaches obligations, and moving transactions to obscure them is itself an offence.

**QUESTION 8** SINGLE CHOICE

Which of the following best describes the principle of 'fair treatment of consumers' as set out in the G20/OECD High-Level Principles on Financial Consumer Protection?

- ☒ **A** Consumers should be treated equitably, honestly and fairly at all stages of their relationship with the financial institution
- ☐ **B** Consumers should always be offered the highest-yielding product the firm sells
- ☐ **C** Consumers should be granted credit regardless of their ability to repay
- ☐ **D** Consumers should be exempt from paying any fees charged by the financial institution

**ANSWER A**

**WHY** Fair treatment means consumers are dealt with equitably, honestly and fairly throughout the lifecycle of the product. Yield maximisation, ignoring creditworthiness and fee exemption are not elements of the fair-treatment principle.

**QUESTION 9**

SINGLE CHOICE

Which activity is typically performed by the back office rather than the front office in a financial services firm?

- ☒ **A** Settlement and reconciliation of executed trades
- ☐ **B** Pitching investment ideas to clients
- ☐ **C** Welcoming clients and taking orders at the trading desk
- ☐ **D** Making outbound sales calls to prospective customers

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**ANSWER A**

**WHY** Trade settlement and reconciliation are core back-office processing functions that occur after a trade has been executed. Sales pitching, taking orders and outbound sales calls are all client-facing front-office activities.