

Subject: FW: Southern Financial LLC - EDD [C]
From: Kerrian Gordon [REDACTED]
Date: Fri, 16 Jan 2015 15:06:20 -0500
To: Wayne Salit [REDACTED]

Classification: Confidential

Kind regards,
Kerrian Gordon

Kerrian Gordon
AML - Compliance

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From: Dmitri Saks
Sent: Friday, December 19, 2014 11:17 AM
To: Wayne Salit
Subject: Southern Financial LLC - EDD [C]

Classification: Confidential

Wayne,

Enhanced Due Diligence was conducted on Southern Financial LLC, a Private Investment Vehicle incorporated in the U.S. Virgin Islands, which is a Level II country, as the result of a New Client Adoption request to open a Global Markets relationship. The below is for your review and approval.

Nature of Escalation –

- The escalation is due to the client being a Private Investment Vehicle, which is considered High risk.

Note: The documentation for this account is available for review on the

shared drive via the following path: L:\Central_Functions_Compliance\Comp-nyseccom\Varela\AML\Pending Investigations, EDD, EDRs\Southern Financial LLC\

Research Findings (LEXIS/GOOGLE SEARCHES) –

- Southern Financial LLC is a private investment vehicle incorporated under the laws of the Virgin Islands of the United States. The sole member of Southern Financial LLC is Southern Trust Company, Inc. which is also incorporated in the U.S. Virgin Islands. The sole shareholder of Southern Trust Company, Inc. is Jeffrey Edward Epstein.

Ownership/UBOs –

- Jeffrey Edward Epstein is the sole UBO and a control person of Southern Financial LLC. He is an American financier and science and education philanthropist. He began his financial career in 1976 as an options trader at Bear Stearns and became a partner in 1980. In 1982, Epstein founded his own financial management firm, J. Epstein & Co., managing the assets of clients with more than a billion in net worth. In 1996, Epstein changed the name of his firm to The Financial Trust Company and based it on the island of St. Thomas in the U.S. Virgin Islands, which merged into Southern Financial LLC. The source of wealth is from his career at Bear Stearns and his financial management firms.

PCR/RDC Alerts –

- RDC alerted to negative information on a control person and UBO of Southern Financial LLC, Jeffrey Edward Epstein. Epstein is a registered sex offender. Since 2005, there have been multiple allegations against Epstein regarding sexual assault of minors. In 2008, he was convicted and received an 18-month sentence for soliciting an underage girl for prostitution, of which he served 13 months in jail. By 2011, 40 underage girls had come forward with testimony of Epstein sexually assaulting them. According to court papers, Epstein allegedly abused underage girls in Michigan, California, West Palm Beach, New York, New Mexico, and Paris. After the accusations became public, several parties returned donations they had received from Epstein, including some prominent politicians (e.g., Bill Richardson, Governor of New Mexico; Gary King, New Mexico State Attorney General; Eliot Spitzer, Governor of New York; Mark Green, New York State Attorney General candidate).

Epstein managed to settle at least 17 lawsuits out of court so far, while others are still ongoing. Earlier this year, an appeal court in the U.S. ruled that the women, who were 13 and 14 when they claim he abused them, be granted access to the details of a plea bargain agreed between Epstein and federal prosecutors before he was jailed in 2008. This means that the 2008 case against him could be reopened.

- RDC also produced a number of false positive alerts on a control person, Richard Kahn. The alert review and dismissal is included in the customer documentation.

- PCR did not alert.

Documentation –

- Documentation to verify entity formation and UBO identity was provided.

Expected Activity for the Account/Information from Sales –

- The client is opening an Equities Custody/Margin account for flow trading.

Recommendation –

- From an AML perspective, I approve this account with the condition to mark the relationship as High Risk and the recommendation to be monitored for suspicious activity. However, the material negative information associated with the client's UBO and control person, Jeffrey Edward Epstein, may pose reputational risk to DB. Therefore, I recommend escalating this case to the Americas Reputational Risk Committee for review and decision.

Thanks and regards,
Dmitri

Dmitri Saks
AML Compliance Officer

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