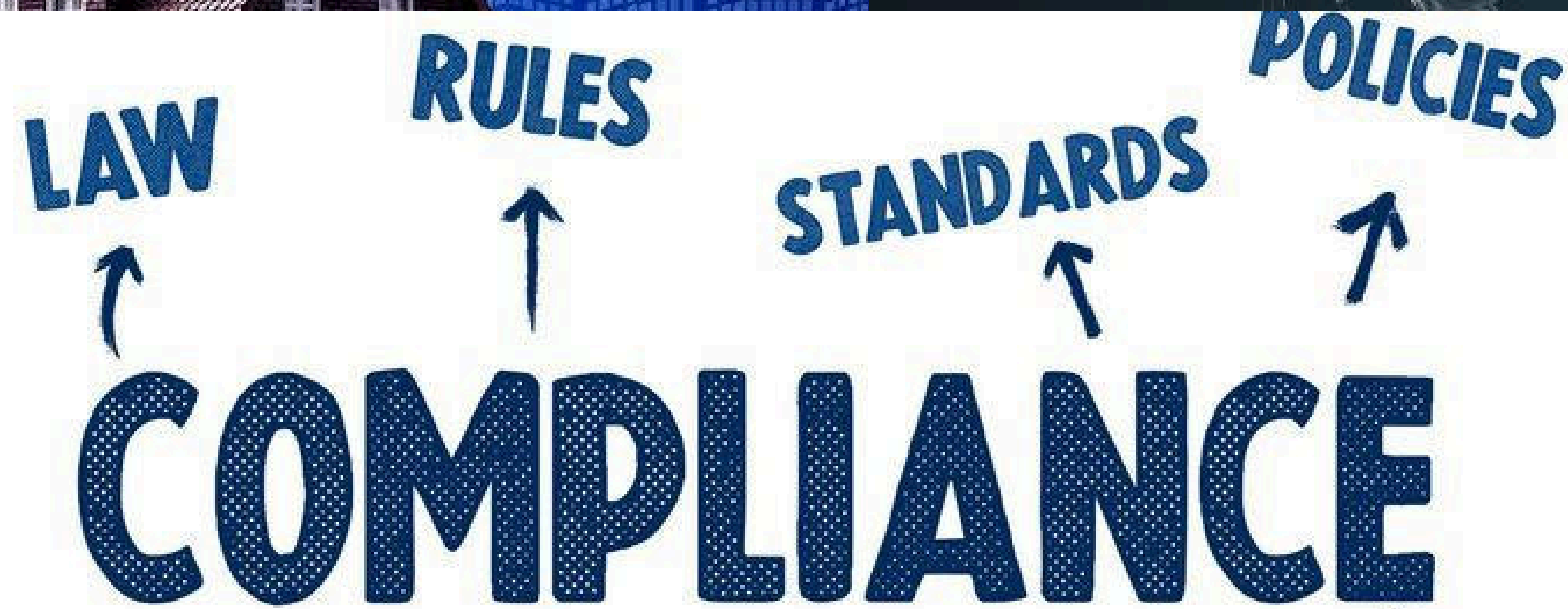


MORTGAGE ORIGINATION (MSB)-COMPLIANCE AUDIT MANUAL



**Prepared By:-
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Overview and Intent

This Compliance Audit Manual is a fully comprehensive guide designed specifically for Money Service Businesses (offering money movement or digital financial services, through Mortgage Origination, are treated as MSBs under U.S. law, requiring strict compliance audits) Auditors operating within the Financial sector. It serves as both a practical toolkit and a regulatory compass for conducting effective, standardized, and risk-based compliance audits aligned with the highest expectations of financial integrity, customer protection, and legal conformity.

The intent of this manual is to support auditors in verifying whether MSBs maintain a robust compliance posture in alignment with applicable federal laws, risk-management principles, and global anti-financial crime standards. Through a methodical, checklist-driven approach, this guide enables auditors to objectively assess the presence, effectiveness, and execution of critical compliance controls across all core operational areas.

This manual has been carefully structured in accordance with a wide range of foundational U.S. federal laws and regulatory acts, including but not limited to:

1. Anti-Money Laundering Act (AMLA), 2020
2. Corporate Transparency Act (CTA), 2021
3. OFAC Sanctions Programs (SDN List, Treasury Dept.)
4. Electronic Fund Transfer Act (EFTA) – Regulation E
5. Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010
6. Consumer Financial Protection Bureau (CFPB) Regulations
7. Gramm-Leach-Bliley Act (GLBA) – Privacy & Safeguards Rule
8. Federal Trade Commission (FTC) Safeguards Rule
9. State Money Transmitter Laws (MTL – varies by state)
10. New York Department of Financial Services (NYDFS) – BitLicense
11. California DFPI Regulations
12. Texas Department of Banking Regulations
13. Florida Office of Financial Regulation (OFR)
14. FATF Recommendations (AML/CFT global standards)
15. Basel Committee on Banking Supervision (BCBS) Guidelines
16. Wolfsberg Group Principles on AML/CTF
17. California Consumer Privacy Act (CCPA), 2018
18. General Data Protection Regulation (GDPR – EU, if applicable)
19. NIST Cybersecurity Framework
20. Equal Credit Opportunity Act (ECOA)

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21. Equal Credit Opportunity Act (ECOA) Baseline Review
22. Fair Credit Reporting Act (FCRA)
23. Fair Debt Collection Practices Act (FDCPA)
24. Home Mortgage Disclosure Act (HMDA)
25. Homeowners Protection Act (HPA or PMI Cancellation Act)
26. Privacy of Consumer Financial Information - Gramm-Leach-Bliley Act (GLBA)
27. Real Estate Settlement Procedures Act (RESPA)
28. Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act
29. Truth in Lending Act (TILA)
30. Truth in Savings Act (TISA)
31. Unfair, Deceptive, or Abusive Acts or Practices (UDAAPs)
32. Other relevant federal and state-level mandates applicable to MSBs Consumer Leasing Act (CLA)

In addition, the manual is aligned with the regulatory expectations and compliance frameworks established under:

Other relevant federal and state-level mandates applicable to MSBs

Scope and Applicability

This guide is intended for use by internal auditors, compliance officers, independent consultants, regulatory examiners, and authorized oversight personnel. It applies to all MSB functions engaged in automobile financing activities, such as installment loans, lease-to-own models, and related consumer financial services involving the transfer of funds, customer onboarding, credit risk assessment, and payment processing.

Audit Methodology

The audit framework within this manual follows a structured methodology consisting of:

Thematic Sectional Reviews

Risk-Based Scoring Models (Scoring matrix withheld for confidentiality)

Documentation Verification Checklists

Compliance Gap Indicators and Risk Flagging Protocols

Evidence-Based Sampling Recommendations

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The audit sections are aligned with essential compliance domains including Governance, KYC/CDD/EDD, AML/CFT, Transaction Monitoring, STR/CTR Filing, Sanctions Screening, Employee Training, Technology Controls, Customer Risk Classification, Fraud Detection, and Ethical Culture Oversight.

Each section includes:

Defined Objectives

Comprehensive Checklist Tables

Mandatory Supporting Documentation

Detailed Auditor's Notes and Red Flags

Practical scenarios and audit triggers

Legal Disclaimer

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While this guide provides a detailed compliance audit methodology, users are advised that it does not constitute legal advice. Institutions should ensure the final audit findings are cross-referenced with the latest regulatory developments and internal policies.

Final Note to Auditors

The effectiveness of an MSB's compliance program is not measured merely by the existence of policies, but by how well those policies are understood, implemented, and enforced. As such, your role as an auditor is not just to assess compliance on paper, but to evaluate compliance in practice. Use this manual not just as a checklist, but as a lens to assess whether the MSB's culture, systems, and staff behaviors reflect a genuine commitment to financial integrity, customer fairness, and regulatory accountability.

Let this guide empower you to uphold the principles of ethical finance and regulatory excellence in every audit engagement you conduct.

Document Submission Instructions

Submission Instructions for Compliance Audit

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 the stipulated time as discussed previously.

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

2. Submission Method

Documents can be submitted via any of the following secure channels:

Email (encrypted, if possible): xxx@fintracester.com

Secure Upload Portal (if provided)

Physical Handover in sealed envelope (by prior arrangement only)

3. Document Format

Preferred formats: PDF, Word, Excel, JPG/PNG

Ensure all files are clearly legible and complete

Large files may be compressed into a ZIP folder for convenience

4. File Naming Convention

To ensure clarity and efficient tracking, name your files using the reference codes from the audit checklist. Examples include:

D1_AMLCO_Appointment_Letter.pdf

D5_Customer_Risk_Matrix.xlsx

D9_KYC_SampleFiles.zip

If unsure about naming, use a descriptive title that matches the document's content.

5. Partial Availability

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

Do not delay submission of available documents

Clearly state in your email or cover note which items are not applicable or currently unavailable

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Document Submission Instructions

Absence of specific items will be addressed as part of the audit observation and recommendation phase — it will not negatively impact the initial document collection process

6. Special Note for Small MSBs

For small-scale MSBs, the audit may be conducted via LIVE video conferencing, at the discretion and professional judgment of the assigned auditor.

In such cases:

A PDF copy of the draft audit report will be shared digitally

Upon receipt of all required documents, each sealed with the phrase “Original in Custody (OIC)” and signed by an authorized official,

The final signed original audit report will be securely dispatched to the auditee.

7. Point of Contact

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

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Organization: Fintracester Incorporated



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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.

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. | SOD | Securities and Exchange Commission |
| 24. | USPIS | Special Operations Division, Department of Justice |
| | | United States Postal Inspection Service |

U.S. Statutes, Laws and Reports

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|-----|-------|---|
| 25. | BSA | Bank Secrecy Act |
| 26. | IEEPA | International Emergency Economic Powers Act |
| 27. | INCSR | International Narcotics Control Strategy Report |

- 28. MLCA Money Laundering Control Act of 1986
- 29. MLSA Money Laundering Suppression Act of 1994

International Organizations and Related Terms

- 30. APEC Asia Pacific Economic Cooperation
- 31. APG Asia Pacific Group on Money Laundering
- 32. CHFI Committee on Hemispheric Financial Issues
- 33. FATF Financial Action Task Force on Money Laundering
- 34. FIU financial intelligence unit
- 35. FSF Financial Stability Forum
- 36. GCC Gulf Cooperation Council
- 37. ILEA International Law Enforcement Academy
- 38. IFI international financial institution
- 39. IMF International Monetary Fund
- 40. NCCTs non-cooperative countries or territories
- 41. OAS Organization of American States
- 42. OECD Organization for Economic Cooperation and Development
- 43. OFC offshore financial center

General Terminology

- 44. BMPE Black Market Peso Exchange
- 45. GTO Geographic Targeting Order
- 46. MOU Memorandum of understanding
- 47. MSB money services business

BSA Forms

- 48. CMIR Report of International Transportation of Currency or Monetary Instruments
- 49. CTR Currency Transaction Report
- 50. FBAR Foreign Bank Account Report
- 51. SAR Suspicious Activity Report
- 52. SARC Suspicious Activity Report for Casinos
- 53. SAR-SF Suspicious Activity Report for Securities Brokers and Dealers

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1	Governance & Compliance Oversight	To ensure strong oversight by Board/Management, appointment of AML Compliance Officer, clear reporting lines, and accountability in compliance structure.	1
2	AML/CFT Policies & Procedures	To verify AML/CFT policies are written, approved, updated regularly, and tailored to crypto-specific risks, aligned with FATF & local laws.	3
3	Customer Identification & KYC/CDD	To confirm accurate KYC/CDD is performed at onboarding, including ID verification, risk-based checks, and ongoing monitoring.	5
4	Enhanced Due Diligence (EDD)	To ensure high-risk customers are subject to enhanced verification, Source of Funds/Wealth checks, and escalated approval.	7
5	Transaction Monitoring & Reporting	To evaluate monitoring systems for detecting suspicious activity, proper filing of STR/CTR, and minimizing false positives.	9
6	Sanctions & PEP Screening	To confirm automated screening of customers against sanctions lists and PEP databases, with timely escalation.	11
7	Recordkeeping & Documentation	To ensure records (KYC, transactions, STR/CTR logs) are properly retained, retrievable, and compliant with retention rules.	13
8	Employee AML Training	To confirm staff receive AML/CFT training, including crypto risks, red flags, and reporting obligations, with periodic refreshers.	15
9	Independent Audit & Testing	To assess whether compliance controls are independently tested, gaps identified, and remediation tracked.	17
10	Whistleblower & Ethics Program	To ensure employees have safe channels to report misconduct, protected by whistleblower safeguards.	19
11	Fraud Prevention & Detection	To verify fraud detection tools and controls exist to identify fake accounts, ID fraud, mule activity, and escalate promptly.	21
12	Technology & System Controls	To ensure compliance systems are secure, access-controlled, tested, and include audit trails, disaster recovery, and vendor oversight.	23

Section No.	Title	Purpose / Objective	Page No.
13	Risk Assessment (Product/Service)	To verify products/services are risk-assessed (spot, P2P, OTC, staking, tokens), with enhanced controls for higher-risk services.	25
14	Wallet & Custody Risk Controls	To assess wallet/custody arrangements (hot/cold wallets), access restrictions, sanctions screening, and segregation of customer assets.	27
15	Smart Contract & DeFi Risks	To confirm DeFi integrations and smart contracts are risk-assessed, audited for vulnerabilities, and restricted from high-risk use.	29
16	Blockchain Analytics & Tools	To evaluate use of blockchain monitoring tools for detecting illicit wallets, darknet links, and suspicious fund flows.	31
17	P2P & OTC Risk Controls	To assess risk controls in P2P/OTC operations including mandatory KYC, SoF/SoW verification, and fraud prevention.	33
18	Customer Risk Scoring	To confirm a dynamic risk scoring model is in place, regularly updated, and reflects actual customer behavior.	35
19	Cross-Border Transfers	To ensure cross-border transfers comply with AML/CFT, sanctions, and reporting requirements.	37
20	Data Privacy & Cybersecurity	To verify customer data is encrypted, securely stored, and compliant with privacy/cybersecurity regulations.	39
21	FinCEN & Licensing Compliance	To confirm registration/licensing obligations are met, filings updated, and regulatory renewals timely completed.	41
22	Filing & Record Retention	To ensure all compliance filings, reports, and records are securely retained, retrievable, and maintained per regulations.	43