

STUDY GUIDE

CAMS CERTIFICATION EXAM



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Executive Vice President
John J. Byrne, CAMS

Project Manager
Catalina Martinez

We would like to thank the following individuals for their significant contribution in the development of the CAMS Examination and Study Guide through the work of the CAMS Examination Task Force.

Bob Pasley, CAMS—*Task Force Chair*
Kevin Anderson, CAMS—*Task Force Chair*
Brian Stoeckert, CAMS—*Task Force Chair*
Paul Osborne, CAMS—*Task Force Chair*
Peter Wild, CAMS-Audit—*Task Force Vice Chair*
Barbara Keller, CAMS—*Task Force Vice Chair*
Hue Dang, CAMS-Audit (*ACAMS Asia*)
Samantha Sheen, CAMS (*ACAMS Europe*)
Rick Small, CAMS—*ACAMS Advisory Board*
Nancy Saur, CAMS—*ACAMS Advisory Board*
David Clark, CAMS—*ACAMS Advisory Board*
Vasilios Chrisos, CAMS—*ACAMS Advisory Board*
Anna Rentschler, CAMS—*ACAMS Advisory Board*
Dennis Lormel, CAMS—*ACAMS Advisory Board*

Abbas Bou Diab, CAMS
Angel Nguyen, CAMS
Brian Vitale, CAMS-Audit
Brigitte K. Miller, CAMS
Christopher Bagnall, CAMS
Christopher Randle, CAMS-Audit, CAMS-FCI
Dave Dekkers, CAMS-Audit
Deborah Hitzeroth, CAMS-FCI
Donna Davidek, CAMS-Audit
Ed Beemer, CAMS-FCI
Eric Wathen, CAMS
Gary Bagliebter, CAMS
Iris Smith, CAMS-Audit
Iwona Skornicka Castro, CAMS
Jack Sonnenschein, CAMS-Audit
Jeremy Brierley, CAMS
Jim Vilker, CAMS
Joel Conaty
Jurgen Egberink, CAMS

Kenneth Simmons, CAMS-Audit
Kok Cheong Leong, CAMS-Audit
Lauren Kohr, CAMS-Audit
Lindsay Dastrup, CAMS-Audit
Margaret Silvers, CAMS
Martin Dilly, CAMS-Audit
Nancy Lake, CAMS-Audit, CAMS-FCI
Peter Warrack, CAMS
Rachele Byrne, CAMS
Sean McCrossan, CAMS-FCI
Sharon McCullough, CAMS
Steve Gurdak, CAMS
Susan Cannon, CAMS-Audit
Susanne Wai Yin Ong, CAMS
Tatiana Turculet, CAMS
Venus Edano, CAMS
William Aubrey Chapman, CAMS-Audit
Yevgeniya Balyasna-Hooghiemstra, CAMS
Zachary Miller, CAMS-FCI

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Special Contributor: Gina Storelli, CAMS-Audit

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About ACAMS

The mission of ACAMS is to advance the professional knowledge, skills and experience of those dedicated to the detection and prevention of money laundering around the world, and to promote the development and implementation of sound anti-money laundering policies and procedures. ACAMS achieves its mission through:

- Promoting international standards for the detection and prevention of money laundering and terrorist financing;
- Educating professionals in private and government organizations about these standards and the strategies and practices required to meet them;
- Certifying the achievements of its members; and
- Providing networking platforms through which AML/CFT professionals can collaborate with their peers throughout the world.

ACAMS sets professional standards for anti-financial crime practitioners worldwide and offers them career development and networking opportunities. In particular, ACAMS seeks to:

- Help AML professionals with career enhancement through cutting-edge education, certification and training. ACAMS acts as a forum where professionals can exchange strategies and ideas.
- Assist practitioners in developing, implementing and upholding proven, sound AML practices and procedures.
- Help financial and non-financial institutions identify and locate Certified Anti-Money Laundering Specialists (CAMS) designated individuals in the rapidly expanding AML field.

ABOUT THE CAMS DESIGNATION

As money laundering and terrorist financing threaten financial and non-financial institutions and societies as a whole, the challenge and the need to develop experts in preventing and detecting financial crime intensifies. ACAMS is the global leader in responding to that need, having helped standardize AML expertise by creating the CAMS designation.

Internationally-recognized, the CAMS credential identifies those who earn it as possessing specialized AML knowledge. AML professionals who earn the CAMS designation position themselves to be leaders in the industry and valuable assets to their organizations.

Congratulations on your decision to pursue the most respected and widely recognized international credential in the AML field. We welcome and invite you to embark on a journey that may lead you to career advancement, international recognition and respect among peers and superiors.

Read on, study hard and good luck!

Chapter 1

Risks and Methods of Money Laundering and Terrorist Financing

What is Money Laundering?

Money laundering involves taking criminal proceeds and disguising their illegal sources in order to use the funds to perform legal or illegal activities. Simply put, money laundering is the process of making dirty money look clean.

When a criminal activity generates substantial profits, the individual or group involved must find a way to use the funds without drawing attention to the underlying activity or persons involved in generating such profits. Criminals achieve this goal by disguising the source of funds, changing the form or moving the money to a place where it is less likely to attract attention. Criminal activities that lead to money laundering (i.e., predicate crimes) can include: illegal arms sales, narcotics trafficking, contraband smuggling and other activities related to organized crime, embezzlement, insider trading, bribery and computer fraud schemes.

Formed in 1989, the Financial Action Task Force (FATF) is an inter-governmental body comprising the Group of Seven industrialized nations to set standards and foster international action against money laundering. One of FATF's early accomplishments was to dispel the notion that money laundering is only about cash transactions. Through several money laundering "typologies" exercises, FATF demonstrated that money laundering can be achieved through virtually every medium, financial institution or business.

The United Nations 2000 Convention Against Transnational Organized Crime, also known as the "Palermo Convention," defines money laundering as:

- The conversion or transfer of property, knowing it is derived from a criminal offense, for the purpose of concealing or disguising its illicit origin or of assisting any person who is involved in the commission of the crime to evade the legal consequences of his or her actions.
- The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property knowing that it is derived from a criminal offense.
- The acquisition, possession or use of property, knowing at the time of its receipt that it was derived from a criminal offense or from participation in a crime.

An important prerequisite in the definition of money laundering is “knowledge.” In all three of the bullet points mentioned above, we see the phrase “...knowing that it is derived from a criminal offense,” and a broad interpretation of “knowing” is generally applied. In fact, FATF’s 40 Recommendations on Money Laundering and Terrorist Financing and the 4th European Union Directive on the Prevention of the Use of the Financial System for the Purpose of Money Laundering and Terrorist Financing (2015) state that the intent and knowledge required to prove the offense of money laundering includes the concept that such a mental state may be inferred from “objective factual circumstances.”

A number of jurisdictions also use the legal principle of “willful blindness” in money laundering cases to prove knowledge. Courts define willful blindness as the “deliberate avoidance of knowledge of the facts” or “purposeful indifference” and have held that willful blindness is the equivalent of actual knowledge of the illegal source of funds or of the intentions of a customer in a money laundering transaction.

After the events on September 11, 2001, in October 2001, FATF expanded its mandate to cover the financing of terrorism. Both terrorists and money launderers may use the same methods to move their money in ways to avoid detection, such as structuring payments to avoid reporting and use of underground banking or value transfer systems such as hawala, hundi, or fei ch’ien. However, whereas funds destined for money laundering are derived from criminal activities, such as drug trafficking and fraud, terrorist financing may include funds from perfectly legitimate sources. Concealment of funds used for terrorism is primarily designed to hide the purpose for which these funds are used, rather than their source. Terrorist funds may be used for operating expenses, including paying for food, transportation and rent, as well as for the actual material support of terrorist acts. Terrorists, similar to criminal enterprises, covet the secrecy of transactions regarding their destination and purpose.

In February, 2012 FATF modified its initial list of recommendations and notes into a new list of 40 recommendations, which include a new recommendation addressing ways to prevent, suppress and disrupt the proliferation of weapons of mass destruction.

Three Stages in the Money Laundering Cycle

Money laundering often involves a complex series of transactions that are difficult to separate. However, it is common to think of money laundering as occurring in three stages:

Stage One: Placement — The physical disposal of cash or other assets derived from criminal activity.

During this phase, the money launderer introduces the illicit proceeds into the financial system. Often, this is accomplished by placing the funds into circulation through formal financial institutions, casinos, and other legitimate businesses, both domestic and international.

Examples of placement transactions include:

- Blending of funds: Commingling of illegitimate funds with legitimate funds such as placing the cash from illegal narcotics sales into cash-intensive locally owned restaurant
- Foreign exchange: Purchasing of foreign exchange with illegal funds

- Breaking up amounts: Placing cash in small amounts and depositing them into numerous bank accounts in an attempt to evade reporting requirements
- Currency smuggling: Cross-border physical movement of cash or monetary instruments
- Loans: Repayment of legitimate loans using laundered cash

Stage Two: Layering — The separation of illicit proceeds from their source by layers of financial transactions intended to conceal the origin of the proceeds.

This second stage involves converting the proceeds of the crime into another form and creating complex layers of financial transactions to obfuscate the source and ownership of funds.

Examples of layering transactions include:

- Electronically moving funds from one country to another and dividing them into advanced financial options and or markets
- Moving funds from one financial institution to another or within accounts at the same institution
- Converting the cash placed into monetary instruments
- Reselling high value goods and prepaid access/stored value products
- Investing in real estate and other legitimate businesses
- Placing money in stocks, bonds or life insurance products
- Using shell companies to obscure the ultimate beneficial owner and assets

Stage Three: Integration — Supplying apparent legitimacy to illicit wealth through the re-entry of the funds into the economy in what appears to be normal business or personal transactions.

This stage entails using laundered proceeds in seemingly normal transactions to create the perception of legitimacy. The launderer, for instance, might choose to invest the funds in real estate, financial ventures or luxury assets. By the integration stage, it is exceedingly difficult to distinguish between legal and illegal wealth. This stage provides a launderer the opportunity to increase his wealth with the proceeds of crime. Integration is generally difficult to spot unless there are great disparities between a person's or company's legitimate employment, business or investment ventures and a person's wealth or a company's income or assets.

Examples of integration transactions include:

- Purchasing luxury assets like property, artwork, jewelry or high end automobiles
- Getting into financial arrangements or other ventures where investments can be made in business enterprises

Ready for More? You are just scratching the surface of the terms and concepts you need to know for the exam. [Start the certification process today.](#)

