



Independent AML Compliance Services

**Report of SIRS' Independent Test
Frontiers Group Trading LLC
AML Compliance Program**

**Review Period: Initial Test
Report Date: December 6, 2022**

SIRS Independent AML Test Frontiers Group Trading LLC

Introduction

Headquartered in Stuart, Florida, Frontiers Group Trading LLC (“Frontiers Group Trading” or “the Dealer”) is an international precious metals dealer. Frontiers Group Trading will purchase Gold and Platinum Group Metals from suppliers in Chile, Colombia, and the U.A.E., and will sell to domestic refineries and retail jewelers.

In providing these services, Frontiers Group Trading will buy and sell more than \$50,000 in *covered goods* (as defined in 31 C.F.R. §1027.100) each year. As such, Frontiers Group Trading will qualify as a *dealer* (as defined in 31 C.F.R. §1027.100) and will be subject to Federal anti-money laundering (“AML”) regulations, commonly referred to as the Bank Secrecy Act, or “BSA”.

One of these regulations, 31 CFR §1027.210, requires each dealer to “develop and implement a written anti-money laundering program reasonably designed to prevent the dealer from being used to facilitate money laundering and the financing of terrorist activities through the purchase and sale of covered goods.” It also states that the written AML program shall include a provision for the independent testing of the program. To address this requirement, Frontiers Group Trading engaged SIRS to conduct this test.

Regulatory Background

In her June 12, 2014, [Remarks](#), FinCEN Director Jennifer Shasky Calvery gave this description of the BSA:

As you likely already know, the Bank Secrecy Act, or “BSA,” is the common name for a series of statutes and regulations that form this country’s anti-money laundering and countering the financing of terrorism laws. Nearly every country around the world has similar laws in place at this point. These laws are meant to protect the integrity of the financial system by leveraging the assistance of financial institutions to make it more transparent and resilient to crime and security threats, and by providing information useful to law enforcement and others to combat such threats.

The USA PATRIOT Act (2001), the Anti-Money Laundering Act of 2020, and the Corporate Transparency Act (2020) are among the BSA’s more recent and prominent statutes, each of which may be referenced by the title *Bank Secrecy Act*. 31 CFR Chapter X contains the organized codification of BSA regulations. (The BSA’s implementing regulations organized by financial industry.)

AML regulations governing the activities of precious metals, stones, and jewelry dealers are found in 31 CFR Part 1027: *Rules for Dealers in Precious Metals, Precious Stones, or Jewels*. These rules are divided into four main sections:

- 1) AML Program;
- 2) Report Filing;
- 3) Creation and Maintenance of Records; and
- 4) Information Sharing.

Scope of Testing

The scope of the test includes:

**SIRS Independent AML Test
Frontiers Group Trading LLC**

- A comparison of Frontiers Group Trading’s AML policies, procedures, and internal controls (“AML Compliance Program”) with applicable requirements of the BSA.
- A review of documentation which demonstrates Frontiers Group Trading’s performance of responsibilities set forth in Frontiers Group Trading’s AML Compliance Program.

**SIRS Independent AML Test
Frontiers Group Trading LLC**

REVIEW AREAS & FINDINGS

Written AML Policies and Procedures

§1027.210, *Anti-money laundering programs for dealers in precious metals, precious stones, or jewels*, requires each dealer to implement and maintain a written anti-money laundering program approved by senior management. According to the regulation, a dealer must make its AML program available, upon request, to the Department of Treasury.

The dealer's AML program must:

1. Be risk based. The dealer's AML program must incorporate policies, procedures, and internal controls based upon the dealer's assessment of the money laundering and terrorist financing risks associated with its business dealings. The program must address all applicable BSA requirements.

The risk assessment must take into account all relevant factors including, but not limited to:

- a. The type(s) of products the dealer buys and sells, as well as the nature of the dealer's customers, suppliers, distribution channels, and geographic locations;
 - b. The extent to which the dealer engages in transactions other than with established customers or sources of supply, or other dealers subject to this rule; and
 - c. Whether the dealer engages in transactions for which payment or account reconciliation is routed to or from accounts located in jurisdictions that have been identified by the Department of State as a sponsor of international terrorism under; designated as non-cooperative with international anti-money laundering principles or procedures; or designated by the Secretary of the Treasury pursuant to 31 U.S.C. 5318A as warranting special measures due to money laundering concerns.
2. Assist the dealer in identifying suspicious transactions. The program must include provisions for making reasonable inquiries to determine whether a transaction involves money laundering or terrorist financing, and for refusing to consummate, withdrawing from, or terminating such transactions.

Factors that must be addressed include:

- a. Unusual payment methods,
 - b. Unwillingness by a customer or supplier to provide complete or accurate information;
 - c. Attempts by a customer or supplier to maintain an unusual degree of secrecy;
 - d. Purchases or sales that are unusual for the particular customer or supplier, or type of customer or supplier; and
 - e. Purchases or sales that are not in conformity with standard industry practice.
3. Designate a compliance officer.
 4. Provide for on-going AML education and training.
 5. Provide for the independent testing of the program.

For this section of the test, SIRS examined Frontiers Group Trading's AML Compliance Program to ensure that the written policies, procedures, and internal controls appropriately addressed the

**SIRS Independent AML Test
Frontiers Group Trading LLC**

above requirements. SIRS also reviewed documentation to confirm that required actions were performed.

1. Risk Assessment (§1027.210(b)(1))

Does the Dealer's risk assessment provide a reasonable assessment of the money laundering risks and vulnerabilities found in the business in which the Dealer engages?

SIRS' Findings: Frontiers Group Trading's risk assessment covers risks presented in the following areas of the Dealer's business activities:

- Products Bought and Sold
- Customers
- Suppliers
- Distribution Channels
- Geographic Locations

Section 5 of Frontiers Group Trading's written AML program addresses these additional risk areas:

- High-risk customer transactions
- Supplier due diligence
- Transactions involving payments to foreign jurisdictions

Recommended Corrective Actions: N/A. No corrective actions needed.

2. Written AML Policies and Procedures

Is the Dealer's AML Compliance Program reasonably designed to prevent the Dealer from being used to facilitate money laundering or the financing of terrorist activities? Does the AML Compliance Program include policies and procedures that are reasonably designed to ensure compliance with all applicable requirements under the BSA and its implementing regulations?

SIRS' Findings: Frontiers Group Trading's AML Compliance Program is reasonably designed to prevent the Dealer from being used to facilitate money laundering or the financing of terrorist activities and to ensure Dealer compliance with applicable BSA requirements. Frontiers Group Trading's AML Compliance program includes each of the criteria set forth in [31 C.F.R. § 1027.210\(b\)](#):

- Policies, procedures, and internal controls:
 - Are based on Frontiers Group Trading's assessment of its money laundering risks;
 - Are designed to ensure compliance with applicable requirements of the BSA;
 - Include provisions for making reasonable inquiries to determine whether a transaction involves money laundering or terrorist financing, and for refusing to consummate, withdrawing from, or terminating such transactions;
 - Address Frontiers Group Trading's due diligence responsibilities in transactions and in other dealings with customers and suppliers.
- Designation of the Dealer's AML Compliance Officer and her duties.
- Provision for ongoing training of personnel.
- Provision for independent testing of Dealer's AML Compliance Program.

**SIRS Independent AML Test
Frontiers Group Trading LLC**

As demonstrated throughout this test, SIRS found that Frontiers Group Trading's written AML Compliance Program sets forth policies, procedures, and internal controls which are reasonably designed to ensure Frontiers Group Trading's compliance with relevant BSA requirements.

Recommended Corrective Actions: N/A. No corrective actions needed.

3. AML Compliance Program – Availability for Regulatory Review

§ 1027.210(a) requires a dealer to keep its AML program in writing and to "make its anti-money laundering program available to the Department of Treasury through FinCEN or its designee upon request."

Does Dealer maintain a written AML Compliance Program? Does that program contain an explicit policy regarding Dealer's obligation to make copies of the program available for inspection by the Department of the Treasury upon request?

SIRS' Findings: Section 3 of Frontiers Group Trading's AML Compliance Program includes a clear statement that the program shall be kept in writing and shall be made available for inspection to the Department of the Treasury upon request.

Recommended Corrective Actions: N/A. No corrective actions needed.

4. Verification of Customer and Supplier Identities

Has Dealer appropriately documented its identity verification actions in purchases made from non-established and non-regulated suppliers and customers? Has Dealer appropriately verified the identities of customers involved in high-risk transactions?

SIRS' Findings: Frontiers Group Trading's AML program includes appropriate policies and procedures for verifying supplier identities when buying from persons or entities other than BSA-regulated dealers or retailers. As noted in that program, Frontiers Group Trading will buy from foreign suppliers.

As presented in its AML program, before conducting a significant transaction with a non-regulated supplier, Frontiers Group Trading shall obtain appropriate documentation of the identity of the supplier.

Recommended Corrective Actions: Before conducting an initial transaction with a foreign supplier, Frontiers Group Trading should ensure that it verifies the identity of the supplier.

5. Dealer designation of AML Compliance Officer

As required by [§1027.210\(b\)](#), has Dealer appropriately designated an AML compliance officer?

SIRS' Findings: In section 11 of Frontiers Group Trading's AML Compliance Program, Kristina Mitic is named as the Dealer's AML Compliance Officer.

As required by the BSA and as specified in the written policies and procedures, the AML Compliance Officer's responsibilities appropriately include ensuring the following:

- The anti-money laundering program is implemented effectively.
- The anti-money laundering program is updated as necessary to reflect changes in the risk assessment.
- Appropriate personnel receive AML training.

**SIRS Independent AML Test
Frontiers Group Trading LLC**

Recommended Corrective Actions: N/A. No corrective actions needed.

6. Management Approval (§1027.210(a))

Has at least one member of senior management approved Dealer's AML Compliance Program?

SIRS' Findings: Senior management approval of Frontiers Group Trading's AML Compliance Program was given on 12/5/2022 by Jorge Eduardo Restrepo, CEO.

Recommended Corrective Actions: N/A. No corrective actions needed.

7. AML Training

Has Dealer provided for the AML training of its relevant employees?

SIRS' Findings: Section 12 of Frontiers Group Trading's AML Compliance Program contains appropriate policies and procedures for the provision of AML training of the Dealer's relevant personnel.

As a newly formed precious metals dealer, before this test, AML training was not completed by Frontiers Group Trading's personnel. In conjunction with this independent testing service, access to an AML training course was provided to the Dealer.

Recommended Corrective Actions: N/A. No corrective actions needed.

8. Independent Testing

Does Dealer's AML program appropriately address BSA independent testing requirements?

SIRS' Findings: Section 13 of Frontiers Group Trading's AML Compliance Program contains appropriate policies and procedures regarding the Dealer's obligation to provide for independent testing of its AML Compliance Program.

1. Date of last independent test: N/A. As a newly formed precious metals dealer, this test was the first for Frontiers Group Trading.
2. Issues noted in last independent test and changes made to AML Compliance Program to address these issues: N/A
3. Date of last update to Frontiers Group Trading's AML program: 12/5/2022

Recommended Corrective Actions: N/A. No corrective actions needed.

BSA Reporting Requirements

Subpart C of part 1027, *Reports Required To Be Made by Dealers in Precious Metals, Precious Stones, or Jewels*, requires a dealer to file reports of large currency transactions.

In addition, under §1010.340, *Reports of transportation of currency or monetary instruments*, requires the reporting of any incident in which a large amount of currency is shipped to or from the United States.

Further, under §1010.350, *Reports of foreign financial accounts*, any person who has a financial account in a foreign country must file an annual report with the IRS.

SIRS Independent AML Test Frontiers Group Trading LLC

Performance of these reporting obligations by financial institutions is one of the most significant tools given to law enforcement agencies in their efforts to combat money laundering and terrorist financing activities.

BSA Reporting

Are procedures for complying with applicable BSA reporting requirements included in Dealer's policies and procedures?

SIRS' Findings: Procedures for filing the following reports are clearly presented in section 6 of Frontiers Group Trading's AML Compliance Program:

- 31 C.F.R. § 1027.330/1010.330 - FinCEN Form 8300
- 31 C.F.R. § 1010.340 - CMIRs
- 31 C.F.R. § 1010.350 - FBARs

Recommended Corrective Actions: N/A. No corrective actions needed.

BSA Recordkeeping

Subpart D of part 1027, *Records Required to Be Maintained By Dealers in Precious Metals, Precious Stones, or Jewels*, contains the BSA's recordkeeping requirements for dealers. Under these requirements, a dealer must keep records of its dealings with customers and suppliers, as well as records of filed reports.

1. BSA Recordkeeping (31 C.F.R. §§ 1027.400, 1010.420, and 1010.430)

Does Dealer have appropriate policies and procedures designed to ensure compliance with BSA recordkeeping requirements?

SIRS' Findings: Section 10 of Frontiers Group Trading's AML Compliance Program contains policies and procedures designed to ensure the retention of records for the required time periods.

Recommended Corrective Actions: N/A. No corrective actions needed.

2. Documentation Review

Review of FinCEN Form 8300, FBAR, and CMIR records made by B/D during the review period.

SIRS' Findings: As a new business, Frontiers Group Trading is preparing to engage in dealings in Gold and Platinum Group Metals. Having not yet begun to engage in these dealings, the Dealer has not yet had reason to file any BSA reports.

Recommended Corrective Actions: Frontiers Group Trading should ensure that it obtains the required documentation before engaging in any transaction with its foreign suppliers.

Information Sharing

Section 314(a) of the USA PATRIOT Act introduced requirements for financial institutions to cooperate with law enforcement agencies by responding to law enforcement requests. When a 314(a) request is received by a financial institution, the financial institution must search its

**SIRS Independent AML Test
Frontiers Group Trading LLC**

customer records within 14 days of the request. If the financial institution identifies an account or transaction identified with any individual, entity, or organization named in a request from FinCEN, it shall provide FinCEN with the requested information about that customer.

314(b) provides a safe harbor in which financial institutions may share with other financial institutions customer information for purposes of identifying and, where appropriate, reporting activities that the financial institution suspects may involve possible terrorist activity or money laundering.

Subpart E of Part 207, *Special Information Sharing Procedures to Deter Money Laundering and Terrorist Activity*, is the codification of these requirements for dealers.

1. Policies and Procedures

Does Dealer's AML Compliance Program contain policies and procedures that adequately address BSA requirements pertaining to the sharing of information with law enforcement authorities and other financial institutions?

SIRS' Findings: Section 7 of Frontiers Group Trading's AML Compliance Program presents policies and procedures for the sharing of information with law enforcement authorities and other financial institutions.

Recommended Corrective Actions: N/A. No corrective actions needed.

2. 314(b) Notice

If Dealer has chosen to participate in 314(b) information sharing activities, has Dealer submitted the required notice to FinCEN?

SIRS' Findings: Frontiers Group Trading has not chosen to participate in 314(b) voluntary information sharing activities.

Recommended Corrective Actions: N/A. No corrective actions needed.

OFAC

As an office of the US Treasury Department, the Office of Foreign Assets Control ("OFAC") administers and enforces economic and trade sanctions against targeted foreign countries, organizations, and individuals. OFAC imposes controls on transactions and freezes assets under US jurisdiction. While OFAC sanctions are not part of the BSA, OFAC screenings are often conducted in conjunction with a financial institution's BSA-related compliance activities.

OFAC's [Sanctions List Search](#) tool allows financial institutions to search OFAC's various sanctions lists, including the Specially Designated Nationals and Blocked Persons list ("SDN List").

OFAC SDN Searches

Does Dealer appropriately screen customers and suppliers against the OFAC SDN list?

SIRS' Findings: Section 9 of Frontiers Group Trading's AML Compliance Program presents appropriate, risk-based policies and procedures for complying with OFAC requirements. Among other

**SIRS Independent AML Test
Frontiers Group Trading LLC**

things, Frontiers Group Trading's AML Compliance Program requires the Dealer to perform risk-based OFAC screenings of its customers and suppliers.

Recommended Corrective Actions: As it will deal with foreign suppliers, Frontiers Group Trading should ensure that it performs and documents an OFAC screening before it conducts an initial transaction with a foreign supplier.

**SIRS Independent AML Test
Frontiers Group Trading LLC**

SIRS Recommendations

SIRS found no issues with Frontiers Group Trading's AML Compliance Program.

SIRS recommends that Frontiers Group Trading carefully review its newly adopted AML Compliance Program. Familiarity with these policies and procedures will help ensure that the Dealer complies with applicable AML regulations.