



# ***FINTRAC Guidance***

***Money Laundering in Canada 2016  
IIROC CLS Member Community  
Toronto, December 6, 2016***

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# Overview

- FINTRAC Guidance Project
- New regulatory amendments



# *FINTRAC Guidance Project*

- Complete re-draft of all FINTRAC Guidance
- Clearer language
- Easier to navigate by sector



# General Update

## ***Risk Assessment Tools:***

Risk-Based Approach Guide (RBA)

- Step by step guide to develop your RBA
- **Workbooks have been developed for**
  - **Securities Dealers – April 22, 2016**
  - MSBs
  - Credit Unions/Caisse Populaires
  - Accountants
  - British Columbia Notaries
  - Dealers in Precious metals and stones
  - Life Insurance companies, brokers and agents



# *Overview of Obligations*

- Compliance Program
- Identifying and knowing your clients
- Reporting transactions to FINTRAC
- Record Keeping
- MSB Registration
- Ministerial Directives



# Legislative Update

- Transition period for new Client ID methods  
(June 30, 2016 to June 30, 2017)

**In force as of June 17, 2017**

- Politically Exposed Persons (PEPs) and Heads of International Organizations (HIOs)
- Electronic signature and signature card
- Definition of Affiliate
- Record of Reasonable Measures
- Risk assessment considerations:
  - Technology as part of risk assessment (RBA)
  - The activities of an affiliate



# *When to identify clients*

- **Account opening**
- **Large cash transactions**
- **Suspicious transactions**
- **Electronic funds transfers**
- **Settlors or co-trustees of a trust**



# Summary of methods to ascertain identity

Client identification method	Documents or information to review	Identification details that must match	Recordkeeping obligations
<b>1. Photo identification</b> 	Photo identification issued by government	Name and photograph	<ul style="list-style-type: none"> <li>*Client identification information</li> <li>*Type of document</li> <li>*Document number</li> <li>*Issuing jurisdiction and country</li> <li>*Expiry date</li> <li>*Date of verification</li> </ul>
<b>2. Credit file</b> 	Canadian credit file in existence for at least three years	Name, address, and date of birth	<ul style="list-style-type: none"> <li>*Client identification information</li> <li>*Source of credit file</li> <li>*Reference number</li> <li>*Date of verification</li> </ul>
<b>3. Dual process</b> 	Two original, valid and current documents or information from independent and reliable sources	Name, address, and date of birth	<ul style="list-style-type: none"> <li>*Client identification information</li> <li>*The name of the two different sources used to identify your client</li> <li>*The type of information</li> <li>*Account or reference number</li> <li>*Date of verification</li> </ul>

Name and address	Name and date of birth	Name and confirm a financial account
<p><b>Issued by Canadian government</b></p> <ul style="list-style-type: none"> <li>• Canada Pension Plan (CPP) statement</li> <li>• CRA documents: <ul style="list-style-type: none"> <li>➤ Notice of assessment</li> </ul> </li> </ul> <p><b>Issued by other Canadian sources</b></p> <ul style="list-style-type: none"> <li>• T4 statement</li> <li>• Record of Employment</li> <li>• Investment account statements <ul style="list-style-type: none"> <li>➤ RRSP</li> <li>➤ GIC</li> </ul> </li> </ul>	<p><b>Issued by Canadian government</b></p> <ul style="list-style-type: none"> <li>• Any card or statement issued by a Canadian government body <ul style="list-style-type: none"> <li>➤ Original birth certificate</li> <li>➤ Marriage certificate</li> </ul> </li> </ul> <p><b>Issued by other Canadian sources</b></p> <ul style="list-style-type: none"> <li>• Insurance documents (home, auto, life)</li> </ul>	<p>Confirm that your client has a <b>deposit account, credit card or loan account</b> by means of :</p> <ul style="list-style-type: none"> <li>• Credit card statement</li> <li>• Bank statement</li> <li>• Loan account statement <ul style="list-style-type: none"> <li>➤ mortgage</li> </ul> </li> <li>• Cheque that has been processed (cleared)</li> </ul>

# *Who can identify your client on your behalf*

Client can be identified by your	Recordkeeping obligations
Domestic or foreign affiliate	<ul style="list-style-type: none"><li>• Client identification information</li><li>• Name of the entity that identified your client</li><li>• The identification method used</li><li>• Information gathered according to the method used</li><li>• Date of verification</li></ul>
Financial services cooperative or credit union central	
Agent or mandatary	<ul style="list-style-type: none"><li>• Client identification information</li><li>• Name of the entity that identified your client</li><li>• Written agreement with agent</li><li>• The identification method used</li><li>• Information gathered according to the method used</li><li>• Date of verification</li><li>• Date you referred to their verification of your client</li></ul>

# *Politically Exposed Persons (PEP)*

*June 17, 2017*

## **What is a PEP?**

- A PEP is an individual who is or has been entrusted with a prominent public function.

## **What is a head of an international organization (HIO)?**

An international organization is one that is set up by the governments of more than one country

- The head of one of these international organizations
- the head of an institution established by one of these international organizations



# *PEPs and HIOs* (June 17, 2017)

Take reasonable measures to determine if a person is a:

- Politically exposed foreign person
- Politically exposed domestic person
- Head of an international organization,
- Family member of, or
- Person who is closely associated with such a person.



# Family Members and Close Associates

1. If a person is a PEP or HIO, then their family members must also be regarded as PEPs or HIOs. These **family members** are:
  - (a) their spouse or common-law partner;
  - (b) their child;
  - (c) their mother or father;
  - (d) the mother or father of their spouse or common-law partner
  - (e) a child of their mother or father.
2. Certain activities will also require you to take reasonable measures to determine if any of your clients could be **a close associate** of a PEP or HIO.



# *When to Identify PEPs and HIOS*

*(June 17, 2017)*

- Account Opening
- Through your periodic monitoring of existing accounts
- If you **detect a fact** regarding the client of an existing account
  - EFTs of \$100,000 or more
  - Lump sum payment of \$100,000 or more for a life insurance product



# *Obligations when PEPs are identified*

- If a client is found to be a Domestic PEP you will need to assess the risk
  - Enhanced measures are required for **ALL** foreign PEPs and **high risk** domestic PEPs
- Use reasonable measures to determine the source of funds for the account
- Senior management approval
- Enhanced monitoring



# Reasons for Compliance

Compliance for Deterrence

Compliance for Intelligence

Compliance for Evidence



# *The value of FINTRAC's disclosures*

## Minister Blaney commends law enforcement agencies for disrupting an international prostitution ring [ 2015-04-01 ]

OTTAWA, April 1, 2015 /CNW/ - Today, the Honourable Steven Blaney, Canada's Minister of Public Safety and Emergency Preparedness, made this statement following the arrests in Toronto and Montreal of six individuals who will be charged with the operation of a prostitution ring that victimized young women alleged to have been smuggled into Canada. The RCMP, CBSA, Service de Police de la Ville de Montréal, Aéroports de Montréal Airport Security and the Financial Transactions and Reports Analysis Centre of Canada worked together to make these arrests possible.



# *Goal of PCMLTFA*

Public safety of Canadians

Integrity of Canada's financial system

We all have a role to play to detect and deter crime

