

Compliance Department



By Melinda Wolfe,
Chief Compliance Officer,
Senior Vice President

Mike Andrews,
V.P. of OSJ Supervision

Susanne Rosenfeldt,
KAI Chief Compliance Officer,
KSI V.P.-Regulatory Coordinator

Kendrea Lopez,
Compliance Officer (Advertising and Social Media)



Compliance Department Contacts

- Melinda Wolfe – Chief Compliance Officer / Sr. Vice President
- Susanne Rosenfeldt – KAI CCO, KSI- V.P. Regulatory Coordinator
- Mike Andrews– V.P. of OSJ Supervision
- Vivian Torres-OSJ Supervisor-Puerto Rico
- Crystal Kazemfar– AML Compliance Officer
- Rob Kohany-Compliance Officer & Trading Risk Manager
- Amy Towle-General Counsel
- Jordan Cushner –Asst. General Counsel, Sr. Compliance Associate & Vulnerable Client Coordinator
- Kendrea Lopez – Compliance Officer (Advertising and Social Media)
- Dawn Bliss– Licensing and Registration
- Sam Alford-Compliance Associate
- James Henriquez-Compliance Associate
- Darlene Lynch – Compliance Associate
- Benjamin Weinstock – V.P. of New Business
- Pam Boodhoo-New Accounts Principal
- Eric Robarge-New Accounts Principal

Required Record Keeping & Branch Audits



Required Logs and Blotters

- New account forms and applications
- Client notes including evidence of quarterly account review!
- Trade blotter - Brokerage Trades **AND** Direct Business (with T+1 review)
- Checks received & delivered blotter
- Securities received & delivered blotter
- Gifts and gratuity blotter
- Trade/order corrections file
- Advertising, seminars, correspondence (submitted & approved)
- Approved outside business activities
- Customer complaint file
- Notification of personal securities accounts
- Paper correspondence file

Branch Audit Items

- Document evidence that accounts have been reviewed quarterly (place in client file)
- Check & Securities blotter
- ADV Part 2B (aka Supplemental Brochure) must be given to advisory clients
- Records of KSI approval of outside business activities
- Trade blotter
- Computers and files must be secured & backed up regularly, and all servers **MUST** be in a separate locked room

Branch Audit Items (Continued)

- All client documents **MUST** be stored in a secure location.
- Discarded client documents must be disposed of in a secure manner, such as shredding.
- **ALL** business related social media accounts must be disclosed to compliance and properly monitored. This includes Facebook, LinkedIn, Twitter, Google+, and YouTube.
- Business cannot be discussed on any personal social media communications.
- Voicemails **MUST** specifically state “Do not leave trade instructions on this voicemail system as they will not be executed” This includes cell phones if used for business.
- Kovack Securities & SIPC signage **MUST** be displayed wherever clients may be consulting with reps.

Advertising



KSI Correspondence vs. Retail Communication

All communications with the public must be fair and balanced, and cannot be misleading.

- Broker dealer (KSI) retail communication is any communication seen, heard, or made available to **25 or more** individuals.
- Correspondence consists of any written (including electronic) communication distributed or made available to **fewer than 25** individuals.
- Advisory (KAI) retail communications are more stringent: more than one household = retail communication.

Retail Communication, Advertising, and Seminar Review and Approval

- Retail communication **MUST** be approved in writing by the Advertising Department **PRIOR** to use.
- Please allow **ten (10) business days** from the time of receipt for review and response to all advertising requests.
- Seminar invitations will not be approved or distributed to the public until the seminar presentation has been submitted for review/approval. For approval please submit the invitation, detailed script, PowerPoint presentation/slides with FINRA letters, as well as information on **ALL** individuals who will be presenting the materials.

Retail Communication, Advertising, and Seminar Review and Approval

- Consider subscribing to a KSI approved marketing library to access approved content:
Broadridge/Emerald, FMG Suite, MarketingPro and Game Plan. The approval turnaround time is very short.
- Obtain Advertising approval **PRIOR** to entering into a contract with a 3rd party marketing company. Their marketing materials may not be compliant, and may not be approved.

Questions? please contact Kendrea Lopez at Advertising@kovacksecurities.com.

Anti-Money Laundering (AML)



Suspicious Activity Red Flags

- Customer is hesitant to provide required identity verification documents, or the beneficial owner of the account cannot be easily determined.
- Customer is an entity and is reluctant to provide information on controlling parties and/or beneficial owners. Entity accounts should also have an obvious purpose.
- Customer wants to transfer funds to (or receives funds from) a foreign jurisdiction that has no history of being associated with the customer.
- Customer seems to be more interested in transferring funds than buying/selling securities.

Required Practices

- Request that clients provide additional documentation for third-party funds transfers as the AML Compliance Officer will likely ask for them. For example:
 - for a transfer to/from a title company or escrow account, request proof of property sale/purchase such as a HUD-1
 - for a transfer to/from a third-party entity, request articles of incorporation or official, government-certified documents detailing the controlling person(s) and beneficial owner(s)
- Contact the AML Compliance Officer with any potentially suspicious client activity or questions regarding third parties.
- **If any client information is lost or stolen, please contact the Compliance Department immediately. This includes information stored on laptops and cell phones.**

A top-down view of a wooden desk with a laptop, a cup of coffee, chopsticks, a notepad, and crumpled paper. The scene is bathed in a warm, orange-toned light. The laptop is open and positioned diagonally. To its right is a white cup filled with coffee. Below the cup are two wooden chopsticks and a small, lined notepad. Several pieces of crumpled paper are scattered around the desk. The word "Questions?" is written in large, white, sans-serif font across the center of the image.

Questions?