

PENROD FINANCIAL SERVICES, INC.

ANTI MONEY LAUNDERING POLICIES

On October 26, 2001, President Bush signed the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (PATRIOT Act). Title III of the PATRIOT Act, referred to as the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (Money Laundering Abatement Act), imposes obligations on broker/dealers and other financial institutions under new anti-money laundering provisions and amendments to the existing Bank Secrecy Act (BSA) requirements. The Patriot Act requires all securities firms to establish an anti-money laundering (AML) policy. Section 352 of the PATRIOT Act sets forth the minimum standards for such a program which include: (i) the development of internal policies, procedures, and controls; (ii) the designation of a compliance officer; (iii) an on-going employee training program; and (iv) an independent audit function to test programs.

Toward this end, Penrod Financial Services, Inc. (the “Company”) and its senior management will comply with all laws and regulations designed to combat money-laundering activity, including those rules and regulations requiring the reporting of transactions involving currency, certain monetary instruments, and suspicious activity.

1.1. Responsibilities of the Introducing Broker and the Clearing Firm.

The Chief Compliance Officer will be responsible for reviewing the Company’s clearing agreement to determine that AML procedures have been addressed.

1.2. Suspicious or Unusual Transactions. Any employee of the Company should report any suspicious or unusual transactions to the Chief Compliance Officer.

- (a) **Indicators of Suspicious Activity.** The following is a list of potential indicators of suspicious activity that, if unexplained, may evidence money-laundering activity:

- (i) A customer exhibits an unusual concern regarding the Company's compliance with government reporting requirements, particularly with respect to his or her identity, or type of business and assets; or is reluctant or refuses to reveal any information concerning business activities; or furnishes unusual or suspect identification or business documents.
- (b) **Indicators Related to Account Activity.** The following is a list of potential indicators of account activity that, if unexplained, may evidence money-laundering activity:
 - (i) A customer engages in excessive journal entries between unrelated accounts without any apparent business purpose.

1.3. SAR Reports. A Suspicious Activity Report (SAR) related to a transaction (separately or in the aggregate) involving funds or assets of \$5,000 or more will be filed promptly with the U.S. Department of Treasury if the Chief Compliance Officer detects any suspected federal criminal violation involving the client; The Chief Compliance Officer is responsible for filing the SAR and maintaining a copy of the filed report.

1.4. Program to Independently Test AML Program. The testing of our AML program will be performed annually (on a calendar year basis). The independent testing for compliance with AML standards will be conducted by firm personnel or by a qualified outside party.

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