

Checklist

Tips for Compliance with Anti-Money Laundering Regulations

Violations and penalties for lack of proper anti-money laundering (AML) controls create significant problems for businesses regulated by the Financial Industry Regulatory Authority (FINRA). Consequences of non-compliance with AML rules can be severe, from multi-million-dollar fines to potential legal action and damage to a company's public image. The following checklist offers guidelines for reviewing and revising your AML programs to get ahead of potential issues and keep your company compliant.



Review AML Compliance Programs

FINRA RULE 3310

Also known as the Anti-Money Laundering Compliance Program, FINRA Rule 3310 requires that members develop and implement a written anti-money laundering (AML) program that complies with the requirements of the Bank Secrecy Act (BSA).

FINRA has noted a few considerations for monitoring customer accounts to identify and report suspicious transactions. To update your firm's AML compliance program, start with the following questions:

- Does your firm's AML compliance program address new business lines, products, customers and risks?
- Does your firm tailor and adequately resource its AML program to the firm's business model and associated AML risks?
- Does your firm's independent testing confirm that it maintains appropriate risk-based procedures for collecting and verifying customer identification information?
- Does your firm review the integrity of its data feeds for its surveillance and monitoring programs?
- Does your firm coordinate with your clearing firm, including the filing of joint suspicious activity reports?
- Does your firm document the results of its reviews and investigations into potentially suspicious activity identified by exception reports?

Revise AML Compliance Programs

Regulators take lapses in widespread system failures seriously. FINRA member firms must tailor their AML programs to their unique business model and customer base and dedicate resources to programs that correspond with their growth and business lines. Advancing AML programs can also help to proactively address potential legal consequences that arise from related employee misconduct.

In FINRA's 2021 Exam Priorities Letter, anti-money laundering was highlighted as an area of concern— noting that they will be assessing compliance with Rule 3310. An effective AML compliance program under FINRA 3310 should include the following:

AML compliance tests

Confirm that annual AML independent tests evaluate the adequacy of your firm's AML compliance programs. Review your SAR reporting processes and include sampling and transaction testing of your firm's monitoring programs.

Risk assessments

Update risk assessments based on the results of AML independent tests, audits and changes in size or risk profile of your organization. This includes businesses, registered representatives and customer account types. Use AML risk assessments to inform the ongoing focus of independent AML tests.

Collaboration with AML department

Increase the likelihood that all reportable events are referred to the AML department. Establish a line of communication (reporting and escalation processes, awareness / educational programs, meetings, policies and procedures, exception reports) with other departments that may observe potentially reportable events (registered representatives, client-facing teams, technology, cybersecurity, compliance, operations, trading desks and fraud departments).

Updated archiving and supervision technology

Retaining and monitoring electronic communications, while required, serves the purpose of providing evidence and proactively surfacing warning signs of AML violations. Compliance teams must be able to monitor employee communications from all channels (email, text message, social media, collaboration and conferencing platforms, etc.), and rely on a supervision solution that will surface only the most relevant content for review.

Training programs

Design training programs for each of the roles and responsibilities of the AML department (as well as departments that regularly work with AML) and address all AML regulatory and industry developments.

Firms must develop and maintain policies and procedures to prevent and detect violations. They must also have systems in place to implement supervisory procedures. By widening the scope of supervision, firms can address potential employee misconduct that may cause legal issues.

With the appropriate supervision technology solutions, regulated organizations can keep pace with evolving industry changes and stay vigilant about regulatory and compliance risk.