Checklist

Preparing for a Successful Exam

What to do before, during, and after the exam.

The following checklist outlines what to do before your exam (including details on how to review your compliance program), while the examiners are onsite at your financial institution, and after you receive the examiner's report.

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Before the exam

Inform your Board of Directors and Senior Management

- ☐ Ensure that your Board of Directors and senior management team are aware of the upcoming exam and the scope of the exam.
- ☐ Ensure your compliance program is board approved. Ensure your compliance policies, procedures, and controls are in place, and any changes in the compliance program since the last exam have been approved by the Board of Directors.

Review past audit and exam results

- ☐ Gather your recent independent audit results and the previous exam report and review the findings.
- ☐ Ensure all items/recommendations have been addressed or are being actioned.
- ☐ Ensure that all updates and actions are documented.

Review the request letter from the examiner

- ☐ Review the request letter items and respond (in writing where necessary) to all pre-exam requests from the examiners. *(Note: Request letter items are taken from Appendix H of the FFIEC BSA/AML Examination Manual. Each regulatory agency will provide their own format for request letter items.)*
- ☐ Begin gathering and organizing request letter items. Ensure that items are categorized and properly labeled (whether in paper or electronic format).

Confirm the scope of the exam and request letter

- ☐ During the examiner's scoping and planning period, they determine the scope of your financial institution's exam. A call with the examiners is often set up to clarify any request letter items and to discuss any items to be covered during the exam.
- ☐ It is key to have good communication with the Examiner-In-Charge (EIC). Obtain the name and contact information of the EIC (if not known from the original correspondence).

Forward items requested by the examiners

- ☐ If requested, gather and securely forward any documents (reports, questionnaires, existing forms, new forms, etc.) in advance of the exam so examiners can review. Examiners typically have a secure website/email system for correspondence and information transfer.
- ☐ Make sure all items are reviewed for completeness and accuracy before forwarding to the examiners.

Before the exam

Visit the regulator website(s) and review/download the exam-related publications

- ☐ Most regulator websites (e.g., OCC, NCUA, Federal Reserve, etc.) have helpful document(s) that describe the exam methodology specific to each regulator. It is a good practice to download and review any available documents.
- ☐ Visit the FFIEC website for the most recent BSA/AML Examination Manual.

Build a team of colleagues and conduct pre-exam meeting(s) to prepare for the upcoming exam

- ☐ Ensure all the financial institution's lines of business are aware of and prepared for the upcoming exam.
- ☐ Designate a team of people to review request letter items prior to the exam and to address items from the examiners when they are onsite.
- ☐ Create a contact list of these team members for the examiner. Appoint a main contact and a backup as the primary contacts for the examiners. If necessary, these contacts can be the liaisons between the lines of business, departments, teams and the examiners.
- ☐ Ensure the designated employees are prepared to answer questions from the examiners and to gather additional supporting documents/reports as required.

Understand your automated solution

- ☐ Understand the software and know how to use it.
- ☐ Understand the configuration settings.
- ☐ Determine if additional software training is required.
- ☐ Ensure data validation occurred between your core system and the software. Ensure the data validation process is documented.
- ☐ Identify the contacts for the software (main user of the software at your financial institution, software vendor contacts such as the account manager and support contacts).
- ☐ Gather software documentation (such as user guides, knowledge base, and configuration).
- ☐ Decide if your financial institution will give the examiner access to the software.

Before the exam

Review compliance program

(See Appendix: Review your Compliance Program for more details)

- ☐ Review and update your FI's risk assessment related to BSA/AML/OFAC.
- ☐ Ensure compliance training is in place and all training is documented.
- ☐ Make sure your Customer Identification Program (CIP) is up-to-date.
- ☐ Verify OFAC compliance.
- ☐ Verify EDD reviews are documented and up-to-date.
- ☐ Validate controls for identifying and monitoring suspicious activity and transactions.
- ☐ Review filed CTRs and SARs.
- ☐ Review CTR exemptions.
- ☐ Review Section 314 information sharing policies.
- ☐ Gather documents as listed on the examination Request Letter.
- ☐ Verify other reporting and record keeping requirements.

Book a meeting room for examiners

- ☐ Ensure the examiners will have their own dedicated room while onsite.
- ☐ Ensure the room is booked for the entire time period the examiners will be onsite.
- ☐ Ensure the room is comfortable and provides adequate amenities, such as a telephone, Internet connection, and printer access.
- ☐ Verify the room is secure and can be locked.

During the exam

Hold a kick-off meeting

☐ On the first day of the exam, the examiners schedule a kick-off meeting. Ensure the required parties (such as the senior management team, the audit/compliance management team, legal counsel, etc.) are available to meet with the examiners.

Arrange meetings/times to introduce examiners

☐ Take time to introduce the examination team to necessary bank employees/teams and ensure they know the designated contact for the team who can respond to their requests during their onsite visit.

☐ Provide the examiners with the contact list of your FI team members.

Access to requested items/documents

☐ Organize the request letter items so information is categorized and clearly labeled, and is easy to access by the examiners (either in their dedicated workspace or a secure location).

Respond promptly to requests

☐ Clarify any requests or questions from the examiners and promptly act on each request.

Update your FI's team frequently

☐ Debrief your internal team and senior management as necessary on the exam progress and any issues that are raised.

Hold an exit meeting

☐ After the examination period, the examiners typically hold an exit meeting to conclude their onsite visit. Ensure the required parties (senior management, audit/compliance management team, legal counsel, etc.) are available to attend.

After the exam

Review the examination report

- ☐ Review the examination report and any findings.
- ☐ Report exam findings to senior management and share applicable sections with appropriate team members.
- ☐ Arrange meetings to review findings with teams who must correct any identified discrepancies and implement new policies/procedures.

Action all recommendations

- ☐ Ensure that each exam recommendation has an assigned owner whose responsibility will be to oversee/correct the recommendation.
- ☐ Send response(s) to the examiner outlining management's intentions to correct deficiencies and address the exam findings.
- ☐ Create an action plan for items that must be corrected and track progress for correcting each item.

Update compliance program

- ☐ If necessary, ensure any required changes or additions are made to the FI's compliance program.
- ☐ Communicate updates to FI employees.
- ☐ Ensure training programs and materials are updated accordingly.
- ☐ Conduct training as required and document all training sessions.

Appendix

Details: Review your Compliance Program

Review and update FI's risk assessment related to BSA/AML/OFAC

- ☐ Confirm that your FI's BSA/AML risk assessment and written compliance program are up-to-date and are board approved (in the time period required by regulator and/or FFIEC BSA/AML Examination Manual).
- ☐ Verify that all products and services offered by your FI are included in the assessment (ensure new products/services have been added) and also validate that all lines of business are represented.
- ☐ Make sure the risk assessment includes your Customer Identification Program (CIP), overall coverage of your customer base and whether any fall into high-risk areas, and OFAC risk. Ensure your CDD/EDD process is documented.
- ☐ Verify the geographic location of customers (personal and business) is included in the risk assessment.
- ☐ Ensure that any changes in the risk assessment (since the last exam) is reviewed by the board of directors.
- ☐ Ensure your risk assessment addresses any recent FinCEN advisories.

Ensure compliance training is in place and all training has been documented

- ☐ Gather list of classes, content covered in each session, dates offered, and attendance records. Ensure all training is documented.
- ☐ Ensure training is customized for specific lines of business (from the front line to board of directors).
- ☐ Know where to find training documentation/materials, and know how training relates to daily compliance responsibilities and the overall compliance program.
- ☐ Confirm new employees have been trained.
- ☐ Ensure that the board has approved your policies that include training requirements.
- ☐ Ensure training topics include regulatory requirements (BSA/AML/OFAC/CIP) and the FI's policies/procedures on the training topic.

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Details: Review your Compliance Program

Make sure your Customer Identification Program (CIP) is up-to-date

- ☐ Review your CIP, CDD, and EDD policies. Ensure required identifying information is being gathered/verified for customers at account opening.
- ☐ Generate reports to show customer identification data and review the report for any missing/incorrect data. Attempt to gather missing data and to correct data.
- ☐ Review your list of high-risk customers (people and businesses). Ensure that high-risk customers and their activity is monitored on a regular basis and that supporting documentation exists to prove ongoing enhanced due diligence for these customers.
- ☐ Ensure customers in high risk areas (such as HIDTA and HIFCA) are appropriately monitored and risk rated per the FI's risk appetite.

Verify OFAC compliance

- ☐ Ensure Office of Foreign Asset Control (OFAC) policies and procedures are up-to-date.
- ☐ Verify that entities and applicable transactions are checked against required OFAC lists.
- ☐ Make sure you are using the most current OFAC lists.
- ☐ Validate that non-customer transactions (such as monetary instruments, wire transfers and IATs) are checked against OFAC lists.
- ☐ Gather the list of blocked/rejected transactions and documentation showing reporting was completed to OFAC.
- ☐ Gather documentation/log files related to OFAC matching.

Validate controls for identifying and monitoring suspicious activity and transactions

- ☐ Ensure all products/services and lines of business are being monitored for suspicious activity.
- ☐ Review reports and gather documentation used to identify, research, and monitor suspicious transactions and activity.
- ☐ If an automated software is used, review and document thresholds for identifying suspicious transactions are appropriate for the FI.
- ☐ Retain supporting documentation for all suspicious activity (whether a SAR is filed or not).

Appendix

Details: Review your Compliance Program

Validate controls for currency transactions

- ☐ Gather reports for identifying reportable currency transactions.
- ☐ Gather reports for identifying cash transactions between $3,000 and $10,000.

Review filed CTRs and SARs

- ☐ Examiners will ask for a sample of your filed reports. Ensure your reports are complete, filed on time, and that all information included in the reports is accurate.
- ☐ Verify the number of reports filed. Examiners have access to a database called *FinCEN Query* where they can see how many reports have been filed for a certain period. Examiners may question any discrepancies.
- ☐ Verify that you have documentation (paper or electronic) for all filed reports.

Review CTR exemptions

- ☐ Review your list of customers exempt from currency transaction reporting.
- ☐ Ensure you have supporting documentation of each customer's initial exemption and annual review.
- ☐ Verify appropriate personnel have access to all currently filed *Designation of Exempt Person* reports.

Review Section 314 information sharing policies

- ☐ Ensure 314(a) searches are conducted regularly and the results are logged.
- ☐ Ensure positive 314(a) matches are documented.
- ☐ If your FI participates in 314(b) information sharing, ensure all voluntary 314(b) requests/responses between FIs are documented. Ensure that the 314(b) notification form was completed and renewed in the last year.
- ☐ Access to filed SARs that included 314(b) information sharing requests.

Appendix

Details: Review your Compliance Program

Gather Monetary Instrument records

- ☐ Obtain your records of the sale of monetary instruments involving cash amounts between $3,000 and $10,000.
- ☐ Ensure your FI's policies and procedures are followed for entities purchasing and selling monetary instruments.

Gather Funds Transfers records

- ☐ Obtain your records of incoming, intermediary, and outgoing transfers of $3,000 or greater.

Verify other reporting and record keeping requirements

- ☐ Obtain requested documents related to foreign correspondent bank accounts/institutions.
- ☐ Obtain requested documents related to currency shipments.
- ☐ Obtain other BSA reports.