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PREPAID ACCOUNT MSB COMPLIANCE

AUDIT MANUAL



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Overview and Intent

This Compliance Audit Manual is a fully comprehensive guide designed specifically for Money Services Business (MSB) Auditors operating within the Prepaid Account Service Provider. 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, borrower protection, and strict adherence to mortgage servicing laws and regulatory obligations.

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:

AML / MSB Regulations

1. Bank Secrecy Act (BSA)
2. USA PATRIOT Act
3. Anti-Money Laundering Act (AMLA), 2020
4. Corporate Transparency Act (CTA), 2021
5. FinCEN Travel Rule (31 CFR 103.33(g))
6. OFAC Sanctions Programs (U.S. Treasury SDN List, etc.)
7. FATF 40 Recommendations
8. Wolfsberg Group AML Principles
9. State Money Transmitter Laws (varies by state)
10. NYDFS BitLicense (if crypto prepaid involved)

Consumer Protection / Payment Laws

11. Electronic Fund Transfer Act (EFTA – Reg E, including CFPB Prepaid Rule)
12. Truth in Savings Act (TISA) (*conditional – if interest-bearing accounts*)
13. UDAAP (Unfair, Deceptive, or Abusive Acts or Practices – CFPB)

Overview and Intent

Privacy & Data Security

14. Gramm-Leach-Bliley Act (GLBA) – Privacy & Safeguards
15. FTC Safeguards Rule
16. California Consumer Privacy Act (CCPA), 2018 *(if applicable)*
17. General Data Protection Regulation (GDPR) *(if EU customers)*
18. NIST Cybersecurity Framework (best practice guidance)

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

Bank Secrecy Act (BSA)
USA PATRIOT Act
Financial Crimes Enforcement Network (FinCEN) Guidance
Financial Action Task Force (FATF) Recommendations
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 |
| | | Securities and Exchange Commission |
| 23. | SOD | Special Operations Division, Department of Justice |
| 24. | 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
- 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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3	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.	5
4	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.	7
5	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.	9
6	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.	11
7	Sanctions & OFAC Screening Audit	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.	13
8	Initial Disclosures Audit	To ensure prepaid account providers deliver clear, accurate, and timely disclosures (short form & long form) before account acquisition.	15

9	Change-in-Terms Notices Audit	To ensure consumers receive at least 21 days' advance notice of changes in fees, terms, or conditions.	16
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12	Liability for Unauthorized Transfers Audit	To determine whether the provider applies Reg E liability limits for unauthorized use of prepaid accounts.	19
13	Account Opening & Registration Audit	To verify compliance with requirements for registering prepaid accounts before use.	20
14	Overdraft & Credit Features Audit	To assess whether prepaid providers comply with Truth in Lending Act (TILA) and Reg Z when offering credit/overdraft.	21
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16	Fee Disclosures & Accuracy Audit	To verify all fees are disclosed accurately and consistently across documents.	23
17	Account Closure & Refund Audit	To ensure prepaid providers handle account closure and refunds fairly.	24
18	Advertising & Marketing Audit	To confirm prepaid account advertising is truthful, clear, and not misleading.	25
19	Recordkeeping Audit	To ensure adequate records are retained for required regulatory period.	26
20	Complaint Handling Audit	To evaluate handling of consumer complaints regarding prepaid accounts.	27
21	Reload & Cash Network Audit	To ensure reload and cash access services are compliant and disclosed.	28
22	Mobile App & Digital Access Audit	To verify mobile/digital account access complies with security & disclosure requirements.	29
23	Third-Party Program Manager Oversight Audit	To assess whether program managers/vendors are properly overseen.	30
24	Funds Availability Audit	To confirm timely availability of funds for consumer use.	31
25	Foreign Transactions Audit	To ensure foreign transaction fees and currency conversion practices are disclosed.	32
26	Customer Identification & AML Integration Audit	To verify prepaid accounts comply with BSA/AML requirements.	33
27	Dispute Resolution Audit	To ensure providers resolve disputes fairly and comply with Reg E timelines.	34
28	Provisional Credit Audit	To confirm consumers receive provisional credit during error investigations.	35
29	Consumer Education & Financial Literacy Audit	To assess whether providers offer clear education materials about prepaid accounts.	36
30	Error Resolution Timing Audit	To verify providers follow strict timelines for investigating and resolving errors.	37

31	Credit Feature Disclosures Audit	To ensure any linked credit features (overdraft, credit lines) comply with TILA/Reg Z.	38
32	Disclosures – Short & Long Form Accuracy Audit	To confirm short and long form disclosures are consistent, accurate, and complete.	39
33	Website & Online Disclosure Audit	To assess whether online disclosures meet regulatory standards.	40
34	Dormant & Inactive Account Audit	To ensure fair treatment of dormant/inactive accounts.	41
35	Privacy & Data Security Audit	To confirm consumer data protection complies with GLBA and CFPB standards.	42
36	Error Correction Documentation Audit	To verify correction of errors is documented and transparent.	43
37	Access to Account Information Audit	To ensure consumers can access balance & transaction history conveniently.	44
38	Foreign Remittances via Prepaid Accounts Audit	To verify prepaid providers comply with Reg E remittance transfer rules.	45
39	Account Terms Change Oversight Audit	To ensure compliance with notice requirements for changing prepaid account terms.	46
40	Compliance Management System (CMS) Audit	To assess adequacy of prepaid provider's CMS for ongoing compliance.	47
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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

SL.	Audit Point	Expected Compliance Practice	Risk Level	Auditor's Remarks
1	Is there a formally designated AML Compliance Officer (AMLCO/MLRO)?	Board-approved appointment; clearly named in policy and regulatory documents	Low / Med / High	
2	Does the AMLCO have adequate qualifications and experience?	CAMS, ACFCs, or similar certification; minimum 3–5 years AML experience	Low / Med / High	
3	Is the AMLCO functionally independent from business/commercial operations?	AMLCO should not be directly involved in sales, marketing, or finance	Low / Med / High	
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	
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	
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	
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	
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	
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	
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	

B. Required Supporting Documents

SL.	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.

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

SL.	Audit Point	Expected Compliance Practice	Risk Level	Auditor's Remarks
1	Is there a written and approved AML/CFT policy and procedure manual?	Board/senior management approved, dated copy exists	Low / Med / High	
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	
3	Does the policy align with FinCEN, BSA, USA PATRIOT Act & FATF requirements?	Specific clauses referencing relevant acts or guidance	Low / Med / High	
4	Are AML/CFT obligations clearly defined for the business type (MSB)?	Customization for services: remittance, cheque cashing, prepaid cards, etc.	Low / Med / High	
5	Does the policy outline KYC/CDD/EDD procedures?	Risk-based customer onboarding & monitoring defined	Low / Med / High	
6	Is STR/CTR reporting procedure included and clearly defined?	Step-by-step internal escalation to FinCEN/SAR/STR included	Low / Med / High	
7	Is sanctions screening (OFAC, UN, EU lists) addressed in the policy?	Sanctions check procedure and list sources defined	Low / Med / High	
8	Are roles and responsibilities of all departments mentioned?	Clarity on who handles onboarding, screening, STR filing, etc.	Low / Med / High	
9	Are training, audit, and independent testing requirements mentioned?	Frequency, responsibility, and documentation process defined	Low / Med / High	
10	Does the policy include procedures for monitoring high-risk customers?	Ongoing due diligence, transaction pattern review described	Low / Med / High	
11	Is the document accessible to all relevant employees?	Shared on intranet or available physically, training provided	Low / Med / High	
12	Is there a policy exception/escalation approval mechanism defined?	Documented approval flow in case of policy deviation	Low / Med / High	

Prepaid Account MSB Compliance Audit Manual

SL	Document Name	Description / What to Look For
D1	AML/CFT Policy Manual (Latest Version)	Approved by board, signed/digitally certified; should mention version history
D2	Policy Revision Log / Version Control Sheet	Should show last review date, editor name, and change summary
D3	Policy Crosswalk with Laws/Guidance	Mapping document showing clauses matched to BSA, FinCEN, FATF requirements
D4	Service-specific AML Procedures Addendum	Separate policy section for remittance, cheque cashing, prepaid card handling, etc.
D5	KYC/CDD/EDD Process Flowchart	Onboarding process, risk rating matrix, documentation checklist
D6	STR/CTR Internal Reporting SOP	Escalation steps, approval flow, submission timeline
D7	Sanctions Screening Procedure Document	How OFAC/UN/EU list screening is done (manual/software), frequency
D8	Departmental Responsibility Matrix (RACI)	Table assigning AML tasks across business units
D9	Training & Testing Clause in Policy	Portion of policy that defines mandatory training and audit intervals
D10	Policy Distribution Proof	Screenshot/email showing it was shared with staff
D11	Policy Exception Log	Approvals for deviations (e.g., delayed STR, manual override)

Auditor's Notes:

- If MSB uses a **generic template** not tailored to their services, mark risk **Medium to High**.
- If **no proof of policy circulation** to employees found, mark as **non-effective governance**.
- If **no escalation flow** is defined for STR/CTR, this is a **critical risk**.
- Check whether policy includes **digital channels, crypto, or agents**, if the MSB offers such services.

SECTION 3: Employee Training & Awareness Audit

Objective: 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.

A. Checklist Table

SL.	Audit Point	Expected Compliance Practice	Risk Level	Auditor's Remarks
1	Is there a formal AML/CFT training program in place for employees?	Written training plan outlining scope, target audience, and frequency	Low / Med / High	
2	Is AML training mandatory for all relevant new employees (onboarding)?	Training is provided before employees engage in regulated activities	Low / Med / High	
3	Is refresher training conducted annually or as regulations change?	Training logs show at least once per year or when rules are updated	Low / Med / High	
4	Does the training include real-world examples, red flags, and STR cases?	Use of case studies, pattern recognition, typologies for practical awareness	Low / Med / High	
5	Are employee roles and risk levels considered when tailoring training?	Frontline vs. back-office vs. compliance officers receive role-specific training	Low / Med / High	
6	Is employee understanding tested through quizzes, exams, or feedback?	Evaluation method exists to assess training impact and knowledge retention	Low / Med / High	
7	Are training sessions documented (date, module, attendance, trainer)?	Full log with signatures or system-based attendance captured	Low / Med / High	
8	Is training conducted by qualified AML professionals or internal experts?	Trainers have AML knowledge or use external subject-matter experts	Low / Med / High	
9	Are results of training evaluations and improvements recorded?	Feedback forms, lesson adjustments, or audit recommendations applied	Low / Med / High	
10	Is there a mechanism for reporting staff who miss or resist training?	Exception reporting or escalation process for training non-compliance	Low / Med / High	

B. Required Supporting Documents

SL.	Document Name	Description / What to Look For
D1	AML Training Policy or Annual Training Plan	Includes frequency, scope, delivery method, target staff groups
D2	New Employee Orientation Materials (AML section)	Training content for new joiners, with date of issue
D3	Training Attendance Logs	Name, date, module, trainer — digital or paper-based
D4	Training Material or Slide Decks	Module content: AML basics, STR filing, KYC/CDD, sanctions
D5	Role-Based Training Curriculum	Frontline, teller, agent, AMLCO training differences
D6	Test Results / Quiz Reports	If used, evaluation of staff learning; may include pass/fail log
D7	Trainer Profile / External Trainer Agreements	CV of in-house trainers or MOU/contract with third-party providers
D8	Training Feedback Forms or Survey Summaries	Suggestions or dissatisfaction indicators that impact future training
D9	Missed Training Escalation Records	Emails, memos, or policy showing response to non-attendance
D10	Evidence of Ad Hoc / Regulatory-Triggered Training	Special sessions after regulation changes or audit findings

Auditor's Notes:

- If no refresher training in the last 12 months, mark as **Medium to High Risk**
- If training is **not role-specific**, assess for gaps in frontline awareness
- **Sample 3–5 attendance logs** to ensure they match actual staff lists
- If no testing mechanism exists, note that training **effectiveness is unmeasured**
- Evaluate whether **remote agents or outsourced staff** receive the same level of training

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

SL.	Audit Point	Expected Compliance Practice	Risk Level	Auditor's Remarks
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	
2	Are customers identified using reliable, independent source documents?	National ID, passport, utility bills, tax ID collected and verified	Low / Med / High	
3	Is customer risk profiling performed during onboarding?	Customers are categorized as low, medium, or high-risk with clear criteria	Low / Med / High	
4	Is Enhanced Due Diligence (EDD) applied to high-risk customers?	Additional verification, source of funds, manager approval applied	Low / Med / High	
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	
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	
7	Are non-face-to-face customers subject to additional verification?	eKYC, video KYC, or liveness check used for remote onboarding	Low / Med / High	
8	Is onboarding rejected where minimum KYC is not met?	Incomplete files are rejected or flagged	Low / Med / High	
9	Are ID documents checked for validity and forgery?	Tools used for forgery detection or manual check logs present	Low / Med / High	
10	Is the CDD information kept updated (Ongoing Due Diligence)?	Information reviewed periodically; based on risk level	Low / Med / High	
11	Are records retained as per regulatory guidelines (at least 5 years)?	KYC forms, IDs, supporting documents stored securely and retrievable	Low / Med / High	
12	Is there a process for identifying beneficial owners (BO/UBO)?	For business clients — ownership >25% disclosed with documents	Low / Med / High	

B. Required Supporting Documents

SL.	Document Name	Description / What to Look For
D1	KYC/CDD/EDD Policy Manual (Updated)	Risk-based onboarding rules, document checklists
D2	Customer Risk Scoring Matrix	Criteria for assigning Low/Medium/High risk scores
D3	Sample KYC Files (Random 50 Customers)	Must include ID, address proof, photo, application form
D4	EDD File Samples (10 high-risk customers)	Source of funds, employment proof, additional documentation
D5	PEP & Sanctions Screening Logs	Tool output or manual checklist showing PEP screening
D6	BO/UBO Declaration Form (for business clients)	Ownership structure, ID of directors, tax ID/registration copies
D7	KYC Rejection Register or Exception File	Records of denied customers or flagged onboarding
D8	Customer Onboarding Flowchart	End-to-end flow showing document collection, screening, approval
D9	eKYC Provider Agreement or Liveness Check Records	Screenshots, timestamps, or audit logs for remote onboarding
D10	Record Retention Policy (Regulatory Compliance)	Policy showing KYC files retained for 5–7 years

Auditor's Notes:

- If **risk scoring is subjective** or undocumented, mark as **High Risk**
- If **KYC files are inconsistent or incomplete**, raise **compliance deficiency**
- If **EDD is not documented** for high-risk customers, issue **critical non-compliance**
- Confirm if **beneficial ownership identification** is done for all business clients
- Review **sample files** to validate that documents match policy checklist