

# ANTI-MONEY LAUNDERING TESTING SERVICES



## AML Program Standards and Independent AML Testing

S.D. Daniels & Company, LLC (SDDco-LLC) provides independent testing of the Anti-Money Laundering (AML) programs of FINRA member broker-dealers.

Our testing professionals are Certified AML Specialists (CAMS) and members of the Association of Certified Anti-Money Laundering Specialists (ACAMS).

SDDco-LLC conducts an independent, in-depth review to test conformity with applicable AML mandates of the Bank Secrecy Act (BSA), USA Patriot Act of 2001, and governmental administrators, such as the Securities and Exchange Commission (SEC), the Financial Crimes Enforcement Network (FinCEN), the Office of Foreign Assets Control (OFAC); and of the self-regulatory organization, the Financial Industry Regulatory Authority (FINRA).

Such AML rules will vary in their application depending on the structure and function of each broker-dealer.





## AML Program Standards

Consistent with BSA and other AML regulations, FINRA Rule 3310 and its amendments instructs member firms to observe AML standards. The BSA applies to all broker-dealers; there are no exceptions. SDDco-LLC also offers AML testing for investment advisors, although not required by the SEC.

### MINIMUM AML STANDARDS

**Develop and apply a written AML compliance program. The program and any material changes must be approved in writing by a member of the firm's senior management:**

- Design risk-based AML policies, procedures, and internal controls to address money laundering risks specific to your firm and prompt the reporting of suspicious transactions

**Designate an AML compliance officer (AML-CO) to monitor the firm's AML compliance; develop and manage employee training; address red flag issues; and enforce suspicious activity reporting.**

- Verify AML-CO contact info annually (within 17 business days of calendar year-end) via the FINRA Contact System and report (within 30 days) any material change

**Conduct independent testing of the effectiveness of your firm's AML compliance program:**

- Tester must have a solid understanding of applicable AML requirements and may not perform or report to those who perform functions being tested

## Independent AML Testing

SDDco-LLC determines if your firm maintains and implements AML policies and procedures that address applicable regulatory requirements; have been updated to incorporate new and amended rules and regulations; have been properly authorized by senior management; and have been distributed to, and acknowledged by, all associated persons.

### Independence Defined

An AML tester must know the requirements of the Bank Secrecy Act and its implementing regulations. However, the AML test may not be conducted by any person who performs the functions being tested, such as the designated AML compliance person, a member of your AML compliance team, or by any individual who reports to either.

### Frequency of Testing

### FINRA RULE 3310 AND ITS SUBSEQUENT AMENDMENTS

- Most member firms are required to conduct independent testing of their AML compliance programs annually on a calendar-year basis

- For member firms that do not "execute transactions with customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts", independent testing is required every one to two years on a calendar-year basis



## Scope of Testing

The scope of the AML test performed is tailored to emphasize the aspects of AML requirements most relevant to the business operations of your firm. In this manner, SDDco-LLC tests the firm's AML Compliance Program and the business practices that pose the highest degree of risk.

### Review & Analysis of Business Operations

Products and services, branch office(s), client base, clearing method(s), possession and control of funds and securities, receipt and forwarding of funds and securities, transaction volume, account activity, ownership structure, customer information program, and suspicious activity reporting.

### Review & Analysis of AML Supervision and Management

Properly designated AML Compliance Officer, regulatory systems, AML Written Supervisory Procedures (WSP), AML training, OFAC SDN list maintenance, FinCEN 314(a) reviews and self-verification process, FinCEN 314(b) information sharing obligations, and Section 311 Special Measures obligations.

### Review & Analysis of Records

Prior AML testing, prior AML test report management responses, AML test cycles, regulatory examination report(s), forms CTR and CMIR, and documentation regarding suspicious transactions.

## WHAT TO EXPECT

### In advance of the AML testing visit, the SDDco-LLC reviewer will:

- Prepare a preliminary Firm Profile and compile a Records Request List
- Require you to provide copies of these records by email, mail and/or access onsite
- Schedule an onsite visit with your AML-CO or designated AML compliance staff

### During the AML testing visit, the SDDco-LLC reviewer will:

- Interview your AML staff to complete and finalize the Firm Profile
- Review previously requested records and newly requested records when new business operations and activities are added
- Review and assess the firm's WSP on AML program and decide if any further testing is recommended

### After the AML testing visit, the SDDco-LLC reviewer will:

- Prepare an attestation of independent AML testing for your firm
- Prepare an AML Testing Report for your firm (2 bound copies and PDF upon request)

## The Testing Report

Upon completion of the testing process, SDDco-LLC will provide:

- A written report on findings and recommendations
- Detail of the manner and method of your firm's internal AML compliance testing
- A report on Firm compliance with your AML supervisory system and AML WSP
- A summary of the gaps discovered
- Identification of the changes your firm has made or will need to make to enhance the effectiveness of your AML compliance program

## What Comes Next

As a best practice and to potentially avoid citation by a FINRA examiner, SDDco-LLC is here to address any deficiencies discovered through the AML testing.