

Prepared for:

Money Service Business/s

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AUDITOR'S MANUAL FOR MSB COMPLIANCE AUDIT



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This document is intended solely for compliance evaluation and does not constitute legal advice. Entities are advised to consult with legal counsel or regulators for formal guidance.

Overview & Intent

This document has been prepared to assist your organization in the upcoming **AML/CFT Compliance Audit** of your Money Services Business (MSB). It outlines the list of documents required to conduct a structured and risk-based review of your compliance framework in line with relevant regulatory expectations — including those of FinCEN, the Bank Secrecy Act (BSA), FATF recommendations, and applicable state requirements.

Money Services Businesses operate in diverse ways. Some MSBs focus on remittance or check cashing; others may offer savings schemes or provide microfinance and lending services within specific communities. Due to this diversity, not all MSBs will have the same internal documentation or standardized policies (such as SOPs, manuals, or departmental guidelines). This is fully understood.

The **purpose of this checklist** is not to measure your MSB against a fixed template, but to collect the documents that **do exist within your organization** in order to assess how your current controls function in practice. Where certain policies or documents are missing, that absence will not immediately be considered a violation— instead, it may be recorded as a gap and included in the **final audit report as a recommendation for improvement**.

However, it is important to note that **the absence of policies or procedural documentation is not a reason to avoid or deny an audit**. In fact, failure to cooperate with or complete a regulatory audit process may itself constitute a serious compliance breach — which could, in some cases, lead to license suspension or regulatory action. Therefore, choosing **not to proceed with an audit because certain documents are missing is effectively equivalent to blocking your own path to long-term compliance stability**.

We strongly encourage you to submit **whatever documentation your MSB currently has** — even if incomplete or informal — so the audit can proceed fairly and accurately. This is an opportunity to identify areas where enhancements can be made, and to receive **constructive, practical guidance** for building a more robust compliance program.

In summary:

- You are **not expected to provide documents you do not have**
- You are encouraged to submit all **relevant existing documents**, even if partial
- Where gaps exist, **the audit team will issue formal recommendations**, not immediate penalties
- The audit aims to support your organization in building a **steady, sustainable compliance structure**

We look forward to your cooperation in this important process.

Disclaimer & Confidentiality Note

This document has been prepared solely for the purpose of facilitating the collection of documentation necessary to conduct Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) compliance audit of the recipient Money Services Business (MSB). It is provided by the audit team (hereinafter referred to as "the Auditor") to assist the MSB in preparing and submitting documents relevant to its operations, risk profile, and internal controls.

The content, structure, and references within this document are strictly confidential and intended for use **only by the designated representatives of the MSB** to whom it is addressed. Unauthorized reproduction, distribution, forwarding, or disclosure to any external party, regulator, or service provider is **strictly prohibited** without prior written consent from the Auditor.

This document does **not** contain the internal audit methodology, scoring criteria, or proprietary risk assessment procedures of the Auditor. It does **not constitute legal, regulatory, or operational advice**, and should not be construed as such. The responsibility for ensuring regulatory compliance ultimately rests with the MSB and its management team.

The provision of this document does not create a legally binding agreement or guarantee the MSB's regulatory standing or audit outcome. The Auditor reserves the right to independently verify any information submitted, and to request additional documentation as deemed necessary.

All documentation submitted by the MSB in response to this request will be treated with the highest level of professional confidentiality and will be used **solely for the purposes of the current audit engagement**. Access to submitted materials will be limited to authorized audit personnel and will not be disclosed to any third party except as required by law or regulatory obligation.

By proceeding with the submission of documents, the MSB acknowledges and agrees to the terms outlined in this disclaimer.

Submission Instructions

To proceed with the compliance audit efficiently, please review the instructions below and submit the requested documents accordingly:

1. Submission Deadline

Please submit all applicable documents within stipulated time as conversated earlier.

If you require additional time, kindly inform the audit team in writing before the deadline.

2. Submission Method

Documents can be submitted in any one of the following secure methods:

- Email (encrypted, if possible) to: romel.sharif@gmail.com
- Secure upload via portal (if provided)
- Physical handover in sealed envelope (if agreed in advance)

3. Document Format

- Preferred formats: PDF, Word, Excel, or scanned image (JPG/PNG)
- Please ensure files are clearly legible and complete
- If a document is large, compress it into a ZIP folder

4. File Naming Convention

To ensure clarity, name your files using the reference code provided in the checklist. For example:

- D1_AMLCO_Appointment_Letter.pdf
- D5_Customer_Risk_Matrix.xlsx
- D9_KYC_SampleFiles.zip
- If you're unsure about a document name, simply use a clear and descriptive title.

5. Partial Availability

If your MSB does not possess a particular document listed in the checklist:

- Please do not delay the entire submission
- Instead, submit what is available, and clearly mention in your email or cover note which documents are not applicable or unavailable
- Absence of any item will be handled as part of the audit observation and recommendation process, not penalized during collection

6. Point of Contact

For any clarification, support, or submission confirmation, please contact:

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Glossary for MSBs

SL NO	Government
1.	AFMLS Asset Forfeiture and Money Laundering Section, Department of Justice
2.	BJA Bureau of Justice Assistance, Department of Justice
3.	CFTC Commodity Futures Trading Commission
4.	DEA Drug Enforcement Administration, Department of Justice
5.	EOUSA Executive Office of United States Attorneys, Department of Justice
6.	FBI Federal Bureau of Investigation, Department of Justice
7.	FDIC Federal Deposit Insurance Corporation
8.	Fed Federal Reserve Board
9.	FinCEN Financial Crimes Enforcement Network, Department of the Treasury
10.	HIDTA High Intensity Drug Trafficking Area
11.	HIFCA High Intensity Money Laundering and Related Financial Crime Area
12.	ICE U.S. Immigration and Customs Enforcement
13.	INL Bureau for International Narcotics and Law Enforcement Affairs, Department of State
14.	IRS-CI Internal Revenue Service -- Criminal Investigations, Department of the Treasury
15.	MLCC Money Laundering Coordination Center, U.S. Immigration and Customs Enforcement, Department of Homeland Security
16.	NCUA National Credit Union Administration
17.	OCC Office of the Comptroller of the Currency, Department of the Treasury
18.	OCDETF Organized Crime Drug Enforcement Task Force
19.	OFAC Office of Foreign Assets Control, Department of the Treasury
20.	OJP Office of Justice Programs, Department of Justice
21.	ONDCP Office of National Drug Control Policy
22.	OTS Office of Thrift Supervision, Department of the Treasury
23.	SEC Securities and Exchange Commission
24.	SOD Special Operations Division, Department of Justice
	USPIS United States Postal Inspection Service
U.S. Statutes, Laws and Reports	
25.	BSA Bank Secrecy Act
26.	IEEPA International Emergency Economic Powers Act
27.	INCSR International Narcotics Control Strategy Report

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1.	Governance & Compliance Structure Audit	To verify whether the MSB maintains a strong, independent, and effective AML/CFT governance framework that is appropriate for managing risk-based compliance.	1
2.	AML/CFT Policy & Procedures Audit	To ensure that the MSB has reliable, up-to-date, and regulator-aligned AML/CFT policies and procedures — designed and implemented in accordance with FinCEN, the BSA, the USA PATRIOT Act, and FATF Recommendations.	3
3.	Customer Due Diligence (CDD), Know Your Customer (KYC), and Enhanced Due Diligence (EDD) Audit	To ensure that the MSB has an effective and risk-based customer verification process (KYC/CDD/EDD) — capable of identifying customer identity, risk profiles, and detecting and monitoring suspicious behavior.	5
4.	Transaction Monitoring & STR/CTR Reporting Audit	To ensure the MSB has robust systems and procedures in place to detect, monitor, and report suspicious or structured transactions in compliance with BSA, FinCEN, and USA PATRIOT Act requirements.	7
5.	Recordkeeping & Documentation Audit	To verify that the MSB maintains comprehensive, organized, and regulator-compliant records for all transactions, customer onboarding, monitoring, and regulatory filings — in accordance with BSA, FinCEN, USA PATRIOT Act, and FATF recommendations.	9
6.	Employee Training & Awareness Audit	To assess whether all relevant staff of the MSB are appropriately trained and regularly updated on AML/CFT obligations, red flags, customer risk indicators, and regulatory responsibilities — in line with BSA, FinCEN, and FATF recommendations.	11
7.	Independent Testing & Internal Audit	To assess whether the MSB regularly conducts independent audits or internal testing of its AML/CFT program, as mandated by the Bank Secrecy Act (BSA), FinCEN, and state regulators — and whether those reviews lead to actionable improvements.	13
8.	Sanctions & OFAC Screening	To verify that the MSB has implemented an effective sanctions screening framework in line with U.S. Office of Foreign Assets Control (OFAC) regulations, FATF recommendations, and other applicable national/international watchlists — preventing engagement with prohibited entities or jurisdictions.	15

SECTION NO.	Section Wise Checklist	PURPOSE	PAGE NO
18. 35	Cash Handling & Physical Security	misconduct, or system alerts — and whether those investigations feed directly into the STR/CTR process and overall AML governance.	35
19.	FinCEN Registration & Licensing Compliance	To assess whether the MSB implements adequate internal controls, safety protocols, and audit mechanisms to secure cash and other physical monetary instruments — ensuring that cash handling, storage, and reconciliation processes prevent internal fraud, theft, or abuse.	37
20.	Filing & Record Retention Practices	To ensure the MSB complies with all federal and state registration requirements, including timely FinCEN registration, maintenance of licensing documentation, renewal tracking, and clear designation of business activities in accordance with 31 CFR Chapter X.	39
21.	Cross-Border Transaction Controls	To evaluate whether the MSB complies with regulatory requirements for record retention, filing, accessibility, and retrieval of AML-relevant documents — including STRs/CTRs, customer due diligence files, transaction records, and internal communication logs.	41
22.	Customer Complaint Management & Dispute Handling	To evaluate whether the MSB has effective AML/CFT controls in place for managing cross-border transactions — including due diligence, sanctions screening, currency controls, country risk management, and documentation of inbound/outbound remittance activity.	43
23.	Annual AML/CFT Program Review	To evaluate whether the MSB has effective processes for receiving, resolving, documenting, and analyzing customer complaints and disputes — ensuring transparency, responsiveness, and identification of potential AML or operational risk triggers.	45
24.	FATF & Local Guidance Mapping	To assess whether the MSB conducts an annual, enterprise-wide AML/CFT program review to evaluate the adequacy, effectiveness, and risk alignment of its policies, procedures, systems, and controls — as required under FinCEN and BSA expectations. To assess whether the MSB aligns its AML/CFT policies, procedures, and practices with the latest Financial Action Task Force (FATF) recommendations, advisories, and applicable national/state regulatory guidance — ensuring global and domestic compliance.	47
25.	Beneficial Ownership (BO) & Ultimate Beneficial Owner (UBO) Identification	To assess whether the MSB has robust procedures to identify, verify, and document the beneficial ownership (BO) and ultimate beneficial owner (UBO) of business customers, in compliance with FinCEN's Customer Due Diligence (CDD) Rule, the Corporate Transparency Act, and FATF standards.	49

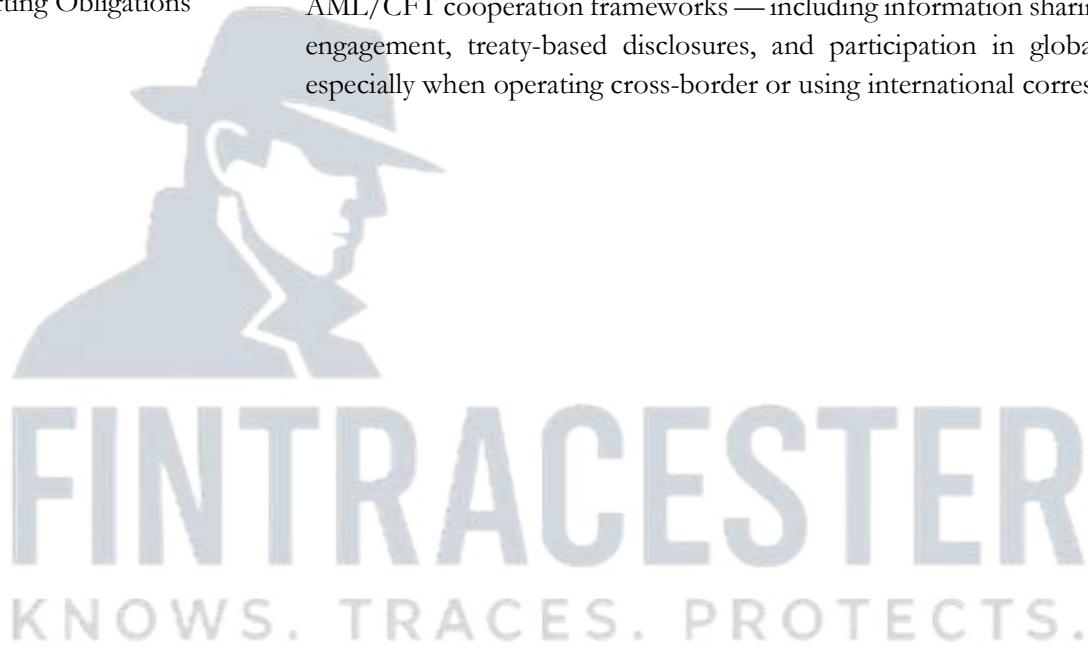
SECTION NO.	Section Wise Checklist	PURPOSE	PAGE NO
34.	Whistleblower Policy and Confidential Reporting Mechanism	To assess whether the MSB has implemented a secure, accessible, and confidential mechanism for employees, agents, or third parties to report suspected misconduct, compliance breaches, or AML/CFT violations — and whether such reports are protected, investigated, and monitored appropriately.	67
35.	Foreign Currency Handling Compliance	To assess whether the MSB's processes for handling foreign currency transactions — including exchange, storage, reporting, and anti-money laundering safeguards — meet applicable regulatory requirements and internal control standards.	69
36.	FinCEN Feedback & Regulatory Correspondence Review	To assess whether the MSB effectively tracks, documents, responds to, and implements corrective measures based on communications, advisories, requests, and findings issued by FinCEN and other applicable federal/state regulatory bodies.	71
37.	Customer Exit or Account Closure Process	To evaluate whether the MSB has a formalized and risk-sensitive process for exiting customers or closing accounts, especially in cases related to suspicious activity, AML non-compliance, regulatory breaches, or business de-risking — ensuring proper documentation, approval, and legal defensibility.	73
38.	Non-Face-to-Face Customer Onboarding Controls	To assess whether the MSB implements enhanced controls, risk mitigation procedures, and verification protocols for customers onboarded remotely — particularly those not physically present during the identification and account initiation process.	75
39.	Customer Risk Scoring Model Evaluation	To assess whether the MSB applies a robust, data-driven, and regulator-compliant customer risk scoring model — incorporating key risk factors (geography, product, transaction pattern, occupation, etc.) — that supports effective Customer Due Diligence (CDD), Enhanced Due Diligence (EDD), and ongoing monitoring.	77
40.	Ethics, Culture & Tone from the Top	To evaluate whether the MSB fosters a culture of compliance, ethical behavior, and accountability — led by senior management and the board — as evidenced by internal policies, leadership actions, communication, and reinforcement mechanisms.	79
41.	Fraud Detection and Prevention Mechanism	To assess whether the MSB has implemented a robust fraud risk management framework — including controls, detection tools, escalation procedures, and staff awareness — to prevent, identify, and respond to both internal and external fraud threats.	81
42.	Transaction Velocity and Anomaly Detection	To assess whether the MSB monitors transaction frequency, volume spikes, and behavioral deviations that may indicate suspicious activity — including structuring, smurfing, fraud, or terrorist financing — and whether such patterns are integrated into the AML and fraud detection framework.	83

SECTION NO.	Section Wise Checklist	PURPOSE	PAGE NO
52.	Monitoring of Inactive & Dormant Accounts	To evaluate whether the MSB has established adequate controls to identify, monitor, and manage inactive or dormant accounts — ensuring such accounts are not used for fraud, layering, unauthorized access, or reactivation without proper due diligence.	103
53.	Transaction Reversal & Refund Pattern Analysis	To evaluate whether the MSB monitors refund and reversal activity for patterns that may indicate fraud, AML evasion, structuring, or abuse of financial systems — and whether appropriate alerts, reviews, and documentation practices are in place.	105
54.	ATM Usage & Card Withdrawal Monitoring (if applicable)	To assess whether the MSB has implemented effective monitoring controls for prepaid, stored-value, or remittance-linked card withdrawals via ATMs — including patterns that may signal structuring, fraud, smurfing, or cash-out mule activity.	107
55.	Beneficiary Risk Scoring (Domestic & Cross-Border)	To assess whether the MSB assigns risk profiles to beneficiaries of domestic and cross-border transactions, particularly in cases where the MSB cannot fully identify the beneficiary — ensuring enhanced scrutiny of high-risk counterparties, corridors, or usage patterns.	109
56.	Prepaid Cards & Digital Wallet Compliance	To assess whether the MSB applies effective AML/CFT controls to prepaid cards and digital wallets — including KYC, transaction monitoring, usage restrictions, and fraud prevention — given the elevated risks of anonymity, cash-out structuring, and cross-border misuse.	111
57.	Mobile App Risk & Digital Consent Audit	To assess whether the MSB's mobile application(s) are designed, monitored, and governed in a manner that upholds AML/CFT compliance, data privacy, digital consent validity, and technological integrity — particularly in remote onboarding, transaction processing, and identity verification scenarios.	113
58.	Marketing & Customer Acquisition Risk Audit	To evaluate whether the MSB's marketing, customer onboarding campaigns, and acquisition strategies are aligned with AML/CFT obligations, do not expose the business to high-risk customers inadvertently, and avoid misleading representations or channel misuse.	115
59.	Cross-Program Integration Risk (e.g., Loyalty, Referral, Cashback)	To assess whether the MSB's integration of marketing-driven programs — such as loyalty points, referral bonuses, cashback rewards, or promotional credits — introduces any AML/CFT vulnerabilities, customer misuse, or manipulation of transactional records.	117
60.	SAR Narration & Filing Quality Review	To assess whether Suspicious Activity Reports (SARs) — including Currency Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs) — are filed with complete, accurate, and high-quality narratives that clearly explain the nature of suspicion, context, transactional flow, and rationale for suspicion.	119

SECTION NO.	Section Wise Checklist	PURPOSE	PAGE NO
70.	Online Transfer Risk Review	— ensuring these financial elements are not misused for fraud, AML evasion, or customer manipulation. To assess whether the MSB's online fund transfer services are designed and monitored in a way that minimizes fraud, identity abuse, and AML/CFT risks — particularly involving remote access, mobile devices, internet banking portals, and digital interfaces.	139
71.	Cheque Discounting / Purchase Risk Control	To assess whether the MSB's cheque discounting or purchase operations are governed by effective AML/CFT controls, credit risk safeguards, fraud prevention measures, and regulatory compliance — especially where such transactions may be abused for layering, tax evasion, or unreported interest earnings.	141
72.	Stale Cheque / Altered Instrument Handling	To evaluate whether the MSB has adequate procedures to detect, restrict, and properly escalate stale-dated, post-dated, or altered financial instruments — such as cheques, drafts, and money orders — to prevent fraud, financial loss, and AML/CFT violations.	143
73.	Third-Party Cheque & Instrument Risk Audit	To assess whether the MSB applies proper risk controls, documentation standards, and verification procedures when handling third-party negotiable instruments — such as cheques, drafts, or money orders not originally issued to the presenting party — to prevent fraud, layering, and unauthorized transactions.	145
74.	Instrument Transaction Volume & Frequency Review	To assess whether the MSB monitors and analyzes the volume and frequency of negotiable instrument transactions (e.g., cheques, drafts, money orders, remittance slips) to detect suspicious trends, structuring patterns, or operational bottlenecks that could indicate AML/CFT risks.	147
75.	Unusual Instrument Usage Scenario Audit	To determine whether the MSB effectively detects, investigates, and escalates unusual or suspicious usage of negotiable instruments — such as money orders, cheques, drafts, and remittance slips — that deviate from customer profiles, involve atypical routes or values, or suggest possible money laundering or fraud schemes.	149
76.	Dividend Receipt & Distribution Controls	To evaluate whether the MSB has proper controls, documentation standards, and compliance practices in place for handling dividends received from investments (if applicable) and distributing dividends to shareholders — ensuring AML/CFT safeguards, source-of-funds transparency, and regulatory reporting alignment.	151
77.	Gift Card Purchase & Redemption Audit	To evaluate whether the MSB has effective risk controls, fraud prevention mechanisms, and AML/CFT procedures in place for handling the purchase, loading, issuance, and redemption of gift cards — particularly to prevent misuse for anonymous funding, structuring, or laundering.	153

SECTION NO.	Section Wise Checklist	PURPOSE	PAGE NO
87.	Business License & Tax Certificate Validity	withholding obligations, and statutory reporting requirements — in a timely, accurate, and transparent manner To verify whether the MSB maintains current, valid, and jurisdictionally compliant business licenses, registrations, and tax certificates — ensuring lawful operation, regulatory transparency, and avoidance of penalties, suspension, or forced closure.	173
88.	Accounting Principles Compliance (GAAP/IFRS)	To assess whether the MSB adheres to generally accepted accounting principles (GAAP), International Financial Reporting Standards (IFRS), or other mandated frameworks — ensuring financial transparency, consistency, integrity, and readiness for regulatory audits or investor scrutiny.	175
89.	Audited Financial Statement Availability	To verify whether the MSB prepares, maintains, and discloses independently audited financial statements in accordance with regulatory expectations, lending or investor requirements, and best practices in corporate governance and financial transparency.	177
90.	Timely Financial Reporting (Internal & External)	To assess whether the MSB consistently prepares and submits financial reports — both internal (for management and board) and external (to regulators, tax authorities, partners) — within legally mandated or operationally expected timelines, ensuring transparency, informed decision-making, and compliance.	179
91.	Revenue vs. Transaction Volume Reconciliation	To assess whether the MSB systematically reconciles its reported revenue with actual transaction volumes — ensuring that earnings from services such as money transfers, FX conversions, cheque cashing, gift card sales, or digital services are consistent with declared activity, reducing the risk of underreporting, revenue leakage, or fraud.	181
92.	Expense Classification and Misuse	To evaluate whether the MSB accurately classifies, documents, and controls its operating and non-operating expenses — ensuring expenses are not miscategorized, inflated, misused, or leveraged to conceal fraud, bribery, or AML violations.	183
93.	Capital vs. Operational Expenditure Segregation	To assess whether the MSB accurately distinguishes between capital expenditures (CapEx) and operational expenditures (OpEx) in its accounting and budgeting processes, ensuring financial statement integrity, depreciation accuracy, tax compliance, and sound investment tracking.	185
94.	Accounting Software Control & Data Integrity	To evaluate whether the MSB's accounting software system ensures data accuracy, transactional integrity, user access control, audit trail maintenance, and compliance with financial reporting requirements — thereby safeguarding against fraud, error, or manipulation of financial records.	187

SECTION	Section Wise Checklist	PURPOSE	PAGE NO
NO.			
104.	Cross-Border Services & International Partners Risk	To assess whether the MSB properly evaluates, monitors, and mitigates risks related to international remittance corridors, cross-border services, and partnerships with foreign financial institutions or MSBs — with a focus on AML/CFT compliance, sanctions exposure, and jurisdictional risk.	207
105.	International Cooperation & Reporting Obligations	To evaluate whether the MSB complies with its obligations under international AML/CFT cooperation frameworks — including information sharing, foreign regulator engagement, treaty-based disclosures, and participation in global investigations — especially when operating cross-border or using international correspondents.	209



Risk-Based Compliance Audit Manual for Money Services Businesses (MSBs)

SECTION 1: Governance & Compliance Structure Audit

 **Objective:** To verify whether the MSB maintains a strong, independent, and effective AML/CFT governance framework that is appropriate for managing risk-based compliance.

A. Checklist Table

12 14	Audit Point	Expected Compliance Practice	Risk Level	Auditor's Remarks
1.1	Is there a formally designated AML Compliance Officer (AMLCO/MLRO)?	Board-approved appointment; clearly named in policy and regulatory documents	Low / Med / High	
1.2	Does the AMLCO have adequate qualifications and experience?	CAMS, ACFCS, or similar certification; minimum 3–5 years AML experience	Low / Med / High	
1.3	Is the AMLCO functionally independent from business/commercial operations?	AMLCO should not be directly involved in sales, marketing, or finance	Low / Med / High	
1.4	Are the AMLCO's responsibilities clearly defined in a job description?	JD should include: policy implementation, STR/CTR filing, training, reporting to board	Low / Med / High	
1.5	Does the AMLCO report directly to senior management or board?	Evidence of independent reporting line; ideally with quarterly updates to board	Low / Med / High	
1.6	Has the AMLCO received recent AML/CFT training (within last 12 months)?	Internal or external training (e.g., webinar, ACAMS conference, in-house session) documented	Low / Med / High	
1.7	Is there an up-to-date Organizational Chart showing reporting structure?	Clear visual diagram of who reports to whom, where AMLCO fits	Low / Med / High	
1.8	Is there a compliance committee or governance forum to oversee AML matters?	May include board audit committee, compliance forum, or senior risk committee	Low / Med / High	
1.9	Are there board meeting minutes reflecting AML/CFT oversight & discussion?	Board/Management meeting records showing AML review, SAR trends, regulatory updates, internal audits	Low / Med / High	
1.10	Are AML roles and responsibilities assigned across departments?	Responsibility matrix (e.g., who handles KYC, monitoring, STR filing, audit, training, etc.)	Low / Med / High	

Risk-Based Compliance Audit Manual for Money Services Businesses (MSBs)

B. Required Supporting Documents

	Document Name	Description / What to Look For
D1	AMLCO Appointment Letter / HR Record	Issued by senior management or board; officially names the compliance officer
D2	AMLCO Job Description (JD)	Must include scope: policy oversight, training, STR/CTR reporting, risk assessment
D3	AMLCO Resume + Certifications	CAMS/ACFCS certificate, relevant compliance or audit qualifications
D4	Organizational Chart	Should reflect AMLCO's independence and escalation path to board
D5	AML Policy Document (AMLCO Responsibilities Section)	Referenced sections defining AMLCO duties
D6	Board Meeting Minutes (AML topics highlighted)	Minutes from at least last 2–3 board meetings referencing AML, STR, FinCEN updates, etc.
D7	Compliance Governance Structure Document	Diagram or SOP of compliance committee/forum (if applicable)
D8	Compliance Training Attendance Sheet	AMLCO's participation in at least one recent training session
D9	AML Roles & Responsibilities Matrix	Department-wise responsibility table for AML tasks
D10	Reporting Calendar / Quarterly Update Log	Showing scheduled AML reporting to senior management/board

Notes for Auditor:

- If AMLCO has **dual roles** (e.g., finance + compliance), mark risk **Medium or High**.
- If board oversight is **not documented**, mark governance structure as **High Risk**.
- Check for **gaps in reporting lines**, e.g., if AMLCO reports to operations head, raise red flag.
- In **smaller MSBs**, independence may be informal — in such cases, cross-check practical control.

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Risk-Based Compliance Audit Manual for Money Services Businesses (MSBs)

SECTION 2: AML/CFT Policy & Procedures Audit

 **Objective:** To ensure that the MSB has reliable, up-to-date, and regulator-aligned AML/CFT policies and procedures — designed and implemented in accordance with FinCEN, the BSA, the USA PATRIOT Act, and FATF Recommendations.

A. Checklist Table

12 94	Audit Point	Expected Compliance Practice	Risk Level	Auditor's Remarks
2.1	Is there a written and approved AML/CFT policy and procedure manual?	Board/senior management approved, dated copy exists	Low / Med / High	
2.2	Is the AML policy reviewed and updated annually or upon regulatory change?	Last revision date should be < 12 months ago or aligned with new guidance	Low / Med / High	
2.3	Does the policy align with FinCEN, BSA, USA PATRIOT Act & FATF requirements?	Specific clauses referencing relevant acts or guidance	Low / Med / High	
2.4	Are AML/CFT obligations clearly defined for the business type (MSB)?	Customization for services: remittance, cheque cashing, prepaid cards, etc.	Low / Med / High	
2.5	Does the policy outline KYC/CDD/EDD procedures?	Risk-based customer onboarding & monitoring defined	Low / Med / High	
2.6	Is STR/CTR reporting procedure included and clearly defined?	Step-by-step internal escalation to FinCEN/SAR/STR included	Low / Med / High	
2.7	Is sanctions screening (OFAC, UN, EU lists) addressed in the policy?	Sanctions check procedure and list sources defined	Low / Med / High	
2.8	Are roles and responsibilities of all departments mentioned?	Clarity on who handles onboarding, screening, STR filing, etc.	Low / Med / High	
2.9	Are training, audit, and independent testing requirements mentioned?	Frequency, responsibility, and documentation process defined	Low / Med / High	
2.10	Does the policy include procedures for monitoring high-risk customers?	Ongoing due diligence, transaction pattern review described	Low / Med / High	
2.11	Is the document accessible to all relevant employees?	Shared on intranet or available physically, training provided	Low / Med / High	

Risk-Based Compliance Audit Manual for Money Services Businesses (MSBs)

SECTION 3: Customer Due Diligence (CDD), Know Your Customer (KYC), and Enhanced Due Diligence (EDD) Audit

 **Objective:** To ensure that the MSB has an effective and risk-based customer verification process (KYC/CDD/EDD) — capable of identifying customer identity, risk profiles, and detecting and monitoring suspicious behavior.

A. Checklist Table

12 34	Audit Point	Expected Compliance Practice	Risk Level	Auditor's Remarks
3.1	Is there a documented KYC/CDD policy tailored to MSB's business?	Policy defines what documents are needed, risk-based approach applied	Low / Med / High	
3.2	Are customers identified using reliable, independent source documents?	National ID, passport, utility bills, tax ID collected and verified	Low / Med / High	
3.3	Is customer risk profiling performed during onboarding?	Customers are categorized as low, medium, or high-risk with clear criteria	Low / Med / High	
3.4	Is Enhanced Due Diligence (EDD) applied to high-risk customers?	Additional verification, source of funds, manager approval applied	Low / Med / High	
3.5	Are PEPs, Non-residents, and cash-intensive customers flagged and reviewed?	Politically Exposed Persons and foreign nationals are identified and monitored	Low / Med / High	
3.6	Is there a risk rating methodology or scoring matrix in place?	Formal, documented scoring tool based on customer attributes and geography	Low / Med / High	
3.7	Are non-face-to-face customers subject to additional verification?	eKYC, video KYC, or liveness check used for remote onboarding	Low / Med / High	
3.8	Is onboarding rejected where minimum KYC is not met?	Incomplete files are rejected or flagged	Low / Med / High	
3.9	Are ID documents checked for validity and forgery?	Tools used for forgery detection or manual check logs present	Low / Med / High	
3.10	Is the CDD information kept updated (Ongoing Due Diligence)?	Information reviewed periodically; based on risk level	Low / Med / High	
3.11	Are records retained as per regulatory guidelines (at least 5 years)?	KYC forms, IDs, supporting documents stored securely and retrievable	Low / Med / High	