

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2015047770302**

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

RE: Arnold J. Feist (Respondent)  
Former General Securities Representative, General Securities Principal, General  
Securities Sales Supervisor, and Compliance Officer  
CRD No. 1296808

Pursuant to FINRA Rule 9216, Respondent Arnold J. Feist 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**

Feist first became registered with FINRA in 1984. In July 2006, Feist became registered with FINRA as a General Securities Representative, General Securities Principal, and General Securities Sales Supervisor through an association with Interactive Brokers LLC (CRD No. 36418). Feist served as AML Compliance Officer (AMLCO) from July 2006 through August 2018. Feist remained registered through Interactive Brokers until April 30, 2020.

Feist is not currently registered or associated with any FINRA member firm. However, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.<sup>1</sup>

**OVERVIEW**

From January 2013 through August 2018, Feist—then Interactive Brokers' AMLCO—failed to establish and implement a reasonably designed anti-money laundering (AML) program at the firm. Feist thus violated FINRA Rules 3310(a), 3310(b), and 2010.<sup>2</sup>

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<sup>1</sup> For more information about the Respondent, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

<sup>2</sup> On August 10, 2020, FINRA accepted an AWC from Interactive Brokers that included findings that the firm violated FINRA Rules 3310 and 2010 for multiple deficiencies in the firm's AML program, including its failure to

## FACTS AND VIOLATIVE CONDUCT

FINRA Rule 3310 requires member firms to “develop and implement a written anti-money laundering program reasonably designed to achieve and monitor ... 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.” Among other AML program requirements is the mandate set forth in FINRA Rule 3310(a) that firms “[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under [the Bank Secrecy Act] and the implementing regulations thereunder.” Broker-dealers are required to report suspicious activity pursuant to 31 C.F.R. 1023.320. Additionally, FINRA Rule 3310(b) requires that member firms “[e]stablish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder.” A violation of FINRA Rule 3310 also constitutes a violation of FINRA Rule 2010, which requires member firms and their associated persons to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

Feist was Interactive Brokers’ AMLCO from July 2006 through August 2018. The firm’s written supervisory procedures vested Feist, as AMLCO, with “full responsibility” for Interactive Brokers’ AML program, including its day-to-day operations, and required him to review one of each of the firm’s surveillance reports every month to ensure that analysts “handled [them] in accordance with [the firm’s] procedures.”

From January 2013 through August 2018, while he was Interactive Brokers’ AMLCO, Feist failed to implement and monitor the firm’s AML program.

Feist failed to meaningfully familiarize himself with the firm’s AML program as it was being implemented on a day-to-day basis. Feist did not supervise the firm’s AML analysts or their supervisors (over whom he had “dotted line” supervisory responsibilities). Nor did Feist take other steps to understand how the firm was implementing its AML program. He failed to regularly perform the monthly review of at least one of the firm’s surveillance reports, as set forth in the firm’s written supervisory procedures, and failed to develop an understanding of the firm’s AML risk profile. Feist also did not assess whether the firm’s AML analysts were reviewing the firm’s AML surveillance reports on a timely basis and he did not evaluate the adequacy of the firm’s surveillance reports. Additionally, he did not take steps to determine whether the firm’s AML investigations were adequate. Moreover, Feist failed to monitor other AML compliance activities at the firm, such as due diligence and enhanced due diligence for foreign financial institutions.

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reasonably surveil certain money movements, its failure to develop and implement reasonably designed surveillance tools for certain money movements and securities transactions, and its failure to reasonably investigate potentially suspicious activity. Interactive Brokers consented to a censure, a \$15 million fine, and an undertaking to retain a third-party consultant to review the firm’s policies, procedures, and internal controls relating to AML surveillance, investigations, and reporting. *See Interactive Brokers, LLC*, AWC No. 2015047770301 (Aug. 10, 2020).

Additionally, while he was AMLCO, Feist learned about, but failed to recognize the import of, facts that should have alerted him that Interactive Brokers' AML program was not reasonably designed to detect and cause the reporting of suspicious activity or to comply with Bank Secrecy Act regulations. For example, Feist was aware that Interactive Brokers received wire deposits from unknown remitters (known at the firm as "no-data wires") and recognized that such wires posed AML risks to the firm. Many of those wires, which totaled hundreds of millions of dollars during the period that Feist was the firm's AMLCO, originated from countries with a heightened risk of money laundering. Rather than treat those wires as third-party wires and subject them to monitoring and review, Interactive Brokers chose to treat them as first-party wires, and firm analysts did not review, or contact customers to determine the origin of, no-data wires. Feist took no steps to investigate or address the firm's review of no-data wires for AML purposes.

Finally, as AMLCO, it was Feist's responsibility to decide whether Interactive Brokers would file a Suspicious Activity Report (SAR). However, Feist incorrectly believed that the firm did not need to file a SAR concerning suspicious activity the firm first learned about from regulators or law enforcement agencies investigating that same conduct. From February 2014 to March 2016, for example, the firm filed only 3 SARs in response to 37 regulatory inquiries by FINRA and the SEC.

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

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

- a two-month suspension from association with any FINRA member in all principal capacities;
- a \$25,000 fine; and
- an undertaking to satisfactorily complete 10 hours of continuing education concerning AML responsibilities, by a provider not unacceptable to FINRA, within 90 days after reassociation with a member firm.

The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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.

Respondent understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondent may

not be associated with any FINRA member in any principal capacity, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311. Furthermore, because Respondent is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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 him;
- 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:

- 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 he 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.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and 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 him to submit this AWC.

January 19, 2022

Date



Digitally signed by Arnold  
J Feist  
Date: 2022.01.19  
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Arnold J. Feist  
Respondent

Reviewed by:



Guy Petrillo, Esq.  
Counsel for Respondent  
Petrillo Klein & Boxer LLP  
655 Third Ave., 22<sup>nd</sup> Floor  
New York, NY 10017

Accepted by FINRA:

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



Stuart P. Feldman  
Senior Counsel  
FINRA  
Department of Enforcement  
99 High St., Suite 900  
Boston, MA 02110

2/11/22

Date