

# **RED STATE GOLD GROUP**

## **ANTI-MONEY LAUNDERING COMPLIANCE PROGRAM**

*(Dated December 2023)*

## **1. Firm Policy**

The USA Patriot Act requires all precious metals dealers to adopt a written anti-money laundering compliance program that is reasonably designed to prevent the dealer from being used to facilitate money laundering and financing of terrorist activities through the purchase and sale of precious metals. The program must be approved by senior management. A dealer shall make its anti-money laundering program available to the Department of Treasury through FinCEN or its designee upon request.<sup>1</sup> It is therefore the policy of Red State Gold Group (“Red State”) to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities by complying with all applicable requirements under the Bank Secrecy Act (BSA)<sup>2</sup> and its implementing regulations.

Although cash is rarely used to purchase precious metals, the retail precious metals industry is unique in that it can be used to launder funds through the sale and repurchase of precious metals.

Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal either the origin of the funds or their intended use, which could be for criminal purposes. Legitimate sources of funds are a key difference between terrorist financiers and traditional criminal organizations. Although the motivation differs between traditional money launderers and terrorist financiers, the actual methods used to fund terrorist operations can be the same as or like methods used by other criminals to launder funds. Funding for terrorist attacks does not always require large sums of money and the associated transactions may not be complex.

Having completed the risk assessment required by 31 CFR §1027.210(b)(1),<sup>3</sup> our AML policies, procedures and internal controls are designed to ensure compliance with all applicable BSA regulations rules and will be reviewed and updated on a regular basis to ensure appropriate policies, procedures and internal controls are in place to account for both changes in regulations and changes in our business.

## **2. AML Compliance Person Designation and Duties**

Red State will designate and maintain an Anti-Money Laundering Program Compliance Person (AML Compliance Person), with full responsibility for the firm’s AML program. The duties of the AML

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<sup>1</sup> To the extent that a retailer’s purchases from persons other than dealers and other retailers exceeds the \$50,000 threshold contained in 31 CFR §1027.100(b)(2)(i), the anti-money laundering compliance program required of the retailer under 31 CFR §1027.210 need only address such purchases.

<sup>2</sup> 31 U.S.C. §5311 et seq.

<sup>3</sup> 31 CFR 1027.210(b)(1) requires Red State to conduct a risk assessment before implementing this program. The risks for money laundering in the precious metals retail industry are generally common and as set forth in this program. But if you see risk that are not covered in this program then we should provide for them here as well.

Compliance Person will include ensuring that: (i) the anti-money laundering program is implemented effectively; (ii) the anti-money laundering program is updated as necessary to reflect changes in the risk assessment, requirements of 31 CFR § 1027.210, and further guidance issued by the Department of Treasury; and (iii) appropriate personnel are trained in accordance with 31 CFR § 1027.210(b)(3).<sup>4</sup>

### **3. Checking the Office of Foreign Assets Control Listings**

Before selling or repurchasing any precious metals from persons other than dealers and other retailers, the respective Red State Account Executive will check to ensure that a customer does not appear on (a) the Specially Designated Nationals and Blocked Persons list (the “SDN list”) or (b) is not engaging in transactions that are prohibited by the economic sanctions and embargoes administered and enforced by OFAC, in each case by going to the OFAC Sanctions List Search webpage at <http://sanctionssearch.ofac.treas.gov> and typing the name of the person or entity into the “Name” field within the lookup section and verifying that the “Program” field is highlighted “All.” If no results are returned that a person or entity is not on any of the OFAC lists, then the precious metals can be sold or repurchased. The Red State Account Executive will then print the screen indicating that there were no results and place it in the customer’s file evidencing the review was completed. If results are returned, then the Red State Account Executive shall notify the AML Compliance Person immediately. In addition to not opening the account, the AML Compliance Person will immediately call the OFAC hotline at 800-540-6322 and complete the “Report on Rejected Transaction” and the “Report on Blocked Property – Financial” and file them with OFAC within 10 days.

### **4. Customer Identification Program**

Red State will collect certain minimum customer identification information from each customer before we repurchase from persons other than dealers and retailers to include the name, email address, physical address, primary telephone number and secondary telephone number. Then we will verify this information against customer’s government-issued identification card, make a copy of it, and place it in the customer’s file. If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, Red State will not sell to nor repurchase any precious metals from that person.

### **5. Monitoring Accounts for Suspicious Activity**

Red State will monitor account activity for unusual size, volume, pattern, or type of transactions, considering risk factors and red flags that are appropriate to the precious metals industry. (Red flags and risk factors are identified below.) These red flags and risk factors will serve as a baseline for assessing potentially suspicious activity. The AML Compliance Person or his or her designee will be responsible for this monitoring, will review any activity that our monitoring system detects, will determine whether

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<sup>4</sup> Many retail precious metals dealers outsource this training requirement to firms that specialize in such training.

any additional steps are required, will document when and how this monitoring is carried out, and will report suspicious activities to the appropriate authorities.

Red flags and risk factors that signal possible money laundering or terrorist financing include, but are not limited to:

#### **Customers – Insufficient or Suspicious Information**

- Provides unusual or suspicious identification documents that cannot be readily verified.
- Reluctant to provide complete information.
- Refuses to identify a legitimate source for funds or information is false, misleading, or substantially incorrect.

#### **Efforts to Avoid Reporting and Recordkeeping**

- Reluctant to provide information needed to file reports or fails to proceed with transaction.
- Tries to persuade an employee not to file required reports or not to maintain required records.
- “Structures” deposits, withdrawals, or purchase of monetary instruments below a certain amount to avoid reporting or recordkeeping requirements.
- Unusual concern with the firm’s compliance with government reporting requirements and firm’s AML policies.

When a Red State employee detects any red flag, or other activity that may be suspicious, he or she will notify the AML Compliance Person. Under the direction of the AML Compliance Person, Red State will determine whether and how to further investigate the matter. This may include gathering additional information internally or from third-party sources, contacting the government, freezing the account and/or filing a SAR.

### **6. Suspicious Transactions and BSA Reporting**

#### **a. Filing a SAR**

Red State will file Suspicious Activity Reports (“SARs”) with FinCEN for any sale or repurchase of precious metals or attempted by, at or through Red State, if the transaction involves or aggregates at least \$5,000, where it knows, suspects, or has reason to suspect:

- (1) the sale or repurchase involves funds derived from illegal activity or is intended or conducted to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation;

- (2) the sale or repurchase is designed, whether through structuring or otherwise, to evade any requirements of the BSA regulations;
- (3) the sale or repurchase has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and after examining the background, possible purpose of the transaction and other facts, we know of no reasonable explanation for the transaction; or
- (4) the sale or repurchase involves the use of Red State to facilitate criminal activity.

Red State will also file a SAR and notify the appropriate law enforcement authority in situations involving violations that require immediate attention, such as terrorist financing or ongoing money laundering schemes.

Red State may file a voluntary SAR for any suspicious transaction that it believes is relevant to the possible violation of any law or regulation but that is not required to be reported by it under the SAR rule. It is its policy that all SARs will be reported regularly to the appropriate senior management, with a clear reminder of the need to maintain the confidentiality of the SAR.

Red State will report suspicious transactions by completing a SAR, and it will retain the SAR and the supporting documentation for five (5) years following the date of filing. It will file a SAR-SF no later than 30 calendar days after the date of the initial detection of the facts that constitute a basis for filing a SAR. If no suspect is identified on the date of initial detection, it may delay filing the SAR for an additional 30 calendar days pending identification of a suspect, but in no case will the reporting be delayed more than 60 calendar days after the date of initial detection. The phrase “initial detection” does not mean the moment a transaction is highlighted for review. The 30-day (or 60-day) period begins when an appropriate review is conducted, and a determination is made that the transaction under review is “suspicious” within the meaning of the SAR requirements. A review must be initiated promptly upon identification of unusual activity that warrants investigation.

Red State will retain copies of any SAR filed and the original or business record equivalent of any supporting documentation for five years from the date of filing the SAR-SF. It will identify and maintain supporting documentation and make such information available to FinCEN and any other appropriate law enforcement agencies.

Red State will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the BSA regulations. It understands that anyone who is subpoenaed or required to disclose a SAR, or the information contained in the SAR will, except where disclosure is requested by FinCEN or another appropriate law enforcement or regulatory agency, decline to produce the SAR or to provide any information that would disclose that a SAR was prepared or filed. It will notify FinCEN of any such request and our response.

**b. Currency Transaction Reports**

If Red State discovers such transactions have occurred, it will file with FinCEN Currency Transaction Reports (“CTRs”) for currency<sup>5</sup> transactions that exceed \$10,000. Also, it will treat multiple transactions involving currency as a single transaction for purposes of determining whether to file a CTR if they total more than \$10,000 and are made by or on behalf of the same person during any one business day. It will use the [\*BSA E-Filing System\*](#) to file the supported CTR Form.

**7. AML Recordkeeping**

**a. Responsibility for Required AML Records and SAR Filing**

The AML Compliance Person and his or her designee will be responsible for ensuring that AML records are maintained properly, and that SARs are filed as required.

**b. Additional Records**

Red State shall retain either the original or copy of each of the following:

- A record of each repurchase transaction of precious metals of more than \$10,000 to a person, account or place, outside the U.S.; and
- A record of each receipt of currency of more than \$10,000 received on any one occasion directly and not through a domestic financial institution, from any person, account or place outside the U.S.

**8. Training Programs**

Red State will develop ongoing employee training under the leadership of the AML Compliance Person and senior management. This training may be outsourced to a firm specializing in such training and will occur on at least an annual basis. It will be based on our firm’s size, its customer base, and its resources and be updated as necessary to reflect any new developments in the law.

The training will include, at a minimum: (1) how to identify red flags and signs of money laundering that arise during the course of the employees’ duties; (2) what to do once the risk is identified (including how, when and to whom to escalate unusual customer activity or other red flags for analysis and, where appropriate, the filing of SARs); (3) what employees' roles are in the firm's compliance efforts and how to perform them; (4) the firm's record retention policy; and (5) the disciplinary consequences (including civil and criminal penalties) for non-compliance with the BSA.

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<sup>5</sup> The coin or paper money of the United States or any other country that is designated as legal tender and that is circulated and is customarily used and accepted as a medium of exchange in the country of issuance. Currency also includes official foreign bank notes that are customarily used and accepted as a medium of exchange in a foreign country. AML General Definitions § 1010.100(m).

## **9. Confidential Reporting of AML Non-Compliance**

Employees will promptly report any potential violations of the firm's AML compliance program to the AML Compliance Person, unless the violations implicate the AML Compliance Person, in which case the employee shall report to senior management personnel. Such reports will be confidential, and the employee will suffer no retaliation for making them.

## **10. Independent Testing**

Red State will provide for independent testing by a firm that specializes in such testing to monitor and maintain an adequate anti-money laundering program. The scope and frequency of the testing will be commensurate with the risk assessment conducted by Red State in accordance with 31 CFR §1027.210(b)(1). Such testing will be outsourced to a firm that specializes in such testing.

## **11. Senior Manager Approval**

Senior management has approved this AML compliance program in writing as reasonably designed to achieve and monitor our firm's ongoing compliance with the requirements of the BSA and the implementing regulations under it. This approval is indicated by signatures below.

Signed: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_