

Company Name	_____	Date of Exam	_____
Examination Period	_____	Prepared By	_____
Money Services Provided	_____	Money Services Examined	_____

BANK SECRECY ACT/ANTI-MONEY LAUNDERING EXAMINATION WORK PROGRAM

INSTRUCTIONS:

OVERVIEW

This work program is not a checklist. It is an example that agencies may use and adjust for each MSB examination. The document is simply an extraction of all examination procedures discussed in the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual for Money Services Businesses; however, not all procedures will be performed on an MSB examination using the risk-based approach examination method discussed in the manual.

This work program includes examination procedures for principal and agent MSB examinations. Some procedures pertain only to principal MSB examinations where other procedures pertain only to agent MSB examinations or both. Not all of the examination procedures will likely be applicable to every MSB organization. The specific examination procedures that will need to be performed depend on the BSA/AML risk profile of the MSB, the quality and quantity of independent testing, the MSB's history of BSA/AML compliance, and other relevant factors.

The BSA/AML Examination Manual for Money Services Businesses provides additional procedures within each of the examination procedures sections for the examiner to follow based on the risk profile identified during the preplanning of the examination and the current examination findings. These additional procedures are broken out separately within this work program for examiners to consider as necessary. The examiner should perform additional procedures to the extent necessary based on the risks identified for each section. For example, if the examiner determines that a money transmitter may not have appropriate policies and procedures to ensure all transactions requiring currency transaction reporting are reported (i.e., no review of automated reports for currency transactions that exceed the reporting threshold), the examiner may sort transaction data bases for a selected period of time to determine if transactions are being reported when required.

The examiner should refer to the Money Services Business Overview Section of the Manual for discussion on the various types of Money Services Businesses and the typical structure,

including principal MSBs and Agent MSBs.

PERFORMING THE EXAMINATION

At a minimum, all examiners complete examination procedures to include a review of policies, procedures, internal controls, and limited transaction testing identified within each section of the manual. Key pieces in performing the examination will include the pre-planning (including a review of the BSA/AML Risk Assessment), review of the MSB's BSA/AML Compliance Program, and interviews with MSB personnel.

The risk based examination approach allows the examiner to make some determinations about the adequacy of the MSB's BSA/AML Compliance Program based on the MSB's risk assessment, written BSA/AML Compliance Program, policies, procedures, internal controls, and interviews with MSB personnel. Limited transactional testing is required to assess the adequacy of the BSA/AML Compliance Program. Additional transaction testing should be performed as warranted based on the risks identified by the examiner.

The examiner should use pre-planning and scoping, including the review of the BSA/AML Risk Assessment along with a review of the MSB's written BSA/AML Compliance Program, to determine the extent of the examination procedures performed and whether additional examination procedures are warranted based on the risks of the MSB. The examiner should consider policies, procedures, and internal controls implemented by the MSB to mitigate its BSA/AML risk.

The examination procedures, including the utilization of additional examination procedures may change during the course of the examination based on apparent violations and deficiencies identified and on the MSB's response to interviews and requests for information.

The examiner should review the Examination Overview and Procedures For Assessing BSA/AML Compliance Section and the Pre-Planning Section of the Examination Manual to gain a better understanding of performing a risk based BSA/AML examination.

GENERAL INSTRUCTIONS

All examiners performing these procedures must be listed in the "Prepared By" section. The Examiner in Charge (EIC) should review this work program to ensure completeness and accuracy.

EXAMINER COMMENTS AND FINDINGS

Comments and findings should be documented for each step performed. Reference to work paper documentation should also be included here. Documentation is to be sufficient to allow an audit trail of the examiner's thought process and all significant findings. The examiner should initial indicating that they completed an examination step or document that it was not applicable. The examiner should document the reasoning for performing additional examination procedures where applicable.

The Developing Conclusions and Finalizing the Examination procedures must be completed.

Refer to the BSA/AML Examination Manual for Money Services Businesses sections and Appendices.

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
Pre-Planning the Exam			
<p>Objective: <i>Identify the MSB’s BSA/AML risks, develop the examination scope, and document the plan. This process includes determining examination needs for staffing and technical expertise, and selecting examination procedures to be completed.</i></p>			
Pre-Plan Procedures			
<p>1. Conduct preliminary research on the MSB. Research should include ownership, corporate structure, number of branches, number of agents, and “doing business as” (d/b/a) or “also known as” (a/k/a) information. This helps the examiner identify the examination scope and the potential risk of non-compliance. Consider reviewing news articles concerning the MSB or its management and employees. Thoroughly review public records, internet sources, etc., to determine if there are any related entities with common ownership. Evaluate whether the MSB has any increased BSA/AML risks due to the relationship(s) and how management has addressed these risks.</p>	P. 27-41		
<p>2. Obtain and review as applicable, from other state agencies and/or the IRS, prior examination reports, related workpapers, and management’s responses to previously identified BSA violations, deficiencies, weaknesses, and recommendations. Review prior examination workpapers to identify the specific BSA examination procedures completed, report titles, previously noted violations, the cause of the violations, and any written statements indicating corrective action the MSB has taken. As necessary, discuss any additional information or ongoing concerns that are not documented in the correspondence with the examiner(s) responsible for prior examinations.</p>	P. 27-41		
<p>3. If the MSB is under a supervisory action, review the requirements of the action. Review correspondence concerning management's corrective actions.</p>	P. 27-41		

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4. Send a request letter for documents to the MSB. Review the request letter documents provided by the MSB. Refer to Appendix D – Sample Request Letter and Documents for MSBs.	P. 27-41		
5. Obtain and evaluate any independent reviews, along with supporting documents. The scope and quality of the independent review(s) may provide examiners with a sense of particular risks in the MSB, how these risks are being managed and controlled, and the MSB’s response to identified weaknesses. The independent review workpapers can assist examiners in understanding the review coverage and the quality and quantity of prior transaction testing. This knowledge will assist the examiner in determining the examination scope, identifying areas requiring greater (or lesser) scrutiny, and identifying when expanded examination procedures may be necessary. Assess the adequacy of the information in the reports relating to BSA compliance. Determine if the independent review formed appropriate conclusions and remedies of all matters relating to BSA compliance. (Refer to the Anti-Money Laundering Program - Overview and Anti-Money Laundering Program - Examination Procedures sections of this manual for additional information on reviewing an MSB’s independent review.)	P. 27-41		
6. As appropriate, contact MSB management, including the BSA compliance officer, to engage in initial discussions of the following (refer to the appropriate overview and examination procedures sections in this manual for guidance on these topics): <ul style="list-style-type: none"> • AML program; • BSA management structure; • BSA/AML risk assessment; • Suspicious activity monitoring and reporting systems; and • Level and extent of automated BSA systems. 	P. 27-41		

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
<p>7. Review correspondence that the MSB or the primary regulator(s) have received from, or sent to, outside regulatory and law enforcement agencies relating to BSA compliance. Communications, particularly those received from FinCEN and the Internal Revenue Service (IRS) Enterprise Computing Center (ECC-D), may document matters relevant to the examination such as:</p> <ul style="list-style-type: none"> • Filing errors for SAR-MSBs and CTRs • Administrative actions or civil money penalties issued or being considered by FinCEN or other supervisory agencies • Law enforcement prosecutions, subpoenas or seizures 	P. 27-41		
<p>8. Determine if any related entities are currently under BSA examination. Consider obtaining information relevant to that examination and evaluate any identified weaknesses when considering the scope of the examination. Information may be obtained through memoranda of understanding with other state or federal regulatory agencies.</p>	P. 27-41		
<p>9. Subject to authorized access to Web CBRS, review the SAR-MSBs, CTRs, CMIRs, FBARs, and RSMB relating to the MSB. The number of SAR-MSBs, CTRs, CMIRs, and FBARs filed should be obtained for a defined time period, as determined by the examiner. The information should be used to assist in assessing the filing history of the MSB and the risk profile of the MSB. This information can help determine whether the MSB has adequate internal controls, policies, and procedures related to the BSA.</p> <ul style="list-style-type: none"> • Determine the filing history of the MSB, by reviewing the: <ul style="list-style-type: none"> ▪ Volume of transactions between the MSB and its bank or other financial institutions and the volume of CTRs filed on the MSB; ▪ Volume of CTRs in relation to the number of agents/branches; ▪ Volume of CTRs filed by the MSB in relation to the MSB's size, assets and geographic location; 	P. 27-41		

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
<ul style="list-style-type: none"> ▪ Volume of SAR-MSBs in relation to the number of agents/branches; ▪ Volume of SAR-MSBs filed by the MSB in relation to the MSB's size, assets and geographic location; ▪ Volume of SARs filed on the MSB; ▪ Consistency of filings by the MSB or lack of filings; and ▪ Frequency of filing registrations. <ul style="list-style-type: none"> • Identify high-volume and frequent currency customers. An increased number of high-volume currency customers may increase the risk profile of the MSB by increasing the amount of currency flowing through the MSB. • Determine if any incomplete or inaccurate documents were filed. Incomplete or inaccurate documents could indicate the MSB does not have appropriate policies and procedures to meet reporting requirements. • Determine whether there is a history of filing errors that might appear to be systemic. <p>There are no targeted volumes or “quotas” for SAR-MSB, CTR, CMIR, or FBAR filings for a given MSB size or geographic location. Examiners should not criticize an MSB solely because the number of filings is lower than the number filed by “peer” MSBs. However, as part of the examination, examiners should review significant changes in the volume or nature of SAR-MSBs, CTRs, CMIRs, and FBARs filed, and assess potential reasons for these changes.</p>			
10. Analyze historical filing trends for reporting requirements. Compare current activity (e.g., number of CTRs, amounts reported on CTRs, types of transactions) to prior examination activity and determine by	P. 27-41		

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discussing with management the reason(s) for any significant changes from the prior examination to the current examination.			
Risk Assessment			
11. Review the MSB's BSA/AML risk assessment. Determine whether the MSB has addressed all risk-related issues, including introduction of any new products or services, customers, agent relationships, other operational risks, geographic locations, etc. Determine whether the MSB's process for periodically reviewing and updating its BSA/AML risk assessment is adequate.	P. 27-41		
12. If the MSB has not developed a risk assessment, or if the risk assessment is inadequate, complete a risk assessment.	P. 27-41		
13. Document and discuss the MSB's BSA/AML risk profile and any identified deficiencies in the MSB's BSA/AML risk assessment process with management.	P. 27-41		
Developing a Risk Based Examination Plan			
14. On the basis of the above examination procedures, and in conjunction with the examiner's review of the MSB's BSA/AML risk assessment, develop an initial examination plan. The examiner should develop an initial examination scope and planning document commensurate with the preliminary BSA/AML risk profile. The examiner should adequately document the plan, as well as any changes to the plan that occur during the examination. Consider the MSB's AML program including policies, procedures, and internal controls to mitigate BSA/AML risks; compliance history; and risk profile (i.e., products, services, customers, geographic locations, etc.). While the examination plan may change at any time as a result of on-site findings, the initial risk assessment will enable the examiner to establish a reasonable scope for the BSA examination. Factors that the examination plan will need to	P. 27-41		

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<p>address include:</p> <ul style="list-style-type: none"> • The relationship between the MSB’s risk assessment and the MSB’s AML program’s policies and procedures that address those risks. For example, does the MSB have policies and procedures regarding the SAR-MSB reporting requirements that reasonably relate to the MSB’s products, services, and customer activities? • The results of the examiner’s review of the MSB’s risk assessment or the results of the examiner’s risk assessment. High risks require more examination resources. How does the examiner plan to address the BSA/AML risks of the MSB? • Any differences between the examiner’s risk assessment and the MSB’s risk assessment. • Whether the MSB’s AML program meets the requirements of the Bank Secrecy Act (the four pillars). • Potential examination procedures to test the BSA/AML policies and procedures of the MSB. For example, what are the MSB’s procedures for filing CTRs? Were the forms timely filed and signed according to the procedures? • For principal MSB examinations, the compliance responsibilities allocated between the principal MSB and its agents. <p>The examiner should document in the file any decisions to perform fewer examination procedures for a particular financial service. For example, if the examiner does not devote attention to an MSB’s check cashing activities, it may be because the MSB check cashing is a small-volume service where there is a maximum check cashing limit established. Minimal testing can be done in these situations to document the MSB’s adherence to its self-imposed limitations.</p>			
Transaction Testing Plan			

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<p>15. Develop a transaction testing plan based on the risk profile of the MSB. The extent of transaction testing and activities conducted should be based on factors that include the examiner’s judgment of risks; the MSB’s written policies, procedures, and internal controls to mitigate risks; and the adequacy of the independent testing. Note: The adequacy of the independent testing, including the scope of the transaction testing performed during the independent review, should be considered in determining the extent of transaction testing the BSA examiner will do. A BSA examiner may perform minimal transaction testing if the independent review is adequate. Once on-site, the scope of the transaction testing can be adjusted to address any issues or concerns identified during the pre-planning examination stage. The examiner should document any decisions regarding the extent of transaction testing to conduct, the activities for which it is to be performed, and the rationale for any changes to the scope of transaction testing that occur during the examination. Testing should be sufficient to fully assess the degree of risk exposure in a particular function or activity. If the MSB does not have an AML program, or the program is inadequate, then the examiner should perform additional transaction testing procedures (within each section of the manual as applicable to the MSB) to determine the extent, if any, of the MSB’s compliance violations.</p>	P. 27-41		
MSB Registration Requirements			
<p>Objective: <i>Assess the MSB’s compliance with the applicable statutory and regulatory requirements for registration with FinCEN and licensing by the MSB’s state licensing authority, if applicable.</i></p>			
<p>1. Verify applicability of the requirement for the MSB to register.</p>	P. 42-45		
<p>2. Review filed registrations (if applicable) for accuracy and completeness.</p> <ul style="list-style-type: none"> • Review FinCEN form 107, Registration of Money Services Business, and the confirmation from the IRS to ensure accuracy and 	P. 42-45		

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<p>timely filing.</p> <ul style="list-style-type: none"> ▪ A branch office of an MSB is not required to file its own registration form. ▪ An MSB must report information about its branch locations or offices as provided by the instructions to the registration form. <ul style="list-style-type: none"> • Review the supporting documentation for the MSB’s registration. A registered MSB must retain: <ul style="list-style-type: none"> ▪ A copy of any registration form filed and any registration number assigned; ▪ The annual estimate of the volume of the registrant’s business for the coming year; ▪ Information regarding ownership or control of the business, including the name and address of any shareholder holding more than five percent of the registrant’s stock; the name and address of any general partner; and the name and address of any trustee and/or director or officer of the business; and ▪ An agent list (if applicable). 			
<p>3. Review the agent list (if applicable) for all required elements.</p>	<p>P. 42-45</p>		
<p>4. Verify the MSB has renewed its registration or re-registered when appropriate as required by 31 CFR 103.41.</p>	<p>P. 42-45</p>		
<p>On-Site Visit and Interview of Appropriate Personnel</p>			
<p>Objective: <i>Determine whether the MSB has developed, implemented and administered an effective AML program in accordance with the BSA and implementing regulations.</i></p> <p>Note: For an example of initial interview questions, refer to Appendix G –</p>			

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Sample MSB Interview Questions. This is only a guide that should be modified as each BSA examination warrants.			
<p>1. To the extent not already covered during pre-planning and scoping the examination, interview management and the individual(s) responsible for the AML program. During the interview(s), the examiner should determine and document overall knowledge and commitment to BSA compliance. The interview should also identify any related institutions, branches, and agents. Examiners should ask specific questions relating to the business and services offered. The examiner should consider all financial services or products offered by the business, such as money transmission, check cashing, currency exchange, and sales of money orders/traveler’s checks. The interview should document sufficient information to describe the operations of the MSB including:</p> <ul style="list-style-type: none"> • Employees’ familiarity with internal compliance programs and internal controls; • Independent reviews, including reporting and resolution of findings; • Accounts used for money services, including foreign correspondent accounts; • Currency controls; • On-site records; • Off-site records in media other than hard copy; • The amount of training received on the BSA recordkeeping and reporting requirements; • Reporting requirements; • Suspicious activity monitoring requirements; and • BSA reporting and recordkeeping requirements, including suspicious activity identification. 	P. 46-51		

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2. Interview and document the responsibilities and duties of BSA personnel. During the interview of selected employees, the examiner should determine if the MSB's written AML program has been implemented and operates in the same manner as the described BSA/AML policies and procedures.	P. 46-51		
<p>3. Ask the appropriate personnel, including agents where applicable, to discuss their process for handling transactions. This may include observation of personnel, including agents where applicable, performing a sample transaction, and having the employee walk you through several types of transactions. Document the process and evaluate whether the MSB has implemented procedures to ensure compliance with the BSA and evaluate whether processes agree to policies and procedures established by management. The examiner should ascertain and document:</p> <ul style="list-style-type: none"> • The types of records maintained; • Knowledge of currency transaction reporting requirements; • Where applicable, limits for cashing checks without approval and procedures for cashing large checks; • Procedures and records maintained for large money orders/traveler's checks sold; • Procedures for preparing CTRs and SAR-MSBs; • Procedures for obtaining records required for transmittals of funds; and • Procedures for obtaining records required for currency exchange or dealing. 	P. 46-51		
4. Interview employees of the MSB, including front line employees, owners, management, and agents where applicable, as to whether or not they have knowledge (appropriate to their responsibilities) of what	P. 46-51		

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constitutes suspicious activity and what the reporting requirements are for suspicious activity.			
Anti-Money Laundering Program			
Objective: <i>Assess the adequacy of the MSB's anti-money laundering program. Determine whether the MSB has developed, administered, and maintained an effective risk-based program for compliance with the BSA and all of its implementing regulations.</i>	P. 52-70		
<p>1. Review the MSB's written AML program to ensure it contains the following required elements:</p> <ul style="list-style-type: none"> • Policies, procedures, and internal controls designed to ensure ongoing compliance; • Designation of individual(s) responsible for coordinating and monitoring day-to-day compliance; • Training for appropriate personnel; and • Independent review to adequately monitor program. 	P. 52-70		
Risk Assessment			
2. Based on examination procedures completed during scoping and planning, including the review of the risk assessment, determine whether the MSB has adequately assessed its risks and incorporated them into the MSB's AML program. (Refer also to the Pre-Planning the BSA Examination - Overview and Pre-Planning the BSA Examination - Examination Procedures sections of this manual for additional information.)	P. 52-70		
Internal Controls			
3. Develop a thorough understanding of the MSB's policies, procedures, and processes designed to ensure compliance with the BSA. This review should be completed prior to starting any transactional testing.	P. 52-70		

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
<p>An MSB's AML program must be commensurate with its BSA/AML risk profile. Determine if policies, procedures, and processes:</p> <ul style="list-style-type: none"> • Provide for program continuity despite changes in management or employee composition or structure; • Meet all regulatory requirements, address recommendations for BSA compliance, and provide for timely updates to changes in regulations; • Provide for the identification of reportable transactions and the accurate filing of all required reports, including SAR-MSBs and CTRs; • Provide sufficient controls and monitoring systems for the timely detection and reporting of suspicious activities; • Provide for adequate supervision of employees that handle currency transactions, complete reports, monitor for suspicious activities, or engage in any other activity covered by the BSA and its implementing regulations; • Address the BSA/AML risks identified in the examiner's and/or the MSB's risk assessment; • Provide for collecting and verifying customer identification. Determine through review of documents and discussion whether there are adequate and effective policies and procedures for verifying customer identification as appropriate; • Provide for creating and retaining records. Does the MSB have processes to ensure required information is obtained and retained for the required timeframe? Is there a review process to ensure adequate records are being obtained? and • Provide for responding to law enforcement requests. Does the MSB have a process for handling law enforcement requests? Are the appropriate personnel involved in the process? For example, do all 			

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requests go through the BSA compliance officer?			
4. Identify and document the transaction cycle of the products and services of the MSB through discussion and observation. This process should answer the Who, What, Where, and Why of the MSB's activities so the examiner can evaluate the appropriateness of risk-based internal controls, policies, and procedures implemented by the MSB.	P. 52-70		
5. Identify, document, analyze, and evaluate the day-to-day system of monitoring transactions for BSA reporting requirements. Determine whether monitoring systems are appropriate based on the risks of the MSB.	P. 52-70		
6. Determine if senior management or the board of directors, where applicable, is provided adequate reports on anti-money laundering and BSA compliance. Perform an assessment of personnel efforts regarding communicating with senior management or the board of directors, where applicable, on issues of anti-money laundering. <ul style="list-style-type: none"> • Where applicable, determine if reports are provided to the board of directors or an established compliance committee. If so, review the minutes to ensure discussions have been documented. • Obtain a copy of all reports that were provided to management or the board of directors, where applicable, regarding BSA compliance during the review period. • Determine if personnel are providing sufficient information to senior management or the board of directors (where applicable) to ensure BSA compliance is adequately addressed. 	P. 52-70		
Principal MSB's Monitoring/Oversight Procedures			
7. Review the principal MSB's policies and procedures for monitoring/oversight of branches and agents. Determine through	P. 52-70		

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interviews, assessment of the principal MSB's risk, and analysis of the principal MSB's policies, procedures, and internal controls whether policies, procedures, and internal controls are adequate.			
8. Identify those branches/agents that are at highest risk. Factors to consider should not be based solely on the total volume of the various financial services offered. An agent that conducts \$500,000 in funds transmittals in a month is not in itself high risk. However, if the majority of the transactions are conducted at or right below the identification requirements or self-imposed limitations, then those factors put the branch/agent at a higher risk than an agent that has the same volume but with a majority of transactions at much smaller amounts. Those branches/agents that have a higher risk for recordkeeping and reporting requirement violations may also be at higher risk for potential suspicious activity occurring. Ensure that the principal MSB has identified its high risk branches/agents and has appropriately monitored associated transactions.	P. 52-70		
9. Examine a sample of the higher risk branches/agents to determine their BSA compliance and whether the branches/agents have had any contact with the principal MSB relative to compliance requirements, including training on recordkeeping as well as identification and filing reports, such as suspicious activity reports. Determine if branches/agents have received adequate BSA/AML training.	P. 52-70		
10. If a principal MSB files SAR-MSBs for agents, the examiner should determine what type of contact is made with the agent MSB to ensure its employees understand the requirements.	P. 52-70		
11. Review files of those agents whose contracts have been terminated by the principal MSB to determine why they no longer offer the principal MSB's financial services. It is possible that the agent has gone to another service provider and follow-up may be warranted on those	P. 52-70		

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agents.			
12. For branches, ascertain the branches' BSA knowledge, areas of noncompliance, and any corrective action documented by the branches. Examiners need to identify whether the headquarters is aware of any issues raised at the branch level related to BSA compliance and any corrective action implemented. (The principal MSB headquarters is ultimately responsible for the compliance of all its branches.)	P. 52-70		
Additional Examination Procedure for Branch/Agent Monitoring/Oversight Based on Risk			
13. Review a sample of SAR-MSBs filed by the agent MSB location where transactions were conducted. SAR-MSBs filed on transactions conducted at an agent location should be reviewed to determine whether the agent MSB's procedures for reporting are appropriate. Determine whether the principal MSB maintains appropriate communication and oversight of agent MSB SAR-MSB filing activity where appropriate.	P. 52-70		
Requirement for MSBs with Respect to Foreign Agents or Foreign Counterparties (as applicable to MSB under exam)			
14. Ensure that the MSB's AML program establishes procedures for conducting reasonable, risk-based due diligence on potential and existing foreign agents and counterparties to help ensure that such foreign agents and counterparties are not themselves complicit in illegal activity involving the MSBs products and services, and that the foreign agent or foreign counterparty have appropriate AML controls in place to guard against the abuse of the MSB's products and services. Due diligence must, at a minimum, include: <ul style="list-style-type: none"> • Reasonable procedures to identify the owners of the MSB's foreign agents and counterparties; • Procedures to evaluate, on an ongoing basis, the operations of those 	P. 52-70		

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
<p>foreign agents and counterparties and their implementation of policies, procedures, and controls reasonably designed to help assure that the MSB's products and services are not subject to abuse by the foreign agent's or counterparty's customers, employees, or contractors;</p> <ul style="list-style-type: none"> • Procedures to review location and jurisdiction of the MSB's foreign agents/counterparties. Consider the nature of the business of the foreign agents/counterparties, the markets they serve, and the extent to which these increase their risk for money laundering or terrorist activity; and • Evaluation of the types and purpose of service to be provided and anticipated activity with the foreign agents/counterparties. 			
<p>15. Ensure that the MSB has established procedures for risk-based monitoring and review of transactions from, to, or through the United States that are conducted through foreign agents and counterparties. Such procedures should also focus on identifying material changes in the agent's risk profile, such as change in ownership, business, or the regulatory scrutiny to which it is subject. In addition, MSBs should have procedures in place to enable them to review foreign agent or counterparty activity for signs of structuring or unnecessarily complex transmissions through multiple jurisdictions that may be indicative of layering.</p>	P. 52-70		
<p>16. Review the MSB's procedures for responding to foreign agents or counterparties that present unreasonable risks of money laundering. Such procedures should provide for the implementation of corrective action on the part of the foreign agents or counterparties or the termination of relationships with the foreign agents or counterparties that pose an unacceptable risk of money laundering or terrorist financing, or that demonstrate systemic, willful, or repeated lapses in compliance with the MSB's own AML procedures or requirements.</p>	P. 52-70		

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17. For currency dealers or exchangers, review the bank records for all the domestic and foreign bank accounts over which the currency dealer or exchanger has authority. Many currency dealers or exchangers have foreign bank accounts or use foreign bank accounts held in agent or nominee names to facilitate conducting their financial services. The examiner should ask for foreign bank account records.	P. 52-70		
18. Analyze the volume and size of transactions being conducted at each foreign agent/counterparty. <ul style="list-style-type: none"> • Identify patterns of significant changes. Review the agent files for those with significant changes. • Identify agents in jurisdictions where their AML program requirements may be weaker. • Identify agents in locations where it is known that illegal activity such as drug trafficking is common. • Review activity for signs of structuring or unnecessarily complex transmissions through multiple jurisdictions that may be indicative of layering. • Review the MSB's response to agents conducting transactions that place them at a higher risk. 	P. 52-70		
BSA Compliance Officer			
19. Determine whether the BSA compliance officer has the necessary authority and resources to effectively execute all duties. The BSA compliance officer should have adequate involvement in development and implementation of new policies, processes, services, products, agents, etc. There should also be an adequate reporting line for compliance matters.	P. 52-70		

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
20. Determine if the BSA compliance officer's education, training, and experience are adequate for the duties and responsibilities defined in his/her job description.	P. 52-70		
21. Assess the competency of the BSA compliance officer and his or her staff, as necessary. Determine whether the BSA compliance area is sufficiently staffed for the MSB's overall risk level (based on products, services, customers, geographic locations, etc.), size, and BSA compliance needs. In addition, ensure that no conflict of interest exists and that staff is given adequate time to execute all duties.	P. 52-70		
Independent Testing			
22. Determine whether the BSA/AML testing is independent (i.e., performed by a person or persons who do not include the BSA compliance officer, a person reporting directly to the compliance officer, or a person involved in funds transactions, etc.). The person(s) performing the independent testing should not be involved in the development or revision of the AML program, policies, procedures, and training.	P. 52-70		
23. Evaluate the qualifications of the person(s) performing the independent testing to assess whether the MSB can rely upon the findings and conclusions.	P. 52-70		
24. Review the reports and workpapers from the independent testing to determine whether it is comprehensive, accurate, adequate, and timely. The independent testing should address the following: <ul style="list-style-type: none"> • The overall integrity and effectiveness of the AML program, including policies, procedures, and processes; • BSA/AML risk assessment; • BSA reporting and recordkeeping requirements; 	P. 52-70		

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
<ul style="list-style-type: none"> • Personnel adherence to the MSB’s BSA/AML policies, procedures, and processes; • Appropriate transaction testing, with particular emphasis on high-risk areas; • Adequacy of training, including comprehensiveness, accuracy of materials, the training schedule, and attendance tracking; • The integrity and accuracy of management information systems (MIS) used in the AML program (e.g., whether MIS includes reports that identify large currency transactions, aggregate daily currency transactions, monitor transmittals of funds, and money order or traveler’s checks sales transactions); and • Agent oversight, where applicable. 			
<p>25. Review the scope, procedures, and workpapers to determine adequacy of the independent testing based on the following:</p> <ul style="list-style-type: none"> • Overall testing coverage and frequency in relation to the risk profile of the MSB; • Management’s reporting and supervision of, and its responsiveness to, testing findings; • Adequacy of transaction testing, particularly for high-risk operations and suspicious activity monitoring systems. Ensure the independent review tested the validity and accuracy of the transaction identification system utilized by the MSB. If an automated or large transaction identification or aggregation system is not used, did the review test transactions conducted by the MSB for the examination period to determine if large transactions are being reported? and • Competency of the independent reviewers regarding BSA requirements. 	P. 52-70		

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<p>Note: The adequacy of the independent testing, including the scope of the transaction testing performed during the independent review, should be considered in determining the extent of transaction testing the BSA examiner will do. A BSA examiner may perform minimal transaction testing if the independent review is adequate.</p>			
Training			
<p>26. Determine whether the MSB's training program and materials adequately address the following elements:</p> <ul style="list-style-type: none"> • The importance management and the board of directors, where applicable, place on ongoing education, training, and compliance; • Employee accountability for ensuring BSA compliance; • Comprehensiveness of training, considering specific risks of individual business lines; • Training of appropriate personnel from all applicable areas of the MSB; • Frequency of training; • Documentation of attendance records and training materials; • Coverage of the MSB's policies, procedures, and processes; • Coverage of different forms of money laundering and terrorist financing as this information relates to identification and examples of suspicious activities; and • Incorporation of new and revised changes to the BSA and related regulations. 	P. 52-70		
<p>27. Engage in discussions with appropriate employees to assess their knowledge of BSA/AML policies and regulatory requirements.</p>	P. 52-70		

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28. Determine whether management's procedures are appropriate to ensure all applicable personnel receive training. As appropriate, review employee training records to determine whether all appropriate personnel have received training.	P. 52-70		
Preliminary Evaluation			
29. After the examiner has completed the review of all required elements of the MSB's overall AML program, the examiner should document a preliminary evaluation of the MSB's program. At this point, the examiner should revisit the initial examination plan, in order to determine whether any strengths or weaknesses identified during the review of the MSB's AML program warrant adjustments to the initial planned scope. The examiner should document and explain any changes to the examination scope.	P. 52-70		
Recordkeeping Requirements			
<p>Objective: <i>Assess the adequacy of the MSB's anti-money laundering recordkeeping. Determine whether the MSB maintains required records and documents to administer an effective risk-based program for compliance with the BSA and all of its implementing regulations.</i></p> <p>Any documents the MSB maintains that are relevant to the BSA examination can be requested and reviewed. The examiner will determine if the MSB is maintaining adequate records and must document any recordkeeping violations. Procedures should be performed based on the risks identified by the examiner.</p>	P. 71-79		
Records to be Maintained for Issuance or Sales of Monetary Instruments			
1. Review the MSB's policies, procedures, and internal controls for collecting and maintaining required records for issuance and sale of money orders/traveler's checks. Determine if policies, procedures, and	P. 71-79		

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internal controls are appropriate to ensure compliance with recordkeeping requirements.			
<p>2. Review the MSB's records to determine if all the required information on the purchasers of money orders/traveler's checks involving currency in amounts of \$3,000 to \$10,000, inclusive, has been maintained and verified pursuant to the recordkeeping requirements.¹ Records should include:</p> <ul style="list-style-type: none"> • Name and address of the purchaser. The MSB is required to verify the purchaser's name and address and record the specific identifying information (e.g., state of issuance and purchaser's driver's license number). When the purchaser is not an account holder, the MSB shall verify the purchaser's name and address by examination of a document that is normally acceptable within the banking community as a means of identification when cashing checks and that contains the name and address of the purchaser, and shall record the specific identifying information (e.g., state of issuance and purchaser's driver's license number);² • Date of purchase; • Type of instruments purchased; • Serial numbers of the instruments purchased; • Amount in dollars of each instrument purchased; • When the purchaser is not an account holder, the purchaser's social security number or alien identification number; and • When the purchaser is not an account holder, the purchaser's date of birth. 	P. 71-79		

¹ 31 CFR 103.29

² 31 CFR 103.29(a)(2)(ii)

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<p>3. Review the MSB's sales records and/or daily summaries for block purchases. Trace a sample of these purchases to records of sales of \$3,000 to \$10,000 in currency to determine if appropriate records are maintained. Verify that records are complete and procedures followed are consistent with the BSA/AML compliance policies, procedures, and internal controls established in the AML program.</p>	P. 71-79		
<p>Additional Examination Procedures for Issuance and Sale of Money Orders/Traveler's Checks Based on Risk</p>			
<p>4. Perform a sort of the MSB's transaction database for each type of instrument (money orders, traveler's checks, etc.) for the period of time selected. The database should contain the following fields at minimum: date instrument was sold, time instrument was sold, instrument number, office (location) where instrument was sold, amount of instrument, fee or commission amount. For traveler's check issuers, request that the database contain a field indicating the beginning and ending numbers of the traveler's checks sold to each customer, as well as a field showing the total amount of the sale to each customer.</p> <ul style="list-style-type: none"> • For traveler's checks, sort the transactions by amount to determine sales totaling \$3,000 to \$10,000 in currency. Compare the results of the sort to the entries in the records provided by management and determine whether all the traveler's check sales totaling \$3,000 to \$10,000 in currency to one person contained in the sort are also included in the records provided by the MSB. Investigate any differences. • For all other instruments, sort the transactions by instrument number and note any sequential sales of instruments within a short period of time sold at the same location totaling \$3,000 to \$10,000 in currency. For example, if it is noted that three individual sales of money orders occurred within seconds apart at the same location 	P. 71-79		

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<p>and the three transactions total in excess of \$3,000, request the MSB to research the items and provide the purchaser information for the transactions.</p> <ul style="list-style-type: none"> • Compare the sequential transaction sets noted through the database sort to the transaction records provided by the MSB and determine whether all the sales totaling \$3,000 to \$10,000 in currency to one person contained in the sort are also included in the records provided by the MSB. Investigate any differences. • Perform a sort of single transactions for the sample period where a customer conducts a transaction and the amount of the transaction is \$3,000 to \$10,000 in currency. Verify additional information is maintained. Fees are not included in the dollar thresholds. Are there obvious incorrect SSNs? • Perform a sort for multiple transactions for the sample period - transactions where the customer conducts multiple transactions at the same location or different locations and the transaction amounts are \$3,000 or more. The regulation requires aggregating the money order/traveler's check purchases if it can be shown that an employee, officer, or partner of the MSB has knowledge that the transactions have occurred. Prior to citing a possible violation, the examiner must show how the "knowledge" can be demonstrated. If it can be shown that a customer is conducting multiple transactions below the recordkeeping requirements, it may be an indication of possible suspicious activity and should be analyzed. • Document and discuss any deficiencies identified. 			
<p>5. Trace large block sales or large single-transaction sales of money orders/traveler's checks in the register or other similar reports to the records required for recordkeeping compliance purposes. A block sale involves the simultaneous sale of sequentially numbered money orders/traveler's checks for an amount at or near the maximum dollar</p>	<p>P. 71-79</p>		

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amount. The issuing company usually sets the maximum amount allowed for each money order/traveler's check. The review should identify blocks of money orders/traveler's checks totaling \$3,000 to \$10,000 for recordkeeping requirements.			
6. Determine the completeness of the money order/traveler's checks register by reconciling this to the summary sales reports sent to the issuing company, the discrepancy report from the issuing company, and the bank deposit records.	P. 71-79		
Records to be Maintained for Transmittals of Funds			
7. Review the MSB's policies, procedures, and internal controls for collecting and maintaining required records for transmittals of funds. Determine if policies, procedures, and internal controls are appropriate to ensure compliance with recordkeeping requirements.	P. 71-79		
8. Review transmittal reports listing transactions of \$3,000 or more for completeness and any obvious invalid data (e.g., false social security number (SSN)). These records may be maintained by the principal MSB, and when possible, the examiner should request an electronic file of the records relating to transactions of \$3,000 or more.	P. 71-79		
9. Determine the adequacy of the MSB's customer identification policies by selecting a sample of transactions and verifying customer identification was obtained and verified as appropriate.	P. 71-79		
Additional Procedures for Transmittals of Funds Based on Risk			
10. If the risk assessment, discussions with management, or review of policies and procedures suggest that transactions of \$3,000 or more occurred, and that required records of these transactions might not have been maintained, sort the funds transmittals in the database provided by the MSB by transaction amount and determine whether all the	P. 71-79		

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transmittals of \$3,000 or more contained all required information. Investigate any differences.			
Records to be Maintained by Currency Dealers or Exchangers			
11. Review the MSB's policies, procedures, and internal controls for collecting and maintaining required records for currency dealing or exchanging. Determine if policies, procedures, and internal controls are appropriate to ensure compliance with recordkeeping requirements.	P. 71-79		
12. Review a sample of transactions to determine whether required records have been maintained. ³	P. 71-79		
Additional Examination Procedures for Currency Dealers or Exchangers Based on Risk			
13. Trace transactions to the transaction vouchers, checking for compliance with recordkeeping requirements.	P. 71-79		
Evaluating the MSB's Compliance with Recordkeeping Requirements			
14. If a determination is made that records are inadequate or were destroyed or not maintained, the examiner should: <ul style="list-style-type: none"> • Expand the scope of the BSA examination; and • Document all problem areas and findings in the workpapers. 	P. 71-79		
15. If apparent BSA violations are detected, the examiner should interview the responsible person or employee who conducted the unrecorded transaction(s). Based on the responses, the examiner should consider expanding the scope of the examination.	P. 71-79		
16. On the basis of examination procedures completed, including	P. 71-79		

³ 31 CFR 103.37

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transaction testing, form a conclusion about the ability of policies, procedures, and processes to meet regulatory requirements associated with monitoring, collecting, and retaining information for recordkeeping.			
Record Retention Requirements			
Objective: <i>Assess the MSB's compliance with the respective statutory and regulatory record retention requirements as they apply to the MSB's financial services.</i>			
<p>1. Through review of policies, procedures, internal controls, and transactional testing, ensure that:</p> <ul style="list-style-type: none"> • Filed CTRs have been retained by the MSB for the required five-year period; • Filed SAR-MSBs have been retained by the MSB for the required five-year period; • All records related to filed FBARs have been retained by the MSB for the required five-year period;⁴ • Records required to be maintained for the issuance and sale of money orders/traveler's checks have been retained by the MSB for the required five-year period; • Records required to be maintained for funds transmittals have been retained by the MSB for the required five-year period; and • Records required to be maintained for MSB registration (if applicable) have been retained by the MSB for five years. 	P. 80-81		
2. Review the AML program, policies, procedures, and internal controls to determine if there is any record of the MSB maintaining the above mentioned documents and related information for five years. Make a	P. 80-81		

⁴ 31 CFR 103.32

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reference in the procedure comment to the specific section or page number of the policy, procedure, or other document that references the five-year maintenance requirement. Also, confirm with management that the records are in fact maintained for five years, and document management's comments regarding this issue.			
Evaluating the MSB's Compliance with Record Retention Requirements			
3. If a determination is made that records are inadequate or have been destroyed or not maintained, the examiner should: <ul style="list-style-type: none"> • Expand the scope of the BSA examination; and • Document all problem areas and findings in the workpapers. 	P. 80-81		
4. If apparent BSA violations are detected, the examiner should interview the responsible person or employee who conducted the undocumented transaction(s). Based on the responses, the examiner should consider expanding the scope of the examination.	P. 80-81		
5. On the basis of examination procedures completed, including transaction testing, form a conclusion about the ability of policies, procedures, and processes to meet regulatory requirements associated with record retention.	P. 80-81		
Currency Transaction Reporting			
Objective: <i>Assess the MSB's compliance with statutory and regulatory requirements for the reporting of large currency transactions.</i>	P. 82-88		
1. Determine whether the MSB's policies, procedures, and processes adequately address the preparation, filing, and retention of Currency Transaction Reports (CTRs) (FinCEN Form 104).	P. 82-88		
2. Review correspondence that the MSB has received from the IRS ECC-D relating to incorrect or incomplete CTRs (errors). Determine whether	P. 82-88		

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management has taken corrective action, when necessary.			
3. Review the currency transaction system. This review includes determining whether the MSB has met its requirements for filing CTRs for all currency transactions where the MSB either receives or pays out currency in excess of \$10,000. Determine whether the MSB aggregates all or some currency transactions. Determine whether the MSB aggregates transactions by taxpayer identification number (TIN), individual taxpayer identification number (ITIN), employer identification number (EIN), or customer information file (CIF) number. Does the MSB ensure that multiple currency transactions are treated as a single transaction if they result in either currency in or out totaling more than \$10,000 during any one business day to the same person? Also, evaluate how CTRs are filed on customers with missing TINs or EINs.	P. 82-88		
4. Determine if the MSB's independent testing confirms the integrity and accuracy of the management information systems (MIS) used for aggregating currency transactions. If this was not done, the examiner should confirm the integrity and accuracy of the MIS. The examiner's review should confirm that tellers do not have the capability to override currency aggregation systems.	P. 82-88		
Transactional Testing <i>Transactional testing should be used to support the examiner's preliminary conclusions on the adequacy of the MSB's AML program.</i>			
5. On the basis of a risk assessment, prior examination reports, and a review of the MSB's independent review findings, select a sample of filed CTRs (hard copy or from computer-generated filings) to determine	P. 82-88		

⁵ Effective January 1, 2009, MSBs, like other financial institutions, will no longer be able to file on magnetic media.

⁶ 31 CFR 103.27(a)(3)

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<p>whether:</p> <ul style="list-style-type: none"> • CTRs are completed in accordance with FinCEN instructions; • CTRs are filed accurately and completely. The Web CBRS database should also be checked to verify that the reports were actually filed; • CTRs were filed within 15 days (25 days if filed electronically or on magnetic media⁵) from the date the transaction(s) occurred. Compare and cross-reference the date(s) of the reportable transaction(s) to the transaction date(s) shown on the CTR. Count the number of days between the date of the CTR and the transaction date(s) to ensure the number of days is not in excess of 15 (25 days if filed electronically or on magnetic media). If the Web CBRS database was queried, compare the dates for the CTRs shown by the query to the filing date on the CTR forms provided by the MSB. Note any differences in dates. If there are significant differences between the dates shown by the query and the dates shown on the CTRs provided by management, discuss with management; and • Check for discrepancies between the MSB's records of CTRs and the CTRs reflected in the download from the Web CBRS. The MSB retains copies of CTRs for five years from the date of the report.⁶ 			
<p>6. The examiner may perform additional transaction testing to include a risk-based sample of transaction records to determine CTRs were filed where appropriate.</p> <ul style="list-style-type: none"> • Review transaction records, system-generated reports, money transmission logs, etc., and review transactions where a customer conducted a transaction and the amount of the transaction plus the fee charged aggregated greater than \$10,000 in currency. • Review transaction records, system-generated reports, money transmission logs, etc., and review transactions where the customer conducted multiple transactions at the same location or different locations and the transaction amounts plus the fees aggregated 	P. 82-88		

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<p>greater than \$10,000 in currency. Note: For money transmission records, this should be completed for both customers sending funds and recipients of funds at a branch or agent located in the United States.</p> <ul style="list-style-type: none"> If the examiner determines a CTR should have been filed or the required recordkeeping or reporting requirements are not met, the examiner should determine the reason the internal procedures failed. 			
<p>7. If apparent BSA violations are detected, the examiner should interview the responsible person or employee who conducted the transaction. Based on the responses, the examiner should consider expanding the scope of the examination. When the MSB contends that a CTR was filed and provides its retained copy as evidence, the examiner should query the Web CBRS database and conduct an exhaustive search before concluding that a CTR was not received. In conducting the search, the examiner should query all customer numerical identification fields on the CTR such as account number (if applicable), SSN, and identification credential number.</p>	P. 82-88		
Additional Examination Procedures For Check Cashers Based on Risk			
<p>8. Based on the risk posed by the MSB, the examiner may consider the following steps when reviewing check casher's records:</p> <ul style="list-style-type: none"> Review copies of cashed checks or other available records for transactions over \$10,000 requiring CTR filing and determine if CTRs were filed. This includes multiple transactions for the same payee where the total currency exceeds \$10,000 in one business day. Trace a sample of teller reconciliation summary totals to the daily cash reconciliation to determine if CTRs were filed when required. Trace a sample of daily cash reconciliation totals to the daily bank deposit slips to determine if CTRs were filed when required. 	P. 82-88		

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<ul style="list-style-type: none"> • Trace a sample of the daily cash reconciliations to the bank statements to determine whether all CTRs were filed when required. • Analyze the bank reconciliations, cash-on-hand records, and transaction records to identify large transactions. The examiner should look for decreases in either the amount of ending cash on hand or amounts withdrawn from the MSB's bank. Large decreases or withdrawals of cash could indicate large checks were cashed. The examiner should note the dates when amounts could exceed \$10,000 or transactions appear to be structured to avoid the \$10,000 threshold. • Analyze the transaction records for cash in and cash out transactions conducted by the MSB to determine if CTRs are filed when appropriate. • Perform a review of records to determine if CTRs are filed for large currency transactions, identified by tellers' cash proof sheets, automated large currency transaction systems, or other types of aggregation systems that cover all relevant areas of the MSB. 			
Additional Examination Procedures for Issuance or Sale of Money Orders/Traveler's Checks Based on Risk			
9. Trace large block sales or large single-transaction sales of money orders/traveler's checks in the money order/traveler's check register or other similar records to the records required for CTR reporting. A block sale involves the simultaneous sale of sequentially numbered money orders/traveler's checks for an amount at or near the maximum dollar amount. The issuing company usually sets the maximum amount allowed for each money order/traveler's check. The review should identify blocks of money orders/traveler's checks greater than \$10,000 for CTR reporting.	P. 82-88		
10. Analyze the summary and transaction records for cash in and cash out	P. 82-88		

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for transactions conducted by the MSB.			
Additional Examination Procedures for Money Transmitters Based on Risk			
<p>11. Perform a sort of transmission records. Analyze customer database sorts to detect unreported transactions, errors, and/or deficiencies in the money transmitter’s BSA compliance system for reporting CTRs. (The examiner should review such information as the name, address, dollar amounts of transmissions, social security number, and phone number.)</p> <ul style="list-style-type: none"> • Compare the results of the transaction database sort for transactions greater than \$10,000 to the CTR forms provided by the MSB. For example, if the sort indicates the MSB conducted 25 transactions of more than \$10,000 for the period, you should typically see at least 25 CTRs filed for the period. However, some transactions of more than \$10,000 may not involve currency aggregating more than \$10,000, and would not require the filing of a CTR. For example, a customer may pay for an \$11, 000 money transmission with \$6,000 in cash and \$5,000 in another form of payment. For transactions of more than \$10,000 that do not involve currency of more than \$10,000, request that the MSB provide documentation (copies of checks, breakdown of currency and negotiable instruments, etc.) to support the reason for not filing a CTR. • Use the results of the transaction database sort for transactions conducted by the same person on the same business day to determine if CTRs were filed for the transaction aggregations showing in the database sort. Note aggregations showing customers who conduct transactions at multiple branch or agent locations of the MSB. • If CTRs for the aggregations noted in the database sort cannot be found, discuss with management and determine why CTRs were not 	P. 82-88		

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filed for the aggregations noted. One likely reason could be that currency totaling more than \$10,000 was not involved in the transactions. Request documentation from management to support why CTRs were not filed for the aggregated amounts totaling more than \$10,000 by one person in one business day.			
12. Analyze the summary and transaction records for cash in and cash out for transactions conducted by the MSB.	P. 82-88		
Additional Examination Procedures for Currency Dealers or Exchangers Based on Risk			
13. Select dates within the examination period and reconcile the transaction vouchers, daily transaction log, client ledger, and monthly and annual summary sheets.	P. 82-88		
14. Analyze the summary and transaction records for cash in and cash out for transactions conducted by the MSB. All large or unusual items should be pursued to ensure adequacy of CTR reporting.	P. 82-88		
15. Analyze database sorts of the name, address, and phone number fields to determine whether there were unreported transactions and deficiencies in the MSB's AML program.	P. 82-88		
Evaluating the MSB's Compliance with Currency Transaction Reporting Requirements			
16. If a determination is made that records are inadequate or have been destroyed or not maintained, the examiner should: <ul style="list-style-type: none"> • Expand the scope of the BSA examination; and • Document all problem areas and findings in the workpapers. 	P. 82-88		

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17. If apparent BSA violations are detected, the examiner should interview the responsible person or employee who conducted the transaction. Based on the responses, the examiner should consider expanding the scope of the examination.	P. 82-88		
18. On the basis of examination procedures completed, including transaction testing, form a conclusion about the ability of policies, procedures, and processes to meet regulatory requirements associated with monitoring, detecting, and reporting for currency transactions.	P. 82-88		
Suspicious Activity Reporting			
Objective: <i>Assess the MSB's policies, procedures, and processes, and its overall compliance with statutory and regulatory requirements for monitoring, detecting, and reporting suspicious activities.</i>			
Review of Policies, Procedures, and Processes			
1. Review the MSB's policies, procedures, and processes for identifying, researching, and reporting suspicious activity. Determine whether they include the following: <ul style="list-style-type: none"> • Lines of communication for the referral of unusual activity to appropriate personnel; • Designation of individual(s) responsible for identifying, researching, and reporting suspicious activities; • Monitoring systems used to identify unusual activity; • Procedures to ensure the timely generation of, review of, and response to reports used to identify unusual activities; • Procedures for documenting decisions not to file a SAR-MSB. (Note: There is no affirmative requirement to document decisions not to file SAR-MSBs, so an MSB should not be automatically criticized or cited for failing to have such documentation. The lack 	P. 89-104		

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<p>of documentation, however, may make it far more difficult to determine the decision process for not filing a SAR-MSB);</p> <ul style="list-style-type: none"> • Procedures for determining whether to refuse services to customers for attempting a suspicious transaction or engaging in continuous suspicious activity; • Procedures for completing, filing, and retaining SAR-MSBs and their supporting documentation; and • Procedures for reporting SAR-MSBs to senior management. 			
Evaluating Suspicious Activity Monitoring Systems			
<p>Review the MSB's monitoring systems and how they fit into the MSB's overall suspicious activity monitoring and reporting process. Complete the appropriate examination procedures that follow. When evaluating the effectiveness of the MSB's monitoring systems, examiners should consider the MSB's overall risk profile.</p>			
Manual Transaction Monitoring			
<p>2. Review the MSB's transaction monitoring reports. Determine whether the reports capture all areas that pose money laundering and terrorist financing risks. Examples of these reports include: currency activity reports, funds transfer reports, monetary instrument sales reports, large item reports, and zero fee transaction reports.</p>	P. 89-104		
<p>3. Determine whether the MSB's monitoring systems use reasonable filtering criteria whose programming has been independently verified. Determine whether the monitoring systems generate accurate reports at a reasonable frequency.</p>	P. 89-104		
Automated Transaction Monitoring			

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4. Identify the types of customers, products, and services that are included within the automated monitoring system.	P. 89-104		
5. Identify the system's methodology for establishing and applying expected activity or profile filtering criteria and for generating monitoring reports. <ul style="list-style-type: none"> • Determine whether the system's filtering criteria are reasonable. • Determine whether the programming of the methodology has been independently validated. • Determine that controls ensure limited access to the monitoring system and sufficient oversight of assumption changes. 	P. 89-104		
Evaluating the SAR Decision-Making Process			
6. Evaluate the MSB's policies, procedures, and processes for referring unusual activity from all business lines to the personnel or department responsible for evaluating unusual activity.	P. 89-104		
7. Determine whether policies, procedures, and processes require appropriate research when monitoring and reporting unusual activity. Note: The decision to file a SAR-MSB is an inherently subjective judgment. Examiners should focus on whether the MSB has an effective suspicious activity reporting decision-making process, not on decisions about whether to file individual SAR-MSBs. Examiners may review individual SAR-MSB filing decisions as a means to test the effectiveness of the suspicious activity monitoring, reporting, and decision-making process. In those instances where the MSB has an adequate, established suspicious activity reporting decision-making process, followed existing policies, procedures, and processes, and determined not to file a SAR-MSB, the MSB should not be criticized for the failure to file a SAR-MSB unless the failure is significant or accompanied by evidence of bad faith.	P. 89-104		

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<p>8. Review SAR-MSB activity. Have there been significant changes in the volume or nature of SAR-MSBs filed? Investigate the reason(s) for these change(s).</p> <ul style="list-style-type: none"> • If there is a significant historical change in the number and/or nature of SAR-MSBs filed, interview responsible personnel to determine whether the changes are appropriate. Determine whether management is aware of trends identified. • Review the nature of SAR-MSBs filed. • Determine whether management has a process to monitor the number and nature of SAR-MSBs filed and the ability to strengthen controls and processes when necessary, based on this information. 	P. 89-104		
<p>Transaction Testing</p> <p>Transaction testing is used to support the examiner’s preliminary conclusions on the adequacy of the MSB’s suspicious activity monitoring and reporting process.</p>			
<p>SAR-MSB Reporting</p>			
<p>9. On the basis of a risk assessment, prior examination reports, policies, procedures, internal controls, and the MSB’s preliminary examination findings, sample the SAR-MSBs downloaded from the BSA reporting database or the MSB’s internal SAR-MSB records. Review the quality of SAR-MSB data to assess the following:</p> <ul style="list-style-type: none"> • SAR-MSBs contain accurate information; • SAR-MSB narratives are complete and thorough, and clearly explain why the activity is suspicious; • SAR-MSBs were filed within the required timeframe; and 	P. 89-104		

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<ul style="list-style-type: none"> SAR-MSBs were actually filed (verification of filing through the Web CBRS database). 			
Testing the Suspicious Activity Monitoring System			
<p>10. Sample specific customer transactions to review the following:</p> <ul style="list-style-type: none"> Suspicious activity monitoring reports; and Decisions not to file a SAR-MSB. (Note: There is no affirmative requirement to document decisions not to file SAR-MSBs so an MSB should not be automatically criticized or cited for failing to have such documentation. The lack of documentation, however, may make it far more difficult to determine why the MSB decided not to file a SAR-MSB at the time it made the decision.) <p>(Transaction testing of suspicious activity monitoring systems and reporting processes is intended to determine whether the MSB's policies, procedures, and processes are adequate and effectively implemented. Transaction testing of suspicious activity monitoring systems and reporting processes should be based on the risks identified during the examiner's review of the MSB's risk assessment as well as the policies, procedures, and internal controls implemented by the MSB to mitigate risks, identify suspicious activity, and report suspicious activity. Examiners should document the factors they used to select samples and should maintain a list of the SAR-MSBs or transactions sampled.)</p>	P. 89-104		
<p>11. For the transactions selected previously, obtain the following customer information, if applicable:</p> <ul style="list-style-type: none"> Selected sample of transaction activity covering the total customer relationship and showing all transactions; Supporting documentation; and Other relevant information and correspondence; 	P. 89-104		

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<p>Review the selected transactions for unusual activity. If the examiner identifies unusual activity, review customer information for indications that the activity is typical for the customer (i.e., the sort of activity in which the customer is normally expected to engage). When reviewing for unusual activity, consider the following:</p> <ul style="list-style-type: none"> • For individual customers, whether the activity is consistent with available information (e.g., occupation, source of funds, and customer identification); and • For business customers, whether the activity is consistent with examiner’s knowledge of the business (e.g., type of business, size, location, and target market). 			
<p>12. From the results of the sample, determine whether the MSB’s manual or automated suspicious activity monitoring system effectively detects unusual or suspicious activity. Identify the underlying cause of any deficiencies in the monitoring systems (e.g., inappropriate filters, insufficient risk assessment, or inadequate decision-making).</p>	P. 89-104		
<p>13. For transactions identified as unusual, discuss the transactions with management and appropriate personnel involved in the transaction where applicable. Determine whether the personnel demonstrate knowledge of the customer and the unusual transactions. After examining the available facts, determine whether management knows of a reasonable explanation for the transactions or if an apparent reporting deficiency exists. Based on the response, the examiner may consider expanding the scope of the examination.</p>			
<p>Additional Examination Procedures for Issuance or Sale of Money Orders/Traveler’s Checks Based on Risk</p>			
<p>14. In the absence of adequate procedures to monitor suspicious activity, the examiner should sample daily transaction records and reports to determine if any potential suspicious activity occurred. Investigate</p>	P. 89-104		

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whether appropriate procedures to report suspicious activity were followed.			
15. For Principal MSBs that are issuers of money orders/traveler's checks, obtain the electronic records that list the serial number and the dollar amount of each money order/traveler's check that clears daily. This record should list the exact order the money orders/traveler's checks cleared through the MSB's account. From this record, examiners should analyze patterns for potentially suspicious transactions at \$5,000 and greater. For example, the examiner should look for a customer purchasing money orders at various agent locations and then depositing them on the same day. An example of a pattern would be ten consecutive numbered money orders, each with a face amount of \$500, clearing consecutively through the bank account.	P. 89-104		
16. Trace large block sales or large single-transaction sales of money orders/traveler's checks in the money order/traveler's check register or other similar reports to the records required for SAR-MSB reporting. A block sale involves the simultaneous sale of sequentially numbered money orders/traveler's checks for an amount at or near the maximum dollar amount. The issuing company usually sets the maximum amount allowed for each money order/travelers check. The review should identify blocks of money orders/traveler's checks sold at or near the \$2,000 threshold for potential suspicious activity. Request copies of money orders/traveler's checks for any questionable or potential suspicious transactions identified. (For agent MSBs, request that the agent MSB obtain copies of money orders/traveler's checks from the money order/traveler's check issuer.) Review the copies to determine whether there was unreported suspicious activity.	P. 89-104		
Additional Principal MSB Examination Procedures for Money Transmitters Based on Risk			

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<p>17. Review transaction databases to determine if the MSB has filed SAR-MSBs in connection with any suspicious activity, and that reports were filed timely and correctly. Transaction databases can be sorted by sender name, recipient name, identification number, social security number, sender address, recipient address, sender phone number, and recipient phone number.</p> <ul style="list-style-type: none"> • Perform an analysis for potential suspicious activity using the results of the various sorted transactions. For example, the examiner may scan groups of records for possible structured transactions occurring on the same day or over a period of several days. If a customer sends \$6,000 at 5:00 p.m., then on the same day and at the same location at 5:10 p.m. sends \$5,000 more, the customer could be structuring transactions. Examiners should be aware of these or similar situations and should be prepared to discuss potentially suspicious transactions with the BSA compliance officer. • When reviewing money transmitter transactions, note the telephone numbers used by the customer. A sender may give a false name and address but may use a correct telephone number (so that if the money cannot be delivered, the sender will be notified). Also, watch for repetitive senders' and/or recipients' names and addresses. • Discuss with management any patterns of potentially suspicious activity identified to determine whether suspicious activity was investigated and reported where appropriate. At a minimum, the activity should have been investigated and the decision not to file a SAR-MSB explained. 	P. 89-104		
Additional Examination Procedures for Currency Dealers or Exchangers Based on Risk			
18. Select dates within the period and reconcile the transaction vouchers, daily transaction log, client ledger, and monthly and annual summary sheets. Analyze the summary and transaction records for cash in and	P. 89-104		

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<p>cash out for transactions conducted by the currency dealer or exchanger. All large or unusual items should be reviewed to determine whether potential suspicious activity was investigated and reported where appropriate. At a minimum, the activity should have been investigated, and the decision not to file a SAR-MSB should have been explained.</p>			
Evaluating the MSB’s Compliance with Suspicious Activity Reporting Requirements			
<p>19. If a determination is made that records and reporting procedures are inadequate, or were destroyed or not maintained, the examiner should:</p> <ul style="list-style-type: none"> • Expand the scope of the BSA examination; and • Document all problem areas and findings in the workpapers. 	P. 89-104		
<p>20. Based on the risks identified by the examiner during the examination, the examiner may consider reviewing all financial services offered by the MSB to determine if transactions are being structured by using a variety of financial services.</p>	P. 89-104		
<p>21. On the basis of examination procedures completed, including transaction testing, form a conclusion about the ability of policies, procedures, and processes to meet regulatory requirements associated with monitoring, detecting, and reporting suspicious activity.</p>	P. 89-104		
Report of Foreign Bank and Financial Accounts (FBAR)			
<p>Objective: <i>Assess the MSB’s compliance with statutory and regulatory requirements for the reporting of foreign bank and financial accounts.</i></p>			
<p>1. Determine whether the MSB or its owners have a business or personal financial interest in or signature authority over any bank, securities, or other financial accounts in a foreign country, or whether the MSB is otherwise required to file a Report of Foreign Bank and Financial Accounts (FBAR) (TD F 90-22.1).</p>	P. 105-106		

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
2. Review copies of FBARs and supporting documentation for accuracy and completeness. The Web CBRS database should also be checked to verify that the reports were actually filed.	P. 105-106		
3. On the basis of examination procedures completed, form a conclusion about the adequacy of policies, procedures, and processes to meet regulatory requirements associated with FBARs.	P. 105-106		
International Transportation of Currency or Monetary Instruments Reporting (CMIR)			
Objective: <i>Assess the MSB's compliance with statutory and regulatory requirements for the reporting of international shipments of currency or monetary instruments.</i>			
1. Determine whether the MSB has (or has caused to be) physically transported, mailed, or shipped currency or other monetary instruments in excess of \$10,000, at one time, into or out of the United States, or whether the MSB has received currency or other monetary instruments in excess of \$10,000, at one time, that have been physically transported, mailed, or shipped into the United States.	P. 107-109		
2. If applicable, review the MSB's policies, procedures, and processes for filing a Report of International Transportation of Currency or Monetary Instruments (CMIR) (FinCEN Form 105) for each shipment of currency or other monetary instruments in excess of \$10,000 out of or into the United States unless an exception from CMIR reporting applies). ⁷ Determine if the MSB's policies, procedures, and processes are appropriate to ensure compliance (e.g., adequate review process, transaction monitoring, and appropriate segregation of duties).	P. 107-109		

⁷ See 31 CFR 103.23(c) for exceptions to CMIR reporting.

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
Additional Procedures Based on Risk			
3. Based on a risk assessment, prior examination reports, and a review of the MSB's prior examination findings, determine if the MSB has filed CMIRs for required transactions greater than \$10,000. Select a sample of transactions conducted and determine whether the MSB appropriately completed and submitted CMIR forms. Check the Web CBRS database to verify that the reports were actually filed. Verify information reported against information collected on transaction databases, identification records, other transaction records, and interviews with personnel. Information reported should be consistent.	P. 107-109		
4. Determine through review of reports and transaction records if CMIRs filed by the MSB were been filed within the required timeframe.	P. 107-109		
Evaluating the MSB's Compliance with International Transportation of Currency or Monetary Instruments Reporting			
5. On the basis of examination procedures completed, form a conclusion about the ability of the MSB's policies, procedures, and processes to meet regulatory requirements associated with CMIRs.	P. 107-109		
Developing Conclusions and Finalizing the Examination			
Objective: <i>Formulate conclusions, communicate findings to management, prepare report comments, develop an appropriate supervisory response, and close the examination.</i>			
1. Accumulate all pertinent findings from the BSA examination procedures performed. Evaluate the thoroughness and reliability of any risk assessment conducted by the MSB. Determine whether the AML program is effectively monitored and supervised in relation to the MSB's risk profile as determined by the risk assessment. The examiner should ascertain if the AML program is effective in mitigating the	P. 110 - 114		

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
<p>MSB's overall risk. After analyzing the MSB's BSA/AML policies, procedures, internal controls, monitoring, and reporting processes, the BSA examiner should draw conclusions as to the adequacy of the MSB's AML program.</p> <ul style="list-style-type: none"> • Determine whether the program has been adequately implemented. • Determine whether there has been a systemic breakdown of internal controls or lack of adherence to policy procedures to assure compliance. • Determine whether the MSB was aware of any problems in its AML program, and whether it took corrective action. • Assess whether any breakdowns in the program could place the MSB at increased risk of being used by customers to launder money or commit other types of financial crimes. • Identify any weaknesses or deficiencies in the program that could or did result in failures to correctly file required CTRs, other required reports, and/or failure to comply with the BSA recordkeeping and record retention requirements. • Determine whether senior management and the board of directors (if applicable) are aware of BSA regulatory requirements; effectively oversee BSA compliance; and commit, as necessary, to corrective actions (e.g., independent reviews and regulatory examinations). • Determine whether BSA/AML policies, procedures, and processes are adequate to ensure compliance with applicable laws and regulations and appropriately address high-risk operations (products, services, customers, geographic locations, etc.). • Evaluate whether internal controls ensure compliance with the BSA and provide sufficient risk management, especially for high-risk products, services, customers, geographic locations, etc. • Determine if independent testing is appropriate and adequately tests 			

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
<p>for compliance with required laws, regulations, and policies.</p> <ul style="list-style-type: none"> • Determine whether the designated person responsible for coordinating and monitoring day-to-day compliance is competent and has the necessary resources. • Determine whether personnel are sufficiently trained to be able to adhere to legal, regulatory, and policy requirements as appropriate, based on their job duties. • Evaluate whether information and communication policies, procedures, and processes are adequate and accurate. 			
<p>2. Determine the underlying cause(s) of policy, procedure, or process deficiencies, if identified. These deficiencies can be the result of a number of factors, including, but not limited to, the following:</p> <ul style="list-style-type: none"> • Management has not assessed, or has not accurately assessed, the MSB's money laundering risks; • Management is unaware of relevant issues; • Management is unwilling or unable to create or enhance policies, procedures, and processes; • Management or employees disregard established policies, procedures, and processes; • Management or employees are unaware of or misunderstand regulatory requirements, policies, procedures, or processes; • High-risk operations (with respect to products, services, customers, geographic locations, etc.) have grown faster than the capabilities of the AML program; or • Changes in internal policies, procedures, and processes are poorly communicated. 	P. 110 - 114		

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
3. Determine whether deficiencies or violations were previously identified by management or the examiner, or were only identified as a result of this examination.	P. 110 - 114		
4. Identify actions needed to correct outstanding deficiencies or violations, as appropriate, including the possibility of, among other things, requiring the MSB to conduct an appropriate risk assessment or implement appropriate policies, procedures, or internal controls, or taking formal enforcement action against the MSB.	P. 110 - 114		
Supporting Workpaper Documentation			
5. The examiner should obtain the following documentation for each example of the following violations that is uncovered: <ul style="list-style-type: none"> • Reporting – The date of the transaction, the amount, the individuals involved, and a detailed statement regarding the violation, including copies of source documents such as cash in/out slips, control registers, teller cash proofs that support the violation, and documentation of management’s response to the violation. For reporting violations, the examiner should obtain documentation of management’s response to the violation. • Recordkeeping – The details of the specific records that were not maintained or were inadequate, including management’s response to the violation. 	P. 110 - 114		
Preparing the BSA/AML Report of Examination			
6. Develop a conclusion regarding the adequacy of the MSB’s AML program. Discuss the effectiveness of each of the elements of the MSB’s AML program. Indicate whether the AML program meets all the regulatory requirements by providing the following: <ul style="list-style-type: none"> • A system of internal controls; 	P. 110 - 114		

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
<ul style="list-style-type: none"> • Independent testing for compliance; • A specific person to coordinate and monitor the AML program; and • Training of appropriate personnel. 			
<p>7. Ensure that workpapers are prepared in sufficient detail to support issues discussed in the report of examination (ROE). Written comments should cover areas or subjects pertinent to the examiner’s findings and conclusions. All significant findings should be included in the ROE. To the extent that items are discussed in the workpapers but not the ROE, the examiner should ensure that the workpapers thoroughly and adequately document each review, as well as any other aspect of the MSB’s AML program that merits attention but may not rise to the level of being included in the ROE.</p>	P. 110 - 114		
<p>8. As applicable, the examiner should prepare a discussion of the following items:</p> <ul style="list-style-type: none"> • Describe the MSB’s commitment to BSA compliance. Consider whether management has the following: <ul style="list-style-type: none"> ▪ A strong AML program fully supported by the board of directors. ▪ A requirement that senior management and the board of directors (if applicable) are kept informed of BSA compliance efforts, examination reports, any compliance failures, and the status of corrective actions. • Describe whether the MSB’s policies, procedures, and processes for SAR-MSB filings meet the regulatory requirements and are effective. • Describe whether the MSB’s policies, procedures, and processes for large currency transactions meet the requirements of 31 CFR 103.22 	P. 110 - 114		

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<p>and are effective.</p> <ul style="list-style-type: none"> • Describe whether the MSB’s funds transfer policies, procedures, and processes meet the requirements of 31 CFR 103.33(f) and (g). • Describe the MSB’s recordkeeping policies, procedures, and processes. Indicate whether they meet the requirements of 31 CFR 103. 			
Closing Conference			
<p>9. Hold a closing conference to discuss all identified and verified violations, including deficiencies in policies, procedures, internal controls, and AML programs. The examiner should advise the entity of any deficiencies in its policies, procedures, internal controls, compliance program, recordkeeping, and reporting requirements. The examiner should provide the MSB with a list of potential violations and deficiencies. Any additional documents or information provided by the MSB in response to the list provided should be reviewed and a determination should be made as to whether any items should be removed from the list of violations. Examiners should provide the MSB with feedback to help the MSB avoid future violations. The examiner should document the date of the closing conference, who attended, and the nature of the discussions during the closing conference.</p>	P. 110 - 114		
Handling Initial Notification of and Response to Violations			
<p>10. After documenting the potential violations, the examiner should provide a list of the violations to the MSB and solicit a written explanation for each of the violations identified. The list should include:</p> <ul style="list-style-type: none"> • Date of the transaction; • Customer name; • Account number (if any); 	P. 110 - 114		

Examination Procedure	Page Number Reference in Manual	Completed (Examiner Initials or n/a)	Comments
<ul style="list-style-type: none"> • Check number (if any); • Amount involved in transaction; and • Description of the transaction. 			
11. Review any additional documents or information provided by the MSB in response and determine whether any items should be removed from the list of violations.	P. 110 - 114		
Additional Comments, Observations, or Areas of Concern:			