



## FINRA Fines Online Broker \$1 Million for Inadequate AML Procedures

---

*January 7, 2009.* Online brokers using manual systems to monitor suspicious securities transactions for anti-money laundering (AML) compliance may need to rethink their approach in light of FINRA's recently announced administrative action involving two units of E\*Trade Financial Corporation.

On January 2, 2009, FINRA announced that it had fined E\*Trade Securities, LLC and E\*Trade Clearing, LLC (collectively, "E\*Trade") \$1 million to settle charges "for failing to establish and implement anti-money laundering (AML) policies and procedures that could reasonably be expected to detect and cause the reporting of suspicious securities transactions."

According to FINRA, from January 1, 2003 to May 31, 2007, E\*Trade primarily relied on an automated system to review accounts for money laundering activity. In identifying transactions and accounts for further review, the system focused primarily on suspicious *money* movement but did not flag and cause the review of suspicious *trading* activity, such as wash or matched trading, in the absence of money movements. Instead, according to FINRA, E\*Trade relied on analysts and other employees to manually monitor for and detect "suspicious trading activity without providing sufficient automated tools necessary to monitor for such activity." FINRA determined that this approach was "unreasonable" given the large volume of online trading activity and concluded that E\*Trade had violated NASD Conduct Rule 3011, FINRA Rule 2010 (formerly, NASD Conduct Rule 2110), and MSRB Rule G-41. E\*Trade consented to the entry of FINRA's findings without admitting or denying the charges.

This administrative action suggests that the use of computerized surveillance tools to detect suspicious transactions and activity may no longer be optional for online brokers that have high trading volume.

Follow this link to read the press release FINRA issued related to this enforcement action: <http://www.finra.org/Newsroom/NewsReleases/2009/P117667>. For more information, please contact Karen Benson at (305)

347-6871 or [kea@jordenusa.com](mailto:kea@jordenusa.com).

JORDEN BURT is a national law firm with a unique focus on financial services and a national reputation in high stakes litigation, financial regulation and product counseling.

If you do not wish to receive these alerts, please use the link in the lower lefthand corner of this email or send an email with "REMOVE" in the subject line to: <mailto:info@jordenusa.com?subject=REMOVE>. This alert does not constitute legal or other professional advice or services by JORDEN BURT LLP and/or its attorneys.

[Unsubscribe](#)

[Update Profile](#)

This email was sent by: **Jorden Burt LLP**  
1025 Thomas Jefferson St., N.W. Washington, DC, 20007, USA