



NEWS RELEASE

For Release: Monday, April 4, 2011
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[AIS Financial, Inc. Action \(PDF 968 KB\)](#)

FINRA Hearing Panel Expels AIS Financial, Inc. for Systemic Anti-Money Laundering Violations

WASHINGTON — A Financial Industry Regulatory Authority (FINRA) hearing panel has expelled AIS Financial, Inc., a broker-dealer based in Westlake Village, CA, for failing to implement and enforce an anti-money laundering (AML) program. AIS disregarded its AML responsibilities by ignoring prominent red flags and blatant suspicious activity for an extended period of time for financial gain.

The hearing panel found that from November 2005 to December 2007, AIS failed to identify, investigate and report suspicious penny stock activity in three instances. Motivated by commissions the firm received from allowing its customers to liquidate billions of shares of penny stocks from numerous accounts, AIS turned a blind eye to the suspicious activity and concealed the activity from regulatory authorities.

In one instance, the hearing panel found that AIS failed to report suspicious activity that occurred in two corporate accounts controlled by a money management firm based in Costa Rica, whose owner had been the subject of significant regulatory actions by the SEC for securities fraud for engaging in an Internet manipulative scheme. The panel found that the firm permitted the two accounts to deposit and liquidate billions of shares of penny stocks of numerous issuers, generating more than \$3 million in sales proceeds for the customers and commissions of more than \$53,000 for the firm.

The hearing panel also found that AIS permitted five accounts, controlled by a customer and his nephew, both of whom had disciplinary histories and criminal indictments for engaging in organized criminal activity and money laundering prior to opening accounts at AIS, to deposit and liquidate penny stocks in their accounts just two months after the SEC had charged them with securities fraud.

In addition, the hearing panel found that AIS permitted approximately 20 customers to deposit and liquidate approximately 65 million shares of low-priced and thinly traded Asia Global Holdings Corp. stock (AAGH). The liquidations generated sales proceeds of approximately \$5.1 million for the customers and commissions of \$243,304 for the firm. The panel found that the red flags on these transactions included suspicious new account forms for the customers, and liquidation activity that coincided with spikes in AAGH's trading volume.

FINRA was represented at the hearing by Michael A. Gross, Enforcement Senior Regional Counsel, and Sean W. Firley, Enforcement Senior Regional Counsel.

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