

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

GBM International, Inc.

(CRD No. 28684,

Respondent.

Disciplinary Proceeding
No. 2010020846601

Hearing Officer: RLP

Date: December 10, 2012

ORDER ACCEPTING OFFER OF SETTLEMENT

INTRODUCTION

1. Disciplinary Proceeding No. 2010020846601 was filed on April 27, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent GBM International, Inc. ("GBM" or the "Firm") submitted an Offer of Settlement (Offer) to Complainant dated November 30, 2012. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.
2. Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of

findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

RESPONDENT AND JURISDICTION

3. Respondent GBM has been a member of FINRA since October 21, 1991. During all periods mentioned herein, GBM was a registered broker-dealer with the United States Securities and Exchange Commission and a member of FINRA. The Firm is based in Houston, Texas and has one branch office. GBM employs approximately ten registered representatives. The Firm's registration as a FINRA member remains in effect. Ninety percent of the Firm's accounts are owned by entities or individuals domiciled in Mexico.

4. Respondent GBM has not previously been the subject of any relevant formal disciplinary actions.

FINDINGS AND CONCLUSIONS

5. It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

6. During the period from on or about June 1, 2008 through October 22, 2010, GBM failed to develop and implement a reasonable anti-money laundering compliance program ("AMLCP"). The Firm failed to implement an adequate customer identification program for delivery-versus-payment accounts ("DVP" accounts) and failed to implement an adequate system to identify accounts owned by foreign banks and to conduct due diligence on any foreign bank accounts. In addition, the Firm failed to establish adequate anti-money laundering ("AML") written procedures related to customer identification of DVP accounts and to its obligations under

Sections 311 and 312 of the USA PATRIOT Act. Such conduct by GBM violated FINRA Rules 3310(b) and 2010, and NASD Rules 3011(b) and 2110.

BACKGROUND

7. NASD Conduct Rule 3011 became effective April 24, 2002. FINRA Rule 3310 became effective January 1, 2010. FINRA Rule 3310 requires FINRA members to develop and implement a written AML program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act (“BSA”), 31 USC §5311, et seq., and the regulations promulgated thereunder. Section (b) requires firms to establish and implement procedures reasonably designed to achieve compliance with the BSA.

8. Section 326 of the USA PATRIOT Act amended the BSA to require broker-dealers to establish written customer identification programs. The Department of Treasury’s implementing rule¹ requires the customer identification program of the broker-dealer to include, among other things, procedures for:

- Obtaining customer identifying information before opening an account;
- Verifying the identity of each customer, to the extent reasonable and practicable, within a reasonable time of account opening; and
- Maintaining a record of information obtained relating to identity verification.

9. For institutions, the minimum information required for each account is a name; a principal place of business, local office or other physical location; and a taxpayer identification number or the number and country of issuance of any other government-issued document evidencing nationality or residence.

¹ 31 C.F.R. §103.122 (31 C.F.R. 1023.100).

10. In addition, Section 312 of the USA PATRIOT Act amended the BSA to address correspondent accounts maintained at broker-dealers by foreign financial institutions. Among other things, Section 312² requires a broker-dealer to establish a risk-based due diligence program (that is part of its AML Compliance Program) for any correspondent accounts maintained by foreign financial institutions. As part of this program, the broker-dealer must have procedures to identify foreign correspondent accounts.

11. Section 311 of the USA PATRIOT Act³ amends the BSA to require broker-dealers to take special measures intended to address particular money laundering concerns. For instance, five of the special measures issued by the Secretary of the Treasury prohibit broker-dealers from opening or maintaining certain correspondent accounts.

CAUSE OF ACTION

FAILURE TO DEVELOP AND IMPLEMENT REASONABLE AMLCP RESPONDENT GBM INTERNATIONAL, INC. (FINRA Rules 3310(b) and 2010, and NASD Rules 3011(b) and 2110)

12. During the period from on or about June 1, 2008 through on or about October 22, 2010 (“the relevant period”), GBM’s written AML Procedures failed to adequately address the following:

- a. Section 311 of the USA PATRIOT Act - Although the Firm’s written AML Procedures address certain banks that have previously been subject to special measures issued by the Department of the Treasury, the procedures do not specifically address Section 311 or the Firm’s systems for complying with the regulation.

² 31 C.F.R. §103.176 (31 C.F.R. 101.610)

³ 31 C.F.R. Part 103 (31 C.F.R. Chapter X).

- b. Section 312 of the USA PATRIOT Act - The Firm's written AML Procedures address factors to be considered in assessing risks in institutional accounts; however, the procedures do not specifically address the requirements of Section 312 or the types of accounts subject to due diligence. Additionally, the written procedures do not establish a system for identifying accounts subject to Section 312 of the USA PATRIOT Act.
- c. Customer Identification Program for DVP Accounts - The Firm maintains approximately 250 foreign and domestic DVP accounts, but the procedures do not address customer identification processes for the accounts.

13. During the relevant period, GBM did not have an adequate system for identifying all accounts subject to Section 312 of the USA PATRIOT Act. Specifically, the Firm identified its affiliated foreign broker-dealers subject to Section 312, but failed to identify other accounts subject to the regulation, such as foreign mutual funds. In addition, the Firm failed to document any due diligence reviews conducted on the foreign accounts it did identify.

14. During the relevant period, the Firm failed to establish an adequate Customer Identification Program for DVP accounts. Of the 250 DVP accounts maintained at the Firm, 143 were opened between June 1, 2008 and October 22, 2010. Upon opening the accounts, the Firm obtained settlement instructions only and did not collect required customer identifying information or verify that information.

Based on the foregoing, Respondent GBM International, Inc. violated FINRA Rules 3310(b) (for conduct after December 31, 2009) and 2010 (for conduct after December 14, 2008); and NASD Rules 3011(b) (for conduct before January 1, 2010) and 2110 (for conduct before December 15, 2008) as alleged in the Cause of Action.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

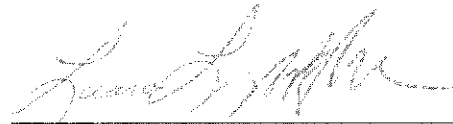
It is ordered that Respondent GBM International, Inc. be censured and fined \$20,000.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



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