BEFORE THE NATIONAL ADJUDICATORY COUNCIL

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of Department of Enforcement, Complainant, vs. Domestic Securities, Inc. Montvale, NJ, Respondent.	DECISION Complaint No. 2005001819101 Dated: October 2, 2008

Respondent failed to develop and implement written anti-money laundering policies and procedures reasonably designed to achieve and monitor compliance with the relevant laws, rules, and regulations. Held, findings affirmed and sanctions modified.

Appearances

For the Complainant: Leo F. Orenstein, Esq., Jeffrey P. Bloom, Esq., and Colleen Hanrahan, Esq., Department of Enforcement, Financial Industry Regulatory Authority

For the Respondent: Richard F. Horowitz, Esq., Lawrence J. Toscano, Esq., and Allen M. Eisenberg, Esq.

Decision

The review subcommittee of the National Adjudicatory Council ("Review Subcommittee") called this matter for review pursuant to NASD Rule 9312 to examine the findings made and sanctions imposed by the Hearing Panel. After thoroughly reviewing the record, we affirm the Hearing Panel's findings that Domestic Securities, Inc. ("Domestic" or "the Firm") violated NASD Rules 3011 and 2110 by failing to develop and implement written anti-money laundering ("AML") policies and procedures reasonably designed to achieve and monitor compliance with applicable AML laws, rules, and regulations. We fine Domestic $10,000 and order the Firm to revise its AML policies and procedures and to certify to FINRA that its AML program and implementation of that program complies with NASD Rule 3011.

I. Background

Domestic is a registered broker-dealer headquartered in Montvale, New Jersey. The Firm became a member of the Financial Industry Regulatory Authority ("FINRA") in 1994. During the time period relevant to this decision, Domestic had 46 registered representatives and three branch offices. The Firm's business was limited to wholesale market making in NASDAQ, OTC Bulletin Board, and Pink Sheet securities. The Firm maintained no institutional or retail customer accounts. Approximately 98 to 99 percent of Domestic's trading counterparties were other FINRA members. The Firm's remaining business involved trading with Canadian broker-dealers. Domestic cleared its trades through Penson Financial Services, Inc. ("Penson").

II. Procedural History

FINRA's Department of Enforcement ("Enforcement") filed a three-cause complaint against Domestic on October 3, 2006. Cause one of the complaint alleged that during the period January 2004 through July 2005, Domestic did not adequately establish AML policies and procedures for monitoring, analyzing, investigating, and reporting suspicious activity associated with the Firm's market-making business, in violation of NASD Rules 3011(a), (b), and 2110, and MSRB Rule G-41. Cause two of the complaint alleged that Domestic failed to provide AML training to its traders from January 2004 to July 2006, in violation of NASD Rules 3011(e) and 2110, and MSRB Rule G-41. Cause three of the complaint alleged that the Firm failed to monitor, analyze, and investigate suspicious transactions during the period January 2004 through July 2005 in order to determine if it was appropriate to file a Suspicious Activity Report ("SAR"), in violation of NASD Rules 3011(a) and 2110 and MSRB Rule G-41. Domestic denied that it engaged in the alleged misconduct.

The Hearing Panel held a hearing on June 5 and 6, 2007. In a decision issued on August 14, 2007, the Hearing Panel found Domestic liable for the misconduct as alleged in cause one of the complaint with the exception of the alleged violation of MSRB Rule G-41.[1] The Hearing Panel dismissed the remaining two causes. The Hearing Panel fined Domestic $10,000 and ordered the Firm to hire a consultant to review its AML program. On September 14, 2007, the Review Subcommittee called this matter for review to examine the findings and sanctions. Neither Domestic nor Enforcement requested oral argument. The case therefore has been decided based upon the written record.

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[1] The Hearing Panel dismissed the allegations that Domestic violated MSRB Rule G-41 because Enforcement did not prove that the Firm conducted a municipal securities business. We affirm that finding.

III. Facts

A. Domestic's AML Program

It is undisputed that during the review period (January 2004 through July 2005), Domestic had AML procedures in effect. Domestic's AML procedures were set forth in the Firm's "Supervisory and Compliance Procedures" manual ("the Supervisory and Compliance Manual"). Domestic's AML procedures, however, dealt principally with matters relevant to retail transactions and did not reflect the Firm's business model of market-making activity. Domestic believed that an AML program was largely inapplicable to its business and included the following introductory paragraph to the Firm's AML procedures:

> (Please note: because of the nature of the Company's business and clientele (the Company does not maintain or service client accounts, but a) allows qualified broker dealer applicants to use its proprietary ATTAIN electronic remote order entry system; b) maintains a number of Firm Proprietary Traders; and c) engages in market making . . .) a large portion of the following procedures are either not applicable or will be effected on a limited basis. However, in the interests of continuity, completeness and the potential necessity for Anti-Money Laundering activities, the material is presented in its entirety.

The Supervisory and Compliance Manual also did not specifically address the related suspicious activities that might arise with respect to market-making activity such as market manipulation, noncompetitive trading, or fictitious trading. Rather, in the section identifying red flags of suspicious activity, the Firm enumerated 25 examples of AML issues that might arise in connection with retail activity that were identical to ones contained in Special NASD Notice to Members 02-21 and the template provided by FINRA to small firms to assist these firms in establishing an AML program. Rather than tailor the red flags to the Firm's business model, the Firm stated that "[b]ecause of the Company's business model, a number of these examples are not relevant." When introducing the topic of filing SARs, the Supervisory and Compliance Manual stated that "[b]ecause of the Firm's current policy of not accepting or servicing customer accounts, this material appears largely as a matter of information."

Domestic had a second policies and procedures manual known as the "Capital Markets Manual." The Capital Markets Manual included a section titled "Trading Abuses" that addressed trading activities that would raise a red flag and directed employees to report such activity to the Firm's compliance department. Potential abuses such as manipulation, wash and prearranged trading, front running, and marking the close were discussed in the Capital Markets Manual. The Capital Markets Manual, however, did not address these issues in the context of AML concerns.

Further, the Supervisory and Compliance Manual and the Capital Markets Manual were not cross-referenced.[2]

B. Domestic's AML Training

Anthony Monaco ("Monaco") was Domestic's chief compliance officer and AML compliance person from March 2005 to October 2006. Monaco testified before the Hearing Panel that he conducted AML training as part of Domestic's compliance meetings in 2005. Domestic offered into evidence the Firm's signed staff attendance records for these meetings that reflected on January 12, 2005, and on February 1, 2005, that AML was listed as a regulatory discussion item on the agenda. The Firm also introduced its records related to Domestic's December 9, 2005 compliance meeting that showed that AML was a discussion item at this meeting.[3] Attached to the December 9, 2005 compliance meeting agenda was a copy of the Firm's AML procedures as set forth in the Supervisory and Compliance Manual.

IV. Discussion

We have thoroughly reviewed the record and affirm the Hearing Panel's findings of violation. We conclude that Domestic did not adequately establish AML policies and procedures for monitoring, analyzing, investigating, and reporting suspicious activity associated with the Firm's market-making business, in violation of NASD Rules 3011(a), (b), and 2110 as alleged in cause one. We further conclude that the Hearing Panel correctly dismissed causes two and three. We discuss the causes in detail below.

A. AML Requirements for All Broker-Dealers

In October 2001, Congress passed the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("the PATRIOT Act"). Pub. L. No. 107-56, 115 Stat. 272 (2001). Title III of the PATRIOT Act imposes added obligations on broker-dealers under AML provisions and amendments to the Bank Secrecy Act requirements. *See* 31 U.S.C. §§ 5311 *et seq.* Among other requirements, the PATRIOT Act

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[2] Domestic supplemented its AML program in July 2002 by adding an "Anti-Money Laundering Addendum" ("the Addendum") to its clearing agreement with Penson. The Addendum obligated Penson to "monitor[ ] customer accounts for any suspicious transactions that involve, in the aggregate, at least $5,000 in funds or other assets." Domestic was obligated to "notify Penson of any suspicious transactions it detects or of which it is aware with respect to the accounts of customers for whom it introduces transactions to Penson." Penson was responsible for filing any resulting SARs with the Financial Crimes Enforcement Network ("FinCEN"). The Addendum did not directly address Domestic's market-making business.

[3] Domestic also introduced evidence that showed AML as a topic discussed at the Firm's December 18, 2003 compliance meeting. The review period for the misconduct alleged in cause two, however, begins in January 2004.

requires that all broker-dealers establish and implement AML programs designed to achieve compliance with the Bank Secrecy Act and the regulations thereunder, including the requirement that broker-dealers file SARs with FinCEN.[4] *See* 31 U.S.C. § 5318(h); 31 C.F.R. § 103.120(c). The SAR identifies 20 types of "suspicious activity" that broker-dealers are required to report to FinCEN, including "Market manipulation," "Money laundering/Structuring," "Prearranged or other non-competitive trading," "Securities fraud," and "Wash or other fictitious trading." *See Suspicious Activity Report by the Securities and Futures Industries* (FinCEN Form 101), http://www.fincen.gov/forms/files/fin101_sar-sf.pdf. The SAR also includes a checklist to identify the "[t]ype of institution or individual" filing the report. *Id.* This checklist includes market makers among the listed categories of market participants. *Id.*

In April 2002, the SEC approved NASD Rule 3011 that sets forth the minimum standards required for each FINRA member firm's AML compliance program. *See Order Approving Proposed Rule Changes Relating to Anti-Money Laundering Compliance Programs*, Exchange Act Rel. No. 45798, 2002 SEC LEXIS 1047 (Apr. 22, 2002). NASD Rule 3011 requires that AML programs, at a minimum, "establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of" suspicious transactions; "establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act" and its implementing regulations; provide independent testing by qualified persons of the AML program; designate and identify to FINRA an individual responsible for implementing and monitoring the AML program; and "provide ongoing training for appropriate personnel." NASD Rule 3011(a)-(e).

B. Domestic's Inadequate AML Policies and Procedures

1. *Cause One*

NASD Rule 3011(a) and (b) required Domestic to develop and implement AML procedures that were reasonably designed to achieve and monitor the Firm's compliance with the requirements of the Bank Secrecy Act and the Treasury's implementing regulations, including policies and procedures to detect and report suspicious activity. FINRA emphasized to its members that to be effective, AML procedures "must reflect the firm's business model and

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[4] The Department of Treasury issued the implementing regulation with respect to the SAR requirement. The regulation provides in part that "[e]very broker or dealer in securities within the United States . . . shall file with FinCEN . . . a report of any suspicious transaction relevant to a possible violation of law or regulation." 31 C.F.R. § 103.19(a)(1). The regulation further requires broker-dealers to report to FinCEN any transaction, alone or in the aggregate, that involves $5,000 in funds or assets and the broker-dealer knows, suspects, or has reason to suspect that the transaction: (1) involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity; (2) is designed to evade the requirements of the Bank Secrecy Act; (3) has no business or apparent lawful purpose or is not the sort in which a particular customer would normally engage; or (4) involves the use of the broker-dealer to facilitate criminal activity. 31 C.F.R. § 103.19(a)(2).

customer base." *Special NASD Notice to Members 02-21* (Apr. 2002). Members were advised that "in developing an appropriate AML program . . ., [a firm] should consider factors such as . . . business activities, the types of accounts it maintains, and the types of transactions in which its customers engage." *Id.* FINRA further advised that "[a]ppropriate" red flags must be described in each firm's written AML procedures. *Id.*

Both Enforcement and Domestic presented expert testimony on the issue of the adequacy of Domestic's AML procedures. Enforcement's expert, Judith Poppalardo ("Poppalardo") concluded that Domestic's AML procedures were "not reasonably designed" because they did not reflect the business that the Firm conducts and included red flags that Domestic admitted were largely not relevant.[5] In Poppalardo's view, the Firm utilized standardized policies and procedures that were not customized to reflect the Firm's business and practices. Poppalardo opined that the AML procedures were "over-inclusive and address practices, products and account types that have no application to a firm that conducts only market making activity with other broker-dealers." She further opined that prefatory notes that Domestic added to its AML procedures, that largely disclaimed the procedures' and red flags' applicability, made it more difficult for employees to identify relevant material and might cause employees to disregard all of the policies and red flags as inapplicable. Poppalardo provided examples of red flags that Domestic failed to incorporate into the AML procedures, including trading activity that is manipulative or noncompetitive (e.g., wash trades, prearranged trading). Poppalardo concluded that Domestic's employees did not receive sufficient direction regarding their AML responsibilities, including the obligation to report suspicious activity, as a result of the Firm's inadequate AML procedures.

Domestic's expert, Wendy Goetz ("Goetz"), opined that the Firm's "policy and procedure manuals contain all the information necessary to educate its employees on the

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[5] Poppalardo is the managing partner of the Financial Industry Service Group LLC., which provides regulatory consulting services in the areas of broker-dealer regulation, compliance, financial services legislation, market structure, operations, and trading. Poppalardo testified that 30 to 40 percent of the Financial Industry Service Group's business is conducting independent AML audits. Poppalardo previously served as a vice president and associate general counsel of the Securities Industry Association where she focused on compliance issues and advised standing committees on regulatory and legislative initiatives. She has also served as an assistant director of the SEC's Office of Compliance Inspections and Examinations and the Division of Market Regulation. At the SEC, Poppalardo was responsible for the organization and execution of the broker-dealer examination program, the inspections of self-regulatory organizations, and review of proposed rule changes by self-regulatory organizations. In addition, Poppalardo was an assistant general counsel for the National Securities Clearing Corporation where she was responsible for ensuring compliance with federal laws and regulations governing clearing corporations.

components of its anti-money laundering program."[6] In Goetz's opinion, the Firm's policies "establish[ ] appropriate standards of conduct and sufficient guidance to enable [Domestic's] employees to recognize suspicious activity and in such an event pursue the appropriate course of action." To improve the Firm's AML compliance program, however, Goetz recommended that Domestic modify its procedures to cross-reference the sections of the Capital Markets Manual that addressed issues of trading abuses with the AML procedures contained in the Supervisory and Compliance Manual. Goetz testified that the cross-reference of material would direct the Firm's employees to consider trading abuses in the context of AML. Goetz also acknowledged that the Firm's policies addressed certain red flags that would be more relevant to a firm that conducted retail, rather than market-making business, but she nonetheless believed that it was "important to include as much guidance as possible . . . in an area that was relatively new to the industry."

We agree with the Hearing Panel's finding that Domestic failed to tailor its AML procedures to the specific nature of its business. The Firm did not establish AML policies and procedures to monitor, analyze, and investigate suspicious activity associated with the Firm's market-making business. Domestic's AML procedures gave no guidance to its staff as to the types of market-making related activities that would raise red flags requiring investigation and additional due diligence. Rather, Domestic copied the red flags set forth as examples in Special NASD Notice to Members 02-21 and FINRA's small-firm template, specified that many of the examples were not relevant to the Firm's business, and failed to adopt others that were applicable to its business. Thus, these AML procedures, that were unrelated to market-making activities, could not have enabled the Firm to detect and report suspicious activity that was related to the business of the Firm.

Throughout these proceedings, Domestic has emphasized that it performs only the functions of a market maker and does not open accounts for retail customers. Domestic implies that because it was strictly a market maker and did not deal with members of the public, AML issues are not relevant to the Firm's business. AML requirements, however, are a mandate of federal law and required for all FINRA members. *See* 31 U.S.C. § 5318(h); NASD Rule 3011. The PATRIOT Act does not allow FINRA "to grant exemptions to any types of broker-dealers from the statutory requirements." *Order Approving Proposed Rule Changes Relating to Anti-Money Laundering Compliance Programs*, 2002 SEC LEXIS 1047, at *17. Moreover, AML requirements encompass the detection and reporting of a broad range of unlawful financial activities that may well come to the attention of a market maker, including market manipulation, prearranged or other noncompetitive trading, and wash or other fictitious trading. Notably, the SAR identifies market makers as a category of market participants required to report suspicious

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[6] Goetz is the managing member of Get The Net, LLC. She provides consulting services for investment advisers and broker-dealers on a range of compliance issues, including performing reviews of AML programs. Prior to forming Get The Net, Goetz was employed in a compliance capacity at various broker-dealers for 27 years. Goetz served as a compliance officer or employee in the compliance departments of Banc of America Securities, LLC; Salomon Brothers Inc.; Dean Witter Reynolds, Inc.; Bear Stearns & Co.; and E.F. Hutton & Co.

activities. *See Suspicious Activity Report by the Securities and Futures Industries* (FinCEN Form 101), http://www.fincen.gov/forms/files/fin101_sar-sf.pdf.

Domestic contends that between its two manuals, the Firm developed and implemented a reasonably designed AML program that provided appropriate guidance and direction to the Firm's employees to detect and report suspicious activities. We disagree. The sections of the Capital Markets Manual that identified issues of trading abuses did not direct employees to consider such abuses in the context of AML. Thus, there was no expectation that the Firm's employees, when faced with a potentially suspicious activity, would also reference the Supervisory and Compliance Manual for direction and guidance. Domestic's expert agreed that the Firm's AML procedures found in the Supervisory and Compliance Manual did not adequately address Domestic's market-making business and recommended modifying the Firm's two manuals such that they cross-reference each other in order to address AML issues. Even the Firm now acknowledges that its AML program "would benefit from the inclusion of cross-references between the two manuals."

Domestic also argues that it should not be held responsible for an inadequate AML program because the Firm followed the template that FINRA provided for small firms and FINRA provided no guidance on AML procedures for market makers. Domestic's argument is without merit. The template explicitly warned firms that "**following this template does not guarantee compliance with those requirements or create a safe harbor from regulatory responsibility.**" http://www.finra.org/Industry/Issues/AML/p006340. The template further advised that

> The obligation to develop an AML plan is not a "one-size-fits-all" requirement, and you must tailor your plan to fit your particular firm's situation. This language is provided as a **helpful starting point** to walk you through developing your firm's plan. If this language does not fit your firm's business situation in any respect, you will need to prepare your own language. **You** are responsible for ensuring that your plan fits your firm's situation and that you implement your plan.

Id. In addition, it is well settled that members may not shift their responsibility to FINRA for compliance with FINRA's rules. *East/West Sec. Co.*, 54 S.E.C. 947, 951 & n.13 (2000) (rejecting as a defense to a rule violation the assertion that FINRA provided inadequate guidance).

We affirm the Hearing Panel's finding that Domestic did not establish adequate AML policies and procedures in violation of NASD Rules 3011 and 2110.[7]

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[7] NASD Rule 2110 requires that FINRA members shall, in conducting their business, "observe high standards of commercial honor and just and equitable principles of trade." A violation of NASD Rule 3011 is also a violation of NASD Rule 2110. *See Dep't of Mkt.*

[Footnote continued on next page]

2. *Cause Three*

Enforcement alleged in cause three of the complaint that Domestic again violated NASD Rules 3011(a) and 2110 when the Firm failed to monitor, analyze, and investigate certain transactions in order to determine whether it was appropriate to file a SAR. According to Enforcement, certain retail cross-trades sent to Domestic from Golden Capital Securities Ltd. ("Golden Capital"), a Canadian broker-dealer, were "suspicious transactions" that raised red flags that Domestic ignored.[8] Enforcement did not contend that any actual money laundering, manipulation, or other trading abuses occurred or that Domestic should have filed a SAR in connection with any of the cross-trades. The Hearing Panel dismissed this allegation and we affirm that finding.

As discussed with respect to cause one, we find that Domestic failed to establish AML procedures that reflected its market-making business, including setting forth appropriate red flags, in order to monitor, analyze, and investigate suspicious activity to determine whether to file a SAR. We determine that cause three, at its essence, is subsumed by cause one. Accordingly, we dismiss cause three.

C. AML Training

The second cause of the complaint alleged that Domestic failed to conduct any AML training for its staff between January 2004 and July 2006 in violation of NASD Rules 3011(e) and 2110 and MSRB Rule G-41. The Hearing Panel concluded that Enforcement failed to prove this charge by a preponderance of the evidence and dismissed the allegation. Like the Hearing Panel, we find that Enforcement did not meet its burden of proving this allegation. The record shows that Domestic conducted AML training as part of the Firm's compliance meetings in 2005. Accordingly, we dismiss cause two.

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Regulation v. Castle Sec. Corp., Complaint No. CMS030006, 2005 NASD Discip. LEXIS 2, at *16 & n.14 (NASD NAC Feb. 14, 2005), *aff'd*, Exchange Act Rel. No. 52580, 2005 SEC LEXIS 2628 (Oct. 11, 2005).

[8] Golden Capital sent the cross-trades to Domestic because Canadian regulations required execution of these securities on the U.S. market. Golden Capital was registered with the Investment Dealers Association of Canada and was also subject to AML requirements pursuant to Canadian law. *See* http://docs.iiroc.ca/DisplayDocument.aspx?DocumentID=2A9E69FF8D354A9D96A68B4F9ABA51E6&Language=en.

V. Sanctions

The Hearing Panel fined Domestic $10,000 and ordered it to retain an independent consultant to review the Firm's AML program and the implementation of that program. We affirm the fine, but eliminate the requirement that Domestic retain an independent consultant. We order instead, as discussed in detail below, that the Firm revise its AML policies and procedures and certify to FINRA that its AML program and implementation of that program complies with NASD Rule 3011.

The FINRA Sanction Guidelines ("Guidelines") for deficient written supervisory procedures provide for fines ranging from $1,000 to $25,000.[9] In egregious cases, the Guidelines recommend suspending the firm with respect to any or all relevant activities for up to 30 business days and thereafter until the supervisory procedures are amended to conform to rule requirements.[10] The Guidelines for deficient supervisory procedures provide two considerations in determining the appropriate sanctions: (1) whether the deficiencies allowed violative conduct to occur or to escape detection; and (2) whether the deficiencies made it difficult to determine the individual or individuals responsible for specific areas of supervision or compliance.[11] Neither of these considerations applies here nor serves to aggravate Domestic's misconduct. The record does not show that Domestic should have filed a SAR. Further, Enforcement stipulated that Domestic had an assigned person responsible for AML compliance.

In determining the appropriate sanctions, we have also taken into account the principal considerations applicable to all violations.[12] We find that this was a serious violation and that Domestic knowingly implemented procedures that were not tailored to its business. As previously noted, appropriately tailored AML policies and procedures are mandated by federal law and required for every broker-dealer registered with FINRA irrespective of the type of business a firm conducts. Despite this mandate, Domestic determined for itself that AML policies and procedures were in large part inapplicable to its market-making business. To that end, the Firm included prefatory disclaimers in the AML section of its Supervisory and

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9 *FINRA Sanction Guidelines* 109 (2007), http://www.finra.org/web/groups/industry/@ip/@enf/@sg/documents/industry/p011038.pdf [hereinafter *Guidelines*]. Because there are no Guidelines specific to deficient AML procedures under NASD Rule 3011, we find that the Guidelines for deficient written supervisory procedures under NASD Rule 3010 are the most analogous and apply them here. *See id.* at 1 (encouraging adjudicators to look to the most analogous Guidelines when determining sanctions for violations not addressed specifically therein).

10 *Id.* at 109.

11 *Id.*

12 *Id.* at 6-7.

Compliance Manual and merely copied the sample red flags included in FINRA's small firm template and Special NASD Notice to Members 02-21. While we give some credit to the fact that Domestic included a section for identifying potential trading abuses such as manipulation and marking the close in its Capital Markets Manual, the Firm elected not to tie these to its AML policies and procedures contained in the Supervisory and Compliance Manual. Under these circumstances, we conclude that Domestic's actions show a deliberate disregard for the requirements of NASD Rule 3011.

Further, we find concerning that Domestic blames FINRA for its predicament based on what the Firm views as insufficient guidance.[13] As this decision reveals, however, it was Domestic that ignored FINRA's numerous cautionary statements warning firms to tailor their AML policies and procedures and explaining that AML compliance is not a "one-size-fits-all" requirement.

Based on the facts of this case, we determine that a $10,000 fine is an appropriately remedial sanction. In addition, we order that Domestic revise its AML policies and procedures and implement those revised procedures within 30 days after this decision becomes final. We further require, within 30 days after the final decision, that Domestic's AML compliance person certify to District 9B that the Firm has complied with NASD Rule 3011(a) and (b) by developing and implementing AML procedures that are reasonably designed to achieve and monitor the Firm's compliance with the requirements of the Bank Secrecy Act and the Treasury's implementing regulations, including policies and procedures to detect and report suspicious activity. Thereafter, Domestic, through its AML compliance person, is required to certify its AML compliance quarterly to District 9B for one year. Our order supplants the Hearing Panel's requirement that Domestic retain an independent consultant to review the Firm's AML policies and procedures and to make recommendations of ways to improve these policies and procedures. We do not *require* that Domestic hire an independent consultant to review and report on the Firm's AML procedures because the Firm is capable of addressing the requirements in this well-defined area and implementing an AML program that complies with FINRA's rules. While hiring a consultant may be advisable and beneficial here, and something that the Firm may elect to do, there are ample resources available to the Firm on the topic of AML compliance. We allow the Firm to determine what steps to take to come into compliance with NASD Rule 3011. Achieving compliance, however, is mandatory.

VI. Conclusion

We affirm the Hearing Panel's findings that Domestic failed to establish adequate AML polices and procedures reasonably designed to achieve and monitor compliance with applicable AML laws, rules, and regulations in violation of NASD Rules 3011 and 2110. Accordingly, for this violation, we impose a $10,000 fine and order Domestic to revise its AML policies and procedures and certify its compliance to District 9B through its AML compliance person within

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[13] *Id.* at 6 (Principal Considerations in Determining Sanctions, No. 2).

30 days after this decision becomes final. Domestic, through its AML compliance person, is further ordered to certify to District 9B its compliance with NASD Rule 3011 quarterly for one year thereafter. Domestic is also ordered to pay hearing costs of $3,723.35.[14]

On Behalf of the National Adjudicatory Council,

Marcia E. Asquith, Senior Vice President and Corporate Secretary

[14] We also have considered and reject without discussion all other arguments of the parties.

Pursuant to NASD Rule 8320, any member that fails to pay any fine, costs, or other monetary sanction imposed in this decision, after seven days' notice in writing, will summarily be suspended or expelled from membership for non-payment.