ADMINISTRATIVE PROCEEDING
File No. 3 -18318

Merrill Lynch, Pierce, Fenner & Smith Settles SEC Charges that it Failed to Comply With Anti-Money Laundering Laws

December 21, 2017 - The Securities and Exchange Commission today announced that Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch), a registered broker-dealer and investment adviser headquartered in New York, New York, agreed to settle charges that it failed to file and timely file Suspicious Activity Reports (SARs) for certain transactions.

To help detect potential violations of the securities laws and illegal money laundering, the Bank Secrecy Act (BSA) requires broker-dealers to file SARs to report suspicious transactions that occur through their firms. The BSA and regulations promulgated by the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) require the filing of a SAR within 30 days after a broker-dealer determines that activity is suspicious. Section 17(a) of the Securities Exchange Act of 1934 (Exchange Act) requires broker-dealers to comply with the SAR reporting requirements of the BSA.

Merrill Lynch, in addition to offering its customers the ability to buy and sell securities, offered customers with brokerage accounts various money transfer services, such as ATM cash deposits and withdrawals, wire transfers, journal-entry transfers, check writing, cash advances, and ACH transfers. According to the SEC's order, by offering these additional money transfer services, Merrill Lynch was susceptible to risks of money laundering and other illicit financial activity associated with these services.

According to the SEC's order, from at least 2011 to 2015, Merrill Lynch did not file SARs on certain suspicious movements of funds through its customers' accounts. Merrill Lynch's failure to file such SARs resulted from not having anti-money laundering policies and procedures that were reasonably designed to account for the additional risk associated with the money transfer services offered by certain of its retail brokerage accounts. Among other things, the SEC's order finds that Merrill Lynch failed to properly use its automated internal systems to monitor certain brokerage accounts, did not investigate and timely report on certain suspicious transactions flagged by its internal monitoring systems, and failed to adequately monitor continuing suspicious activities.

The SEC's order instituting a settled administrative and cease-and-desist proceeding finds that Merrill Lynch violated Section 17(a) of the Exchange Act and Rule 17a-8 promulgated thereunder by failing to file SARs as required by the BSA and FinCEN regulations. Without admitting or denying the SEC's findings, Merrill Lynch consented to a cease-and-desist order, a censure, and a civil penalty of $13,000,000. In a related matter, Merrill Lynch also agreed to pay a $13,000,000 fine to the Financial Industry Regulatory Authority.

The SEC's investigation was conducted by Michael Buffardi, Kelly Bowers, Lynn M. Dean, and Finola Manvelian of the Los Angeles Regional Office. The SEC appreciates the assistance of FinCEN and the Financial Industry Regulatory Authority.
See also: Order