



SECURITIES INDUSTRY PRACTICE

ALERT

SOME THOUGHTS FOR YOUR ANNUAL COMPLIANCE REVIEW: RED FLAGS AND AML PROCEDURES

With the new year, many securities industry firms turn their attention to their annual compliance review. At this time, the Securities Industry Group at Fox Rothschild LLP has a few thoughts on two areas—"Red Flag" and AML procedures—that firms should consider as they move into the new year.

Initially, this year most (if not all) securities industry firms will be requested to implement certain procedures to satisfy the requirements of the Federal Trade Commission's (FTC) Red Flag Rules, promulgated pursuant to the Fair and Accurate Transaction Act of 2003 (FACT Act). The FACT Act required specified entities to create written identify theft protection prevention programs (ITPP) designed to identify, detect and respond to Red Flags, patterns, practices or specific activities that would indicate identity theft. These rules require each firm to prepare an

ITPP for all covered accounts if the firm is either a financial institution or a creditor. Although FINRA anticipates that most of its member firms will be required to prepare their own ITPP, the FTC has indicated enforcement will not begin until June 1, 2010.

Additionally, FINRA has also amended its AML procedures template for its member firms. Despite the existence of these procedures for some time, various securities regulators claim to still see certain deficiencies in their examinations and investigations. As such, there will, in all likelihood, be a renewed emphasis during the upcoming year's regulatory examinations and investigations regarding member firms' AML programs.

At Fox Rothschild, we are ready to assist securities industry firms with the formation and implementation of these programs.

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