



Flexi Group

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## FINRA Steps Up AML Enforcement Under Trump Administration With Focus on Investment Banking

*The Financial Industry Regulatory Authority (FINRA) has ramped up its scrutiny of securities and investment banking firms under the new Trump administration, issuing a clear message that accountability around anti-money laundering (AML) compliance is a top priority. The latest disciplinary actions, published in the April report and including a newly issued Acceptance, Waiver, and Consent (AWC), show a particular focus on firms involved in mergers and acquisitions.*



Importantly, FINRA isn't asking for perfection—just reasonableness. “Not effective, just reasonable,” the update emphasized. While that may sound like a low bar, the tone suggests that at least regulators are demonstrating “an effective regulatory effort.”

For firms operating in the M&A space, the warning is direct. The USA PATRIOT Act's Section 314(a) screening requirements unequivocally apply. “Full stop,” the article stresses. These government-supplied lists are refreshed biweekly—and sometimes more frequently. Firms must not only declare compliance but outline specific processes: who is responsible, a designated backup, recordkeeping procedures, and a testing mechanism to ensure consistent adherence. One firm, notably, had no timely review in place from 2017 onward—a major compliance lapse.

Audits are another area of concern. The requirement is non-negotiable. “If your firm executes payments for customers, your independent audit requirement is every year. As in every year,” the article stated plainly. Two firms failed to meet this obligation. Worse still, when a regulator flagged the issue back in 2017 and no corrective action was taken, the responsibility fell squarely on the firm. “That’s on you,” it declared—though the piece did concede, “it’s a little on FINRA for letting that go on until 2025.”



The piece also revisits previous FINRA actions from earlier this year to reinforce that training must be appropriately tailored. “Your firm’s training must be tailored to the risks of your institution,” it warns. In one striking example, a firm delivered AML training focused on securities at retail brokerage accounts—despite being an investment banking and M&A operation. That misalignment raises serious questions about how firms are assessing and addressing their risk exposure.

Customizing red flags for training isn't enough; they must also be integrated into day-to-day operations. “Ensure that the red flags in your suspicious activity monitoring system and program match your threats,” the article advises. Retail brokerages should lean on the numerous red flags publicized by FINRA and the U.S. Securities and Exchange Commission. However, firms are encouraged to go further. “Think like a criminal,” it says. In the M&A realm, that means asking: how would an illicit actor launder money through a front company or shell corporation?

The reminder is stark: “There’s dirty money in the M&A space,” and FINRA is now watching more closely than ever.

**By fLEXI tEAM**