FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020065115301

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

RE: BTG Pactual US Capital, LLC (Respondent)
Member Firm
CRD No. 149486

Pursuant to FINRA Rule 9216, Respondent BTG Pactual US Capital, LLC 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

BTG has been a FINRA member firm since 2009 and is headquartered in New York, New York. The firm's parent is Banco BTG Pactual S.A. (Banco), an investment bank headquartered in Brazil. BTG has approximately 170 registered representatives and three branch offices. The firm conducts a general securities business.[1]

OVERVIEW

Between January 2018 and November 2022, BTG violated FINRA Rules 3310(a), 3310(f), and 2010 by failing to establish and implement policies and procedures for its anti-money laundering (AML) compliance program that could be reasonably expected to detect and cause the reporting of suspicious transactions. Among other things, the firm's policies and procedures did not reasonably address how the firm's AML monitoring of customers' wire transfer requests, both pre- and post-approval, would be performed and documented.

As a result, BTG is censured and fined $400,000.

[1] For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

This matter originated from an examination conducted by FINRA's Department of Member Supervision.

FINRA Rule 3310 requires each member firm to develop and implement a written AML program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act and implementing regulations promulgated by the Department of the Treasury. FINRA Rule 3310(a) requires each firm to "[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and [its] implementing regulations." The implementing regulation issued by the Department of the Treasury, 31 C.F.R. § 1023.320, requires broker-dealers, under specified circumstances, to file with the Financial Crimes Enforcement Network "a report of any suspicious transaction relevant to a possible violation of law or regulation," generally no later than 30 calendar days after initial detection of facts that may constitute the basis for filing a suspicious activity report (SAR).

FINRA Rule 3310(f), which took effect in May 2018, requires a firm's AML compliance program to include appropriate risk-based procedures for conducting ongoing customer due diligence, to include, but not be limited to: (i) understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile; and (ii) conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.

A violation of FINRA Rules 3310(a) and 3310(f) constitutes a violation of FINRA Rule 2010, which requires member firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

In April 2002, NASD issued Notice to Members 02-21, which provided guidance to member firms regarding their AML compliance obligations. NTM 02-21 advised that each firm's AML program should be tailored to the particular risks of its business model and customer base and explained that firms have an obligation to monitor for and report suspicious transactions, including those that raise "red flags" suggestive of money laundering or other violative activity. The Notice provided a non-exhaustive list of red flags, including "[t]he customer's account has wire transfers that have no apparent business purpose to or from a country identified as a money laundering risk or a bank secrecy haven," "[t]he customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business strategy," and "[t]he customer's account shows an unexplained high level of account activity with very low levels of securities transactions." The Notice also provided additional guidance to firms regarding their AML obligations and the requirement to file SARs for certain suspicious transactions.

In May 2019, FINRA issued Regulatory Notice 19-18, which reminded firms of their suspicious activity reporting obligations and provided additional red flags for firms to consider incorporating into their AML programs, including when "[t]he customer is

domiciled in, doing business in or regularly transacting with counterparties in a jurisdiction that is known as a bank secrecy haven, tax shelter, [or] high-risk geographic location," "[w]ire transfers are made to or from financial secrecy havens, tax havens, high-risk geographic locations or conflict zones," or "[t]here is wire transfer activity that is unexplained, repetitive, unusually large, shows unusual patterns or has no apparent business purpose."

BTG has a large customer base in Latin America that regularly requested outgoing wire transfers to third parties in geographic locations the firm designated as high-risk. Between January 2018 and November 2022, BTG sent tens of thousands of outgoing wire transfers totaling billions of dollars on behalf of its customers. BTG's written AML procedures identified and required monitoring of suspicious transactions, including with respect to wire transfers. BTG also had a separate set of procedures specific to electronic asset transfers, which contained a list of red flags relevant to wire transfers. Before April 2021, neither set of procedures described how the firm should monitor transactions involving customer money movements for AML red flags or how such monitoring should be documented.

BTG's electronic asset transfer procedures required the firm to conduct a historical review of account activity in connection with an outgoing wire transfer request. During the relevant period, however, the written procedures failed to describe how such historical reviews should be performed and documented. In practice, the team performing the pre-approval historical reviews did not consistently document whether the reviews occurred or the results of such reviews, and the firm did not reasonably supervise whether such reviews took place.

The firm's electronic asset transfer procedures also required firm personnel to call customers that made written requests for outgoing first-party and third-party wire transfers above a certain dollar threshold (which varied over time) to orally confirm their written requests (called "customer callbacks"). Until September 2021, however, the firm's procedures failed to describe how customer callbacks should be conducted and documented, and the team reviewing outgoing wire transfer requests could not verify that a required customer callback occurred without speaking directly to the registered representative on the account. As a result, firm supervisors were unable to verify through firm records whether customer callbacks had been conducted, and they also did not contact registered representatives to ensure that they had performed customer callbacks.

BTG utilized a third-party tool to conduct automated post-transaction monitoring, but the firm failed to develop and implement reasonable procedures to conduct timely reviews of the tool's output and follow-up investigation of red flags. During the relevant period, the firm's procedures did not reasonably address the firm's process for reviewing, escalating, and documenting the alerts generated by the third-party tool. In practice, the firm failed to timely review more than 1,200 money movement alerts generated between June 2019 and August 2020. When the firm reviewed those alerts in September 2020, the firm closed more than 970 alerts that had remained unreviewed for between 100 and 470 days. The alerts concerned, among other things, accounts that had a burst of wire transfer activity,

accounts with high levels of uninvested cash receiving additional deposits with little to no trading volume, and wire transfers to and from high-risk geographic locations.

In addition, between January 2019 and February 2021, the firm failed to reasonably monitor and detect that the third-party automated monitoring tool was not working as intended to detect certain outgoing wire transfers to high-risk geographic locations. As a result, the firm failed to reasonably detect that, between January 2019 and February 2021, the third-party tool failed to generate alerts as intended when customers sent more than 1,800 outgoing wires totaling more than $450 million to certain geographic locations the firm designated as high-risk. As a result of the tool's failure to generate alerts on these wires, the firm failed to review the wires for suspicious activity.

BTG has since worked with its third-party vendor to ensure that its third-party monitoring tool is working as intended to generate alerts on outgoing wires and implemented a new system to review outgoing wire requests in November 2022. BTG has also revised its written procedures with respect to customer callbacks, pre-approval of customers' outgoing wire requests, and post-transaction monitoring of outgoing wires.

Through this conduct, BTG violated FINRA Rules 3310(a), 3310(f), and 2010.

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

- a censure and
- a $400,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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.

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 it;

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 it 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that 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 Respondent to submit this AWC.

5/6/2025
Date

BTG Pactual US Capital, LLC
Respondent

Print Name: Dean Park

Title: CCO

Reviewed by:

Eva Ciko Carman
Counsel for Respondent
Ropes & Gray LLP
1211 Avenue of the Americas
New York, NY 10036-8704

Accepted by FINRA:

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

5/14/2025
Date

Amanda Cox
FINRA
Department of Enforcement
9509 Key West Avenue
Rockville, MD 20850