

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2017054878001**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: GBM International, Inc. (Respondent)
Member Firm
CRD No. 28684

Pursuant to FINRA Rule 9216, Respondent GBM International, Inc. (GBM) submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

GBM is headquartered in Houston, Texas, has one office, and eight registered representatives. The firm conducts a general securities business and has been a FINRA member since 1991.

In December 2012, GBM was censured and fined \$20,000 for anti-money laundering (AML) deficiencies related to the failure to implement an adequate customer identification program for delivery versus payment accounts, to identify accounts owned by foreign banks, and to conduct due diligence on foreign bank accounts.¹

OVERVIEW

From September 2013 through December 2016 (Review Period), GBM failed to establish and implement an AML program that could be reasonably expected to detect and cause the reporting of suspicious activity. Specifically, GBM failed to reasonably investigate red flags of suspicious activity or determine whether the firm was required to file a suspicious activity report (SAR).

As a result of these failures, GBM violated FINRA Rules 3310(a) and 2010.

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 3310 requires each member to “develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the member’s compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et seq.*) and the implementing regulations promulgated thereunder by the Department of the Treasury.” Under FINRA Rule 3310(a), the program must, at a minimum, “[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder.”

Broker-dealers are also required to file “a report of any suspicious transaction relevant to a possible violation of law or regulation” pursuant to 31 C.F.R. § 1023.320(a)(1). In Notice to Members 02-21 (April 2002), FINRA issued guidance to member firms that they have a duty to (a) tailor their AML program to the particular risks of its business model, as well as its customer base; (b) monitor red flags of suspicious activity; and (c) where suspicious activity is detected, perform additional due diligence to determine whether or not to file a SAR.

A violation of FINRA Rule 3310 also constitutes a violation of FINRA Rule 2010, which requires FINRA members, in the conduct of their business, to observe “high standards of commercial honor and just and equitable principles of trade.”

GBM Failed to Reasonably Investigate Potentially Suspicious Activity

During the Review Period, GBM failed to establish an AML program that could reasonably be expected to detect and cause the reporting of certain suspicious activity, in violation of FINRA Rule 3310(a).

GBM had written AML procedures that required the firm to monitor for red flags of potentially suspicious activity. Those red flags included the following, which were triggered by activity in certain accounts, and which GBM failed to reasonably investigate:

- Customer reluctance to provide complete information about nature and purpose of the anticipated activity and reluctance to provide information needed to file reports, or failed to proceed with the transaction;
- Maintenance by a customer of multiple accounts for which the beneficial owner is the same, or maintenance of accounts in the names of family members or corporate entities with no apparent business purpose;
- Wire transfers to or from financial secrecy havens or high-risk geographic locations, without an apparent business reason;
- Wire activity that is unexplained, repetitive, unusually large, or shows unusual patterns, with no apparent business purpose;
- Payments to a third party without an apparent connection to the customer;

- Unusual transfers of funds or journal entries among accounts, without an apparent business purpose; and
- Unexplained high level of account activity with low levels of securities transactions.

GBM's AML procedures indicated that when the firm detected any red flags of suspicious activity, it would determine whether and how to investigate further and take steps that included gathering additional information internally or from third parties, contacting the government, freezing the account, or filing a SAR. In certain instances, GBM did not implement those measures. This resulted in GBM's failure to reasonably investigate numerous instances of suspicious activity.

During the Review Period, GBM opened four accounts in locations deemed to be high-risk by domestic and international anti-money laundering agencies; however, GBM noted that these four accounts were not incorporated in or operated from high-risk locations.

These four accounts presented several red flags, which GBM failed to reasonably investigate. These red flags included:

- wire transfers to and from financial secrecy havens or high-risk locations without an apparent business reason;
- customer reluctance to provide information needed to file reports, or fails to proceed with a transaction;
- inquiry from GBM's clearing firm regarding the purpose of a wire, source of funds, and the nature of the relationship among the parties;
- the customer opened multiple accounts with the same beneficial owners, controlling parties, family members, or corporate entities for no apparent business reason;
- payment to a third party without an apparent connection to the customer;
- high level of account activity with low levels of securities transactions;
- unusual transfers of funds or journal entries among accounts without an apparent business purpose; and
- wire activity that is unexplained, repetitive, unusually large, or shows unusual patterns, with no apparent business purpose.

For example, Account 1 and Account 2 had the same beneficial owner, despite being opened in the name of different entities, both of which were incorporated in high-risk locations. In less than one month, Account 1 received two incoming wires totaling approximately \$421,000 from Mexico and wired approximately the same amount out to another financial institution in Belgium. In addition, over the course of 15 months between 2013 and 2014, Account 2 received 13 wires, 12 of which were first-party wires, and effected 4 outgoing wires, all of which were third-party wires. In one instance, Account 2 received a third-party wire for \$400,000. Three days later, Account 2 sent a third-party wire for the same amount. GBM failed to reasonably investigate why the owner of Account 2 facilitated this money movement through Account 2 rather than through a personal or business bank account. Although certain of this wire activity

appeared on GBM's daily "Incoming/Outgoing, Wires, Checks, and ACH Report," GBM failed to reasonably investigate the purpose of the transactions and assess whether the activity was suspicious.

Account 3, which was opened in mid-2007, triggered several red flags highlighted in GBM's AML procedures, including (i) wire transfers to or from financial secrecy havens or high-risk geographic locations, without an apparent business reason; (ii) wire activity that is unexplained, repetitive, unusually large, or shows unusual patterns, with no apparent business purpose; and (iii) payments to a third party without an apparent connection to the customer.

In over just three years during the Review Period, Account 3 conducted nearly 1,200 wires for more than \$60 million, which represented approximately 22 percent of all wires processed by GBM. Approximately 95 percent of the wires were third-party.

Transactions in Account 3 often appeared on GBM's "Asset Movement Activity – Journal Processing Activity Report" and the "Incoming/Outgoing, Wires, Checks, and ACH Report." However, GBM failed to reasonably investigate the transactions to determine the purpose of the transactions and assess whether the transactions were suspicious. GBM failed to examine why Account 3's owner utilized Account 3, as opposed to a bank account, to pay for personal expenses, such as purchasing and renovating real estate and paying employees of a yacht. Utilizing a securities account to pay personal expenses presents increased money laundering risk, and the firm failed to put in place reasonable procedures to mitigate the risk.

During the Review Period, GBM failed to establish and implement an AML program that could be reasonably expected to detect and cause the reporting of suspicious activity. Despite the existence of the numerous AML red flags described above, GBM failed to reasonably investigate or respond to the red flags, as appropriate.

Therefore, GBM violated FINRA Rules 3310(a) and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure;
- a \$250,000 fine; and
- an undertaking that, within 90 days of the date this AWC is accepted, a principal of the firm certifies in writing to Sean Firley, 5200 Town Center Circle, Tower 1, Suite 200, Boca Raton, FL, 33486 (sean.firley@finra.org), that the firm has established systems and procedures reasonably designed to achieve compliance with its AML obligations, including, but not limited to, remediating the deficiencies identified herein. FINRA staff may, upon written request showing good cause, extend this deadline.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- [REDACTED]
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
 - B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
 - C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
 - D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

December 20, 2021

Date

Jose Macouzet

GBM International, Inc.
Respondent

Print Name: Jose Macouzet

Title: President

Reviewed by:

Susan Schroeder

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Accepted by FINRA:

December 21, 2021

Date

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

Sean W. Firley

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