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| <b>Account</b>                                        | For CIP purposes, the final rule defines an "account" as a formal relationship with a broker/dealer established to effect transactions in securities, including, but not limited to, the purchase or sale of securities, securities loaned and borrowed activity, and the holding of securities or other assets for safekeeping or as collateral. The definition excludes: (a) an account that the broker/dealer acquires through any acquisition, merger, purchase of assets, or assumption of liabilities; and (b) an account opened for the purpose of participating in an employee benefit plan established under the Employee Retirement Income Security Act of 1974 ("ERISA").         |
| <b>\$3,000 Placement Rule</b>                         | The requirement that financial institutions verify and record the identity of each cash purchaser of money orders and bank, cashier's, and traveler's checks in excess of \$3,000.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>40 Recommendations</b>                             | A set of guidelines issued by the FATF to assist countries in the fight against money laundering.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Bank Secrecy Act</b>                               | The Bank Secrecy Act authorizes the Treasury Department to require financial institutions to maintain records of personal financial transactions that "have a high degree of usefulness in criminal, tax and regulatory investigations and proceedings." It also authorizes the Treasury Department to require any financial institution to report any "suspicious transaction relevant to a possible violation of law or regulation" with an SAR filing.                                                                                                                                                                                                                                    |
| <b>Cash Transaction Report (CTR)</b>                  | A report that a financial institution must file within 15 calendar days of a currency transaction in an amount over \$10,000.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Correspondent Accounts</b>                         | Accounts established to receive deposits from a foreign bank to make payments on behalf of that same foreign bank or to handle other financial transactions related to a foreign bank. Under the PATRIOT Act, broker/dealers are prohibited from establishing, maintaining, administering, or managing a correspondent account in the United States for an unregulated foreign shell bank.                                                                                                                                                                                                                                                                                                   |
| <b>Currency and Monetary Instrument Report (CMIR)</b> | A form issued by the Customs Service which must be filed by persons transporting cash or monetary instruments into or out of the United States with an aggregate value of more than \$10,000.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Customer</b>                                       | For CIP purposes, it is: (a) a person who opens a new account; and (b) someone who opens a new account for an individual who lacks legal capacity or for an entity that is not a legal person. It does not include persons who fill out account opening paperwork or who provide information necessary to set up an account, if such persons are not the accountholder as well. (See NASD NTM 03-34 for more information.)                                                                                                                                                                                                                                                                   |
| <b>Customer Identification Program (CIP)</b>          | A mandatory program for broker-dealers (as of October 1, 2003) that consists of, at a minimum, reasonable procedures to: (1) verify the identity of any person seeking to open an account, to the extent reasonable and practicable; (2) maintain records of the information used to verify the person's identity; and (3) determine whether the person appears on any lists of known or suspected terrorists or terrorist organizations provided to brokers or dealers by any government agency. The CIP must be written and include recordkeeping procedures and procedures for providing customers with notice that the broker/dealer is requesting information to verify their identity. |
| <b>Designation of Exempt Person Form</b>              | A form that may be filed by a financial institution (excluding a broker/dealer) that exempts from CTR reporting requirements cash transactions made by specified exempt entities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Federal Functional Regulator</b>                   | A regulatory body including: the SEC; the Commodity Futures Trading Commission; the Board of Governors of the Federal Reserve System; the Office of the Comptroller of the Currency; the Board of Directors of the Federal Deposit Insurance Corporation; the Office of Thrift Supervision; and the National Credit Union Administration.                                                                                                                                                                                                                                                                                                                                                    |
| <b>Financial Action Task Force on Money</b>           | An international organization comprised of 31 countries, including the major financial centers, that brings together legal, financial and law enforcement experts to help guide international efforts against money laundering. High-risk countries are listed on the                                                                                                                                                                                                                                                                                                                                                                                                                        |

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| <b>Laundering (FATF)</b>                                                         | FATF web site.                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Financial Crimes Enforcement Network (FinCEN)</b>                             | The federal agency that collects and distributes information to business and the many anti-money laundering agencies, and coordinates their activities. High-risk countries are listed on its web site.                                                                                                                                                                                                      |
| <b>Financial Transaction Money Laundering</b>                                    | A form of money laundering under the MLCA involving the disposition of funds.                                                                                                                                                                                                                                                                                                                                |
| <b>Form 8300</b>                                                                 | A form that must be filed by any person who, in his or her business, receives from the same buyer more than \$10,000 in cash in a transaction.                                                                                                                                                                                                                                                               |
| <b>Form FBAR</b>                                                                 | The Report of Foreign Bank and Financial Accounts, to be filed by a person or business that maintains an account overseas that at any time during the year exceeds \$10,000 in value.                                                                                                                                                                                                                        |
| <b>Form SAR-SF</b>                                                               | The form that broker-dealers must use to report suspicious activity per the SAR filing requirement.                                                                                                                                                                                                                                                                                                          |
| <b>Integration</b>                                                               | The process of funding further criminal activities with, or integrating into the legitimate economy, funds or assets that have been placed and layered.                                                                                                                                                                                                                                                      |
| <b>International Money Laundering Abatement and Anti-Terrorist Financing Act</b> | Title III of the USA PATRIOT Act, which strengthens previous anti-money laundering legislation already in place through amendments to the USA PATRIOT Act and the Bank Secrecy Act. Among other things, it is the source of broker-dealers' SAR filing and the correspondent account requirements for foreign banks.                                                                                         |
| <b>International Transport Money Laundering</b>                                  | A form of money laundering under the MLCA involving the transport of monetary instruments to or from the United States.                                                                                                                                                                                                                                                                                      |
| <b>Joint and Travel Rules</b>                                                    | The requirement that financial institutions keep certain information on file regarding fund transfers in excess of \$3,000 and include certain information on the transmittal instructions sent to other institutions regarding such fund transfers.                                                                                                                                                         |
| <b>Know Your Customer</b>                                                        | The concept embodied in NASD Rule of Conduct 2310(b) and NYSE 405 that requires members to take reasonable efforts to obtain information concerning: the customer's financial status; the customer's tax status; the customer's investment objectives; and such other information used or considered to be reasonable by such member or registered representative in making recommendations to the customer. |
| <b>Layering</b>                                                                  | The process of obscuring the source of funds or assets that have been placed into the financial system.                                                                                                                                                                                                                                                                                                      |
| <b>Monetary Transaction Money Laundering</b>                                     | A form of money laundering under the MLCA connected to the disposition of funds in excess of \$10,000 involving a financial institution.                                                                                                                                                                                                                                                                     |
| <b>Money Laundering</b>                                                          | The illegal practice of characterizing illegally obtained assets in a way that makes them appear as if they were legally obtained. This often involves transferring money through foreign banks.                                                                                                                                                                                                             |
| <b>Money Laundering Control Act of 1986 (MLCA)</b>                               | The centerpiece of U.S. anti-money laundering legislation, which defines four major crimes of money laundering.                                                                                                                                                                                                                                                                                              |
| <b>NASD Notice to Members 02-21</b>                                              | A special notice to members issued by NASD which explains the new federal AML compliance program requirements for member firms.                                                                                                                                                                                                                                                                              |
| <b>NASD Notice to Members 02-47</b>                                              | A special notice to members issued by NASD which explains the final SAR reporting requirements to be effective after December 30, 2002.                                                                                                                                                                                                                                                                      |

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| <b>NASD Notice to Members 02-78</b>                                  | A special notice to members issued by NASD which states that NASD has adopted amendments to NASD Rule 3011 (Anti-Money Laundering Compliance Program) to require each member to provide to NASD contact information for the individual or individuals responsible for implementing and monitoring the day-to-day operations and internal controls of the member's anti-money laundering (AML) compliance program (AML Program) and to update the contact information as necessary.                                                                                                 |
| <b>NASD Notice to Members 03-34</b>                                  | A special notice to members issued by NASD which states that the U.S. Treasury and SEC have jointly issued the final rules for Customer Identification Programs.                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>NASD Rule of Conduct 2310(a)</b>                                  | The NASD Suitability Rule requiring a broker/dealer to have reasonable grounds for believing that a recommendation made to a particular customer regarding a securities transaction is suitable to such customer upon the basis of the customer's other security holdings and financial situation.                                                                                                                                                                                                                                                                                 |
| <b>NASD Rule of Conduct 2310(b)</b>                                  | The NASD Know Your Customer Rule requiring a broker/dealer to make reasonable efforts to obtain basic financial information from customers so that the broker/dealer can protect itself (and the securities markets generally) from customers who lack the ability to pay for a securities transaction.                                                                                                                                                                                                                                                                            |
| <b>NASD Rule of Conduct 3011</b>                                     | The Anti-Money Laundering Compliance Program Rule of the NASD, which requires broker/dealers to comply with the requirements of the USA PATRIOT Act. It sets forth minimum standards for broker/dealers' AML compliance programs. It requires firms to develop and implement a written AML compliance program. The program has to be approved in writing by a member of senior management and be reasonably designed to achieve and monitor the member's ongoing compliance with the requirements of the Bank Secrecy Act and the implementing regulations promulgated thereunder. |
| <b>NASD Rule of Conduct 3110</b>                                     | A regulation that describes the information that broker/dealers must maintain when a customer account is opened.                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>NYSE Rule 405</b>                                                 | The NYSE Know Your Customer Rule requiring broker/dealers to make reasonable efforts to obtain basic financial information from customers in a similar manner to the NASD Rule of Conduct 2310(b). It requires member broker/dealers to use "due diligence to learn the essential facts relative to every customer, every order, every cash or margin account accepted or carried by such organization and every person holding power of attorney over any account accepted or carried by such organization."                                                                      |
| <b>NYSE Rule 445</b>                                                 | The Anti-Money Laundering Compliance Program Rule of the NYSE, which requires broker/dealers to comply with the requirements of the USA PATRIOT Act.                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Office of Foreign Assets Control (OFAC)</b>                       | The federal agency that monitors and identifies enemies of the United States, and prohibits U.S. firms from doing business with enemies of the United States, including certain money launderers identified by the government.                                                                                                                                                                                                                                                                                                                                                     |
| <b>Offshore Banks</b>                                                | In general, banks that are based abroad but are not allowed to do business in the country in which they are based.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Organization for Economic Co-operation and Development (OECD)</b> | A group of 30 member-countries that researches the economic, social and governance challenges of the world economy. High-risk countries are listed on its web site.                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Placement</b>                                                     | The process of inserting dirty money or assets into the financial system.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Private Banking Account</b>                                       | For money laundering purposes, an account—or collection of accounts—that requires a deposit of more than \$1 million in funds or other assets, and is established by an individual or individuals, but is managed by a representative (usually a financial institution) who acts as a liaison between the individual and the broker/dealer.                                                                                                                                                                                                                                        |
| <b>Report of Foreign Bank and Financial</b>                          | The report required to be filed by broker-dealers for any person having a financial interest in, or signature or other authority over, financial accounts in a foreign country                                                                                                                                                                                                                                                                                                                                                                                                     |

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| <b>Accounts (FBAR)</b>                                                                                                                     | valued (in the aggregate) at over \$10,000. FBARs are filed with FINCEN.                                                                                                                                                                                                     |
| <b>Shell Bank</b>                                                                                                                          | A bank with no physical presence in any country.                                                                                                                                                                                                                             |
| <b>Specified Unlawful Activities</b>                                                                                                       | The group of illegal activities listed in the MLCA. The crimes of financial transaction money laundering, international transport money laundering, and monetary transaction money laundering all involve the proceeds of a specified unlawful activity.                     |
| <b>Sting Operation Money Laundering</b>                                                                                                    | A form of money laundering under the MLCA involving the use of sting operations to identify money launderers.                                                                                                                                                                |
| <b>Structuring</b>                                                                                                                         | Breaking down the amount deposited in a financial institution into smaller amounts that do not have to be reported under AML or other laws.                                                                                                                                  |
| <b>Suspicious Activities Report (SAR)</b>                                                                                                  | A report that a financial institution must file within 30 calendar days of uncovering suspicious activity that indicates attempted money laundering involving more than \$5,000.                                                                                             |
| <b>Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act)</b> | Federal legislation passed in 2001 mandating that every financial institution have certain policies and procedures in place to guard against money laundering and which created new minimum requirements regarding the establishment of the identity of new account holders. |