



PRIME

Prime Associates, Inc.

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NASD PROVIDES GUIDANCE TO BROKERS

June 2002

The NASD provided guidance to its member firms specific to AML programs in April. The specific's associated with their review is as follows:

- Development of internal policies and controls should cover account opening, monitoring account activity, with the appropriate checks and balances need to be implemented.
- Identification of account holders, which should include source of funds, and what normal trading patterns should be expected.
- Online brokers need to put computerized systems in place to monitor suspicious activity.
- Automation of overall monitor is a preferred route with automated reporting as well.
- Designation of a AML compliance officer to apply the AML program and to work with senior management.
- Employee training is vital in any AML program. As well as an independent testing process.

FATF OFFERS IDEAS ON IDENTIFYING MONEY LAUNDERING:

June 2002

- Frequent large cash deposits in non-profit organizations
- Lack of relationship between banking activity and accountholders business
- Low sum accounts that have been dormant and now are receiving large sums of wired money
- Lack of cooperation by a customer in providing required information
- Account where many persons have signature authority without apparent relationship to one another
- Cash deposits or withdrawals in amounts consistently below reporting requirements

For more information go to
WWW.MONEYLAUNDERING.COM

SEC speech on AML programs

June 2002

by Lori Richards

Introduction

Good morning. I am honored to be with you again this
'SEC Speech' continued on page 2

INSIDE THIS ISSUE

- 1 NASD Provides Guidance to Brokers
- 2 SEC Speech

year as part of the Securities Industry Association's annual conference on money laundering.

A great deal has happened since we were together at last year's conference. The terrible events of September 11th touched all of us. Securities firms located in the Twin Towers lost employees and colleagues. Exchanges were disrupted by debris and fire. Clearing operations were interrupted by breaks in phone lines. And the SEC's NY Regional Office -- located in the Twin Tower complex -- was destroyed in the aftermath of the disaster.

The tragedy of September 11 brought us together - industry and regulators alike - in a cooperative spirit that has been unequalled during my professional experience. As colleagues, we worked and pulled together to bring the markets - the lifeblood of our nation's economy - back to life. In the aftermath of the September 11th tragedy, the Patriot Act was passed by Congress and signed by President Bush.¹ It has given us all new responsibilities - and a quick timeframe to learn our new roles. In some cases, the Act builds on the traditional strengths of the securities industry, with its emphasis on compliance procedures and knowing customers. In other cases, the Act requires us to do things somewhat differently. As we enter this new world -- life after the passage of the Patriot Act -- we need to work together with the same cooperative spirit that marked our activities after September 11th.

Before going any further, let me acknowledge the role that is already being played by the SIA in helping to implement the Patriot Act. In addition to organizing this conference, the SIA has issued to its members a helpful memorandum containing Preliminary Guidance for Detering Money Laundering Activity.² I commend the SIA for their constructive approach. Likewise, those of you who are here today from the securities industry are also to be commended. As you consider how to augment your firm's compliance program to cover the requirements of the Patriot Act, you are also contributing towards the larger goal of denying the use of our financial system to criminals who are terrorists and money launderers.

Today, as we move forward together to implement the Patriot Act, I would like to share with you some of the things the SEC staff has learned during the last year, as we partnered with the securities self-regulatory organizations (SROs) in a "sweep" aimed at examining and encouraging anti-money laundering compliance programs in the securities industry. Hopefully, some of the things we learned from these examinations will be helpful to you as you work to enhance your own anti-money laundering compliance programs.

SEC-SRO "Sweep"

Last year at this conference, I announced that staff from the SEC's Office of Compliance Inspections and Examinations (OCIE) already had begun to undertake a number of examinations of broker-dealers to learn about their existing money laundering compliance programs.³ Together with the New York Stock Exchange, Inc. (NYSE) and the National Association of Securities Dealers, Inc. (NASD), SEC staff collaborated on a joint examination module and conducted a joint training program for SEC and SRO examiners. Following the training program, SEC and SRO examiners conducted examinations of 26 broker-dealers. The sweep included a wide spectrum of firms -- large and small, introducing and clearing, as well as some on-line firms.

We are grateful for the cooperation of the firms we visited, and their assistance in increasing our knowledge and understanding of anti-money laundering techniques. Our preliminary assessment is no surprise. We found that, even before enactment of the Patriot Act, some of the largest firms already had in place sophisticated anti-money laundering compliance programs. While our experience at mid-sized and smaller firms was much more uneven, in general we found that most firms we visited had an awareness of the issues and problems posed by money laundering, and had begun to engage in discussions regarding how to augment or improve their compliance programs.

We also came away from our exams with some more practical ideas of what works for some of these firms, as well as some notions of practices that are not as effective. As you know from my speech last year, we understand that anti-money laundering compliance is not a "one-size-fits-all" proposition. The Patriot Act itself, as well as the proposed SRO rules on anti-money laundering procedures, give firms some flexibility to design programs that fit their businesses, and the potential money laundering risks posed by their business model. It is my hope that sharing our insights and experience with what works and what doesn't, will help you move from thinking about the goal of your anti-money laundering program, to making it a reality in practice. I also hope that by focusing on the practical today, I can speed you towards meeting the Act's timeframes for compliance...

Please read the full text of Ms. Richards speech at <http://www.sec.gov/news/speech/spch555.htm>

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