

# Anti-Money Laundering Testing Services



## Anti-Money Laundering Program Standards and Independent Anti-Money Laundering Testing

DFP Partners provides independent testing of the Anti-Money Laundering programs of FINRA member broker-dealers.

Our testing professionals are Certified Anti-Money Laundering Specialists and members of the Association of Certified Anti-Money Laundering Specialists.

DFP Partners conducts an independent, in-depth review to test conformity with applicable Anti-Money Laundering mandates of the Bank Secrecy Act, USA

Patriot Act of 2001, and governmental administrators, such as the Securities and Exchange Commission, the Financial Crimes Enforcement Network, the Office of Foreign Assets Control; and the Financial Industry Regulatory Authority (FINRA).

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

# ANTI-MONEY LAUNDERING TESTING SERVICES

## Anti-Money Laundering Program Standards

Consistent with the Bank Secrecy Act and other Anti-Money Laundering regulations, FINRA Rule 3310 and its amendments instructs member firms to observe Anti-Money Laundering standards. The Bank Secrecy Act applies to all broker-dealers; there are no exceptions. DFP Partners also offers Anti-Money Laundering testing for investment advisers, although not required by the Securities and Exchange Commission (SEC).

### MINIMUM AML STANDARDS

**Develop and apply a written Anti-Money Laundering 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 Anti-Money Laundering policies, procedures, and internal controls to address money laundering risks specific to your firm and prompt the reporting of suspicious transactions

**Designate an Anti-Money Laundering Compliance Officer to monitor the firm's Anti-Money Laundering compliance, develop and manage employee training, address red flag issues and enforce suspicious activity reporting.**

- » Verify Anti-Money Laundering Compliance Officer 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 Anti-Money Laundering compliance program.**

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

## Independent Anti-Money Laundering Testing

DFP Partners determines if your firm maintains and implements Anti-Money Laundering 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 Anti-Money Laundering tester must know the requirements of the Bank Secrecy Act and its implementing regulations. However, the Anti-Money Laundering test may not be conducted by any person who performs the functions being tested, such as the designated Anti-Money Laundering compliance person, a member of your Anti-Money Laundering compliance team, or by any individual who reports to either.

# ANTI-MONEY LAUNDERING TESTING SERVICES

## Frequency of Testing

### FINRA RULE 3310 AND ITS SUBSEQUENT AMENDMENTS

- » Most member firms are required to conduct independent testing of their Anti-Money Laundering 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 Anti-Money Laundering test performed is tailored to emphasize the aspects of Anti-Money Laundering requirements most relevant to the business operations of your firm. In this manner, DFP Partners tests the firm’s Anti-Money Laundering 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 Anti-Money Laundering Supervision and Management

Properly designated Anti-Money Laundering Compliance Officer, regulatory systems, Anti-Money Laundering Written Supervisory Procedures, Anti-Money Laundering 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 Anti-Money Laundering testing, prior Anti-Money Laundering test report management responses, Anti-Money Laundering test cycles, regulatory examination report(s), forms CTR and CMIR, and documentation regarding suspicious transactions.

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## WHAT TO EXPECT

In advance of the Anti-Money Laundering testing visit, the DFP Partners 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 a meeting with your Anti-Money Laundering Compliance Officer or designated Anti-Money Laundering compliance staff

During the Anti-Money Laundering testing visit, the DFP Partners reviewer will:

- » Interview your Anti-Money Laundering 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 Written Supervisory Procedures on Anti-Money Laundering program and decide if any further testing is recommended

After the Anti-Money Laundering testing visit, the DFP Partners reviewer will:

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

## The Testing Report

Upon completion of the testing process, DFP Partners will provide:

- » A written report on findings and recommendations
- » Detail of the manner and method of your firm's internal Anti-Money Laundering compliance testing
- » A report on firm compliance with your Anti-Money Laundering supervisory system and Anti-Money Laundering Written Supervisory Procedures
- » 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 Anti-Money Laundering compliance program

## What Comes Next

As a best practice and to potentially avoid citation by a FINRA examiner, DFP Partners is here to address any deficiencies discovered through the Anti-Money Laundering testing.