

A BOARD GUIDE

# AML & KYC

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## Preventing the misuse of the company for illicit finance

A risk-based AML program: customer due diligence, sanctions screening, suspicious-activity monitoring and reporting, recordkeeping, independent review, and board governance

# 02

## WHY IT MATTERS

# Why AML & KYC Matter

Illicit money looks for the path of least control

### Legal obligation

A risk-based AML program is required to meet anti-money-laundering and sanctions law

### Prevent illicit misuse

Controls keep the company from being used to launder money or finance terrorism

### Board accountability

Directors retain ultimate responsibility and approve the program at least annually

### Protect the franchise

Effective controls shield licenses, reputation, and the right to operate

**THE MANDATE** The program is reasonably designed to prevent the company from facilitating money laundering or terrorist financing

# 03

## PROGRAM PILLARS

# The Risk-Based Framework

Five elements identify, control, and report illicit-finance risk

### **Risk assessment**

Periodic, documented assessment of products, customers, channels, and geographies

### **Customer due diligence**

KYC procedures verify identity on a risk-weighted basis at onboarding

### **Ongoing monitoring**

Systems detect activity presenting heightened risk or raising suspicion

### **Sanctions screening**

Customers are screened against sanctions lists at onboarding and updates

### **Recordkeeping**

Risk, training, and activity records are retained and available to regulators

### **Independent review**

An independent test of the program occurs at least every eighteen months

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## SUSPICIOUS ACTIVITY

# Detect, Decide, Report

Monitoring turns signals into timely filings  
where warranted

### Automated triggers

Risk-based models, thresholds, and velocity rules flag unusual transactions

### Review & decision

Flagged activity is reviewed to determine whether it is truly suspicious

### Reporting threshold

Suspicious activity at or above the set dollar threshold is reported

### Filing deadline

Reports are filed with the regulator within 30 days of the determination

### Typologies updated

Known industry typologies refine detection over time

### Tuning cadence

Triggers and signals are reassessed at least every eighteen months

# 05

KYC

## What Customer Due Diligence Examines

Identity, risk, and ongoing review form the backbone

Identity collection

Identity verification

Risk weighting

Sanctions check

Data validation

Ongoing monitoring

Account suspension

Periodic refresh

Record retention

### RED FLAGS

Transactions with no business purpose, structuring to evade rules, or links to crime warrant escalation

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## KEY TERMS

# Definitions

### **Know Your Customer (KYC)**

Procedures to verify identity and understand the nature of a customer's activity

### **Suspicious activity report**

A regulatory filing when activity is known or suspected to involve illicit funds

### **Sanctions screening**

Checking customers against government sanctions lists at onboarding and updates

### **Risk-based approach**

Allocating controls in proportion to assessed money-laundering and sanctions risk

# 07

FOR THE BOARD

## Questions the Board Should Ask

A few questions test the AML program's health

1

### **Did the board approve the AML program this year?**

Annual board approval is a baseline governance and legal expectation

2

### **Is the independent review current and remediated?**

Independent testing validates the program and surfaces gaps

3

### **Are sanctions lists screened at onboarding and updates?**

Stale screening is a primary source of sanctions exposure

4

### **How fast do suspicions become timely filings?**

Late or missed reporting is a direct enforcement risk

# Firm Lawyers

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## Matthew Boyden

is a trial lawyer and former federal prosecutor with more than thirty-five years of experience. He represents companies and executives in high-stakes criminal, civil, regulatory, and governance matters, and is regularly engaged where litigation risk, regulatory scrutiny, and institutional exposure intersect. His practice includes federal criminal defense, complex civil litigation, internal investigations, and board-level advisory work, including securities, sanctions and trade controls, anti-corruption, and anti-money laundering.

## Larry Finder

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## Ryan McConnell

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