

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2022076395201**

TO: Department of Enforcement  
Financial Industry Regulatory Authority (FINRA)

RE: Pictet Overseas Inc. (Respondent)  
Member Firm  
CRD No. 36500

Pursuant to FINRA Rule 9216, Respondent Pictet Overseas Inc. submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

**I.**

**ACCEPTANCE AND CONSENT**

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

**BACKGROUND**

Pictet has been a FINRA member since 1994. The firm is an executing broker-dealer with high-net-worth retail customers and institutional customers that trade on a Delivery Versus Payment/Receive Versus Payment (DVP/RVP) basis. Pictet does not hold client funds or securities. It is headquartered in Montreal, Quebec, Canada, has approximately 26 registered representatives, and maintains one branch office.<sup>1</sup>

**OVERVIEW**

From September 2021 to February 2025, Pictet's anti-money laundering (AML) compliance program was not reasonably designed to detect and cause the reporting of suspicious transactions in low-priced securities. As a result, Pictet violated FINRA Rules 3310(a), 3310(f)(ii), and 2010.

During the same period, Pictet failed to implement reasonably designed policies, procedures, and controls to conduct due diligence on correspondent accounts of foreign financial institutions (FFIs), including by failing to conduct periodic reviews of FFI account activity. As a result, Pictet violated FINRA Rules 3310(b) and 2010.

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<sup>1</sup> For more information about the firm, including prior regulatory events, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

Also during the same period, Pictet's supervisory system, including its written supervisory procedures (WSPs), was not reasonably designed to achieve compliance with Section 5 of the Securities Act of 1933 in connection with low-priced securities. As a result, Pictet violated FINRA Rules 3110 and 2010.

For these and other violations, Pictet is censured and fined \$610,000.

### **FACTS AND VIOLATIVE CONDUCT**

The AML issues described here originated from a FINRA examination of the firm. The TRACE and customer confirmation issues originated from FINRA's surveillance of TRACE reporting.

The AML violations at issue in this AWC occurred notwithstanding that prior to the relevant period, in June 2021, another regulator alerted Pictet to certain deficiencies in its AML program related to, among other areas, policies, procedures, and internal controls in connection with low-priced securities transactions and transactions involving potentially restricted securities. The firm's failure to take timely corrective action contributed to the violations described below.

#### **Pictet failed to develop and implement an AML compliance program reasonably expected to detect and cause the reporting of suspicious transactions.**

FINRA Rule 3310 requires each member firm to develop and implement a written AML program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act (BSA) and implementing regulations promulgated by the Department of the Treasury. FINRA Rule 3310(a) requires each firm to establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. § 5318(g) and its implementing regulations. Under the applicable implementing regulation, 31 CFR § 1023.320, broker-dealers are required, under specified circumstances, to file with the Financial Crimes Enforcement Network "a report of any suspicious transaction relevant to a possible violation of law or regulation."

FINRA Rule 3310(f)(ii) requires that a member firm's AML program include appropriate risk-based procedures for conducting ongoing customer due diligence, including "[c]onducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information."

A violation of FINRA Rule 3310 also is a violation of FINRA Rule 2010, which provides that a "member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

In Regulatory Notice 19-18, issued in May 2019, FINRA provided examples of red flags potentially indicative of suspicious activity, including, among others, when a "customer's activity represents a significant proportion of the daily trading volume in a thinly traded or low-priced security." RN 19-18 further reminded firms that "[u]pon detection of red

flags through monitoring, firms should consider whether additional investigation, customer due diligence measures or a [suspicious activity report] filing may be warranted.”

In Regulatory Notice 21-03, issued in February 2021, FINRA provided additional examples of red flags of potential securities fraud involving low-priced securities, including, among others, where customers “engage in transactions that are consistent with an intent to affect the price of a low-priced stock ... and do not have a legitimate investment rationale for the transactions” or “route high volume or frequent sell orders (with no buys) for low-priced securities to the firm for execution, including customers who maintain an execution-only relationship with the firm, or use omnibus or [DVP/RVP] accounts for such transactions.” RN 21-03 also reminded firms that engage in low-priced securities business to be aware of an SEC Staff Bulletin that “highlights for broker-dealers various risks arising from illicit activities associated with transactions in low-priced securities through omnibus accounts, particularly transactions effected on behalf of omnibus accounts maintained for [FFIs].”<sup>2</sup>

During the relevant period, Pictet’s customers engaged in low-priced securities trading that included patterns of large liquidations comprising a significant portion of the total daily market volume for the security. The firm executed approximately \$300 million of low-priced securities transactions involving over 150 million shares between February 2022 and March 2023, including nearly \$30 million of over-the-counter (OTC) securities. An omnibus account held by Pictet’s FFI affiliate accounted for over 70% of the firm’s low-priced securities transactions during this period. Some underlying customers trading through that omnibus account were themselves FFIs and based in jurisdictions known for financial secrecy.<sup>3</sup>

Despite the risks of low-priced securities trading, Pictet’s AML policies and procedures did not reasonably address how the firm would detect and investigate suspicious trading involving low-priced securities. Pictet’s policies and procedures directed firm personnel to surveil for certain red flags involving potential market manipulation and low-priced securities activity, such as a customer engaging in large or repeated trading in securities that are illiquid or low-priced, but did not specify how to detect or investigate those red flags, or when to escalate a finding for possible reporting.

Pictet also failed to commit adequate resources to its AML program. Over the relevant period, the firm changed AML compliance officers multiple times. The firm had limited staff to support the firm’s AML program until the firm hired a regulatory manager in December 2022 to help implement its trade surveillance program and hired additional compliance personnel in 2023 and 2024. Turnover among compliance personnel and lack of sufficient support staff contributed to the firm’s AML-related deficiencies.

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<sup>2</sup> The term “omnibus account” refers to an account that aggregates the accounts of undisclosed customers that may be carried individually on the books of a broker-dealer’s customer. *See* SEC’s Division of Trading & Markets, Staff Bulletin: Risks Associated with Omnibus Accounts Transacting in Low-Priced Securities (November 2020).

<sup>3</sup> In November 2023, the firm stopped executing orders in OTC securities priced under \$10 a share in its FFI omnibus customer accounts.

Until February 2023, the firm relied on a consolidated daily report for trade surveillance and monitoring, including to detect potentially suspicious transactions in low-priced securities. Compliance staff manually combined data from multiple daily reports generated by the firm's order management system to create this consolidated daily report, which routinely ran thousands of pages long. The report did not show historical or aggregated information and, therefore, was not a reasonable tool to identify patterns of suspicious activity in low-priced securities.

As a result of Pictet's failure to develop and implement a reasonably designed AML program, the firm failed to detect or reasonably investigate red flags of suspicious activity involving low-priced securities during the relevant period, including numerous instances where the firm's customers routed high volume or frequent sell orders (with no buys) for low-priced securities to the firm for execution, including customers who maintained an execution-only relationship with the firm, or used omnibus or DVP/RVP accounts for such transactions. For example, over 12 trading days in two consecutive months, the correspondent account of the firm's FFI affiliate sold nearly 2.8 million shares worth over \$1 million of a low-priced security. On six of those days, the selling activity represented over 10% of the total market volume, with two of those days representing over 18% and 21%, respectively. The trading also included orders to liquidate approximately 1.4 million shares worth over \$569,000 over four consecutive days. As another example, over 13 months, an individual customer liquidated over 20 million shares worth approximately \$15 million of a low-priced security with no buys. During that period, the customer's liquidations represented over 20% of the total market volume on eight days and between 10% and 19% on 18 additional days.

The firm implemented an automated tool to conduct trade surveillance in February 2023 and distributed a compliance alert regarding low-priced securities and restricted securities in November 2024. In February 2025, the firm updated its AML procedures to include the alerts and reports generated by the new trade surveillance system, the parameters for those alerts and reports, how the relevant alerts and reports would be reviewed, and how the firm would document such review.

By failing to develop and implement an AML compliance program reasonably expected to detect and cause the reporting of suspicious transactions, Pictet violated FINRA Rules 3310(a), 3310(f)(ii), and 2010.

**Pictet failed to implement a reasonably designed due diligence program for FFI correspondent accounts.**

FINRA Rule 3310(b) requires each member firm to establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the BSA and its implementing regulations. Under 31 C.F.R. § 1010.610, broker-dealers must establish a due diligence program for correspondent accounts the broker-dealer maintains for FFIs. The due diligence program must include appropriate, specific, and risk-based policies, procedures, and controls reasonably designed to enable the broker-dealer to detect and report any known or suspected money laundering activity conducted through or involving such accounts. The broker-dealer's due diligence program must include an

assessment of the money laundering risks presented by the correspondent account based on a consideration of all relevant factors, including, as appropriate, (1) the nature of the FFI's business and the markets it serves; (2) the type, purpose, and anticipated activity of the account; (3) the nature and duration of the firm's relationship with the FFI; (4) the AML and supervisory regime of the jurisdiction that issued the charter or license to the FFI; and (5) information known or reasonably available to the firm about the FFI's AML record. The risk-based procedures for monitoring FFI correspondent accounts also must include "a periodic review of the correspondent account activity sufficient to determine consistency with information obtained about the type, purpose, and anticipated activity of the account."

A violation of FINRA Rule 3310(b) also is a violation of FINRA Rule 2010.

From September 2021 to February 2025, Pictet failed to implement reasonably designed policies, procedures, and controls to conduct due diligence on its FFI correspondent accounts, including by failing to conduct periodic reviews of FFI account activity. The firm's AML procedures provided that if the firm had FFI correspondent accounts, it would assess the money laundering risk and consider various risk factors, as well as perform enhanced due diligence where applicable. The procedures, however, incorrectly stated that Pictet had determined that the FFI correspondent account due diligence requirements did not apply to the firm because it "does not have, nor does it intend to open accounts for such" FFIs.<sup>4</sup>

Consequently, Pictet did not complete a risk assessment of its affiliate as an FFI or implement controls over the affiliate's omnibus account targeted to any specific risks it posed, such as transactions in low-priced securities for customers. Pictet did not document the nature of the FFI's business or the type, purpose, and anticipated activity of the account at the time it was opened or thereafter. Additionally, the firm did not perform periodic reviews to determine if the account's activity was consistent with the firm's expectations.

The firm revised its policies in February 2025 to require AML attestations from omnibus account holders addressing, among other things, the omnibus account holders' application of customer identification procedures.

By failing to implement a reasonably designed due diligence program for FFI correspondent accounts, Pictet violated FINRA Rules 3310(b) and 2010.

**Pictet failed to establish a supervisory system, including WSPs, reasonably designed to achieve compliance with the registration requirements of Section 5 of the Securities Act.**

FINRA Rule 3110(a) requires each member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA

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<sup>4</sup> The firm has since acknowledged that its affiliate is an FFI and that the firm's due diligence procedures apply.

rules. FINRA Rule 3110(b) requires each member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010.

Section 5 of the Securities Act prohibits the offer or sale of any security unless there is a registration statement in effect as to that security or there is an exemption available for that securities transaction. Unregistered securities that are not freely transferable are considered restricted securities and may contain a restricted legend. Firms that accept delivery of low-priced securities, either in certificate form or by electronic transfer, and effect sales in these securities, are required to have written procedures and controls in place to prevent participation in an illegal, unregistered distribution of securities. In Regulatory Notice 09-05, issued in January 2009, FINRA reminded firms that their written procedures should include a “mandatory, standardized process” that communicates each step in the review, approval, and post-approval process, clearly assigns ownership of each step in the process, and is easily accessible to the personnel involved in the process. In addition, when relying on exemptions from registration, firms must take “whatever steps [are] necessary to ensure that the sale does not involve an issuer, a person in a control relationship with an issuer, or an underwriter with a view to offer or sell the securities in connection with an unregistered distribution.” RN 09-05 observed further that a “searching inquiry” may be required where the surrounding circumstances raise a question as to whether a transaction complies with Section 5.

From September 2021 to February 2025, the firm’s WSPs did not specify the documents and information to be collected and reviewed in connection with Section 5 compliance. As a result, at times Pictet did not collect information about how customers acquired the low-priced securities they were liquidating or whether customers had insider relationships with the issuers of the securities. Nor did the WSPs address how documents or information submitted by customers should be reviewed. As a result, Pictet failed to consistently collect and review documents and conduct inquiries into the eligibility of the securities for resale, and the firm executed sales of low-priced securities when it lacked sufficient information to determine whether the transactions complied with Section 5.

As described above, by February 2025, Pictet updated its policies and procedures to address the review of transactions in unregistered securities, including low-priced securities, to ensure they qualify for an exemption to the registration requirements of Section 5. The revised procedures incorporated the compliance alert regarding low-priced securities and restricted securities that the firm distributed in November 2024.

By failing to establish, maintain, and enforce a reasonable supervisory system, including WSPs, to achieve compliance with Section 5, Pictet violated FINRA Rules 3110 and 2010.

**Pictet failed to accurately report to the Trade Reporting and Compliance Engine (TRACE) its execution capacity on nearly 4,300 TRACE-eligible transactions.**

TRACE facilitates the mandatory reporting of OTC transactions in certain fixed income securities and provides increased price transparency to market participants and investors. Providing inaccurate information to TRACE affects the audit trail and can result in either false alerts or the inability to detect problematic transactions.

FINRA Rule 6730 sets out the requirements that apply to firms when reporting transactions in TRACE-eligible securities. FINRA Rule 6730(a)(6) requires member firms to promptly, accurately, and completely report TRACE-eligible securities transactions to the TRACE system.<sup>5</sup> FINRA Rule 6730(c)(7) requires each trade report for a TRACE-reportable transaction to reflect the capacity in which the firm acted in executing the transaction, specifying that the capacity of the trade where the firm acted as riskless principal should be reported as principal rather than agent.

A violation of FINRA Rule 6730 also is a violation of FINRA Rule 2010.

Between May 2018 and February 2025, Pictet inaccurately reported to TRACE the capacity for nearly 4,300 transactions in TRACE-eligible securities, reporting one leg of its riskless principal trades as agent when they should have been reported as principal. These transactions included more than 1,900 transactions in corporate debt securities and more than 2,300 transactions in U.S. Treasury securities (each comprising approximately 50% of total transactions the firm reported in each type of security during the relevant period). In February 2025, following discussions with FINRA staff, the firm corrected its capacity reporting.

By failing to accurately report to TRACE its execution capacity on nearly 4,300 transactions, Pictet violated FINRA Rules 6730 and 2010.

**Pictet issued approximately 4,000 trade confirmations to customers that failed to comply with disclosure requirements.**

Trade confirmations protect investors who buy or sell securities through broker-dealers by, among other things, alerting them to potential conflicts of interest with their broker-dealers and providing them the means to verify the terms of their transactions and evaluate transaction costs and the quality of their broker-dealers' executions.

Exchange Act Rule 10b-10, promulgated under Section 10(b) of the Exchange Act, requires broker-dealers that effect securities transactions for customers to provide customers a confirmation, at or before completion of each transaction, disclosing certain basic terms of the transaction, such as the identity, price, number of shares of the security bought or sold, and the execution capacity of the broker-dealer.

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<sup>5</sup> Before November 6, 2023, this requirement was set forth in FINRA Rule 6730(a)(5).

FINRA Rule 2232(a) requires members, at or before the completion of any transaction in any security effected for or with an account of a customer, to provide such customer with written confirmations that conform with the requirements of Exchange Act Rule 10b-10. FINRA Rule 2232(c) requires, with certain exceptions not relevant here, that for certain transactions executed in a principal capacity in a corporate or agency debt security with a non-institutional customer, confirmations include the member's mark-up or mark-down for the transaction to be calculated as provided in the rule and expressed as a total dollar amount and as a percentage of the prevailing market price. FINRA Rule 2232(e) requires that for all transactions in corporate or agency debt securities with non-institutional customers, the member shall also provide on the confirmation: (1) a reference, and hyperlink if the confirmation is electronic, to a web page hosted by FINRA that contains TRACE publicly available trading data for the specific security that was traded along with a brief description of the type of information available on that page; and (2) the time of execution information for the customer transaction, expressed to the second.

A violation of Exchange Act Rule 10b-10 or FINRA Rule 2232 also is a violation of FINRA Rule 2010.

Between May 2018 and October 2025, Pictet issued approximately 4,000 trade confirmations to customers that failed to comply with confirmation disclosure requirements. Pictet failed to accurately disclose trade capacity on approximately 3,750 customer confirmations, improperly omitting any capacity disclosure on the vast majority of these confirmations. Additionally, for transactions executed in a principal capacity in a corporate or agency debt security, Pictet sent retail customers approximately 1,000 confirmations that failed to disclose the firm's mark-up or mark-down, the required webpage reference and hyperlink, or accurate time-of-execution information. Between October 2024 and October 2025, the firm implemented a series of updates to address its trade confirmation disclosure deficiencies.

By failing to accurately disclose its mark-up or mark-down, the required webpage reference and hyperlink, or accurate time-of-execution information on approximately 4,000 trade confirmations, Pictet violated Exchange Act Rule 10b-10 and FINRA Rules 2232 and 2010.

**Pictet failed to establish a supervisory system, including WSPs, reasonably designed to achieve compliance with TRACE reporting and confirmation disclosure requirements.**

From May 2018 to February 2025, the firm's WSPs were not reasonably designed to achieve accurate TRACE reporting. The WSPs directed firm personnel to review two TRACE-related reports, but those reports did not provide sufficient detail for the firm to supervise the accuracy and completeness of the firm's reporting, including capacity disclosures.

Additionally, from March 2020 to February 2025, the firm's supervisory system was not reasonably designed to achieve compliance with confirmation disclosure requirements. Although the WSPs required the firm to sample confirmations at least quarterly for all

content required by FINRA Rule 2232 and Exchange Act Rule 10b-10, the firm instead conducted annual reviews that did not include a review of the firm's trade capacity disclosures, mark-up/mark-down information, the inclusion of the required webpage reference and hyperlink, or time-of-execution disclosures.

In February 2025, the firm revised its WSPs to assign responsibilities for reviews of TRACE reporting for accuracy and completeness and reviews of customer confirmations for compliance with Exchange Rule 10b-10 and FINRA Rule 2232, including their disclosure requirements.

By failing to establish, maintain, and enforce a reasonable supervisory system, including WSPs, to achieve compliance with its TRACE reporting and confirmation disclosure requirements, Pictet violated FINRA Rules 3110 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure and
- a \$610,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. FINRA's Finance Department will contact Respondent regarding payment. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall become effective on a date set by FINRA.

## II.

### **WAIVER OF PROCEDURAL RIGHTS**

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and

- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

### **III.**

#### **OTHER MATTERS**

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
  - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
  - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
  - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
  - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual

positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certify that persons duly authorized to act on Respondent's behalf have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

May 5, 2026  
Date

Eric Hamid  
Pictet Overseas Inc.  
Respondent  
Print Name: Eric Hamid  
Title: CEO

May 5, 2026  
Date

Laurent Rüst  
Pictet Overseas Inc.  
Respondent  
Print Name: Laurent Rüst  
Title: CFO

Reviewed by:

Susan Schroeder  
Susan Schroeder  
Counsel for Respondent  
WilmerHale LLP  
7 World Trade Center  
250 Greenwich Street  
New York, NY 10007

Accepted by FINRA:

May 18, 2026

Date

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Signed on behalf of the  
Director of ODA, by delegated authority

*Kavitha Sivashanker*

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