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QUESTION 1

ACME Bank is a \$600 million institution with 15 branches within three counties. Because of its proximity to Mexico, the bank has many foreign national customers and makes many foreign wire transfers for its customers. Currently the bank's branch managers print the OFAC list of SDNs and place them in strategic places in each branch. The wire transfer department keeps its own copy of the list. The compliance officer has implemented an annual auditing program to check the bank's compliance with OFAC regulations. The findings of this audit are provided to the bank's board of directors annually. The bank's regulatory agency has indicated to management that the bank has a high risk for BSA/AML/OFAC compliance.

Of the following actions, which would be the most effective to strengthen the bank's OFAC compliance?

- A. Conduct compliance audits twice a year
- B. Purchase and implement interdiction software for the wire transfer area
- C. As an internal control procedure, require the BSA officer to check the OFAC Web site daily for any changes to the SDN list
- D. Routinely provide account transaction information to federal security agencies so suspicious patterns can be detected

Correct Answer: B

QUESTION 2

First National is developing a consumer checking account that can access a line of credit. This is the first time the bank has ever had such a product, although this type of credit facility has been popular with other banks in town. To determine what interest rate to charge on this account, an officer of First National called some of his friends at other local banks offering this type of credit and asked several questions, including the interest rate charged on this type of account and what internal factors the banks use to set the rate. After obtaining this information, First National determines that it could charge approximately 2 percent more than it originally planned.

Is there anything wrong with this course of action?

- A. Yes. Communicating with competitors for purposes of setting prices is wrong.
- B. No. Communication itself is never wrong regardless of the subject matter.
- C. Yes. The bank should have disguised its identity in calling its competitors.
- D. No. The bank could probably have determined the prices eventually without calling the banks directly.

Correct Answer: A

QUESTION 3

Country A (a foreign country that is boycotting Country B, another foreign country) has ordered goods from ABC, a U.S. corporation. Country A has opened a letter of credit with Overseas, Inc., a foreign bank. The letter of credit specifies that



ABC must certify that it does not do business with Country B. Overseas, Inc., sends a telegram to First National Bank, a U.S. bank, stating the major terms and conditions of the letter of credit and asking First National Bank to confirm the letter of credit. The telegram does not state the boycott provisions. Overseas mails the letter of credit to First National Bank and asks First National Bank to confirm it. What may First National Bank do?

- A. First National Bank must confirm it if it previously agreed to do so.
- B. First National Bank may advise ABC of the letter of credit and administer its disposal, but may not confirm it and must report it to the Department of Commerce and the IRS.
- C. First National Bank may do nothing but return the letter of credit to the issuing bank and report to the IRS.
- D. First National Bank must confirm the letter of credit but should also report it to the Department of Commerce.

Correct Answer: B

QUESTION 4

is a transfer that is authorized in advance to occur at substantially regular intervals. Payments that require the consumer to take specific actions to initiate them (such as by entering instructions on a touch-tone telephone or on the Internet) are not such type of EFTs.

- A. A preauthorized EFT
- B. A postauthorized EFT
- C. A standard format EFT
- D. A customized EFT

Correct Answer: A

QUESTION 5

Which of the following actions is NOT an adverse action?

- A. Refusal to grant credit on substantially the same terms and conditions as requested by the applicant
- B. Termination of an account
- C. Refusal to grant credit on the grounds that the lender does not offer the type of credit requested
- D. Refusal to increase the amount of credit on an existing account after a request

Correct Answer: C
