



**IMPORTANT MEMORANDUM**

**TO:** Members

**FROM:** Department of Member Firm Regulation

**RE:** **Anti-Money Laundering (“AML”) Compliance Program  
(CBOE Rule 4.20):**

**Annual Requirements for Previous Filers Meeting Certain  
Conditions**

**DATE:** January 2, 2009

All registered broker-dealers, including sole proprietors, are required to demonstrate compliance with the requirements of the USA PATRIOT Act.

**This Regulatory Circular applies only to those member broker-dealers for which ALL of the following conditions are true<sup>1</sup>:**

- Designated Examining Authority is the CBOE.
- Not required to file monthly FOCUS reports<sup>2</sup>.
- Have previously filed AML documents with the CBOE.
- Your previous AML filing was complete.
- Your AML program has not changed.
- Your Designated AML Compliance Officer has not changed.

**All filers to whom this circular applies are required to submit the following:**

- Evidence of annual (or more frequent) AML training for all appropriate persons.
- If required (please see footnote 3), a copy of the independent review letter identifying the results of the independent review conducted by an individual not involved with the broker-dealer’s AML function<sup>3</sup>.

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<sup>1</sup> If you have not previously filed AML documents with the Exchange, or you have made changes to your AML procedures, or your designated AML compliance individual has changed or your previous filing was incomplete, please see Regulatory Circular RG09-001 for a description of your CBOE filing requirements.

<sup>2</sup> Monthly filers are required to maintain complete AML documentation, which will be reviewed as part of the annual routine examination program.

<sup>3</sup> On December 27, 2007, the SEC approved an amendment to CBOE Rule 4.20 allowing certain member broker-dealers to have the independent audit performed every two years on a calendar year basis, if the member does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (e.g., engages solely in proprietary trading or conducts business only with other broker-dealers).

This information must be submitted to the Department of Member Firm Regulation no later than **March 2, 2009**. Please do not submit your original documents. Broker-dealers have a books and records requirement to maintain copies of this information. Additionally, please be advised that all AML documentation and ongoing procedures are subject to regulatory review at any time<sup>4</sup>.

**Please note that this circular also applies to lessors and other individuals who may not necessarily be actively trading but are still registered broker-dealers.**

The following information may be helpful in fulfilling the above requirements.

### **Annual Training**

Training should be conducted at least annually and developed under the leadership of the AML Compliance Officer or senior management. Broker-dealers should document the content of the training and maintain a list of the participants. The broker-dealer may wish to have participants sign an attestation acknowledging that they have participated in the training and understand the firm's AML program. The attestation could contain language directing any questions to the firm's AML Compliance Officer. In addition, training should be updated as necessary to reflect new developments in the PATRIOT Act.

The Financial Industry Regulatory Authority website ("FINRA") (<http://www.finra.org>) has on-line training and guidance available which would be considered appropriate training for CBOE market-makers that are non-clearing and do not conduct a non-member customer business.

### **Independent Review Letter**

Broker-dealers must have an independent testing function to review and assess the adequacy of compliance with the firm's AML compliance program. In an effort to accommodate CBOE members, the Division has included an example of an independent review letter for members to use as a guideline. This letter should be tailored to accommodate the individual broker-dealer's business situation.

Please direct any questions to the Department of Member Firm Regulation, Tyson Wilson at (312) 786-7011 or [wilsont@cboe.com](mailto:wilsont@cboe.com), Daniel Sieracki at 312-786-7167 or [sieracki@cboe.com](mailto:sieracki@cboe.com), or Mike LaGioia at (312) 786-7728 or [lagioia@cboe.com](mailto:lagioia@cboe.com).

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<sup>4</sup> Please note: CBOE Rule 4.6 states in part, "no member, person associated with a member or applicant for membership shall make any willful or material misrepresentation, including a misstatement or false statement, or omission in any application, report or other communication to the Exchange ...."

If you make a false statement you may be subject to disciplinary action by the Exchange.

**Broker-Dealer Annual Training:**

Attendees: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The broker-dealer training was conducted on \_\_\_\_\_, 200\_\_ and  
date

was done \_\_\_\_\_. Some of the topics covered were \_\_\_\_\_  
(internally/externally/via an internet website)  
\_\_\_\_\_  
\_\_\_\_\_.

\* **The above identification of specific training and participants in such training is intended to be evidence of the training conducted on behalf of \_\_\_\_\_.**

**Independent Review:**

The independent review of the broker-dealer AML program was conducted on  
\_\_\_\_\_, 200\_\_, by \_\_\_\_\_,  
date name  
of \_\_\_\_\_.  
company name (internal or external)

\* **Broker-Dealers are required to maintain written documentation of the Independent Review conducted.**

I \_\_\_\_\_, as \_\_\_\_\_, of  
name title  
\_\_\_\_\_, certify that the information listed  
broker-dealer name  
above is accurate.

**Member Signature:** \_\_\_\_\_ **Date** \_\_\_\_\_

**This document and the attached copy of the letter prepared by the independent reviewer of the AML program are to be maintained as evidence of the independent review.**

## Example of an Independent Review Letter

Date

Managing Member  
Firm Name  
Address  
City, State, Zip

Attn: Managing Member of the Firm

Dear \_\_\_\_\_(Managing Member of the B/D)

Please be advised that I conducted an Independent Review of the Anti-Money Laundering (“AML”) Program for \_\_\_\_\_(B/D Name) as of \_\_\_\_\_(date). I am of the opinion that the Broker-Dealer’s AML program appears adequate given the nature and size of its business. Please be advised that my review noted no areas of concern.

\_\_\_\_\_(B/D Name) is a \_\_\_\_\_(Sole-Prop/Partnership/L.L.C./Corp.), with \_\_\_\_\_(# of or no) employees. The firm does not conduct a non-member customer business. It is not the Broker-Dealer’s policy to accept cash. The Broker-Dealer has no outside bank accounts related to its Broker-Dealer business and has no foreign bank or securities accounts. Any fund transfers related to the Broker-Dealer are processed through its clearing account.

Sincerely,

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Reviewer’s Company Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Phone Number