Anti Money Laundering Audit

M&A/Investment Banking

The following audit procedures are designed to test and review the Firm’s Anti-Money Laundering Compliance Program (AMLCP). Please note that any yes or no answers that are outlined may indicate a regulatory problem.

Name of person conducting the audit? _____________________________________

Audit Date: ________________________

Audit Period: _____/_____/____ - _____/_____/____

Initial Analysis

Number of registered employees: ______

Total number of employees: ______

Number of registered principals: ______

Number of offices: ______

Number of customer complaints during the review period: ______

Number of Suspicious Activity Reports filed during the review period: ______

Name of AML Compliance Officer: ____________________

Date Assumed Responsibility: ____________________

Name of Chief Compliance Officer: ____________________

Date Assumed Responsibility: ____________________

Describe the firm's business operations:

________________________________________________________________________

________________________________________________________________________

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________________________________________________________________________
Describe any AML issues noted in the last FINRA, SEC or state regulators examination or audit reviews:


Independence and Qualifications Test

FINRA rules require that the person who conducts this review must be an independent person. The following are questions that will help the firm determine if the person conducting the review is independent. “No” answers indicate a lack of independence.

- Did the firm ensure that the person conducting this review is NOT the Anti Money Laundering Compliance Officer (AMLCO)?  
  - Yes  
  - No

- Did the firm ensure that the person conducting this review is NOT responsible for reconciling the firm’s bank accounts?  
  - Yes  
  - No

- Did the firm ensure that the person conducting this review is NOT responsible for wire transfers for the firm and its customers?  
  - Yes  
  - No

- Did the firm ensure that the person conducting this review is NOT responsible for approving new customer accounts?  
  - Yes  
  - No

- Did the firm ensure that the person conducting this review is NOT the CPA who preformed the annual audit of the firm's financial statements?  
  - Yes  
  - No

- Is the person conducting this review adequately knowledgeable about the federal money laundering rules that apply to the firm?  
  - Yes  
  - No

- Does the person conducting this review understand all of the Bank Secrecy Act rules and regulations?  
  - Yes  
  - No

- Does the person conducting this review understand FINRA AML rules and regulations?  
  - Yes  
  - No

- Does the person conducting this review understand Section 311 of the PATRIOT Act?  
  - Yes  
  - No

- Does the person conducting this review understand the Joint and Travel Rules?  
  - Yes  
  - No

AML Independence Rationale

Please describe the rationale as to why the person conducting this audit is independent.
Anti-Money Laundering Compliance Officer

Did the firm identify the AMLCO on Schedule A of Form BD?  
[ ] Yes  [ ] No  [ ] N/A

Did the firm identify the AMLCO on the FINRA NCS Questionnaire?  
[ ] Yes  [ ] No  [ ] N/A

Approval of the AML Program

Did the firm's Executive Representative approve the AML Program in writing?  
[ ] Yes  [ ] No

General Policy

Does the Firm strictly prohibit all persons associated with the Firm from engaging in the laundering of money or any other organized illegal activity?  
[ ] Yes  [ ] No

Does the Firm and its management appear to be firmly committed, to prevent any money laundering or terrorist funding activities by any of the firm's customers, affiliates or employees?  
[ ] Yes  [ ] No

Does management have an "open door" policy regarding AML issues?  
[ ] Yes  [ ] No

Does the Chief Compliance Officer have an adequate knowledge of the Money Laundering Rules that apply to the firm?  
[ ] Yes  [ ] No

Does senior management appear to have adequate knowledge as to what the firm's money laundering obligations are?  
[ ] Yes  [ ] No

Does management appear to support the firm's Money Laundering Program.  
[ ] Yes  [ ] No

AML Written Supervisory Procedures

Complete the AML WSP Checklist and answer the following questions:  
[ ] Yes  [ ] No

Did the firm's WSP address all of the topics covered in the AML WSP Checklist?  
[ ] Yes  [ ] No

If no, did the firm update its WSP to cover all of the areas on the checklist?  
[ ] Yes  [ ] No

Customer Account Review

*Obtain a sample of transaction files and select a sample of at least 3 review the deal files and answer the following questions.*
Number of accounts/transactions reviewed: __________

Accounts/Transactions/Deals Reviewed (attach a separate sheet if necessary)
List out all of deal files that are being reviewed:

<table>
<thead>
<tr>
<th>Deal Name</th>
<th>Type of Deal (Reg D, DPP, etc.)</th>
<th>Deal Description</th>
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Attach additional pages as needed

All accounts, including subscription based transactions and M&A deal files, must include certain customer identification information. Please note that this list only addresses the customer identification requirements and does not address suitability or due diligence requirements. Please indicate below how many deal/client files were missing the following information:

**Institutions**
- Name of the customer and parties to the transaction
- OFAC check on the institution
- Signature of registered rep introducing the client
- Signature of principal approving the client
- Documentation that the BD understands the clients business
- Names of the persons authorized to conduct business on behalf of the institution
- OFAC check on the individuals who are authorized to conduct business on behalf of the institution
- OFAC check on the officers and senior management of the institution
- (CIP) Other information that is reasonable for recommendations to the customer
- Documentation as to how the client was introduced
- Trust documents (if applicable)

**Optional but recommended**
- Internet search of the institution, authorized personnel, and executive management of the firm to see if there are any pending actions or other red flags
- Credit search
- Lexis Nexus search

**Individuals**
- Client's name, address, and phone number
- Client's occupation, employer's name & address
- Trust documents (if applicable)
- OFAC check
- Signature of registered rep introducing the client on either a subscription document or some sort of client identification document.
- Signature of principal approving the account client on either a subscription document or some sort of client identification document.
GVT ID Number

Optional but recommended
Internet search of the client to see if there are any pending actions or other red flags
Credit search
Lexis Nexus search

Did a registered principal evidence a review of each deal file?

Was each new customer provided a copy of the AML Disclosure Statement?

Did the deal files reviewed appear to be free from indications money laundering or other illegal activity?

Did it appear that the clients reviewed engaged in transactions that made business sense or apparent investment strategy, and are consistent with the customer's stated business strategy.

Did the transactions reviewed appear to be legitimate?

Did the customers willingly provide all requested customer identification information?

Did the transactions reviewed involve any unusual transfers of cash or securities?

High Risk Accounts

*Please indicate how many accounts the firm has in the following categories and answer the following questions:*

<table>
<thead>
<tr>
<th>High Risk Accounts Category</th>
<th>Number of Accounts</th>
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</thead>
<tbody>
<tr>
<td>Number of Foreign Banks and Correspondent Clients</td>
<td></td>
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<tr>
<td>Client Name</td>
<td>Date Became a Client</td>
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<td>Number of Private Banking Clients</td>
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<td>Client Name</td>
<td>Date Became a Client</td>
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<tr>
<td>Number of Non-Resident Alien Clients</td>
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<td>Client Name</td>
<td>Date Became a Client</td>
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</table>
Number of Domestic Trusts

Client Name     Date Became a Client     Name of Rep of Record     Description of Business Relationship

Number of Foreign Operating Commercial Clients

Client Name     Date Became a Client     Name of Rep of Record     Description of Business Relationship

Number of Offshore Trusts

Client Name     Date Became a Client     Name of Rep of Record     Description of Business Relationship

Number of Personal Investment Corporations or Personal Holding Companies

Client Name     Date Became a Client     Name of Rep of Record     Description of Business Relationship

If the firm maintains any of these accounts, are there specific heightened supervisory procedures to review the activity in these accounts?

Yes  No  N/A

Does the firm implement additional customer identification and due diligence requirements for these types of accounts?

Yes  No  N/A
Describe the supplemental requirements:

Did the firm obtain all available trust documents for all trust customers?  

Did the firm obtain adequate information to meet the "know your customer" standard for these accounts?  

From a review of the activity in these accounts, does there appear to be any inappropriate activity?  

**AML Training**

Did the firm conduct AML training each year?  

At a minimum, did the firm's training cover the following topics?

- How to identify "red flags" and possible signs of money laundering that could arise during the course of their duties
- What to do once the risk is identified
- What their roles are in the firm's compliance efforts
- How to perform their roles
- The firm's record retention policy
- Disciplinary consequences, including civil and criminal penalties for non-compliance with the Money Laundering Abatement Act

Did the firm document that every covered person completed the AML training?  

Did the firm maintain copies of the training materials used?

**Annual AML Audit and Testing**

Did the firm conduct an AML audit every year?  

Was the person who conducted the prior AML audit independent?  

Did the firm maintain an AML Audit Report from previous audit reviews?  

Did the firm correct all issues noted during the previous review?

**Reporting Requirements**

Indicate if the firm filed any of the reports below during the review period? If yes, attach a copy of each filing and answer the questions below:

- Currency Transaction Report (CTR)
Broker/Dealers are required to file CTRs for transactions involving currency that exceed $10,000. As structuring is prohibited, multiple transactions are treated as a single transaction if they total more than $10,000 during any one-business day. CTRs are filed with the Financial Crimes Enforcement Network (FinCEN), a bureau of the US Treasury Department.

**Currency and Monetary Instrument Transportation Report (CMIR)**

Any person who physically transports, mails, or ships currency or other monetary instruments into or out of the United States, in aggregated amounts exceeding $10,000 at one time, must report the event on a CMIR. Any person who receives any transport, mail, or shipment of currency, or other monetary instrument from outside the United States in an aggregate amount exceeding $10,000 at one time also must report the receipt. CMIRs are filed with the Commissioner of Customs.


Any person having a financial interest in, or signature or other authority over, financial accounts in a foreign country is required to report the relationship if the aggregate value of the accounts exceeds $10,000. FBARs are filed with FinCEN.

**Funds Transfers and Transmittals**

Broker/Dealers effecting transmittals or transfers of funds, including wire fund transfers, of $3,000 or more must collect, retain and record on the transmittal order certain information regarding the transfer, including the name and address of the transmitter and recipient, the amount of the transmittal order, the identity of the recipient's financial institution, and the account number of the recipient. Broker/Dealers also must verify the identity of transmitters and recipients that are not established customers.

**Suspicious Activity Reports (“SARs”)**

Currently, broker/dealers that are subsidiaries of banks or bank holding companies currently are required under the banking regulations to file Suspicious Activity Reports (SARs) with FinCEN. This type of broker/dealers currently are required to report known or suspected federal criminal offenses, at specified dollar thresholds, or suspicious transactions involving $5,000 or more that they suspect (1) involve funds derived from illegal activity or an attempt to hide or disguise funds or assets derived from illegal activity, (2) are designed to evade the requirements of the Bank Secrecy Act (“BSA”), or (3) have no apparent lawful or business purpose or vary substantially from normal practice. FINRA has previously recommended that all other members report suspicious transactions and has advised firms that the failure to do so could be construed as aiding and abetting money laundering violations, subjecting the member to civil and criminal liability.

**FinCEN Review**

Did the firm properly file the reports described above?

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Were there patterns of reporting for a particular customer?

|     |     |     |

Were there patterns of reporting for customers of a particular registered representative?

|     |     |     |

Were there patterns of reporting that involved particular security?

|     |     |     |

Describe how the firm evidences supervisory review and approval of the FinCEN review:
Did the auditor confirm that none of the firm's customers were on the FinCEN list? ____  ____

Proprietary and Firm Bank Accounts
Conduct a review of proprietary account and bank account statements and answer the following questions:

List accounts reviewed including bank accounts and proprietary trade and error accounts

<table>
<thead>
<tr>
<th>Account #</th>
<th>Institution Name</th>
<th>Period Reviewed</th>
<th>Possible Exceptions (Y/N)</th>
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Does it appear that the firm refrained from money laundering in the bank and proprietary accounts? ____  ____

Email and Correspondence
Conduct a review of email and correspondence and answer the following questions:

Does all email and correspondence reviewed appear to be free from any indication of money laundering or other criminal activities? ____  ____

Internal Review of Investigations

Did the firm conduct any internal reviews or investigations regarding any suspicious activity that involved a customer, employee, registered representative or affiliated person or entity? ____  ____

If "yes" please describe the facts and circumstances of the investigation: ____________________________________________

_________________________________________________________________________________
Describe any corrective actions taken as a result of an internal investigation of suspicious activity:

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Describe any disciplinary action taken as a result of any internal review and investigation of suspicious activity:

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Auditor's Comments and Conclusions

Auditor comments about the firm's AML Compliance Program as a whole:

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Describe the corrective actions recommended based on the audit findings:

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Describe any disciplinary actions taken as a result of the audit findings:

__________________________________________________________

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__________________________________________________________

__________________________________________________________

Signature of Auditor

__________________________________________________________

Name: _________________________________________________

__________________________________________________________

Date: _________________________________________________