

# Edward Thomas Trading Company Anti-Money Laundering (AML) Program: Compliance and Supervisory Procedures

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## **1. Firm Policy**

All personnel at Edward Thomas Trading Company are required to follow the anti-money laundering (AML) procedures.

ETT's policy is to rely on third party providers such as National Futures Association and Exchange Analytics to provide updated information on applicable Federal laws and NFA guidelines.

To this end, ETT employees have completed AML training course (at this time offered online by Exchange Analytics), certificates of completion are kept on file for said completion at ETT for each employee.

Such online course instruction will be completed by ETT employees on an annual basis.

In addition, ETT will contract with Frederick Swartz & Co., PC Certified Public Accountants and Business Consultants of Fairfield, Iowa.

Mr. Frederick Swartz, PC will perform AML audit work for ETT. Mr. Swartz will use, among other tools, the AML questionnaire checklist provided by the National Futures Association (NFA) when interviewing & auditing ETT. This AML audit work by Mr. Swartz will be performed annually for ETT.

Edward Thomas Gomes, owner of ETT, will act on and incorporate any suggestions and correct any deficiencies to ETT's AML program suggested by either:

National Futures Association  
Exchange Analytics  
Mr. Fred Schwartz, CPA

Within 90 days of said advice.

See the attached "Audit Engagement Agreement" letter dated 12/15/08 at the end of ETT's AML policy.

The sole responsibility for proper AML procedural implementation will be with Edward T. Gomes, president and owner of ETT.

It is the policy of Edward Thomas Trading to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Generally, money laundering occurs in three stages. Cash first enters the financial system at the "placement" stage, where the cash generated from criminal activities is converted into monetary instruments, such as money orders or traveler's checks, or deposited into accounts at financial institutions. At the "layering" stage, the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin. At the "integration" stage, the funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses. Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal the origin or intended use of the funds, which will later be used for criminal purposes. This policy will be updated annually.

## **2. AML Compliance Officer Designation and Duties**

The firm of Edward Thomas Trading Company designates Edward T. Gomes as its Anti-Money Laundering Program Compliance Officer, with full responsibility for the firm's AML program. Edward T. Gomes is qualified by experience, knowledge and training. The duties of the AML Compliance Officer will include monitoring the firm's compliance with AML obligations, overseeing communication and training for employees. The AML Compliance Officer will also ensure that proper AML records are kept. When warranted, the AML Compliance Officer in consultation with Tammy Davis, ETT's Office Manager, and with the help of FCM's Vision Financial Markets and Alaron Trading, will ensure Suspicious Activity Reports (SAR-SFs) are filed.

Furthermore, ETT will confirm, at least yearly, that each FCM – Vision and others – has supplies ETT with their most current respective AML procedures manual.

In addition ETT will use timely emailed updates from FinCEN to check against ETT's client base in order to determine if a present client has, since opening an account with ETT, been placed on FinCEN watch list

If such a filing for any client is indicated, all proper procedures outlined by ETT will be followed regarding that particular client.

## **2. Giving AML Information to Federal Law Enforcement Agencies and Other Financial Institutions**

### **a. FinCEN Requests Under PATRIOT Act Section 314**

Under Treasury's final regulations (published in the Federal Register on September 26, 2002), Edward Thomas Trading, in cooperation with its FCMs Vision Financial Markets and Alaron Trading, will respond to a Financial Crimes Enforcement Network (FinCEN) request about accounts or transactions by immediately searching our records, at our office, to determine whether we maintain or have maintained any account for, or have engaged in any transaction with, each individual, entity, or organization named in FinCEN's request. Upon receiving an information request, Ed Gomes will facilitate contact regarding the request and ability to receive similar requests in the future.

Edward Thomas Trading will then contact FinCEN, appropriate law enforcement or other regulatory agencies (including the CFTC and NFA) request the supporting documentation to a SAR, provide that material. Edward Thomas Trading will verify that the requestor is a representative of FinCEN or other appropriate agency before providing such information by independent employment verification with the requestor's field office or face-to-face review of the requestor's credentials.

Edward Thomas Trading will maintain a record of all requested information in a separate SARS file for at least five years after a particular account has been closed.

ETT will also search the website of Office of Foreign Assets Control (OFAC) before opening any new account in any effort to determine any and all reference with names on this site.

- A. During the account opening process, Edward Thomas Trading Company will review OFAC's list of sanctioned countries. If the customer is from a country on that list, review the sanctioning document, or contact OFAC to determine the extent of the sanctions.
- B. During the account opening process, Edward Thomas Trading Company will review OFAC's Specially Designated Nationals List. If the customer's name appears on the list, immediately notify OFAC.
- C. When either list is updated, review existing client base to determine if any current customers are from a country on the sanctioned countries list or if any customers name appears on the SDN list.

If we search our records and do not uncover a matching account or transaction, then we will not reply to a 314(a) request.

Edward Thomas Trading will not disclose the fact that FinCEN has requested or obtained information from us, except to the extent necessary to comply with the information request. We will maintain procedures to protect the security and confidentiality of requests from FinCEN, such as those established to satisfy the requirements of Section 501 of the Gramm-Leach-Bliley Act.

Edward Thomas Trading will direct any questions we have about the request to the requesting Federal law enforcement agency as designated in the 314(a) request.

Unless otherwise stated in the information request, Edward Thomas Trading will not be required to treat the information request as continuing in nature, and we will not be required to treat the request as a list for purposes of the customer identification and verification requirements. Edward Thomas Trading will not use information provided to FinCEN for any purpose other than (1) to report to FinCEN as required under Section 314 of the PATRIOT Act; (2) to determine whether to establish or maintain an account, or to engage in a transaction; or (3) to assist the firm in complying with any requirement of Section 314 of the PATRIOT Act.

#### **b. Sharing Information With Other Financial Institutions**

Edward Thomas Trading will share information about those suspected of terrorist financing and money laundering with other financial institutions for the purposes of identifying and reporting activities that may involve terrorist acts or money laundering activities and to determine whether to establish or maintain an account or engage in a transaction. Edward Thomas Trading, in cooperation with its FCMs Vision Financial Markets and Alaron Trading, will file with FinCEN an initial notice before any sharing occurs and annual notices afterwards. We will use the notice form found at [www.fincen.gov](http://www.fincen.gov). Before we share information with another financial institution, we will take reasonable steps to verify that the other financial institution has submitted the requisite notice to FinCEN, either by obtaining confirmation from the financial institution or by consulting a list of such financial institutions that FinCEN will make available. Edward Thomas Trading understands that this requirement applies even with respect to financial institutions *with whom we are affiliated*, and so we will obtain the requisite notices from affiliates and follow all required procedures.

Edward Thomas Trading will employ strict procedures both to ensure that only relevant information is shared and to protect the security and confidentiality of this information, including segregating it from the firm's other books and records and.

Edward Thomas Trading, in addition to sharing information with other financial institutions about possible terrorist financing and money laundering, will also share information about particular suspicious transactions with our clearing broker, Vision Financial Markets and/or Alaron Trading, for purposes of determining whether one of us will file a SAR-SF. In cases in which we file a SAR-SF for a transaction that has been handled both by us and by the clearing broker, Edward Thomas Trading may share with the clearing broker a copy of the filed SAR-SF, unless it would be inappropriate to do so under the circumstances, such as where we filed a SAR-SF concerning the clearing broker or one of its employees. A copy of any such SAR form will be kept in the SAR file at ETT for a minimum of five years after the account has been closed.

## **4. Customer Identification and Verification**

In addition to the information Edward Thomas Trading must collect under NASD Rules 2110 (Standards of Commercial Honor and Principles of Trade), 2310 (Recommendations to Customers - Suitability), and 3110 (Books and Records), and SEC Rules 17a-3(a)(9) (Beneficial Ownership regarding Cash and Margin Accounts) and 17a-3(a)(17) (Customer Accounts), Edward Thomas Trading will have established, documented, and maintained a written Customer Identification Program (or CIP). We will collect certain minimum customer identification information from each customer who opens an account; utilize risk-based measures to verify the identity of each customer who opens an account; record customer identification information and the verification methods and results; provide notice to customers that we will seek identification information and compare customer identification information with government-provided lists of suspected terrorists.

### **a. Required Customer Information**

*Prior* to opening an account, Edward Thomas Trading will collect the following information for all accounts, if applicable, for any person, entity or organization who is opening a new account and whose name is on the account: the name; date of birth (for an individual); an address, which will be a residential or business street address (for an individual), an Army Post Office ("APO") or Fleet Post Office ("FPO") number, or residential or business street address of next of kin or another contact individual (for an individual who does not have a residential or business street address), or a principal place of business, local office or other physical location (for a person other than an individual); an identification number, which will be a taxpayer identification number (for U.S. persons) or one or more of the following: a taxpayer identification number, passport number and country of issuance, alien identification card number or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or other similar safeguard (for non-U.S. persons). In the event that a customer has applied for, but has not received, a taxpayer identification number, we here at Edward Thomas Trading will attempt to confirm that the application was filed before the customer opens the account and to obtain the taxpayer identification number within a reasonable period of time after the account is opened.

When opening an account for a foreign business or enterprise that does not have an identification number, Edward Thomas Trading will not open the account.

### **b. Customers Who Refuse To Provide Information**

If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, Edward Thomas Trading will not open a new account and, after considering the risks involved, consider closing any existing account. In either case, Edward Thomas

Tradings' AML Compliance Officer will be notified so that we can determine whether we should report the situation to FinCEN (i.e., file a Form SAR-SF).

### **c. Verifying Information**

Based on the risk, and to the extent reasonable and practicable, Edward Thomas Trading will ensure that we have a reasonable belief that we know the true identity of our customers by using risk-based procedures to verify and document the accuracy of the information we get about our customers. In verifying customer identity, we will analyze any logical inconsistencies in the information we obtain.

Edward Thomas Trading, with the help of its FCMs Vision Financial Markets and Alaron Trading, will verify customer identity through documentary evidence, non-documentary evidence, or both. We will use documents to verify customer identity when appropriate documents are available. In light of the increased instances of identity fraud, we will supplement the use of documentary evidence by using the non-documentary means described below whenever possible. We may also use such non-documentary means, after using documentary evidence, if we are still uncertain about whether we know the true identity of the customer. In analyzing the verification information, we will consider whether there is a logical consistency among the identifying information provided, such as the customer's name, street address, zip code, telephone number (if provided), date of birth, and social security number.

Appropriate documents for verifying the identity of customers include, but are not limited to, the following:

- For an individual, an unexpired government-issued identification evidencing nationality, residence, and bearing a photograph or similar safeguard, such as a driver's license or passport; and
- For a person other than an individual, documents showing the existence of the entity, such as certified articles of incorporation, a government-issued business license, a partnership agreement, or a trust instrument.

Edward Thomas Trading understands that it is not required to take steps to determine whether the document that the customer has provided to us for identity verification has been validly issued and that we may rely on a government-issued identification as verification of a customer's identity. If, however, Edward Thomas Trading notes that the document shows some obvious form of fraud, we must consider that factor in determining whether we can form a reasonable belief that we know the customer's true identity.

Edward Thomas Trading will use the following non-documentary methods of verifying identity:

- Contacting a customer;

- Independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from a consumer reporting agency, public database, or other source;
- Checking references with other financial institutions; or

Edward Thomas Trading will use non-documentary methods of verification in the following situations: (1) when the customer is unable to present an unexpired government-issued identification document with a photograph or other similar safeguard; (2) when the firm is unfamiliar with the documents the customer presents for identification verification; (3) when the customer and firm do not have face-to-face contact; and (4) when there are other circumstances that increase the risk that the firm will be unable to verify the true identity of the customer through documentary means.

Edward Thomas Trading will verify the information within a reasonable time before or after the account is opened. Depending on the nature of the account and requested transactions, we may refuse to complete a transaction before we have verified the information, or in some instances when we need more time, we may, pending verification, restrict the types of transactions or dollar amount of transactions. If we find suspicious information that indicates possible money laundering or terrorist financing activity, we will, after internal consultation with the firm's AML compliance officer and consultation with FCMs Vision Financial Marketing and Alaron Trading, file a SAR-SF in accordance with applicable law and regulation.

Edward Thomas Trading recognizes that the risk that we may not know the customer's true identity may be heightened for certain types of accounts, such as an account opened in the name of a corporation, partnership or trust that is created or conducts substantial business in a jurisdiction that has been designated by the U.S. as a primary money laundering concern or has been designated as non-cooperative by an international body. We will identify customers that pose a heightened risk of not being properly identified. Therefore, we will take the following additional measures that may be used to obtain information about the identity of the individuals associated with the customer when standard documentary methods prove to be insufficient.

## **c2. Correspondence/Private Banking Accounts**

Furthermore, ETT will not open or accept any correspondent accounts nor will ETT open or accept any private banking accounts.

## **d. Lack of Verification**

When Edward Thomas Trading cannot form a reasonable belief that we know the true identity of a customer, we will do the following: (A) not open an account.

#### **e. Record keeping**

Edward Thomas Trading will document our verification, including all identifying information provided by a customer, the methods used and results of verification, and the resolution of any discrepancy in the identifying information. We will keep records containing a description of any document that we relied on to verify a customer's identity, noting the type of document, any identification number contained in the document, the place of issuance, and if any, the date of issuance and expiration date. With respect to non-documentary verification, we will retain documents that describe the methods and the results of any measures we took to verify the identity of a customer. Edward Thomas Trading will maintain records of all identification information for five years after the account has been closed; we will retain records made about verification of the customer's identity for five years after the record is made.

#### **f. Comparison with Government Provided Lists of Terrorists and Other Criminals**

From time to time, we may receive notice that a Federal government agency has issued a list of known or suspected terrorists. Within a reasonable period of time after an account is opened (or earlier, if required by another Federal law or regulation of Federal directive issued in connection with an applicable list), we will determine whether a customer appears on any such list of known or suspected terrorists or terrorist organizations issued by any Federal government agency and designated as such by Treasury in consultation with the Federal functional regulators. We will follow all Federal directives issued in connection with such lists.

We will continue to comply with Treasury's Office of Foreign Asset Control rules prohibiting transactions with certain foreign countries of their nationals.

#### **g. Notice to Customers**

Edward Thomas Trading will provide notice to customers that the firm is requesting information from them to verify their identities, as required by Federal law. We will use the following method to provide notice to customers:

##### **Important Information About Procedures for Opening a New Account**

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

**What this means for you: When you open account, we will ask for your name, address, date of birth and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.].**

#### **h. Reliance on Another Financial Institution for Identity Verification**

Edward Thomas Trading may, under the following circumstances, rely on the performance by FCM's Vision Financial Markets and/or Alaron Trading for some or all of the elements of our customer identification program with respect to any customer that is opening an account or has established an account or similar business relationship with the other financial institution to provide or engage in services, dealings, or other financial transactions:

- When such reliance is reasonable under the circumstances;
- When the other financial institution is subject to a rule implementing the anti-money laundering compliance program requirements of 31 U.S.C. 5318(h), and is regulated by a Federal functional regulator; and
- When the other financial institution has entered into a contract with our firm requiring it to certify annually to us that it has implemented its anti-money laundering program, and that it will perform (or its agent will perform) specified requirements of the customer identification program.

### **5. Monitoring Accounts For Suspicious Activity**

Edward Thomas Trading will manually monitor a sufficient amount of account activity to permit identification of patterns of unusual size, volume, pattern or type of transactions, geographic factors such as whether jurisdictions designated as "non-cooperative" are involved, or any of the "red flags" identified in Section b. below. We will look at transactions, including trading and wire transfers, in the context of other account activity to determine if a transaction lacks financial sense or is suspicious because it is an unusual transaction or strategy for that customer. Edward T. Gomes, the AML Compliance Officer will be responsible for this monitoring, will document when and how it is carried out, and will report suspicious activities to the appropriate authorities. Among the information we will use to determine whether to file a Form SAR-SF are exception reports that include transaction size, location, type, number, and nature of the activity. We will create employee guidelines with examples of suspicious money laundering activity and lists of high-risk clients whose accounts may warrant further scrutiny. Our AML Compliance Officer will conduct an appropriate investigation before a SAR is filed. Our monitoring of specific transactions includes:

#### **a. Emergency Notification to the Government by Telephone**

When conducting due diligence or opening an account, we will immediately call Federal law enforcement when necessary, and especially in these emergencies: a legal or beneficial account holder or person with whom the account holder is engaged in a transaction is listed on or located in a country or region listed on the OFAC list, an account is held by an entity that is owned or controlled by a person or entity listed on the

OFAC list, a customer tries to use bribery, coercion or similar means to open an account or carry out a suspicious activity, we have reason to believe the customer is trying to move illicit cash out of the government's reach, or we have reason to believe the customer is about to use the funds to further an act of terrorism. The contact numbers we will use are: **Financial Institutions Hotline (1-866-556-3974), local U.S. Attorney's Office at (515) 284-6257, local FBI Office at (515) 233-4278, the SEC Office at (646) 428-1500, and the CFTC Office at (646) 764-9700.**

#### **b. Red Flags**

At the time a customer opens an account he/she is required to fill out an account application to provide documents verifying his/her identity and given notice that the documents and information are being requested for identity and verification purposes.

Red flags that signal possible money laundering or terrorist financing include, but are not limited to:

- The customer exhibits unusual concern about the firm's compliance with government reporting requirements and the firm's AML policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents.
- The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.
- The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.
- The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.

- The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash, or asks for exemptions from the firm's policies relating to the deposit of cash.
- The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the \$10,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.
- For no apparent reason, the customer has multiple accounts under a single name or multiple names, with a large number of inter-account or third party transfers.
- The customer is from, or has accounts in, a country identified as a non-cooperative country or territory by the FATF.
- The customer's account has unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity.
- The customer's account shows numerous currency or cashiers check transactions aggregating to significant sums.
- The customer's account has a large number of wire transfers to unrelated third parties inconsistent with the customer's legitimate business purpose.
- The customer's account has wire transfers that have no apparent business purpose to or from a country identified as a money-laundering risk or a bank secrecy haven.
- The customer's account indicates large or frequent wire transfers, immediately withdrawn by check or debit card without any apparent business purpose.
- The customer makes a funds deposit followed by an immediate request that the money be wired out or transferred to a third party, or to another firm, without any apparent business purpose.
- The customer makes a funds deposit for the purpose of purchasing a long-term investment followed shortly thereafter by a request to liquidate the position and transfer of the proceeds out of the account.
- The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose.
- The customer requests that a transaction be processed to avoid the firm's normal documentation requirements.

- The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as penny stocks, Regulation S stocks, and bearer bonds, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)
- The customer's account shows an unexplained high level of account activity with very low levels of securities transactions.
- The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.
- The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

### **c. Responding to Red Flags and Suspicious Activity**

When a member of the firm detects any red flag he or she will investigate further under the direction of the AML Compliance Officer. This may include gathering additional information internally or from third-party sources, contacting the government, freezing the account, or filing a Form SAR-SF.

If a SAR-SF form is filed the form will be kept in ETT's SAR-SF file for at least five years after the account is closed.

## **6. Clearing/Introducing Firm Relationships**

Edward Thomas Trading will work closely with our clearing firm to detect money laundering. We will exchange information, records, data and exception reports as necessary to comply with AML laws. Both our firm and our clearing firm have filed (and kept undated) the necessary annual certifications for such information sharing, which can be found at [http://www.fincen.gov/fi\\_infoappb.html](http://www.fincen.gov/fi_infoappb.html). As a general matter, we have agreed that our clearing firm will monitor customer activity on our behalf, and we will provide our clearing firm with proper customer identification information as required to successfully monitor customer transactions. We have allocated these functions and set them forth in a written document. We understand that the allocation of functions will not relieve either of us from our independent obligation to comply with AML laws, except as specifically allowed under the PATRIOT Act and its implementing regulations.

## **7. Training Programs**

Before an employee is hired at ETT, a background check into the employee's history will be conducted.

Edward Thomas Trading will develop ongoing employee training under the leadership of the AML Compliance Officer and senior management. Our training will occur on at least an annual basis. It will be based on our firm's size, its customer base, and its resources.

Our training will include, at a minimum: how to identify red flags and signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; what employees' roles are in the firm's compliance efforts and how to perform them; the firm's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PATRIOT Act.

Edward Thomas Trading will develop training in our firm. Delivery of the training may include educational pamphlets, videos, intranet systems, in-person lectures, and explanatory memos.

Edward Thomas Trading will review our operations to see if certain employees, such as those in compliance, margin, and corporate security, require specialized additional training. Our written procedures will be updated to reflect any such changes. However, Edward Thomas Trading is a small firm and the above will fall to Tammy Davis, Edward Thomas Trading's Office Manager.

## **8. Monitoring Employee Conduct and Accounts**

Edward Thomas Trading will subject employee accounts, if any, to the same AML procedures as customer accounts, under the supervision of the AML Compliance Officer. Edward Thomas Trading will also review the AML performance of supervisors, as part of their annual performance review. The AML Compliance Officer's accounts will be reviewed by Edward T. Gomes.

## **9. Confidential Reporting of AML Non-Compliance**

Edward Thomas Trading employees will report any violations of the firm's AML compliance program to Edward T. Gomes, the AML Compliance Officer, unless the violations implicate the Compliance Officer, in which case the employee shall report to the FCM. Such reports will be confidential, and the employee will suffer no retaliation for making them.

## **10. Additional Areas of Risk**

Edward Thomas Trading has reviewed all areas of its business to identify potential money laundering risks that may not be covered in the procedures described above.

## **11. Senior Manager Approval**

I have approved this AML program as reasonably designed to achieve and monitor our firm's ongoing compliance with the requirements of the BSA and the implementing regulations under it.

## **12. Section 311 Special Measure Monitoring**

Edward Thomas Trading Company will monitor FinCen's website for information on foreign jurisdictions, institutions, classes of transactions, or types of account that have been designated as a primary money laundering concern and any special measures that have been imposed. Edward Thomas Trading Company will also follow any special measures that have been imposed.

Signed:

Title:

Date: