Learning Sessions

20 True / False | AML KYC Mock Test

IIBF - KYC / AML / CFT - AML KYC Mock Test

20 True or False

Decide, then check the answer and reason below each statement.

Question 1

The Prevention of Money Laundering Act (PMLA) was enacted in the year 2002.

TRUE

PMLA received presidential assent in 2002 and came into force on 1 July 2005.

Question 2

The PMLA came into force in the year 2010.

FALSE

PMLA actually came into force on 1 July 2005, five years after it was enacted.

Question 3

FIU-IND stands for Financial Intelligence Unit-India.

TRUE

FIU-IND is India's central national agency for receiving and analysing AML/CFT reports.

Question 4

FIU-IND functions under the direct control of the Reserve Bank of India.

FALSE

FIU-IND functions under the Department of Revenue, Ministry of Finance, not RBI.

Question 5

Banks must report cash transactions of Rs 10 lakh and above in a month to FIU-IND via a Cash Transaction Report.

TRUE

The CTR threshold for cash transactions is Rs 10 lakh and above, aggregated in a month.

Question 6

A Suspicious Transaction Report can only be filed if the suspicious transaction exceeds Rs 10 lakh.

FALSE

STRs are filed based on suspicion of laundering or terror financing, with no fixed monetary threshold.

Question 7

Customer identification and transaction records must generally be retained for at least five years.

TRUE

PMLA Rules mandate a minimum five-year retention period for KYC and transaction records.

Question 8

Once an account is closed, a bank may immediately destroy all its KYC records.

FALSE

Records must be retained for five years even after the account relationship ends.

Question 9

FATF (Financial Action Task Force) was established in 1989 to combat money laundering globally.

TRUE

FATF was founded in 1989 as the inter-governmental body setting global AML/CFT standards.

Question 10

FATF is an agency of the United Nations.

FALSE

FATF is an independent inter-governmental body, not a UN agency.

Question 11

The three classic stages of money laundering are placement, layering and integration.

TRUE

This is the standard three-stage model used to describe the money-laundering cycle.

Question 12

Layering is the final stage where laundered money re-enters the economy as legitimate funds.

FALSE

Integration, not layering, is the final stage where funds re-enter the economy as clean money.

Question 13

The four pillars of KYC policy include Customer Acceptance Policy and Risk Management.

TRUE

CAP and Risk Management are two of the four KYC pillars, alongside CIP and Monitoring of Transactions.

Question 14

KYC norms require banks to verify only the account holder's identity and never the beneficial owner.

FALSE

Banks must also identify the beneficial owner, especially for companies, partnerships and trusts.

Question 15

Politically Exposed Persons require Enhanced Due Diligence under KYC/AML norms.

TRUE

PEPs pose higher money-laundering risk owing to their public office, so EDD applies to them.

Question 16

Enhanced Due Diligence is applied uniformly to every customer regardless of risk category.

FALSE

EDD is applied selectively to higher-risk customers such as PEPs, not to every customer equally.

Question 17

RBI's KYC Master Direction draws its authority from the Banking Regulation Act, 1949.

TRUE

RBI issues the KYC Master Direction under Section 35A of the Banking Regulation Act, 1949.

Question 18

RBI does not permit any form of video-based remote KYC verification.

FALSE

RBI permits Video-based Customer Identification Process (V-CIP) as a remote KYC method.

Question 19

Combating the Financing of Terrorism (CFT) works alongside AML measures to stop funds reaching terrorist activities.

TRUE

CFT and AML together form the core compliance framework banks follow under PMLA and RBI norms.

Question 20

India has never been admitted as a member of the FATF.

FALSE

India became a full FATF member in 2010, committing to implement its AML/CFT standards.