

[Securities Regulation Daily Wrap Up, BROKER-DEALERS—Alpine case prominent at outreach panel on money laundering, \(Jul. 27, 2017\)](#)

Securities Regulation Daily Wrap Up

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By [Mark S. Nelson, J.D.](#)

The 2017 National Compliance Outreach Program for Broker-Dealers featured anti-money laundering (AML) compliance on its early afternoon panel. The SEC's recently filed case against Alpine Securities Corporation weighed heavily on the discussion and Q&A session. The event was sponsored by the SEC's Office of Compliance Inspections and Examinations and the Financial Industry Regulatory Authority.

Kristin Snyder, Associate Regional Director (Examinations) of the SEC's San Francisco Regional Office, said Bank Secrecy Act suspicious activity reports (SARs) are a key component of the agency's broker-dealer enforcement examination program. The BSA requires these reports for transactions a broker-dealer knows, suspects or has reason to suspect, involve funds derived from illegal activity or were conducted to disguise such activity, were designed to evade the BSA, or involved the use of a broker-dealer in facilitating criminal activity.

According to Snyder, SARs do not require absolute certainty regarding wrongdoing. But she noted that the Alpine case, filed by the SEC in June, was an important example of SARs that lacked context.

The SEC [charged](#) Alpine with violating Exchange Act Section 17(a) and Rule 17a-8, which require broker-dealers to comply with the BSA. Over a 4.5 year period, Alpine allegedly omitted "red-flag" data from SARs, filed SARs for deposits of securities without also filing reports on later transactions involving the deposits, and failed to file hundreds of SARs within 30 days of detecting suspicious activity.

The [complaint](#) further alleged that the bulk of Alpine's business involved clearing microcap transactions by persons with checkered backgrounds on behalf of Scottsdale Capital Advisers Corp., whose owner, John Joseph Hurry, had acquired Alpine. Alpine has been registered with the Commission for 33 years, but also has a history of discipline by FINRA. The SEC has asked a court to permanently enjoin Alpine from violating federal securities laws and to impose civil money penalties on the firm.

During a brief Q&A session, Snyder fielded a question about the impact of Alpine on the broker-dealer industry. According to Snyder, clearing firms are not subject to more duties as a result of Alpine. Previously, Snyder recommended that firms review available guidance on what constitutes a red flag in the AML setting.

Susan Axelrod, Executive Vice President of Regulatory Operations at FINRA, said that FINRA and the SEC often have different goals when it comes to AML compliance. She said the SEC is more focused on SARs, while FINRA looks at firms' supervision of AML programs.

When it comes to AML compliance, Snyder also said firms need to know the basics. Georgia Bullitt, a partner at Willkie Farr & Gallagher LLP, suggested one way to achieve this is to read the AML laws to top executives who may fail to grasp the importance of AML compliance. As part of the outreach event, the SEC posted a set of [resources](#) on AML compliance.

Attorneys: Georgia Bullitt (Willkie Farr & Gallagher LLP).

Companies: Financial Industry Regulatory Authority; Alpine Securities Corporation; Scottsdale Capital Advisers Corp.

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