

MEMO# 21049

April 13, 2007

SEC Charges Broker-Dealer with Failure to File Required Suspicious Activity Reports

[21049]

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TO: AML COMPLIANCE WORKING GROUP No. 3-07 RE: SEC CHARGES BROKER-DEALER
WITH FAILURE TO FILE REQUIRED SUSPICIOUS ACTIVITY REPORTS

The Securities and Exchange Commission has instituted its first enforcement action alleging that a broker-dealer failed to file suspicious activity reports (SARs) required by the Bank Secrecy Act. [\[1\]](#) The allegations were part of a broader Commission Order instituting administrative and cease-and-desist proceedings against the broker-dealer and its principal for allegedly participating in a pump-and-dump ruse.

The SAR requirements for broker-dealers became effective on December 31, 2002, and the allegedly suspicious transactions in this matter occurred during the period from the effective date of the rules through July 2003. The Commission asserted in its Order that a broker-dealer's failure to file a SAR as required by the Bank Secrecy Act is a violation of the Securities Exchange Act's books and records requirements and is enforceable by the Commission.

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endnotes

[1] See Park Financial Group, SEC File No. 3-12614 (Apr. 11, 2007) (order instituting proceedings), available at www.sec.gov/litigation/admin/2007/34-55614-o.pdf; see also SEC Press Release 2007-64, SEC Institutes Enforcement Action Alleging Broker-Dealer and Its Principal Aided and Abetted Pump-and-Dump Scheme and Failed to File Suspicious Activity Reports Required by Bank Secrecy Act (Apr. 11, 2007), available at www.sec.gov/news/press/2007/2007-64.htm.

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