Paymesh Exchange and Transaction Platform
Anti-Money Laundering (AML) Program:
Compliance and Supervisory Procedures

1. Company Policy

It is the policy of the company to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities by complying with all applicable requirements under the Bank Secrecy Act (BSA) and its implementing regulations.

Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the proceeds appear to have derived from legitimate origins or constitute legitimate assets. Generally, money laundering occurs in three stages. Cash first enters the financial system at the "placement" stage, where the cash generated from criminal activities is converted into monetary instruments, such as money orders or traveler's checks, or deposited into accounts at financial institutions. At the "layering" stage, the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin. At the "integration" stage, the funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses.

Although cash is rarely deposited into securities accounts, the securities industry is unique in that it can be used to launder funds obtained elsewhere, and to generate illicit funds within the industry itself through fraudulent activities. Examples of types of fraudulent activities include insider trading, market manipulation, ponzi schemes, cybercrime and other investment-related fraudulent activity.

Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal either the origin of the funds or their intended use, which could be for criminal purposes. Legitimate sources of funds are a key difference between terrorist financiers and traditional criminal organizations. In addition to charitable donations, legitimate sources include foreign government sponsors, business ownership and personal employment. Although the motivation differs between traditional money launderers and terrorist financiers, the actual methods used to fund terrorist operations can be the same as or similar to methods used by other criminals to launder funds. Funding for terrorist attacks does not always require large sums of money and the associated transactions may not be complex.

Our AML policies, procedures and internal controls are designed to ensure compliance with all applicable BSA regulations and FINRA rules and will be reviewed and updated on a regular basis to ensure appropriate policies, procedures and internal controls are in place to account for both changes in regulations and changes in our business.

Rules: 31 C.F.R. § 1023.210; FINRA Rule 3310.

2. AML Compliance Person Designation and Duties

The company has designated Zachary Williams as its Anti-Money Laundering Program Compliance Person (AML Compliance Person), with full responsibility for the company's AML program. Zachary Williams has a working knowledge of the BSA and its implementing regulations and is qualified by experience, knowledge and training. The duties of the AML Compliance Person will include monitoring the company's compliance with AML obligations, overseeing communication and training for employees as relevant, and ensuring the correct AML KYC is collected from all partner businesses. The AML Compliance Person will also ensure that the company keeps and maintains all of the required AML records and will ensure that Suspicious Activity Reports (SARs) are filed with the Financial Crimes Enforcement Network (FinCEN) when appropriate. The AML Compliance Person is vested with full responsibility and authority to enforce the company's AML program.

The company will provide FINRA with contact information for the AML Compliance Person through the FINRA Contact System (FCS), including: (1) name; (2) title; (3) mailing address; (4) email address; (5) telephone number; and (6) facsimile (if any). The company will promptly notify FINRA of any change in this information through FCS and will review, and if necessary update, this information within 17 business days after the end of each calendar year. The annual review of FCS information will be conducted by Zachary Williams and will be completed with all necessary updates being provided no later than 17 business days following the end of each calendar year. In addition, if there is any change to the information, Zachary Williams will update the information promptly, but in any event not later than 30 days following the change.

Rules: 31 C.F.R. § 1023.210; FINRA Rule 3310; FINRA Rule 4517.
Resources: Regulatory Notice 07-42; NTM 06-07; NTM 02-78. Companies can submit their AML Compliance Person information through FINRA's FCS web page.

3. Giving AML Information to Federal Law Enforcement Agencies and Other Financial Institutions

a. FinCEN Requests Under USA PATRIOT Act Section 314(a)

We will respond to a Financial Crimes Enforcement Network (FinCEN) request concerning accounts and transactions (a 314(a) Request) by immediately searching our

records to determine whether we maintain or have maintained any account for, or have engaged in any transaction with, each individual, entity or organization named in the 314(a) Request as outlined in the Frequently Asked Questions (FAQ) located on FinCEN's secure website. We understand that we have 14 days (unless otherwise specified by FinCEN) from the transmission date of the request to respond to a 314(a) Request. We will designate through the FINRA Contact System (FCS) one or more persons to be the point of contact (POC) for 314(a) Requests and will promptly update the POC information following any change in such information. (*See also* Section 2 above regarding updating of contact information for the AML Compliance Person.) Unless otherwise stated in the 314(a) Request or specified by FinCEN, we are required to search those documents outlined in FinCEN's FAQ. If we find a match, Zachary Williams will report it to FinCEN via FinCEN's Web-based 314(a) Secure Information Sharing System within 14 days or within the time requested by FinCEN in the request. If the search parameters differ from those mentioned above (for example, if FinCEN limits the search to a geographic location), Zachary Williams will structure our search accordingly.

If Zachary Williams searches our records and does not find a matching account or transaction, then Zachary Williams will not reply to the 314(a) Request. We will maintain documentation that we have performed the required search by printing a search self-verification document from FinCEN's 314(a) Secure Information Sharing System confirming that our company has searched the 314(a) subject information against our records OR maintaining a log showing the date of the request, the number of accounts searched, the name of the individual conducting the search and a notation of whether or not a match was found.

We will not disclose the fact that FinCEN has requested or obtained information from us, except to the extent necessary to comply with the information request. Zachary Williams will review, maintain and implement procedures to protect the security and confidentiality of requests from FinCEN similar to those procedures established to satisfy the requirements of Section 501 of the Gramm-Leach-Bliley Act with regard to the protection of customers' nonpublic information.

We will direct any questions we have about the 314(a) Request to the requesting federal law enforcement agency as designated in the request.

Unless otherwise stated in the 314(a) Request, we will not be required to treat the information request as continuing in nature, and we will not be required to treat the periodic 314(a) Requests as a government provided list of suspected terrorists for purposes of the customer identification and verification requirements.

Rule: 31 C.F.R. § 1010.520.
Resources: FinCEN's 314(a) web page; NTM 02-80;. FinCEN also provides financial institutions with General Instructions and Frequently Asked Questions relating to 314(a) requests through the 314(a) Secured Information Sharing System or by contacting FinCEN's Regulatory Helpline at (800) 949-2732 or via email at sys314a@fincen.gov.

b. National Security Letters

We understand that the receipt of a National Security Letter (NSL) is highly confidential. We understand that none of our officers, employees or agents may directly or indirectly disclose to any person that the FBI or other federal government authority has sought or obtained access to any of our records. To maintain the confidentiality of any NSL we receive, we will process and maintain the NSL by keeping it stored in a secure web portal with credential restricted access, only permissible for the authorized parties. If we file a SAR after receiving an NSL, the SAR will not contain any reference to the receipt or existence of the NSL. The SAR will only contain detailed information about the facts and circumstances of the detected suspicious activity.

Resource: *FinCEN SAR Activity Review, Trends, Tips & Issues, Issue 8 (National Security Letters and Suspicious Activity Reporting) (4/2005)*.

c. Grand Jury Subpoenas

We understand that the receipt of a grand jury subpoena concerning a customer does not in itself require that we file a Suspicious Activity Report (SAR). When we receive a grand jury subpoena, we will conduct a risk assessment of the customer subject to the subpoena as well as review the customer's account activity. If we uncover suspicious activity during our risk assessment and review, we will elevate that customer's risk assessment and file a SAR in accordance with the SAR filing requirements. We understand that none of our officers, employees or agents may directly or indirectly disclose to the person who is the subject of the subpoena its existence, its contents, or the information we used to respond to it. To maintain the confidentiality of any grand jury subpoena we receive, we will process and maintain the subpoena by keeping it stored in a secure web portal with credential restricted access, only permissible for the authorized parties. If we file a SAR after receiving a grand jury subpoena, the SAR will not contain any reference to the receipt or existence of the subpoena. The SAR will only contain detailed information about the facts and circumstances of the detected suspicious activity.

Resources: *FinCEN SAR Activity Review, Trends, Tips & Issues, Issue 10 (Grand Jury Subpoenas and Suspicious Activity Reporting) (5/2006)*.

d. Voluntary Information Sharing With Other Financial Institutions Under USA PATRIOT Act Section 314(b)

We will share information with other financial institutions regarding individuals, entities, organizations and countries for purposes of identifying and, where appropriate, reporting activities that we suspect may involve possible terrorist activity or money laundering. Zachary Williams will ensure that the company files with FinCEN an initial notice before any sharing occurs and annual notices thereafter. We will use the notice form found at FinCEN's website. Before we share information with another financial institution, we will take reasonable steps to verify that the other financial institution has submitted the requisite notice to FinCEN, either by obtaining confirmation from the financial institution

or by consulting a list of such financial institutions that FinCEN will make available. We understand that this requirement applies even to financial institutions *with which we are affiliated*, and that we will obtain the requisite notices from affiliates and follow all required procedures.

We will employ strict procedures both to ensure that only relevant information is shared and to protect the security and confidentiality of this information, for example, by segregating it from the company's other books and records.

We also will employ procedures to ensure that any information received from another financial institution shall not be used for any purpose other than:

- identifying and, where appropriate, reporting on money laundering or terrorist activities;
- determining whether to establish or maintain an account, or to engage in a transaction; or
- assisting the financial institution in complying with performing such activities.

Rules: 31 C.F.R. § 1010.540.
Resources: FinCEN Financial Institution Notification Form; FIN-2009-G002: Guidance on the Scope of Permissible Information Sharing Covered by Section 314(b) Safe Harbor of the USA PATRIOT Act (6/16/2009).

e. Joint Filing of SARs by Broker-Dealers and Other Financial Institutions

We will file joint SARs in the following circumstances, according to current guidelines and as the prevailing situation dictates. We will also share information about a particular suspicious transaction with any broker-dealer, as appropriate, involved in that particular transaction for purposes of determining whether we will file jointly a SAR.

[***If an introducing company**:*] We will share information about particular suspicious transactions with our clearing partner for purposes of determining whether we and our clearing partner will file jointly a SAR. In cases in which we file a joint SAR for a transaction that has been handled both by us and by the clearing broker, we may share with the clearing broker a copy of the filed SAR.

If we determine it is appropriate to jointly file a SAR, we understand that we cannot disclose that we have filed a SAR to any financial institution except the financial institution that is filing jointly. If we determine it is not appropriate to file jointly (*e.g.*, because the SAR concerns the other broker-dealer or one of its employees), we understand that we cannot disclose that we have filed a SAR to any other financial institution or insurance company.

Rules: 31 C.F.R. § 1023.320; 31 C.F.R. § 1010.430; 31 C.F.R. § 1010.540.
Resources: FinCEN's BSA E-Filing System.

4. Checking the Office of Foreign Assets Control Listings

Before opening an account, and on an ongoing basis, Zachary Williams will check to ensure that a customer does not appear on the SDN list or is not engaging in transactions that are prohibited by the economic sanctions and embargoes administered and enforced by OFAC. (*See* the OFAC website for the SDN list and listings of current sanctions and embargoes). Because the SDN list and listings of economic sanctions and embargoes are updated frequently, we will consult them on a regular basis and subscribe to receive any available updates when they occur. With respect to the SDN list, we may also access that list through various software programs to ensure speed and accuracy. *See also* FINRA's OFAC Search Tool that screens names against the SDN list. Zachary Williams will also review existing accounts against the SDN list and listings of current sanctions and embargoes when they are updated and [*he or she*] will document the review.

If we determine that a customer is on the SDN list or is engaging in transactions that are prohibited by the economic sanctions and embargoes administered and enforced by OFAC, we will reject the transaction and/or block the customer's assets and file a blocked assets and/or rejected transaction form with OFAC within 10 days. We will also call the OFAC Hotline at (800) 540-6322 immediately.

Our review will include customer accounts, transactions involving customers (including activity that passes through the company such as wires) and the review of customer transactions that involve physical security certificates or application-based investments (*e.g.*, mutual funds).

Rules: 31 C.F.R. § 501.603; 31 C.F.R. § 501.604.
Resources: SEC AML Source Tool for Broker-Dealers, Item 12; OFAC Lists web page (including links to the SDN List and lists of sanctioned countries); FINRA's OFAC Search Tool. You can also subscribe to receive updates on the OFAC Subscription web page. See also the following OFAC forms: Report of Blocked Transactions Form; Report of Rejected Transactions Form; Annual Report of Blocked Property Form; and OFAC Guidance Regarding Foreign Assets Control Regulations for the Securities Industry.

5. Customer Identification Program

In addition to the information, we must collect under FINRA Rules 2090 (Know Your Customer) and 2111 (Suitability) and the 4510 Series (Books and Records Requirements), and Securities Exchange Act of 1934 (Exchange Act) Rules 17a-3(a)(9) (Beneficial Ownership regarding Cash and Margin Accounts), 17a-3(a)(17) (Customer Accounts) and Regulation Best Interest, we have established, documented and maintained a written Customer Identification Program (CIP). We will collect certain minimum customer identification information from each customer who opens an account; utilize

risk-based measures to verify the identity of each customer who opens an account; record customer identification information and the verification methods and results; provide the required adequate CIP notice to customers that we will seek identification information to verify their identities; and compare customer identification information with government-provided lists of suspected terrorists, once such lists have been issued by the government. *See* Section 5.g. (Notice to Customers) for additional information.

We will collect information to determine whether any entity opening an account would be excluded as a "customer," pursuant to the exceptions outlined in 31 CFR 1023.100(d)(2)) (*e.g.*, documentation of a company's listing information, licensing or registration of a financial institution in the U.S., and status or verification of the authenticity of a government agency or department).

Rule: 31 C.F.R. § 1023.220.
Resources: SEC Staff Q&A Regarding the Broker-Dealer Customer Identification Program Rule (10/1/2003); NTM 03-34.

a. Required Customer Information

Prior to opening an account, Zachary Williams, or the automated system in place, will collect the following information for all accounts, if applicable, for any person, entity or organization that is opening a new account and whose name is on the account:

(1) the name;
(2) date of birth (for an individual);
(3) an address, which will be a residential or business street address (for an individual), an Army Post Office (APO) or Fleet Post Office (FPO) box number, or residential or business street address of next of kin or another contact individual (for an individual who does not have a residential or business street address), or a principal place of business, local office, or other physical location (for a person other than an individual); and
(4) an identification number, which will be a taxpayer identification number (for U.S. persons), or one or more of the following: a taxpayer identification number, passport number and country of issuance, alien identification card number, or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or other similar safeguard (for non-U.S. persons).

When opening an account for a foreign business or enterprise that does not have an identification number, we will request alternative government-issued documentation certifying the existence of the business or enterprise.

Rule: 31 C.F.R. § 1023.220(a)(2)(i).

b. Customers Who Refuse to Provide Information

If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information,

our company will not open a new account and, after considering the risks involved, consider closing any existing account. In either case, our AML Compliance Person will be notified so that we can determine whether we should report the situation to FinCEN on a SAR.

c. Verifying Information

Based on the risk, and to the extent reasonable and practicable, we will ensure that we have a reasonable belief that we know the true identity of our customers by using risk-based procedures to verify and document the accuracy of the information we get about our customers. Zachary Williams will analyze the information we obtain to determine whether the information is sufficient to form a reasonable belief that we know the true identity of the customer (*e.g.*, whether the information is logical or contains inconsistencies).

We will verify customer identity through documentary means, non-documentary means or both. We will use documents to verify customer identity when appropriate documents are available. In light of the increased instances of identity fraud, we will supplement the use of documentary evidence by using the non-documentary means described below whenever necessary. We may also use non-documentary means, if we are still uncertain about whether we know the true identity of the customer. In verifying the information, we will consider whether the identifying information that we receive, such as the customer's name, street address, zip code, telephone number (if provided), date of birth and Social Security number, allow us to determine that we have a reasonable belief that we know the true identity of the customer (*e.g.*, whether the information is logical or contains inconsistencies).

Appropriate documents for verifying the identity of customers include the following:

- For an individual, an unexpired government-issued identification evidencing nationality or residence and bearing a photograph or similar safeguard, such as a driver's license or passport; and

- For a person other than an individual, documents showing the existence of the entity, such as certified articles of incorporation, a government-issued business license, a partnership agreement or a trust instrument.

We understand that we are not required to take steps to determine whether the document that the customer has provided to us for identity verification has been validly issued and that we may rely on a government-issued identification as verification of a customer's identity. If, however, we note that the document shows some obvious form of fraud, we must consider that factor in determining whether we can form a reasonable belief that we know the customer's true identity.

We will use the following non-documentary methods of verifying identity:

- Independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from a consumer reporting agency, public database or other source;

- Checking references with other financial institutions; or

- Obtaining a financial statement.

We will use non-documentary methods of verification when:
(1) the customer is unable to present an unexpired government-issued identification document with a photograph or other similar safeguard;
(2) the company is unfamiliar with the documents the customer presents for identification verification;
(3) the customer and company do not have face-to-face contact; and
(4) there are other circumstances that increase the risk that the company will be unable to verify the true identity of the customer through documentary means.

We will verify the information within a reasonable time before or after the account is opened. Depending on the nature of the account and requested transactions, we may refuse to complete a transaction before we have verified the information, or in some instances when we need more time, we may, pending verification, restrict the types of transactions or dollar amount of transactions. If we find suspicious information that indicates possible money laundering, terrorist financing activity, or other suspicious activity, we will, after internal consultation with the company's AML Compliance Person, file a SAR in accordance with applicable laws and regulations.

We recognize that the risk that we may not know the customer's true identity may be heightened for certain types of accounts, such as an account opened in the name of a corporation, partnership or trust that is created or conducts substantial business in a jurisdiction that has been designated by the U.S. as a primary money laundering jurisdiction, a terrorist concern, or has been designated as a non-cooperative country or territory. We will identify customers that pose a heightened risk of not being properly identified.

Rule: 31 C.F.R. § 1023.220(a)(2)(ii).

d. Lack of Verification

When we cannot form a reasonable belief that we know the true identity of a customer, we will do the following: (1) not open an account; (2) impose terms under which a customer may conduct transactions while we attempt to verify the customer's identity; (3) close an account after attempts to verify a customer's identity fail; and (4) determine whether it is necessary to file a SAR in accordance with applicable laws and regulations.

Rule: 31 C.F.R. § 1023.220(a)(2)(iii).

e. Recordkeeping

We will document our verification, including all identifying information provided by a customer, the methods used and results of verification, and the resolution of any discrepancies identified in the verification process. We will keep records containing a description of any document that we relied on to verify a customer's identity, noting the type of document, any identification number contained in the document, the place of issuance, and if any, the date of issuance and expiration date. With respect to non-documentary verification, we will retain documents that describe the methods and the results of any measures we took to verify the identity of a customer. We will also keep records containing a description of the resolution of each substantive discrepancy discovered when verifying the identifying information obtained. We will retain records of all identification information for five years after the account has been closed; we will retain records made about verification of the customer's identity for five years after the record is made.

Rule: 31 C.F.R. § 1023.220(a)(3).

f. Comparison with Government-Provided Lists of Terrorists

At such time as we receive notice that a federal government agency has issued a list of known or suspected terrorists and identified the list as a list for CIP purposes, we will, within a reasonable period of time after an account is opened (or earlier, if required by another federal law or regulation or federal directive issued in connection with an applicable list), determine whether a customer appears on any such list of known or suspected terrorists or terrorist organizations issued by any federal government agency and designated as such by Treasury in consultation with the federal functional regulators. We will follow all federal directives issued in connection with such lists.

We will continue to comply separately with OFAC rules prohibiting transactions with certain foreign countries or their nationals.

Rule: 31 C.F.R. § 1023.220(a)(4).
Resource: NTM 02-21, page 6, n.24.

g. Notice to Customers

FINRA has produced a Customer Identification Program Notice to assist companys in fulfilling this notification requirement. Please refer to the FINRA AML web page for further details.

We will provide notice to customers that the company is requesting information from them to verify their identities, as required by federal law. We will contact the customer via the email or phone number supplied at time of registration.

Important Information About Procedures for Opening a New Account
To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

Rule: 31 C.F.R. § 1023.220(a)(5).

h. Reliance on Another Financial Institution for Identity Verification

We may, under the following circumstances, rely on the performance by another financial institution (including an affiliate) of some or all of the elements of our CIP with respect to any customer that is opening an account or has established an account or similar business relationship with the other financial institution to provide or engage in services, dealings or other financial transactions:

- when such reliance is reasonable under the circumstances;
- when the other financial institution is subject to a rule implementing the anti-money laundering compliance program requirements of 31 U.S.C. § 5318(h), and is regulated by a federal functional regulator; and
- when the other financial institution has entered into a contract with our company requiring it to certify annually to us that it has implemented its anti-money laundering program and that it will perform (or its agent will perform) specified requirements of the customer identification program.

Rule: 31 C.F.R. § 1023.220(a)(6).
Resources: No-Action Letters to the Securities Industry and Financial Markets Association (SIFMA) (February 12, 2004; February 10, 2005; July 11, 2006; January 10, 2008; January 11, 2010; January 11, 2011; January 9, 2015; December 12, 2016; and December 12, 2018*). (The letters provide staff guidance regarding the extent to which a broker-dealer may rely on an investment adviser to conduct the required elements of the CIP rule, prior to such adviser being subject to an AML rule.)*

6. Customer Due Diligence Rule

In addition to the information collected under the written Customer Identification Program, FINRA Rules 2090 (Know Your Customer) and 2111 (Suitability) and the 4510 Series (Books and Records Requirements), and Securities Exchange Act of 1934 (Exchange Act) Rules 17a-3(a)(9) (Beneficial Ownership regarding Cash and Margin Accounts), 17a-3(a)(17) (Customer Accounts) and Regulation Best Interest, we have

established, documented and maintained written policies and procedures reasonably designed to identify and verify beneficial owners of legal entity customers and comply with other aspects of the Customer Due Diligence (CDD) Rule. We will collect certain minimum CDD information from beneficial owners of legal entity customers.[1] We will understand the nature and purpose of customer relationships for the purpose of developing a customer risk profile. We will conduct ongoing monitoring to identify and report suspicious transactions, and, on a risk basis, maintain and update customer information.

a. Identification and Verification of Beneficial Owners

At the time of opening an account for a legal entity customer, Zachary Williams will identify any individual that is a beneficial owner of the legal entity customer by identifying any individuals who directly or indirectly own 25% or more of the equity interests of the legal entity customer, and any individual with significant responsibility to control, manage, or direct a legal entity customer. The following information will be collected for each beneficial owner:

(1) the name;
(2) date of birth (for an individual);
(3) an address, which will be a residential or business street address (for an individual), or an Army Post Office (APO) or Fleet Post Office (FPO) box number, or residential or business street address of next of kin or another contact individual (for an individual who does not have a residential or business street address); and
(4) an identification number, which will be a Social Security number (for U.S. persons), or one or more of the following: a passport number and country of issuance, or other similar identification number, such as an alien identification card number, or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or other similar safeguard (for non-U.S. persons).

If your company elects to utilize Appendix A to 31 CFR § 1010.230, record how the company will use the document.

For verification, we will describe any document relied on (noting the type, any identification number, place of issuance and, if any, date of issuance and expiration). We will also describe any non-documentary methods and the results of any measures undertaken.

Rules: 31 C.F.R. § 1010.230(b); 31 C.F.R. § 1023.210(b)(5).
Resources: FIN-2016-G003: Frequently Asked Questions Regarding Customer Due Diligence Requirements for Financial Institutions (7/19/2016); Regulatory Notice 17-40.

b. Understanding the Nature and Purpose of Customer Relationships

[1] Beneficial owners and legal entity customers as defined by the CDD Rule.

We will understand the nature and purpose of customer relationships for the purpose of developing a customer risk profile through the continuous monitoring systems which we have in place between ourselves and our host financial institutions.

Depending on the facts and circumstances, a customer risk profile may include such information as:

- The type of customer;
- The account or service being offered;
- The customer's income;
- The customer's net worth;
- The customer's domicile;
- The customer's principal occupation or business; and
- In the case of existing customers, the customer's history of activity.

Rules: 31 C.F.R. § 1010.230; 31 C.F.R. § 1023.210(b)(5)(i); FINRA Rule 3310.
Resources: FIN-2016-G003: Frequently Asked Questions Regarding Customer Due Diligence Requirements for Financial Institutions (7/19/2016); Regulatory Notice 17-40; Regulatory Notice 18-19.

c. Conducting Ongoing Monitoring to Identify and Report Suspicious Transactions

We will conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, maintain and update customer information, including information regarding the beneficial ownership of legal entity customers, using the customer risk profile as a baseline against which customer activity is assessed for suspicious transaction reporting. Our suspicious activity monitoring procedures are detailed within Section 11 (Monitoring Accounts for Suspicious Activity).

Rules: 31 C.F.R. § 1010.230; 31 C.F.R. § 1023.210(b)(5)(ii); FINRA Rule 3310.
Resources: FIN-2016-G003: Frequently Asked Questions Regarding Customer Due Diligence Requirements for Financial Institutions (7/19/2016); Regulatory Notice 17-40; Regulatory Notice 18-19.

7. Due Diligence and Enhanced Due Diligence Requirements for Correspondent Accounts of Foreign Financial Institutions

a. Due Diligence for Correspondent Accounts of Foreign Financial Institutions

We have reviewed our accounts and we do not have, nor do we intend to open or maintain, correspondent accounts for foreign financial institutions.

Rule: 31 C.F.R. § 1010.610(a).

Resource: *FIN-2006-G009: Application of the Regulations Requiring Special Due Diligence Programs for Certain Foreign Accounts to the Securities and Futures Industries (5/10/2006)*.

b. Enhanced Due Diligence

We will assess any correspondent accounts for foreign financial institutions to determine whether they are correspondent accounts that have been established, maintained, administered or managed for any foreign bank that operates under:

(1) an offshore banking license;
(2) a banking license issued by a foreign country that has been designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization of which the United States is a member and with which designation the U.S. representative to the group or organization concurs; or
(3) a banking license issued by a foreign country that has been designated by the Secretary of the Treasury as warranting special measures due to money laundering concerns.

If we determine that we have any correspondent accounts for these specified foreign banks, we will perform enhanced due diligence on these correspondent accounts. The enhanced due diligence that we will perform for each correspondent account will include, at a minimum, procedures to take reasonable steps to:

(1) conduct enhanced scrutiny of the correspondent account to guard against money laundering and to identify and report any suspicious transactions. Such scrutiny will not only reflect the risk assessment that is described in Section 8.a. above, but will also include procedures to, as appropriate:

(i) obtain (*e.g.,* using a questionnaire) and consider information related to the foreign bank's AML program to assess the extent to which the foreign bank's correspondent account may expose us to any risk of money laundering;

(ii) monitor transactions to, from or through the correspondent account in a manner reasonably designed to detect money laundering and suspicious activity (this monitoring may be conducted manually or electronically and may be done on an individual account basis or by product activity); and

(iii) obtain information from the foreign bank about the identity of any person with authority to direct transactions through any correspondent account that is a payable-through account (a correspondent account maintained for a foreign bank through which the foreign bank permits its customer to engage, either directly or through a subaccount, in banking activities) and the

sources and beneficial owners of funds or other assets in the payable-through account.

(2) determine whether the foreign bank maintains correspondent accounts for other foreign banks that enable those other foreign banks to gain access to the correspondent account under review and, if so, to take reasonable steps to obtain information to assess and mitigate the money laundering risks associated with such accounts, including, as appropriate, the identity of those other foreign banks; and

(3) if the foreign bank's shares are not publicly traded, determine the identity of each owner and the nature and extent of each owner's ownership interest. We understand that for purposes of determining a private foreign bank's ownership, an "owner" is any person who directly or indirectly owns, controls or has the power to vote 10 percent or more of any class of securities of a foreign bank. We also understand that members of the same family shall be considered to be one person.

Rule: 31 C.F.R. § 1010.610(b); 31 C.F.R. § 1010.610(c).

c. Special Procedures When Due Diligence or Enhanced Due Diligence Cannot Be Performed

In the event there are circumstances in which we cannot perform appropriate due diligence with respect to a correspondent account, we will determine, at a minimum, whether to refuse to open the account, suspend transaction activity, file a SAR, close the correspondent account and/or take other appropriate action.

Rule: 31 C.F.R. § 1010.610(d).

9. Due Diligence and Enhanced Due Diligence Requirements for Private Banking Accounts/Senior Foreign Political Figures

We will review our accounts to determine whether we offer any private banking accounts and we will conduct due diligence on such accounts. This due diligence will include, at least: (1) ascertaining the identity of all nominal holders and holders of any beneficial ownership interest in the account (including information on those holders' lines of business and sources of wealth); (2) ascertaining the source of funds deposited into the account; (3) ascertaining whether any such holder may be a senior foreign political figure; and (4) detecting and reporting, in accordance with applicable laws and regulations, any known or suspected money laundering, or use of the proceeds of foreign corruption.

We will review public information, including information available in Internet databases, to determine whether any private banking account holders are senior foreign political figures. If we discover information indicating that a particular private banking account

holder may be a senior foreign political figure, and upon taking additional reasonable steps to concompany this information, we determine that the individual is, in fact, a senior foreign political figure, we will conduct additional enhanced due diligence to detect and report transactions that may involve money laundering or the proceeds of foreign corruption.

In so doing, we will consider the risks that the funds in the account may be the proceeds of foreign corruption by determining the purpose and use of the private banking account, location of the account holder(s), source of funds in the account, type of transactions conducted through the account and jurisdictions involved in such transactions. The degree of scrutiny we will apply will depend on various risk factors, including, but not limited to, whether the jurisdiction the senior foreign political figure is from is one in which current or former political figures have been implicated in corruption and the length of time that a former political figure was in office. Our enhanced due diligence might include, depending on the risk factors, probing the account holder's employment history, scrutinizing the account holder's source(s) of funds, and monitoring transactions to the extent necessary to detect and report proceeds of foreign corruption, and reviewing monies coming from government, government controlled or government enterprise accounts (beyond salary amounts).

If we do not find information indicating that a private banking account holder is a senior foreign political figure, and the account holder states that he or she is not a senior foreign political figure, then we may make an assessment if a higher risk for money laundering, nevertheless, exists independent of the classification. If a higher risk is apparent, we will consider additional due diligence measures such as [*describe in detail the additional measures*].

In either case, if due diligence (or the required enhanced due diligence, if the account holder is a senior foreign political figure) cannot be performed adequately, we will, after consultation with the company's AML Compliance Person and, as appropriate, not open the account, suspend the transaction activity, file a SAR, close the account and/or take other appropriate action.

Rule: 31 C.F.R. § 1010.620.
Resources: Guidance on Enhanced Scrutiny for Transactions that May Involve the Proceeds of Foreign Official Corruption (1/1/2001); FIN-2008-G005: Guidance to Financial Institutions on Filing Suspicious Activity Reports regarding the Proceeds of Political Corruption (4/17/2008).

10. Compliance with FinCEN's Issuance of Special Measures Against Foreign Jurisdictions, Financial Institutions or International Transactions of Primary Money Laundering Concern

If FinCEN issues a final rule imposing a special measure against one or more foreign jurisdictions or financial institutions, classes of international transactions or types of

accounts deeming them to be of primary money laundering concern, we understand that we must read FinCEN's final rule and follow any prescriptions or prohibitions contained in that rule. For example, if the final rule deems a certain bank and its subsidiaries (Specified Banks) to be of primary money laundering concern, a special measure may be a prohibition from opening or maintaining a correspondent account in the United States for, or on behalf of, the Specified Banks. In that case, we will take the following steps:

(1) We will review our account records, including correspondent account records, to ensure that our accountholders and correspondent accountholders maintain no accounts directly for, or on behalf of, the Specified Banks; and

(2) We will apply due diligence procedures to our correspondent accounts that are reasonably designed to guard against indirect use of those accounts by the Specified Banks. Such due diligence may include:

- Notification to Correspondent Accountholders

  We will notify our correspondent accountholders that the account may not be used to provide the Specified Banks with access to us.

  We will transmit the notice to our correspondent accounts using email and written correspondence, and we shall retain documentation of such notice.

- Identification of Indirect Use

  We will take reasonable steps in order to identify any indirect use of our correspondent accounts by the Specified Banks. We will determine if such indirect use is occurring from transactional records that we maintain in the normal course of business. We will take a risk-based approach when deciding what, if any, additional due diligence measures we should adopt to guard against the indirect use of correspondent accounts by the Specified Banks, based on risk factors such as the type of services offered by, and geographic locations of, their correspondents.

  We understand that we have an ongoing obligation to take reasonable steps to identify all correspondent account services our correspondent accountholders may directly or indirectly provide to the Specified Banks.

Rules: 31 C.F.R. §§ 1010.651, 1010.653, 1010.655, 1010.658, 1010.659, 1010.660.
Resources: Section 311 – Special Measures (for information on all special measures issued by FinCEN); NTM 07-17; NTM 06-41.

11. Monitoring Accounts for Suspicious Activity

We will monitor account activity for unusual size, volume, pattern or type of transactions, taking into account risk factors and red flags that are appropriate to our business. (Red flags are identified in Section 11.b. below.) Monitoring will be conducted through the following methods: automated pattern detection on an ongoing and per transaction basis, as backed onto our host financial partners. The customer risk profile will serve as a baseline for assessing potentially suspicious activity. The AML Compliance Person or his or her designee will be responsible for oversight of this monitoring, will review any activity that our monitoring system detects, will determine whether any additional steps are required, will document when and how this monitoring is carried out, and will report suspicious activities to the appropriate authorities.

We will conduct the following reviews of activity that our monitoring system detects. We will document our monitoring and reviews. The AML Compliance Person or his or her designee will conduct an appropriate investigation and review relevant information from internal or third-party sources before a SAR is filed. Relevant information can include, but not be limited to, parties involved, transaction amounts, dates, times and geo data as available.

Rules: 31 C.F.R. § 1023.320; FINRA Rule 3310.
Resource: 67 Fed. Reg. 44048 (July 1, 2002) (Final Rule: Financial Crimes Enforcement Network; Amendment to the Bank Secrecy Act Regulations – Requirement that Brokers or Dealers in Securities Report Suspicious Transactions)

a. Emergency Notification to Law Enforcement by Telephone

In situations involving violations that require immediate attention, such as terrorist financing or ongoing money laundering schemes, we will immediately call an appropriate law enforcement authority. If a customer or company appears on OFAC's SDN list, we will call the OFAC Hotline at (800) 540-6322. Other contact numbers we will use are: FinCEN's Financial Institutions Hotline ((866) 556-3974) (especially to report transactions relating to terrorist activity), local U.S. Attorney's office (*+1 305-961-9000)*, local FBI office (*+1 754-703-2000)* and local SEC office (*+1 305-982-6300)* (to voluntarily report such violations to the SEC in addition to contacting the appropriate law enforcement authority). If we notify the appropriate law enforcement authority of any such activity, we must still file a timely a SAR.

Although we are not required to, in cases where we have filed a SAR that may require immediate attention by the SEC, we may contact the SEC via the SEC SAR Alert Message Line at (202) 551-SARS (7277) to alert the SEC about the filing. We understand that calling the SEC SAR Alert Message Line does not alleviate our obligations to file a SAR or notify an appropriate law enforcement authority.

Rule: 31 C.F.R. § 1023.320.
Resources: FinCEN's website; OFAC web page; NTM 02-21; NTM 02-47.

b. Red Flags

Red flags that signal possible money laundering or terrorist financing include, but are not limited to:

Potential Red Flags in Customer Due Diligence and Interactions with Customers

- The customer provides the company with unusual or suspicious identification documents that cannot be readily verified or are inconsistent with other statements or documents that the customer has provided. Or, the customer provides information that is inconsistent with other available information about the customer. This indicator may apply to account openings and to interaction subsequent to account opening.
- The customer is reluctant or refuses to provide the company with complete customer due diligence information as required by the company's procedures, which may include information regarding the nature and purpose of the customer's business, prior financial relationships, anticipated account activity, business location and, if applicable, the entity's officers and directors.
- The customer refuses to identify a legitimate source of funds or information is false, misleading or substantially incorrect.
- The customer is domiciled in, doing business in or regularly transacting with counterparties in a jurisdiction that is known as a bank secrecy haven, tax shelter, high-risk geographic location (*e.g.*, known as a narcotics producing jurisdiction, known to have ineffective AML/Combating the Financing of Terrorism systems) or conflict zone, including those with an established threat of terrorism.
- The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- The customer has no discernable reason for using the company's service or the company's location (*e.g.*, the customer lacks roots to the local community or has gone out of his or her way to use the company).
- The customer has been rejected or has had its relationship terminated as a customer by other financial services companys.
- The customer's legal or mailing address is associated with multiple other accounts or businesses that do not appear related.
- The customer appears to be acting as an agent for an undisclosed principal, but is reluctant to provide information.
- The customer is a trust, shell company or private investment company that is reluctant to provide information on controlling parties and underlying beneficiaries.
- The customer is publicly known or known to the company to have criminal, civil or regulatory proceedings against him or her for crime, corruption or misuse of public

funds, or is known to associate with such persons. Sources for this information could include news items, the Internet or commercial database searches.

- The customer's background is questionable or differs from expectations based on business activities.
- The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, with no apparent business or other purpose.
- An account is opened by a politically exposed person (PEP),[9] particularly in conjunction with one or more additional risk factors, such as the account being opened by a shell company[10] beneficially owned or controlled by the PEP, the PEP is from a country which has been identified by FATF as having strategic AML regime deficiencies, or the PEP is from a country known to have a high level of corruption.
- An account is opened by a non-profit organization that provides services in geographic locations known to be at higher risk for being an active terrorist threat.[11]
- An account is opened in the name of a legal entity that is involved in the activities of an association, organization or foundation whose aims are related to the claims or demands of a known terrorist entity.[12]
- An account is opened for a purported stock loan company, which may hold the restricted securities of corporate insiders who have pledged the securities as collateral for, and then defaulted on, purported loans, after which the securities are sold on an unregistered basis.
- An account is opened in the name of a foreign financial institution, such as an offshore bank or broker-dealer, that sells shares of stock on an unregistered basis on behalf of customers.
- An account is opened for a foreign financial institution that is affiliated with a U.S. broker-dealer, bypassing its U.S. affiliate, for no apparent business purpose. An apparent business purpose could include access to products or services the U.S. affiliate does not provide.

Potential Red Flags in Deposits of Securities

- A customer opens a new account and deposits physical certificates, or delivers in shares electronically, representing a large block of thinly traded or low-priced securities.
- A customer has a pattern of depositing physical share certificates, or a pattern of delivering in shares electronically, immediately selling the shares and then wiring, or otherwise transferring out the proceeds of the sale(s).
- A customer deposits into an account physical share certificates or electronically deposits or transfers shares that:
  - were recently issued or represent a large percentage of the float for the security;
  - reference a company or customer name that has been changed or that does not match the name on the account;
  - were issued by a shell company;

- were issued by a company that has no apparent business, revenues or products;
- were issued by a company whose SEC filings are not current, are incomplete, or nonexistent;
- were issued by a company that has been through several recent name changes or business combinations or recapitalizations;
- were issued by a company that has been the subject of a prior trading suspension; or
- were issued by a company whose officers or insiders have a history of regulatory or criminal violations, or are associated with multiple low-priced stock issuers.

- The lack of a restrictive legend on deposited shares seems inconsistent with the date the customer acquired the securities, the nature of the transaction in which the securities were acquired, the history of the stock or the volume of shares trading.

- A customer with limited or no other assets at the company receives an electronic transfer or journal transfer of large amounts of low-priced, non-exchange-listed securities.

- The customer's explanation or documents purporting to evidence how the customer acquired the shares does not make sense or changes upon questioning by the company or other parties. Such documents could include questionable legal opinions or securities purchase agreements.

- The customer deposits physical securities or delivers in shares electronically, and within a short timeframe, requests to journal the shares into multiple accounts that do not appear to be related, or to sell or otherwise transfer ownership of the shares.

- Seemingly unrelated clients open accounts on or at about the same time, deposit the same low-priced security and subsequently liquidate the security in a manner that suggests coordination.

Potential Red Flags in Securities Trading

- The customer, for no apparent reason or in conjunction with other "red flags," engages in transactions involving certain types of securities, such as penny stocks, Regulation "S" stocks and bearer bonds, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)

- There is a sudden spike in investor demand for, coupled with a rising price in, a thinly traded or low-priced security.

- The customer's activity represents a significant proportion of the daily trading volume in a thinly traded or low-priced security.

- A customer buys and sells securities with no discernable purpose or circumstances that appear unusual.

- Individuals known throughout the industry to be stock promoters sell securities through the broker-dealer.

- A customer accumulates stock in small increments throughout the trading day to increase price.

- A customer engages in pre-arranged or other non-competitive securities trading, including wash or cross trades, with no apparent business purpose.

- A customer attempts to influence the closing price of a stock by executing purchase or sale orders at or near the close of the market.

- A customer engages in transactions suspected to be associated with cyber breaches of customer accounts, including potentially unauthorized disbursements of funds or trades.

- A customer engages in a frequent pattern of placing orders on one side of the market, usually inside the existing National Best Bid or Offer (NBBO), followed by the customer entering orders on the other side of the market that execute against other market participants that joined the market at the improved NBBO (activity indicative of "spoofing").

- A customer engages in a frequent pattern of placing multiple limit orders on one side of the market at various price levels, followed by the customer entering orders on the opposite side of the market that are executed and the customer cancelling the original limit orders (activity indicative of "layering").

- Two or more unrelated customer accounts at the company trade an illiquid or low-priced security suddenly and simultaneously.

- The customer makes a large purchase or sale of a security, or option on a security, shortly before news or a significant announcement is issued that affects the price of the security.

- The customer is known to have friends or family who work at or for the securities issuer, which may be a red flag for potential insider trading or unlawful sales of unregistered securities.

- The customer's purchase of a security does not correspond to the customer's investment profile or history of transactions (*e.g.*, the customer may never have invested in equity securities or may have never invested in a given industry, but does so at an opportune time) and there is no reasonable explanation for the change.

- The account is using a master/sub structure, which enables trading anonymity with respect to the sub-accounts' activity, and engages in trading activity that raises red flags, such as the liquidation of microcap issuers or potentially manipulative trading activity.

- The company receives regulatory inquiries or grand jury or other subpoenas concerning the company's customers' trading.

- The customer engages in a pattern of transactions in securities indicating the customer is using securities to engage in currency conversion. For example, the customer delivers in and subsequently liquidates American Depository Receipts (ADRs) or dual currency bonds for U.S. dollar proceeds, where the securities were originally purchased in a different currency.

- The customer engages in mirror trades or transactions involving securities used for currency conversions, potentially through the use of offsetting trades.

- The customer appears to buy or sell securities based on advanced knowledge of pending customer orders.

Potential Red Flags in Money Movements

- The customer attempts or makes frequent or large deposits of currency, insists on dealing only in cash equivalents, or asks for exemptions from the company's policies and procedures relating to the deposit of cash and cash equivalents.

- The customer "structures" deposits, withdrawals or purchases of monetary instruments below a certain amount to avoid reporting or recordkeeping requirements, and may state directly that they are trying to avoid triggering a reporting obligation or to evade taxing authorities.

- The customer seemingly breaks funds transfers into smaller transfers to avoid raising attention to a larger funds transfer. The smaller funds transfers do not appear to be based on payroll cycles, retirement needs, or other legitimate regular deposit and withdrawal strategies.

- The customer's account shows numerous currency, money order (particularly sequentially numbered money orders) or cashier's check transactions aggregating to significant sums without any apparent business or lawful purpose.

- The customer frequently changes bank account details or information for redemption proceeds, in particular when followed by redemption requests.

- The customer makes a funds deposit followed by an immediate request that the money be wired out or transferred to a third party, or to another company, without any apparent business purpose.

- Wire transfers are made in small amounts in an apparent effort to avoid triggering identification or reporting requirements.

- Incoming payments are made by third-party checks or checks with multiple endorsements.

- Outgoing checks to third parties coincide with, or are close in time to, incoming checks from other third parties.

- Payments are made by third party check or money transfer from a source that has no apparent connection to the customer.

- Wire transfers are made to or from financial secrecy havens, tax havens, high-risk geographic locations or conflict zones, including those with an established presence of terrorism.

- Wire transfers originate from jurisdictions that have been highlighted in relation to black market peso exchange activities.

- The customer engages in transactions involving foreign currency exchanges that are followed within a short time by wire transfers to locations of specific concern (*e.g.*, countries designated by national authorities, such as FATF, as non-cooperative countries and territories).

- The parties to the transaction (*e.g.*, originator or beneficiary) are from countries that are known to support terrorist activities and organizations.

- Wire transfers or payments are made to or from unrelated third parties (foreign or domestic), or where the name or account number of the beneficiary or remitter has not been supplied.

- There is wire transfer activity that is unexplained, repetitive, unusually large, shows unusual patterns or has no apparent business purpose.

- The securities account is used for payments or outgoing wire transfers with little or no securities activities (*i.e.*, account appears to be used as a depository account or a conduit for transfers, which may be purported to be for business operating needs).

- Funds are transferred to financial or depository institutions other than those from which the funds were initially received, specifically when different countries are involved.

- The customer engages in excessive journal entries of funds between related or unrelated accounts without any apparent business purpose.

- The customer uses a personal/individual account for business purposes or vice versa.

- A foreign import business with U.S. accounts receives payments from outside the area of its customer base.

- There are frequent transactions involving round or whole dollar amounts purported to involve payments for goods or services.

- Upon request, a customer is unable or unwilling to produce appropriate documentation (*e.g.*, invoices) to support a transaction, or documentation appears doctored or fake (*e.g.*, documents contain significant discrepancies between the descriptions on the transport document or bill of lading, the invoice, or other documents such as the certificate of origin or packing list).

- The customer requests that certain payments be routed through nostro[14] or correspondent accounts held by the financial intermediary instead of its own accounts, for no apparent business purpose.

- Funds are transferred into an account and are subsequently transferred out of the account in the same or nearly the same amounts, especially when the origin and destination locations are high-risk jurisdictions.

- A dormant account suddenly becomes active without a plausible explanation (*e.g.*, large deposits that are suddenly wired out).

- Nonprofit or charitable organizations engage in financial transactions for which there appears to be no logical economic purpose or in which there appears to be no link between the stated activity of the organization and the other parties in the transaction.

- There is unusually frequent domestic and international automated teller machine (ATM) activity.

- A person customarily uses the ATM to make several deposits into a brokerage account below a specified BSA/AML reporting threshold.

- Many small, incoming wire transfers or deposits are made using checks and money orders that are almost immediately withdrawn or wired out in a manner inconsistent with the customer's business or history; the checks or money orders may reference in a memo section "investment" or "for purchase of stock." This may be an indicator of a Ponzi scheme or potential funneling activity.

- Wire transfer activity, when viewed over a period of time, reveals suspicious or unusual patterns, which could include round dollar, repetitive transactions or circuitous money movements.

Potential Red Flags in Insurance Products

- The customer cancels an insurance contract and directs that the funds be sent to a third party.

- The customer deposits an insurance annuity check from a cancelled policy and immediately requests a withdrawal or transfer of funds.

- The customer cancels an annuity product within the free-look period. This could be a red flag if accompanied with suspicious indicators, such as purchasing the annuity

with several sequentially numbered money orders or having a history of cancelling annuity products during the free-look period.

- The customer opens and closes accounts with one insurance company, then reopens a new account shortly thereafter with the same insurance company, each time with new ownership information.

- The customer purchases an insurance product with no concern for the investment objective or performance.

Other Potential Red Flags

- The customer is reluctant to provide information needed to file reports to proceed with the transaction.

- The customer exhibits unusual concern with the company's compliance with government reporting requirements and the company's AML policies.

- The customer tries to persuade an employee not to file required reports or not to maintain the required records.

- Notifications received from the broker-dealer's clearing company that the clearing company had identified potentially suspicious activity in customer accounts. Such notifications can take the form of alerts or other concern regarding negative news, money movements or activity involving certain securities.

- Law enforcement has issued subpoenas or freeze letters regarding a customer or account at the securities company.

- The customer makes high-value transactions not commensurate with the customer's known income or financial resources.

- The customer wishes to engage in transactions that lack business sense or an apparent investment strategy, or are inconsistent with the customer's stated business strategy.

- The stated business, occupation or financial resources of the customer are not commensurate with the type or level of activity of the customer.

- The customer engages in transactions that show the customer is acting on behalf of third parties with no apparent business or lawful purpose.

- The customer engages in transactions that show a sudden change inconsistent with normal activities of the customer.

- Securities transactions are unwound before maturity, absent volatile market conditions or other logical or apparent reason.

- The customer does not exhibit a concern with the cost of the transaction or fees (*e.g.*, surrender fees, or higher than necessary commissions).

- A borrower defaults on a cash-secured loan or any loan that is secured by assets that are readily convertible into currency.

- There is an unusual use of trust funds in business transactions or other financial activity.

Resource: *Regulatory Notice 19-18*

c. Responding to Red Flags and Suspicious Activity

When an employee of the company detects any red flag, or other activity that may be suspicious, he or she will notify his supervisor or compliance officer. Under the direction of the AML Compliance Person, the company will determine whether or not and how to further investigate the matter. This may include gathering additional information internally or from third-party sources, contacting the government, freezing the account and/or filing a SAR.

12. Suspicious Transactions and BSA Reporting

a. Filing a SAR

We will file SARs with FinCEN for any transactions (including deposits and transfers) conducted or attempted by, at or through our company involving $5,000 or more of funds or assets (either individually or in the aggregate) where we know, suspect or have reason to suspect:

(1) the transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation;
(2) the transaction is designed, whether through structuring or otherwise, to evade any requirements of the BSA regulations;
(3) the transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and after examining the background, possible purpose of the transaction and other facts, we know of no reasonable explanation for the transaction; or
(4) the transaction involves the use of the company to facilitate criminal activity.

We will also file a SAR and notify the appropriate law enforcement authority in situations involving violations that require immediate attention, such as terrorist financing or ongoing money laundering schemes. In addition, although we are not required to, we may contact that SEC in cases where a SAR we have filed may require immediate attention by the SEC. *See* Section 11 for contact numbers. We also understand

that, even if we notify a regulator of a violation, unless it is specifically covered by one of the exceptions in the SAR rule, we must file a SAR reporting the violation.

We may file a voluntary SAR for any suspicious transaction that we believe is relevant to the possible violation of any law or regulation but that is not required to be reported by us under the SAR rule. It is our policy that all SARs will be reported regularly to the Board of Directors and appropriate senior management, with a clear reminder of the need to maintain the confidentiality of the SAR.

We will report suspicious transactions by completing a SAR, and we will collect and maintain supporting documentation as required by the BSA regulations. We will file a SAR-SF no later than 30 calendar days after the date of the initial detection of the facts that constitute a basis for filing a SAR. If no suspect is identified on the date of initial detection, we may delay filing the SAR for an additional 30 calendar days pending identification of a suspect, but in no case will the reporting be delayed more than 60 calendar days after the date of initial detection. The phrase "initial detection" does not mean the moment a transaction is highlighted for review. The 30-day (or 60-day) period begins when an appropriate review is conducted and a determination is made that the transaction under review is "suspicious" within the meaning of the SAR requirements. A review must be initiated promptly upon identification of unusual activity that warrants investigation.

We will retain copies of any SAR filed and the original or business record equivalent of any supporting documentation for five years from the date of filing the SAR-SF. We will identify and maintain supporting documentation and make such information available to FinCEN, any other appropriate law enforcement agencies, federal or state securities regulators or SROs upon request.

We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the BSA regulations. We understand that anyone who is subpoenaed or required to disclose a SAR or the information contained in the SAR will, except where disclosure is requested by FinCEN, the SEC, or another appropriate law enforcement or regulatory agency, or an SRO registered with the SEC, decline to produce the SAR or to provide any information that would disclose that a SAR was prepared or filed. We will notify FinCEN of any such request and our response.

Rules: 31 C.F.R. § 1023.320; FINRA Rule 3310.
Resources: FinCEN's website contains additional information, including information on the BSA E-Filing System, the FinCEN Suspicious Activity Report: Introduction and Filing Instructions, and the biannual SAR Activity Review – Trends, Tips & Issues, which discusses trends in suspicious reporting and gives helpful tips; The SAR Activity Review, Issue 10 (May 5/2006) (documentation of decision not to file a SAR; grand jury subpoenas and suspicious activity reporting, and commencement of 30-day time period to file a SAR); FinCEN SAR Narrative Guidance Package (11/2003), FinCEN Suggestions for Addressing Common Errors Noted in Suspicious Activity Reporting (10/10/2007); NTM 02-21; NTM 02-47.

b. Foreign Bank and Financial Accounts Reports

We will file a Foreign Bank and Financial Accounts Report (FBAR) for any financial accounts of more than $10,000 that we hold, or for which we have signature or other authority over, in a foreign country. We will use the BSA E-Filing System provided on FinCEN's website.

Rules: 31 C.F.R. §§ 1010.306, 1010.350, 1010.420.
Resources: FinCEN's BSA E-Filing System.

c. Monetary Instrument Purchases

We do not issue bank checks or drafts, cashier's checks, money orders or traveler's checks in the amount of $3,000 or more.

Rule: 31 C.F.R. § 1010.415.
Resource: 59 Fed. Reg. 52250 (October 17, 1994) (Final Rule; Amendments to BSA Regulations Relating to Identification Required to Purchase Bank Checks and Drafts, Cashier's Checks, Money Orders, and Traveler's Checks).

f. Funds Transmittals of $3,000 or More Under the Travel Rule

When we are the transmittor's financial institution in funds of $3,000 or more, we will retain either the original or a copy (*e.g.*, microfilm, electronic record) of the transmittal order. We will also record on the transmittal order the following information: (1) the name and address of the transmittor; (2) if the payment is ordered from an account, the account number; (3) the amount of the transmittal order; (4) the execution date of the transmittal order; and (5) the identity of the recipient's financial institution. In addition, we will include on the transmittal order as many of the following items of information as are received with the transmittal order: (1) the name and address of the recipient; (2) the account number of the recipient; (3) any other specific identifier of the recipient; and (4) any form relating to the transmittal of funds that is completed or signed by the person placing the transmittal order.

We will also verify the identity of the person placing the transmittal order (if we are the transmitting company), provided the transmittal order is placed in person and the transmittor is not an established customer of the company (*i.e.*, a customer of the company who has not previously maintained an account with us or for whom we have not obtained and maintained a file with the customer's name, address, taxpayer identification number, or, if none, alien identification number or passport number and country of issuance). If a transmittor or recipient is conducting business in person, we will obtain: (1) the person's name and address; (2) the type of identification reviewed and the number of the identification document (*e.g.,* driver's license); and (3) the person's taxpayer identification number (*e.g.,* Social Security or employer identification number) or, if none, alien identification number or passport number and country of issuance, or a notation in the record the lack thereof. If a transmittor or recipient is not conducting business in person, we shall obtain the person's name, address, and a copy or record of

the method of payment (*e.g.,* check or credit card transaction). In the case of transmittors only, we shall also obtain the transmittor's taxpayer identification number (*e.g.,* Social Security or employer identification number) or, if none, alien identification number or passport number and country of issuance, or a notation in the record of the lack thereof. In the case of recipients only, we shall obtain the name and address of the person to which the transmittal was sent.

Rules: 31 C.F.R. § 1010.410(e) and (f); Exchange Act Rule 17a-8 (requiring registered broker-dealers subject to the Currency and Foreign Transactions Reporting Act of 1970 to comply with the BSA regulations regarding reporting, recordkeeping and record retention requirements); FINRA Rule 3310.

13. AML Recordkeeping

a. Responsibility for Required AML Records and SAR Filing

Our AML Compliance Person and his or her designee will be responsible for ensuring that AML records are maintained properly and that SARs are filed as required.

In addition, as part of our AML program, our company will create and maintain SARs, CTRs, CMIRs, FBARs, and relevant documentation on customer identity and verification *(See* Section 5 above) and funds transmittals. We will maintain SARs and their accompanying documentation for at least five years. We will keep other documents according to existing BSA and other recordkeeping requirements, including certain SEC rules that require six-year retention periods (*e.g.*, Exchange Act Rule 17a-4(a) requiring companys to preserve for a period of not less than six years, all records required to be retained by Exchange Act Rule 17a-3(a)(1)-(3), (a)(5), and (a)(21)-(22) and Exchange Act Rule 17a-4(e)(5) requiring companys to retain for six years account record information required pursuant to Exchange Act Rule 17a-3(a)(17)).

Rules: 31 C.F.R. § 1010.430; Exchange Act Rule 17a-8 (requiring registered broker-dealers subject to the Currency and Foreign Transactions Reporting Act of 1970 to comply with the BSA regulations regarding reporting, recordkeeping and record retention requirements); FINRA Rule 3310.

b. SAR Maintenance and Confidentiality

We will hold SARs and any supporting documentation confidential. We will not inform anyone outside of FinCEN, the SEC, an SRO registered with the SEC or other appropriate law enforcement or regulatory agency about a SAR. We will refuse any subpoena requests for SARs or for information that would disclose that a SAR has been prepared or filed and immediately notify FinCEN of any such subpoena requests that we receive. *See* Section 11 for contact numbers. We will segregate SAR filings and copies of supporting documentation from other company books and records to avoid disclosing SAR filings. Our AML Compliance Person will handle all subpoenas or other requests for SARs. We may share information with another financial institution about suspicious

transactions in order to determine whether we will jointly file a SAR according to the provisions of Section 3.d. In cases in which we file a joint SAR for a transaction that has been handled both by us and another financial institution, both financial institutions will maintain a copy of the filed SAR.

Rule: 31 C.F.R. § 1023.320(e).
Resources: 67 Fed. Reg. 44048 (July 1, 2002) (Final Rule; Financial Crimes Enforcement Network; Amendment to the Bank Secrecy Act Regulations – Requirement that Brokers or Dealers in Securities Report Suspicious Transactions); NTM 02-47.

c. Additional Records

We shall retain either the original or a microfilm or other copy or reproduction of each of the following:

- A record of each extension of credit in an amount in excess of $10,000, except an extension of credit secured by an interest in real property. The record shall contain the name and address of the person to whom the extension of credit is made, the amount thereof, the nature or purpose thereof and the date thereof;

- A record of each advice, request or instruction received or given regarding any transaction resulting (or intended to result and later canceled if such a record is normally made) in the transfer of currency or other monetary instruments, funds, checks, investment securities or credit, of more than $10,000 to or from any person, account or place outside the U.S.;

- A record of each advice, request or instruction given to another financial institution (which includes broker-dealers) or other person located within or without the U.S., regarding a transaction intended to result in the transfer of funds, or of currency, other monetary instruments, checks, investment securities or credit, of more than $10,000 to a person, account or place outside the U.S.;

- Each document granting signature or trading authority over each customer's account;

- Each record described in Exchange Act Rule 17a-3(a): (1) (blotters), (2) (ledgers for assets and liabilities, income, and expense and capital accounts), (3) (ledgers for cash and margin accounts), (4) (securities log), (5) (ledgers for securities in transfer, dividends and interest received, and securities borrowed and loaned), (6) (order tickets), (7) (purchase and sale tickets), (8) (confirms), and (9) (identity of owners of cash and margin accounts);

- A record of each remittance or transfer of funds, or of currency, checks, other monetary instruments, investment securities or credit, of more than $10,000 to a person, account or place, outside the U.S.; and

- A record of each receipt of currency, other monetary instruments, checks or investment securities and of each transfer of funds or credit, of more than $10,000 received on any one occasion directly and not through a domestic financial institution, from any person, account or place outside the U.S.

Rules: 31 C.F.R. § 1010.410; 31 C.F.R. 1023.410; Exchange Act Rule 17a-8 (requiring registered broker-dealers subject to the Currency and Foreign Transactions Reporting Act of 1970 to comply with the BSA regulations regarding reporting, recordkeeping and record retention requirements); FINRA Rule 3310.

14. Clearing/Introducing Company Relationships

We will work closely with our clearing company to detect money laundering. We will exchange information, records, data and exception reports as necessary to comply [with our contractual obligations and] with AML laws. Both our company and our clearing company have filed (and kept updated) the necessary annual certifications for such information sharing, which can be found on FinCEN's website. As a general matter, we will obtain and use the following exception reports offered by our clearing company in order to monitor customer activity [*identify reports and the manner in which they will be used*] and we will provide our clearing company with proper customer identification and due diligence information as required to successfully monitor customer transactions. We have discussed how each company will apportion customer and transaction functions and how we will share information and set forth our understanding in a written document. We understand that the apportionment of functions will not relieve either of us from our independent obligation to comply with AML laws, except as specifically allowed under the BSA and its implementing regulations.

Rules: 31 CFR § 1010.540; FINRA Rule 3310; FINRA Rule 4311.
Resource: NTM 02-21.

15. Training Programs

We will develop ongoing employee training under the leadership of the AML Compliance Person and senior management. Our training will occur on at least an annual basis. It will be based on our company's size, its customer base, and its resources and be updated as necessary to reflect any new developments in the law.

Our training will include, at a minimum: (1) how to identify red flags and signs of money laundering that arise during the course of the employees' duties; (2) what to do once the risk is identified (including how, when and to whom to escalate unusual customer activity or other red flags for analysis and, where appropriate, the filing of SARs); (3) what employees' roles are in the company's compliance efforts and how to perform them; (4) the company's record retention policy; and (5) the disciplinary consequences (including civil and criminal penalties) for non-compliance with the BSA.

We will develop training in our company, or contract for it. Delivery of the training may include educational pamphlets, videos, intranet systems, in-person lectures and explanatory memos. We will maintain records to show the persons trained, the dates of training and the subject matter of their training.

We will review our operations to see if certain employees, such as those in compliance, margin and corporate security, require specialized additional training. Our written procedures will be updated to reflect any such changes.

Rules: 31 CFR § 1023.210(b)(4); FINRA Rule 3310.
Resources: See NTM 02-21, FinCEN SAR Narrative Guidance Package (11/01/2003); FinCEN Suggestions for Addressing Common Errors Noted in Suspicious Activity Reporting (10/10/2007).

16. Program to Independently Test AML Program

a. Staffing

The testing of our AML program will be performed at least annually (on a calendar year basis) by Zachary Williams, an independent third party. We will evaluate the qualifications of the independent third party to ensure they have a working knowledge of applicable requirements under the BSA and its implementing regulations. Independent testing will be performed more frequently if circumstances warrant.

Rules: 31 C.F.R. § 1023.210(b)(2); FINRA Rule 3310.
Resource: NTM 06-07.

b. Evaluation and Reporting

After we have completed the independent testing, staff will report its findings to senior management. We will promptly address each of the resulting recommendations and keep a record of how each noted deficiency was resolved.

Rules: 31 C.F.R. § 1023.210(b)(2); FINRA Rule 3310.

17. Monitoring Employee Conduct and Accounts

We will subject employee accounts to the same AML procedures as customer accounts, under the supervision of the AML Compliance Person. We will also review the AML performance of supervisors, as part of their annual performance review. The AML Compliance Person's accounts will be reviewed by a member of the executive team.

Rules: 31 C.F.R. § 1023.320; 31 C.F.R § 1023.210; FINRA Rule 3310.

18. Confidential Reporting of AML Non-Compliance

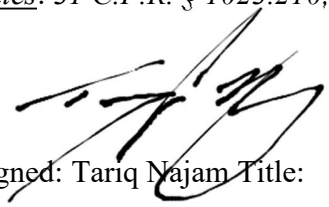
Employees will promptly report any potential violations of the company's AML compliance program to the AML Compliance Person, unless the violations implicate the AML Compliance Person, in which case the employee shall report to Tariq Najam. Such reports will be confidential, and the employee will suffer no retaliation for making them.

Rules: 31 C.F.R. § 1023.210; FINRA Rule 3310.

19. Senior Manager Approval

Senior management has approved this AML compliance program in writing as reasonably designed to achieve and monitor our company's ongoing compliance with the requirements of the BSA and the implementing regulations under it. This approval is indicated by signatures below.

Rules: *31 C.F.R. § 1023.210; FINRA Rule 3310.*



Signed: Tariq Najam Title:

CEO

Date: November 3rd, 2024