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Question 1

Question Type: MultipleChoice

James Walker DBA Walker Enterprises has been a customer of the bank for one month. The company told the bank that it would regularly make deposits in excess of \$10,000 because it operates several laundromats in the city. The bank performed a background check on the company before opening the account. For its first 30 days, the company made 12 large cash deposits. Can the bank exempt this company now? Why or why not?

Options:

- A- No. It is a not a corporation, but a sole proprietorship.
- B- No. It has not maintained an account at the bank for 12 months.
- C- No. It operates an ineligible business.
- D- Yes. The bank conducted due diligence on the customer to determine that it had legitimate large cash transactions.

Answer:

D

Question 2

Question Type: MultipleChoice

First National Bank is attempting to determine which of the following customers would qualify as exempt persons:

- * Nationwide Foods, Inc., is a national company with stock listed on the New York Stock Exchange
- * National Paper Products, is a wholly owned subsidiary of Nationwide Foods, Inc.
- * Products Incorporated, a depositor for three months, is a regional company whose stock is designated a NASDAQ Capital Markets Company and that sells and leases large boats
- * Century Enterprises, a local company owning several local restaurants, is a long-time bank customer and frequently makes deposits in excess of \$10,000. All of Century's stock is owned by a local family. Which of these customers would qualify as an exempt person?

Options:

- A-** All except for Nationwide Foods, Inc.
- B-** All except for National Paper Products
- C-** All except for Century Enterprises
- D-** All except for Products Incorporated

Answer:

D

Question 3

Question Type: MultipleChoice

Fastfood, Inc., a nationwide restaurant chain, opened an account at First National Bank last year. Fastfood is making daily deposits in amounts of \$15,000 to \$20,000. First National needs to determine if this company is an exempt person. What should the bank do first?

Options:

- A-** Because the restaurant is an established depositor, the bank should provide an unlimited exemption for cash deposits and withdrawals.
- B-** The bank should look in the newspaper or on the Internet to determine if Fastfood, Inc.'s, stock appears on one of the listed exchanges.
- C-** The bank should ask the company if it qualifies as a listed business.
- D-** The bank should perform a corporate records check to determine if the company is chartered in the United States.

Answer:

B

Question 4

Question Type: MultipleChoice

Which of the following businesses would be eligible to be an exempt person under the requirements of the Bank Secrecy Act?

Options:

- A- Jackson's Used Cars
- B- Evanston Recreational Boats
- C- Al Williams Seafood Restaurant
- D- Goldsmith Aircraft Distributors

Answer:

D

Question 5

Question Type: MultipleChoice

ABC Co. signs a contract to export goods to Country G, a boycotting country. Payment will be made by a letter of credit confirmed by First National Bank. The letter of credit requires the goods to be shipped on a ship eligible to enter the port of Country G in conformity

with its laws and regulations and that the insurer of the goods has an agent in Country G. Country G's laws prohibit blacklisted ships from calling at its ports and blacklisted insurance companies from qualifying agents in Country G. First National Bank confirms the letter of credit. Did the bank's action constitute an agreement to participate in or cooperate with an international boycott, and is it subject to IRS reporting requirements?

Options:

- A-** Yes. The action is an agreement to cooperate with or participate in a boycott and, yes, it is subject to the reporting requirements.
- B-** Yes. The action is an agreement to participate in a boycott but no, it is not subject to the reporting requirements.
- C-** No. Because the bank is not responsible for knowing the laws of Country G, it is not in participation with or in cooperation with a boycott.
- D-** No. The confirmation of a letter of credit is not sufficient to be in participation or cooperation with a boycott.

Answer:

A

Question 6

Question Type: MultipleChoice

ABC Co. signed a contract to export goods to Country M, a boycotting country. Payment will be made by a letter of credit confirmed by First National Bank. The letter of credit requires ABC Co. to certify that none of its directors are nationals of any country boycotted by Country M before ABC can be paid. First National Bank confirms the letter of credit to ABC after determining that all of the documents are in order. Did First National Bank participate in a boycott, and must the bank report the action to the IRS?

Options:

- A-** No. The bank's action was only ministerial.
- B-** Yes. The action was participation in a boycott and the bank must report the action to the IRS.
- C-** No. Only ABC Co. is required to report to the IRS.
- D-** Yes, but no reporting requirements were triggered.

Answer:

B

Question 7

Question Type: MultipleChoice

First National Bank advises Country A, a boycotting country, on various U.S. investments. Country A instructs First National Bank not to recommend for investment any shares of certain blacklisted companies. First National Bank follows this instruction. Has First National Bank participated or cooperated in an international boycott under the IRS regulations by this action?

Options:

- A-** Yes. The companies are the subject of a boycott.
- B-** No. The bank may agree not to recommend certain companies.
- C-** Yes, if the companies are part of a boycott.
- D-** No, but the bank must report this action to the IRS.

Answer:

B

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