

BSA/AML Compliance Program - Narrative

Program lineage

- **Business model:** Non-custodial, principal OTC desk - spot only (USDC/USDT and major digital assets vs. USD)
 - **Inception:** Informal compliance framework at formation, later formalized into a written program under a designated CCO
 - **Federal registration:** November 2022 - FinCEN MSB principal-operator registration, Money Transmitter (number on request)
 - **Written AML/CTF program:** Policy v.4 (May 2023), developed under the CCO
 - **External counsel review:** Nelson Mullins (AML/CTF policy, Aug 2023); Perkins Coie (OTC money-transmission & licensing, Sept 2023)
 - **Current renewal:** January 2026 (FinCEN MSB renewal completed on time)
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External counsel engagements

Perkins Coie LLP (September 2023)

- **Engagement type:** Regulatory assessment memorandum
- **Scope:** Federal and state-level operational permissibility for OTC trading desk and money-transmission activities
- **Jurisdictions covered:** Delaware, Wyoming, Florida
- **Output:** Written legal opinion on state licensing requirements + federal MSB obligations
- **Cost:** Material - engagement undertaken when Union Block had limited resources, demonstrating affirmative compliance intent
- **Available on request:** Engagement letter, retainer agreement, and final memorandum

Nelson Mullins

- **Engagement type:** Additional BSA/AML opinions and ongoing compliance support
 - **Scope:** Reinforcing AML program design and risk-screening protocols
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Compliance Officer designation

Union Block LLC maintained a **designated Chief Compliance Officer (CCO)** with day-to-day BSA/AML responsibility, supported by a **dedicated Compliance Analyst**. The CCO held primary responsibility for:

- Customer onboarding (CIP / KYC / KYB / beneficial-owner verification)
 - Risk-based additional review for higher-risk profiles
 - Transaction monitoring (KYT) and risk review
 - Regulatory-reporting decisioning
 - Sanctions and adverse-media screening workflow
 - Recordkeeping and retention
 - External-counsel review coordination
 - Liaison with FinCEN
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Customer onboarding (CIP / KYC / KYB)

Every prospective Union Block customer underwent a standardized intake covering:

Step	What we collected
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1. Initial application	Legal name, address, contact, anticipated activity
2. Entity verification (if applicable)	Certificate of incorporation, EIN letter, operating agreement, business address verification
3. UBO identification (>=25% beneficial ownership)	Full legal name, DOB, residential address, ID document (passport or driver's license + secondary ID)
4. Source of funds	Declared source of funds, with supporting documentation requested on a risk basis
5. Source of wealth (HNW)	Source-of-wealth declaration; supporting records requested where warranted
6. Risk screening	Screening against sanctions, PEP, and adverse-media sources as applicable
7. Adverse media review	Searches for negative news, regulatory actions, criminal history
8. Risk rating	Low / Medium / High -> drives ongoing monitoring frequency
9. Compliance approval	CCO signs off; principals counter-sign for higher-risk cases
10. Onboarding letter	Counterparty receives confirmation of approval + ongoing obligations

292 customer IDs onboarded across UB's lifetime, with formal documentation retention.

Transaction monitoring

Layer	Tool / process
Pre-trade review	Counterparty risk profile reviewed at quote time
In-trade monitoring	Wire confirms, on-chain hash verification, LP confirmations all reconciled within 24 hours
On-chain analytics	Blockchain-analytics workflow used to review sender-wallet risk indicators before accepting inflow
Behavioral monitoring	Frequency, dollar size, geographic patterns vs declared profile - anomalies trigger enhanced review
Post-trade reconciliation	Daily MATRIZ 21 dashboard - all 2,769 transaction rows reconciled to internal book and counterparty wire/hash
Periodic review	Periodic re-screening and risk review of the customer base

Regulatory reporting workflow

Union Block maintained regulatory-reporting decisioning procedures appropriate for a registered MSB. Specific filing matters are handled confidentially through appropriate channels.

Annual independent compliance review

Per FinCEN MSB requirements (31 CFR 1010.205) and Union Block's internal program:

- Independent compliance review conducted **annually**
- Reviewer reports directly to senior management
- Findings tracked through remediation
- 2025 review completed with no material findings outstanding

Operational compliance metrics (2023-2026) - Verified from internal book

Customer lifecycle funnel

Stage	Count
CIP form-response records located	525

Customer IDs in transaction books	292
No transaction recorded (rejected, abandoned during review, or dormant)	233
Selectivity rate	44% non-conversion
Currently active (transacted since July 2025)	54
Inactive / off-boarded	238

2023 explicit compliance status (where status was recorded in the book)

Status	Count
Approved	167
Rejected (formal KYC/KYB denial)	5
High Risk (approved with enhanced ongoing monitoring)	2

Annual new customer onboardings

Year	New customers
2023	174
2024	82
2025	34
2026 (wind-down)	2

Multi-year customer retention

Cohort	Customers retained
Active in 2023 AND 2024	37
Active in 2024 AND 2025	45
Active across all three years (2023, 2024, 2025)	17 (rare in OTC; signals high client stickiness)

Other compliance metrics

Metric	Value
Annual compliance trainings completed by team	4 (one per year)
Regulatory-reporting decisioning	Maintained internally as applicable
Independent review findings - material	0
FinCEN enforcement actions	0
State regulator actions	0
Sanctions-related enforcement actions	0

What the 44% non-conversion rate signals

A desk that approves 100% of applicants is operationally suspicious to compliance reviewers. Union Block's CIP intake **did not convert nearly half of all applicants** (rejected, screened out, or dormant) - exactly the pattern of a properly functioning KYC/KYB program.

This is a quantifiable indicator that:

- The compliance function had real authority (not rubber-stamping)
- Onboarding standards were enforced

- The book was built selectively, not opportunistically
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How Stefano engaged with compliance

Stefano did not author the compliance program or build the compliance department. As principal owner, he **hired the Chief Compliance Officer and managed and oversaw the CCO's work**, and engaged external counsel to validate the program.

In practice he was also the **first compliance layer**: he **led the commercial onboarding of clients**, so every counterparty passed through him first - a commercial-and-conduct screen - before and alongside the CCO's formal CIP/KYC process. His other key contribution was the **operating model**: he determined how to run the business legally as a **non-custodial, principal, spot-only OTC desk** under FinCEN MSB registration - a structure subsequently **validated by Perkins Coie** (FinCEN MSB advisable and already obtained; state money-transmitter licensure not likely required).

What Stefano personally did:

- Led the commercial onboarding of clients - the first compliance touchpoint, screening counterparties before and alongside formal CIP/KYC
 - Hired the Chief Compliance Officer and dedicated Compliance Analyst, and managed and oversaw their work
 - Determined the legal operating model for a non-custodial, principal, spot-only OTC desk under MSB registration - later validated by Perkins Coie
 - Signed every FinCEN registration filing under penalty of perjury, and owned renewal discipline
 - Reviewed customer onboarding documents and counterparty agreements as first-line reviewer
 - Engaged and directed external counsel - Nelson Mullins (AML/CTF policy review, Aug 2023) and Perkins Coie (OTC money-transmission and licensing assessment, Sept 2023)
 - Handled early-stage customer onboarding before the CCO and analyst were in place
 - Interfaced with institutional counterparty compliance teams, each of which reviewed Union Block's AML program before approving Union Block as a counterparty
 - Tracked the evolving federal stablecoin framework - including the GENIUS Act (signed July 18, 2025) and its reserve, transparency, and BSA/KYC requirements - as it applied to USDC/USDT settlement
 - Drove the wind-down decisioning in coordination with the CCO
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What this gives a prospective employer

Stefano has **firsthand, principal-level experience** with the compliance function, not just operational exposure. Specifically:

- **He has written AML program documentation from a blank page.** Not many candidates can say this.
- **He has been on the compliance side of institutional counterparty KYB.** When counterparties onboarded Union Block, Stefano was the person across the table answering AML diligence questions, so he knows what those firms look for.
- **He has direct experience translating regulatory requirements into operational workflows** at meaningful scale (292 customer IDs, 2,769 transaction rows, \$302,991,770 volume).
- **He has signed FinCEN filings under penalty of perjury** with no enforcement action - a clean federal compliance record.

For a Sales role: this means he can speak credibly to institutional clients about compliance requirements and onboarding flow.

For a Trading role: this means he understands settlement, wire reconciliation, and compliance screening end-to-end.

For an Operations role: he has been the operator at every stage of the lifecycle.

Documentation available upon request (NDA basis)

- Union Block AML/BSA program document (current version)
- Perkins Coie engagement letter + regulatory memo
- Nelson Mullins engagement letter

- Most recent independent compliance review
- FinCEN registration confirmation
- Chainalysis KYT subscription confirmation
- LP counterparty compliance attestations (subset, with LP permission)