



Dear Valued Agent:

Among the tools used by the government in the fight against money laundering, terrorist financing, and other financial crime is the Currency and Foreign Transactions Act of 1970, as amended, commonly referred to as the “Bank Secrecy Act or BSA.” CheckFreePay is committed to complying fully with the Bank Secrecy Act and related anti-money laundering statutes including the Money Laundering Control Act of 1986, and the USA PATRIOT Act of 2001. The USA PATRIOT Act of 2001 (the “Act”) was signed into law in response to the September 11th terrorist attacks as the United States and other concerned nations began to recognize the link between money laundering and global terrorism. The Act made it mandatory for all money services businesses (“MSBs”), including CheckFreePay and its Agent locations, to have an effective Anti-Money Laundering (AML) Compliance Program. Each Program must be commensurate with the risks posed by the location, size, nature and volume of the services provided by the MSB.

For example, a large money transmitter with a high volume of business located in the Los Angeles area is at a higher risk than a small check casher with a low volume of business located in Boise. Therefore, that large California money transmitter would be expected to have a more complex AML Compliance Program, commensurate with its higher risk, than the smaller Idaho check casher, who is at lower risk of being used to facilitate money laundering.

An effective Program is one designed to prevent the MSB from being used to facilitate money laundering. It should be available for every employee to access at each location for reference to ensure they are following all the requirements in accordance with the training you are responsible to provide to them.

Each AML Compliance Program must be in writing and must:

- Incorporate policies, procedures and internal controls reasonably designed to assure compliance with the BSA. Policies must include reference to all the money services you offer, including but not limited to CheckFreePay walk-in transactions. Policies should include, but are not limited to:
 - Steps taken to comply with the BSA when reporting thresholds are met.
 - Steps taken to aggregate and report transactions amongst all money services provided to customers.
 - Steps taken to capture customer identifying information, when required.
 - Steps taken regarding retention and destruction of documents to protect any customer identifying information.
 - Steps taken to maintain any regulatory posting requirements by CheckFreePay.
- Designate a Compliance Officer responsible for total oversight of the AML Program. The designation should:
 - Outline responsibilities of Compliance Officer.
 - Outline other compliance personnel who will have day to day compliance responsibilities.
- Provide education and/or training of appropriate personnel. Policies should include:

When, how and which new and existing employees will be BSA trained.

- Provide for independent review to monitor and maintain an adequate Program. The review should:
 - Be completed by someone other than the Compliance Officer and/or person(s) responsible for day to day management of the money services.
 - Include review of all policies for compliance with AML Program.
 - Include review of transactions to ensure all transactions were reported, as needed.
 - Include review of reporting to ensure all steps were complete, accurate and timely.
 - Ensure all education and training has been completed in accordance with the policies.
 - Identify problems and weaknesses and, if necessary, recommend to management appropriate corrective actions.

CheckFreePay values its relationship with each Agent that provides transaction processing services and has put together this package of sample information which Agent can use as a guide in creating their own Program commensurate with their own risks and businesses. The information includes: a sample AML Compliance Program, general outline of a Compliance Officer's designation and responsibilities, how to access free BSA training for your Compliance Officer and your employees thru CheckFreePay, and a sample independent review with checklist. This information is intended to provide you with a general overview of the BSA requirements applicable to businesses that serve as CheckFreePay Agents. The information is not, however, legal advice, and does not attempt to address all BSA or other legal requirements that may apply to your business. For official guidance, we urge you to visit the U.S. Treasury website dedicated to BSA and AML issues: www.fincen.gov. Additional materials on specific recordkeeping, reporting, and program obligations that may additionally apply to your business may be obtained from these websites. CTR and SAR forms may also be downloaded directly from this site. If you have questions about how these laws apply to your business, you should consult with your own legal advisor. If you have questions about how these requirements apply to CheckFreePay services you offer, please contact the CheckFreePay Compliance Department at 800-309-7668 x4652.

It is important to understand that failure to comply with the BSA or with anti-money laundering or anti-terrorism or any other laws that affect your business can result in substantial civil and criminal fines, forfeitures and imprisonment. In addition, failure to comply with the law may also result in termination of your status as a CheckFreePay Agent.

We believe that together we can make a difference in the fight against money laundering and terrorist financing and look forward to continuing a successful business relationship with each of our Agents in compliance with the BSA.

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Sample Bank Secrecy Act and Anti-Money Laundering Compliance Program Policies:

It is the policy of Agent to:

1. Comply with all state and federal law applicable to money transmission and money services businesses including but not limited to the Bank Secrecy Act (“BSA”) and its implementing regulations, including recordkeeping and reporting requirements, as applicable;
2. Cooperate fully with law enforcement authorities, in accordance with the applicable law;
3. Report suspicious transactions and suspicious activities as they are detected to the proper government authorities and in accordance with the applicable provisions of the BSA;
4. Provide internal controls to identify and stop the use of its systems and operations for money laundering purposes;
5. Provide anti-money laundering training to its employees;
6. Designate a Compliance Officer with day-to-day responsibility for developing and managing all aspects of Agent’s BSA compliance with anti-money laundering compliance procedures.
7. Conduct an audit of its compliance program not less than annually.

Sample Bank Secrecy Act and Anti-Money Laundering Compliance Program Procedures

Identification Requirements

MSBs have become major targets in money laundering operations because they provide a variety of instruments that can be used to conceal the source of money. Criminals involved in these acts no longer commit traditional transaction related crimes because they are too easily detected. Instead, criminals have become more creative in hiding their illegal funds. One of the most effective security measures an MSB can implement to prevent its resources from being used for criminal or illicit purposes is to properly identify consumers.

Certain states, including but not limited to Arizona, Florida, Illinois, Minnesota, New Jersey, Oklahoma, Texas and West Virginia, require collection of certain consumer information for accepting transactions. Falsification of or failure to comply with state law in the capture of consumer information as required may result in termination of CheckFreePay's relationship.

Acceptable Identification

Federal rules prohibit use of the SSN as a means of identification. Neither the number issued by the Social Security Administration, nor the card on which the Social Security Number (SSN) is printed, is a form of identification. The SSN is merely an individual identifier within the Social Security system and the federal tax system.

For each reportable transaction(s) the MSB is required to verify the identity of the individual conducting the transaction (transactor) by viewing valid government issued photo identification (ID). The clerk taking the transaction must verify the identity of the consumer and must view and record the unexpired government issued identification document (ID) provided by the transactor. The clerk must review the identification, and look to see if it appears to be false or altered in any way (e.g., information appears to be whited out, typed over or the photo appears to be taped in).

Acceptable identification documents include a valid: driver's license, passport, state ID, U.S. military ID (including U.S. military dependent ID), cedular card (foreign) and U.S. alien identification.

Occupation

It is critical that the occupation (or business or profession) of the customer be identified sufficiently. The BSA prohibits use of general terms.

Examples of acceptable vs. unacceptable terms

Acceptable	Unacceptable
advertising salesman	businessman
gas station owner	self-employed
retired accountant	retired
unemployed teacher	unemployed
software consultant	consultant
convenience store clerk	merchant

Unwilling or Unable to Provide Required Information or Inconsistencies

If the consumer is unwilling or unable to provide the information required by CheckFreePay, or if the information is inconsistent and the inconsistency cannot be resolved after reasonable inquiry, **the clerk must refuse the transaction** and file a Suspicious Activity Report (SAR).

Currency Transaction Reports (CTRs)

In an effort to prevent and detect money laundering and other money services crimes, the Bank Secrecy Act requires that all MSBs report any cash transaction that exceeds \$10,000 using a Currency Transaction Report (CTR).

A CTR is required when a transaction meets all of the following conditions:

- The transaction(s) is made in cash.
- The transaction(s) is greater than \$10,000.
- The transaction(s) is made by, or on behalf of, the same person.
- The transaction(s) occurs in one business day.

If a currency transaction is \$10,000 or more and is suspicious, Agent must file both a CTR and a SAR-MSB.

Completing a CTR

The CheckFreePay software is set up to capture the information required by the IRS to complete a CTR form, FinCEN Form 104. The clerk will be prompted to type the information in screens that appear during the transaction, however, it is the Agent's responsibility to also record this information on the CTR form while the consumer is right in front of the clerk as it will help avoid mistakes or missing information prior to the consumer leaving the location.

The information must be reported by the Agent on the CTR. When reporting currency transactions exceeding \$10,000, Agent must complete and submit a CTR, within 15 calendar days following the day of the transaction. CTRs must be maintained by the filing MSB for five (5) years.

CTRs require the collection and reporting of the following information about the transactor AND if the transactor is doing so on behalf of another, then the same information must be collected for both the person initiating the transaction (transactor) and the person on whose behalf the payment is being conducted (beneficiary):

- Full name.
- DBA, if applicable.
- Full address (number, street, apartment or suite number, state, zip code and country, if not United States).
- Date of birth.
- Social Security Number (for an individual) or EIN number (for a business).
- Occupation, profession or business (in some detail, for example, "unemployed teacher", "software consultant", "retired electrician" or "gas station owner").
- Where individuals are involved, the method used to identify the individual (e.g., driver's license, passport, alien registration), by whom the identification was issued and the number of the identification reviewed.

It is also a good idea to write a telephone number on the bill stub and keep a copy of the stub with the copy of the CTR so that the consumer can be reached if there is a problem.

When and Where to File the CTR

In an effort to improve efficiency, reduce government and industry costs, and enhance the ability of investigators, analysts and examiners to gain better and timelier access to important financial information, FinCEN affirmed its requirement to have reports filed electronically.

Beginning July 1, 2012, FinCEN will discontinue allowing paper filing of Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs) and require those forms to be submitted to the BSA E- Filing section at FinCEN's website.

An agent of a Money Services Business is also considered a MSB and has the same obligations that the primary MSB has to comply with the Bank Secrecy Act. This means that all CheckFreePay agents who have transactions which require a CTR or SAR filing will be required to sign up as an E-Filer through FinCEN and submit the forms electronically.

Steps to becoming an E-Filer:

1. <http://bsaefiling.fincen.treas.gov/main.html>
2. Click Become a BSA E-Filer
3. Click Institution
4. [Identify Your Organization's Point of Contact](#)
5. [Fill Out and Submit the Supervisory User Application Form](#)
6. [Obtain Authorization as Supervisory User](#)
7. [Download the Forms Reader](#) (The Forms Reader allows preparation of CTR/SAR electronic forms, viewing of BSA E-Filing alerts, and transmittal of secure messages to FinCEN).

For more information about the benefits of using BSA E-Filing, please review the [E-Filing Section](#) on FinCEN's Web site. FinCEN is committed to working with financial institutions and Money Services Businesses to increase their understanding of the value of E-Filing and has issued a [brochure](#) that highlights its benefits. For other technology-related questions specific to E-Filing, please call the BSA E-Filing Help desk at 1-866-346-9478, Option 1.

When CheckFreePay requests proof of your compliance with the obligation to file a CTR, you are required to fax CheckFreePay @ (877) 237-0237 the following documents for our records:

- **Copy of the related bill stub**
- **Copy of the electronically signed CTR**
- **Copy of the BSA E-Filing CTR Header page**
- **Copy of the submission Confirmation page**

OR proof that the transaction was not tendered in CASH

Agent Recordkeeping

Agent must keep a copy of each CTR filed by Agent for a period of five (5) years from the date of the transaction. Agent should also keep a copy of proof of mailing of the CTR. Agent should be prepared to produce copies of CTRs and proof of mailing in any BSA examination conducted by CheckFreePay, state examiners and/or IRS examination personnel.

Unwilling or Unable to Provide Required Information or Inconsistencies

If the consumer is unwilling or unable to provide the information required by CheckFreePay, or if the information is inconsistent and the inconsistency cannot be resolved after reasonable inquiry, **the clerk must refuse the transaction** and file a Suspicious Activity Report (SAR).

Suspicious Activity Reporting

Suspicious Activity Reports (SARs) are among the government's main weapons in the battle against money laundering and other money services crimes. Such reports are also a key component of an effective AML compliance program.

A report must be filed when a transaction that is conducted by, at or through Agent and **is both suspicious and \$2,000 or more.**

A transaction is suspicious and must be reported if the Agent knows, suspects or has reason to suspect that the transaction or transactions:

- Involve funds derived from illegal activity or are intended or conducted in order to hide or disguise funds or assets derived from illegal activity.

EXAMPLE: A drug trafficker sells drugs to a user for \$500. The money received from the drug purchaser (\$500) is considered to be a profit of the drug sale. The \$500 is considered "funds derived from illegal activity."

- Designed to evade the requirements of the Bank Secrecy Act, whether through structuring or other means.

EXAMPLE: A customer conducting a large cash bill payment transaction attempts to bribe an MSB employee not to file a CTR or attempts to get the MSB employee to break down the transactions into smaller amounts.

- Serves no business or apparent lawful purpose, and the Agent knows of no reasonable explanation for the transaction after examining all available facts.

EXAMPLE: An unemployed mason makes bill payments to a credit card in amounts just under the reporting threshold, several times in a month. The consumer is paying fees to process each of these small payments instead of paying the credit card bill once per month.

- Involves use of the Agent to facilitate criminal activity.

Unusual Activity Monitoring and Examples of Suspicious Activities

Some red flags of suspicious activity may be:

- A consumer uses a false ID.
- Two or more consumers use similar IDs.
- A consumer alters a transaction upon learning that s/he must show ID.
- A consumer alters the spelling or order of his/her full name.
- A consumer conducts multiple bill payment transactions just below relevant thresholds.
- Two or more consumers work together to break one transaction into two or more smaller transactions in order to evade the BSA reporting or recordkeeping requirement.

- A consumer uses two or more locations or cashiers in the same day in order to break one transaction into smaller transactions and evade the BSA reporting or recordkeeping requirement.
- A consumer refuses to provide consumer identifying information when required by CheckFreePay or BSA requirements.
- A consumer offers bribes or tips to Agent clerks in exchange for not filing appropriate forms or processing transactions in a certain manner.
- A consumer admits to criminal conduct.
- Deposit shortfalls.
- Clerks who are processing a lot of personal bill payment transactions.
- A consumer who is loading excessive cash onto prepaid access card(s).
- A group of customers is dividing up to make cash purchases of prepaid products.
- The customer attempts to purchase several prepaid cards or other similar products (phone or gift cards, bill payments, money orders, etc.) at the maximum permitted amounts.
- The customer buys prepaid cards or other similar products with a suspiciously large amount of cash.
- The customer is in a hurry, aggressive, or demanding, particularly when challenged if they attempt to purchase multiple products.
- The customer returns to purchase additional products in a short period of time (same day, consecutive days, or multiple days in the same week).
- The customer exhibits unusual concern about CheckFreePay's policies on information collection and verification.
- The customer asks for an exemption from CheckFreePay's policies on the purchase of multiple cards or the maximum load value.

Questions to Ask

If a transaction seems suspicious, it probably is. If clerk recognizes any of the red flags discussed previously during a transaction, they should ask themselves the following questions;

- Is the amount of the transaction unusually large for the typical consumer?
- Does the consumer make the same or similar transactions more frequently than normal?
- Does the type of transaction seem unusual for the consumer?

Structuring Warning

If Agent or their clerk(s) intentionally splits a transaction into two or more separate transactions in order to avoid the \$2,500 threshold for collection of personal information from the bill payment consumer, they are assisting that consumer to structure their payment and may be assisting someone to launder money. For example:

- Joe Consumer needs to make a payment on his American Express bill for \$3,456. He does not want to give the clerk his personal information so he asks the clerk to make two payments (one for \$2,400 and one for \$1,056).
- A customer brings in cash to purchase prepaid cards totaling \$15,000, but when you inform them of the CTR requirement, they purchase a lower amount and have a friend purchase the additional cards.

It is a criminal and civil violation of the BSA to structure transactions for the purpose of evading the BSA reporting and recordkeeping requirements. If transactions accepted by Agent are found to be split into two or more separate transactions, the non-compliance may be grounds for suspension or immediate termination by CheckFreePay. These measures have been put in place to protect CheckFreePay and its Agents. Agent shall be sure that all clerks that process CheckFreePay transactions are properly trained, including understanding these requirements to comply with the law.

Filing the SAR

Agent must e-file a completed SAR form for all reportable transactions. The form should include all relevant information regarding the transaction(s) and persons involved in the transaction(s). Agent will take special care in completing the narrative section of the SAR form and should clearly state why the activity appears suspicious. The SAR must be filed within 30 calendar days after Agent discovers the suspicious nature of the activity.

Immediate Action

Some suspicious transactions require immediate action. If Agent has reason to suspect the consumer's transactions may be linked to terrorist activity against the United States, Agent should immediately call the MSBs hotline, toll-free at 1-866-556-3974.

Similarly, if any other suspected violations, such as ongoing money laundering schemes, require immediate attention, Agent shall notify the appropriate law enforcement agency. In any case, Agent must also file a SAR.

Agent Recordkeeping

Agent must keep a copy of each SAR filed by location for a period of five (5) years from the date of filing the SAR. Also keep a copy of certification of e-filing of the SAR. Be prepared to produce copies of SARs and certification in any BSA examination conducted by state examiners and/or IRS examination personnel.

Exceptions

Agent does **not** need to file a SAR for an attempted or committed robbery or burglary that was reported to the appropriate law enforcement authorities.

Confidentiality of SARs

SARs are treated as confidential, and as such, do not become public information and can only be shared with regulators and other law enforcement agencies.

It is against federal law to tell any person involved in the transaction, including the consumer, about the information reported on the SAR form or even that a SAR form will be or has been filed.

Penalties for Not Filing a SAR

Anyone who has knowledge of the tainted source of funds but still processes a transaction involving such funds, may be charged with money laundering.

Even where there is no direct evidence of such knowledge, circumstantial evidence showing that an employee recklessly disregarded or was "willfully blind" to such information may be sufficient to constitute money laundering. "Willful blindness" is the failure to gather available information or investigate something that appears suspicious in order to avoid the results of the information or investigation.

As such, facilitating a money services transaction while willfully or recklessly disregarding the source of the customer's assets, or the nature of the customer's transactions, can result in criminal and/or civil liability for both the employee and Agent.

EXAMPLE: An employee handles several large bill payment transactions for a consumer - something the employee recognizes as excessive for this particular consumer - but s/he still does not report it as suspicious. As a result, both the employee and Agent may be subject to criminal and/or civil penalties.

Funds Transfer Rule

The Funds Transfer Rule requires that information about the persons/entities involved in a transaction is kept for recordkeeping. The “consumer” or “transactor” is defined as the person presenting the transaction to the clerk. The person or entity that is the account holder, as indicated on the bill stub or account, would be the “beneficiary” of the payment. In most, **but not all** cases, the “transactor” is the “beneficiary” of the transaction. It is important to obtain all of the necessary information on both the “transactor” and the “beneficiary” when they are not the same person/entity. This information must be captured at CheckFreePay’s \$2,500 threshold for capturing information in order to lower the risk and to prevent structured transactions.

EXAMPLE: The manager of a restaurant makes a payment for a \$5,000 bill owed by the restaurant. In this example, the “transactor” is the restaurant manager and the “beneficiary” is the restaurant. Information for both the restaurant manager and the restaurant are required.

Verification of Transactor Identity

For each transaction request in the amount of \$2,500 or more (not including any fee), the below information must be captured and recorded by clerk as described below. To comply with the BSA Funds Transfer Rule (FTR) and CheckFreePay policy, clerk must verify the identity of the consumer, record the unexpired government issued photo identification document (ID) presented and record the required information described below.

The clerk must compare the photo on the identification to the person requesting the transaction at the location to determine if they appear to be the same person on the identification. If they do NOT appear to be the same person then the transaction must be rejected. If they appear to be the same person then the transaction can be processed and the following information must be captured for the person requesting the transaction at the location (the “Transactor”):

- Name.
- Telephone.
- Address (permanent street name and number, no P.O. Boxes).
- Amount of the transaction.
- Date of the transaction request.
- Biller ID number.
- Account number.
- Identity of CheckFreePay (as the next institution).
- Method of payment (i.e., cash, check, money order).
- ID document:
 - ID type (i.e., driver's license, state ID, military ID, passport).
 - ID number.
 - ID issuer (state, province or country).
- Social Security Number.

Capture of Funds Transfer Information

The CheckFreePay software is set up to automatically capture the required Funds Transfer information at the point-of-sale. Clerks are prompted to enter the information into screens that appear during the transaction. The captured customer information will be transmitted to CheckFreePay at the end of the day when the terminal is uploaded.

Record Retention

CheckFreePay keeps all the information that is transmitted to us through the terminal for a period of five (5) years from the date of the transaction to comply with the FTR requirements. There is no further retention requirement by Agent, assuming that they have complied with the CheckFreePay procedures described herein.

Designation of Compliance Officer and Responsibilities

Agent hereby designates, _____ (name and title), as the Compliance Officer charged with overall responsibility for overseeing compliance with the AML Compliance Program. The Compliance Officer shall:

1. Have a substantial role in the making of policy with respect to BSA and AML matters;
2. Ensure that Agent's AML Compliance Program is reasonably designed, implemented, updated, and enforced so that it will be effective in ensuring compliance with the BSA and preventing and detecting money laundering and terrorist financing;
3. Stay abreast of compliance efforts, internal and external audit results, and compliance problems or deficiencies and the corrective actions taken;
4. Detect and report known or suspected criminal activity consistent with applicable federal, state, and local laws and regulations;
5. Coordinate and monitor daily transactions and ensure compliance with the reporting, recordkeeping, and registration requirements of the BSA, including the capturing of accurate consumer information for CTR and SAR reporting requirements, the capturing of accurate consumer information for FTR recordkeeping requirements;
6. Ensure that all BSA records and supporting documentation be maintained for at least five years;
7. Ensure the monitoring of, detection of and timely reporting to law enforcement and other proper government authorities of known or suspected BSA, money laundering, terrorist financing or similar criminal activity consistent with all applicable federal, state and local laws and regulations;
8. Ensure that initial and ongoing training and the most current information available is provided to all appropriate personnel at Agent locations. Ensure that all training provided to personnel is properly documented by maintaining records for five years of the content of the training provided and lists of attendees' signatures or certification documents for each training session conducted;
9. Complete CheckFreePay required training as required by CheckFreePay;
10. Designate an AML Manager at each location, as applicable, to oversee day-to-day AML compliance at the location level, if applicable. Act as sole point of contact for AML Manager of all AML Compliance related matters;
11. Notify senior management in writing at least quarterly of compliance efforts, internal and external audit results, any compliance problems or deficiencies and the corrective actions taken;
12. Serve as primary contact for BSA compliance matters in conjunction with any and all primary MSBs for which Agent is an agent (e.g. CheckFreePay, Western Union, MoneyGram), as well as all state and federal regulatory authorities during audits or compliance examinations.

BSA Compliance Training

CheckFreePay provides its agents with the necessary training to comply with BSA regulations while performing CheckFreePay transactions.

CheckFreePay requires every agent Compliance Officer to take our training on an annual basis to meet requirements under the BSA. The course can also be used by the Compliance Officer to train all of their clerks should they choose. The course is completely free of charge to Agent and its clerks. If the Compliance Officer chooses to use their own training processes, the Compliance Officer should ensure that their training specifically references walk-in bill payment and highlights that it is also a money service which requires capture of consumer information, CTR and SAR reporting, and other unique things applicable to CheckFreePay bill payment - such as proper handling and secure retention of bill stubs. Regardless of the method of choice a Compliance Officer engages to train its employee base, the Compliance Officer needs to complete CheckFreePay's training annually.

At the completion of **Focus on Compliance** by each student, a certificate of completion should be printed and retained as proof for regulators and auditors that the student completed the training.

Compliance Course as a Reference Tool

The **Focus on Compliance** training course can be accessed anytime and includes a wealth of reference information on regulations as well as on the policies and procedures of CheckFreePay as an MSB. The reference information has been grouped into tabs, located to the right of the screen. The tabs can be accessed by clicking on the particular tab.

The **Menu** tab will navigate students through the course or allow them to access and review specific topics. The **Library** tab contains forms and links to useful websites. The **Glossary** tab provides compliance terms. The **Regs** tab contains information on particular regulations. The **Notebook** tab allows students to input notes regarding compliance that they would like to reference as they navigate through the course.

How to take the BSA Compliance Course

The CheckFreePay web site has all the latest information on how to access the **Focus on Compliance** BSA training course. Please go to www.checkfreepay.com/bsatraining for all the details. If you do not have internet access at home or at work, please contact the Compliance Department at 800-309-7668 x4652.

Sample Independent Review of AML Compliance Program

It is Agent's policy to provide for independent testing of compliance with all applicable reporting, recordkeeping, registration and program requirements of the BSA and with CheckFreePay's BSA and AML compliance policies, standards and procedures. In addition, the BSA requires a regular review of the anti-money laundering compliance program of an MSB. Accordingly, an independent audit or other review will be conducted on a regular basis at the direction of the Compliance Officer. The Compliance Officer shall direct such independent review at least once per year.

The Compliance Officer, or their designee, shall assign the audit/review responsibility to a person who is both independent and has the experience and skill to conduct a thorough and effective independent review (the "Reviewer(s)"). The Reviewer(s) should be a member of the internal audit department of Agent's parent company, an outside auditor, or some other independent professional. The Reviewer(s) may be an Agent employee, but in no event may the Reviewer(s) be an Agent employee who has specific compliance responsibilities under the Agent AML Program (e.g. Agent Compliance Officer). This disqualification also excludes any employee who individually has no specific BSA or AML responsibility but who reports to, or whose supervisor reports to, a member of Agent senior management with specific BSA or AML responsibilities.

Upon appointment by the Compliance Officer, or their designee, the Reviewer(s) shall develop an audit work scope which describes in detail the testing to be performed to meet each audit objective. The audit work scope shall be updated annually to reflect changes to the BSA, to money laundering and related federal laws and to Agent's business lines and operating procedures.

A written report summarizing results of the independent audit/review and management's corrective action will be issued to the Board of Directors and/or to Agent senior management following completion of the audit/review. Each member of Agent senior management team is accountable for the existence of any deficiencies and for prompt closure of any such deficiencies identified as a result of the audit/review. The sample AML review checklist can be used at the locations to perform simple independent reviews.

Audit Program

At the outset of each audit/review, the Compliance Officer, together with the Reviewer(s) shall determine the scope of the audit/review. At minimum, the internal control audit work scope established by the Reviewer(s) shall address each critical facet of Agent's AML Program. Set forth below is a description of the points that must be covered in each annual independent review. The scope of the review may be expanded by the Reviewer(s) and the Compliance Officer, jointly or by the Reviewer(s) independently, but in no event shall the scope be less than the complete coverage of all the points listed below.

The minimum review/audit objectives to be met in the annual independent review of Agent's AML Compliance Program policies, standards, procedures and controls are as follows:

- Identify all areas of Agent that deal with BSA reporting and recordkeeping (e.g. bill payment, money orders, check cashing, etc.), and responsibilities for handling legal process and other inquiries from law enforcement, regulators and other government officials;

- Interview the employees for compliance with the Agent's AML compliance policies, standards and procedures; as well as compliance with CheckFreePay's BSA and AML compliance policies, standards and procedures;
- Review and evaluate Agent's system of internal controls and procedures for compliance with the BSA and Agent's AML compliance policies, standards and procedures; as well as compliance with CheckFreePay's BSA and AML compliance policies, standards and procedures;
- Review CTRs, SARs, Funds Transfer Rule compliance, and test procedures for proper and accurate completion, review, approval and timely record and report preparation, maintenance, and filing with appropriate government authorities;
- Review and test procedures and various generated reports used to identify potential reportable currency transactions and unusual or suspicious activity and recordable bill payments;
- Review samples of transactions for adherence to BSA recordkeeping and reporting requirements, policies, standards and procedures, including identification and other information capture and verification requirements;
- Review for completion of BSA training for all employees and evaluate the knowledge of Agent staff charged with the responsibility for compliance with the BSA and with Agent's AML Compliance Program policies, standards and procedures;
- Review and test the procedures for record retention and destruction;

Records of the Independent Review

Agent shall retain records of all final reports of the independent reviews of its AML Program. The Compliance Manager shall be responsible for maintaining such records and shall establish a specially designated file. A copy of the Reviewer's final written report and a copy of any final Agent action reports shall be maintained in the file. Records shall be maintained for a period of five years from the date of final action. Final action shall only be taken upon successful closure of any deficiencies noted in the Reviewer's final report.

SAMPLE AML COMPLIANCE PROGRAM REVIEW CHECKLIST

REVIEW ITEM	YES	NO	COMMENTS/ACTIONS
COMPLIANCE POLICY/PROCEDURE			
Is the AML Compliance Program up to date?			
Is there a written AML Compliance Program available at every location?			
Is the AML Compliance Program communicated to every employee conducting CheckFreePay transactions?			
CTR PROCEDURES			
Is customer identification being reviewed and captured as required?			
Are transactions being aggregated amongst all MSB transactions the customer conducts in the day?			
Has location accepted CASH totaling more than \$10,000 (including fees) from or to a single customer for CheckFreePay transactions in a single day?			
If yes, was a CTR e-filed to FinCEN according to the AML Compliance Program and BSA regulations?			
If yes, was CTR properly completed?			
If yes, was CTR signed and dated?			
If yes, was CTR submitted timely?			
If yes, was CTR faxed to CheckFreePay?			
Are CTR forms being retained for at least 5 years?			
SAR PROCEDURES			
Is monitoring being conducted on a regular basis?			
Are transactions being aggregated amongst all MSB transactions the customer conducts in the day?			
Have there been any usual or suspicious transactions identified during the review period?			
If yes, was a SAR e-filed to FinCEN according to the AML Compliance Program and BSA regulations?			
If yes, was SAR properly completed?			
If yes, was SAR signed and dated?			
If yes, was SAR submitted timely?			
If yes, was SAR faxed to CheckFreePay?			
Are SAR forms being retained for at least 5 years?			
FTR PROCEDURES			

Is customer identification being reviewed and captured as required?			
Are employees refusing to structure transactions when customers object to identification requirements?			
If customer returns at a later time to make additional payments, is customer identification information being captured at that time?			
COMPLIANCE OFFICER DESIGNATION			
Qualified Compliance Officer designated by Agent?			
Is Compliance Officer performing functions as outlined in AML Compliance Program?			
Are AML Managers designated per location?			
Are responsibilities outlined in AML Compliance Program for AML Managers?			
BSA COMPLIANCE TRAINING			
Retained proof that all new employees completed training upon hire?			
Retained proof that Compliance Officer completed CheckFreePay's BSA course?			
Retained proof that all existing employees completed training annually?			
If using an in-house training program: does it include specific information regarding CheckFreePay transaction compliance?			
Based on interviews with employees, do they understand the AML Compliance Program and its obligations as related to their job functions?			
ANNUAL INDEPENDENT REVIEW			
Conducted at the location level per procedure?			
Corrective actions implemented over last review?			
Are BSA documents being retained for 5 years?			
MISCELLANEOUS COMPLIANCE			
Are MasterCard & Visa bill stubs being stapled to receipt and returned to customer?			
Are other documents being retained in a safe and secure location according to procedure?			
Are documents being destroyed and rendered unreadable before throwing away?			
Are documents being retained and destroyed within the required timeframes?			
Are all state regulatory postings posted as required?			

Additional Compliance Information for CheckFreePay Transactions

Document Retention

The following chart details the document retention requirements:

Document	Keep for Minimum of
Bill stubs (except MasterCard and Visa which should be returned to the Consumer), counter slips, daily reports and miscellaneous other.	120 days
Journal tape and properly endorsed bank deposit slips.	1 year
Check conversion authorization forms (POP forms).	2 years
Copies of checks where a load onto a prepaid card originated as a cashed check	2 years
Currency Transaction and Suspicious Activity Reports.	5 years

*MasterCard and Visa bill stubs must be stapled to the receipt and returned to the person making the payment. Both documents are required to be supplied to CheckFreePay when requesting an adjustment or researching the transaction.

Document Destruction

Agent agrees that all documents required to be retained by CheckFreePay shall be kept in a safe and secure location with limited access by select employees. At the end of the retention period the documents shall be shredded or otherwise destroyed, and disposed of in a manner consistent with maintaining the confidentiality of such documents.

Banking Procedures

Agent must make daily deposits of funds collected on behalf of CheckFreePay and its billers and clients into the commercial checking account set up as the Field Account during your location's implementation.

For Agent's who deposit into their own Field Account: Agent is liable for any and all fees and charges associated with opening and maintaining the Field Account, which account title shall include a designation of "For the Benefit of CheckFreePay Corporation."

Processing of Transactions

Agent **must** only accept bill payment transactions when a bill stub is presented to the clerk for payment unless specifically allowed by the biller and CheckFreePay.

Agent **must** inform every consumer of proper payment posting times and shall make a reasonable effort **not** to collect transactions from a consumer that may be at risk of incurring any type of late charges.

Agent **must not** process any disconnection of service bill payment transactions unless specifically allowed by the biller and CheckFreePay.

Agent **must** aggregate all CheckFreePay transactions (e.g., bill payment(s) and prepaid access load transactions) requested by, or on behalf of, a single person or account number in a single day to determine if recordkeeping and/or reporting thresholds (i.e., FTR, CTRs) have been reached.

Agent **must** aggregate all CheckFreePay transactions with other money services transactions (e.g., check cashing, money orders) requested by, or on behalf of, a single person or account number in a single day to determine if recordkeeping and/or reporting thresholds (i.e., FTR, CTRs) have been reached.

Posting of Signage

CheckFreePay will provide and Agent must display at all times in a site clearly visible to the public, all state regulatory postings and other postings to inform consumers of fees, processing times or other pertinent information regarding the CheckFreePay services. Agent must inform CheckFreePay immediately, by either logging in to the CheckFreePay Marketing website www.checkfreepaymarketing.com or by calling the CheckFreePay Helpdesk at 800-676-6148, if any postings have been lost or destroyed and require replacement.

Certain State regulatory postings can be found in the Library tab of the CheckFreePay Focus on Compliance BSA Training course.

Internal Revenue Service Title 31 or Other Audit or Examination Requests

If Agent receives a subpoena, state examination notice or notice of Title 31 examination by the IRS that relates to any transactions you have processed for CheckFreePay, Agent will follow these steps:

- **Immediately**, after receipt of subpoena or examination notice, fax subpoena or examination notice to CheckFreePay's Compliance Department at 1-877-237-0237 so that CheckFreePay has sufficient time to process your request for information.
- Include Agent's name, terminal number(s), email, fax and phone contact information with fax.