

The background of the top half of the page is a close-up photograph of several interlocking metal gears. The gears are made of a polished, reflective metal, likely stainless steel, and are arranged in a complex, overlapping pattern. The lighting creates bright highlights and deep shadows, emphasizing the intricate details of the gear teeth and the circular forms. The overall tone is industrial and precise.

**SIGNIFICANT CHANGES TO
THE CANADIAN ANTI-MONEY
LAUNDERING LEGISLATION**

AMENDMENTS TO CANADA'S ANTI-MONEY LAUNDERING RULES

The Federal Ministry of Finance released significant amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) in July 2019, following the mutual evaluation recommendations made by the Financial Action Task Force (FATF) in 2015.

The changes affect reporting entities such as financial institutions, money service businesses, dealers in precious metals and stones, securities dealers, real estate brokers, agent of the Crown, accountants, casinos, life insurance companies and B.C. notaries.

KNOW YOUR CLIENT (KYC) REQUIREMENT CHANGES

Effective June 25, 2019: Client Identification: Reporting entities were previously prohibited from accepting a digital or photo copied identification document as a means of identifying their customers and fulfilling their client identification obligation. This meant the identification document had to be original, valid and current.

Reporting entities can now rely on an authentic, valid and current identification documents as a means of fulfilling the same obligation. This simply means both the scanned and photocopied identification documents can now be accepted as a means of identifying clients, once such documents are determined to be authentic.

When using the photo identification method as a single source of ascertaining a client's identity, the reporting entity must use a software or some type of technology to authenticate the government-issued photo identification document.

Identity Verification Conducted by Other Reporting Entities

Effective June 1, 2021: Reporting entities currently can conduct their own identity verification or rely on information collected by an agent or affiliate. The changes now allow them to rely on other reporting entities (including foreign affiliates) for client identification after conducting a reasonable level of due diligence on the document's credibility and the risks associated with the foreign affiliate where applicable.

For example, money services business ("Money Services Business A") can rely on customer identification information obtained by a credit union ("Credit Union B"). Money Services Business A is only required to verify the method of identity verification used by Credit Union B and be satisfied that the information is valid and current.

Politically Exposed Persons (PEP): Reporting entities currently are expected to keep a record of the steps taken to verify the identity of a PEP, where such efforts were unsuccessful. The current amendment has removed this record keeping requirement.

Beneficial Ownership: Currently, during account opening, reporting entities are required to take reasonable steps to confirm the accuracy of the beneficial owners of an entity and keep the information up to date when the risk is high. The new amendments now make it explicitly clear that reporting entities must confirm the accuracy of new information as they are received or during periodic reviews.

TRANSACTIONS REPORTING REQUIREMENT CHANGES

Effective June 1, 2021: Electronic Funds Transfers (EFTs): Reporting entities that send EFTs initiated by other reporting entities are now required to keep records and include available information in the EFTs to ensure the information remains in the payment chain. This means all the relevant information pertaining to the transaction is available to detect and report suspicious activities, including beneficiary information for outgoing EFTs.

Reporting entities are also asked to develop appropriate risk-based control measures to decide whether to reject or suspend EFTs with incomplete information.

24-Hour Rule (EFTs and Large Cash Transactions): Currently, two or more cash transactions of less than \$10,000 (that total \$10,000 or more) are aggregated and treated as one transaction if conducted within a 24-hour window. All single cash transactions of \$10,000 or more are treated and submitted as a separate report.

The new amendments will now allow all cash (both falling under the 24-hour rule and large cash transactions of over \$10,000) to be treated and submitted as a single report. The same reporting requirements will also apply to all EFT transactions.

The amendments will also cover obtaining beneficiary information as well for all EFTs.

Suspicious Transactions Reports (STRs): Under the amendment, the 30-day period for reporting suspicious transactions to FINTRAC has been replaced with the words “as soon as practicable.” This now means a reporting entity is required to submit an STR once it has established reasonable grounds to suspect that a financial transaction is related to the commission or attempted commission of a money laundering (ML) or terrorist financing (TF) offence.

The amendments also cover the requirements for reporting entities to include more information (if available) about transactions when reporting suspicious activity to FINTRAC such as email addresses and online identifiers (IP address etc.)

SERVICES AND PRODUCTS NOW SUBJECT TO THE PCMLTFA REQUIREMENTS

Effective June 1, 2021: Currently, foreign MSBs offering services in Canada are not subject to the PCMLTFA and its regulations as with their domestic counterparts. The amendments now provide reporting requirements for foreign businesses that target or provide services to people located in Canada, including foreign businesses having a Canadian domain name.

Specifically, the amendments now consider foreign MSBs and domestic MSBs to be subject to the same primary regulatory requirements. This includes the requirements to comply with the compliance regime — including registering with FINTRAC as an MSB, developing and implementing policies and procedures, risk assessments, conducting customer due diligence, keeping records and transaction reporting requirements.

Dealers in Precious Metals and Stones (DPMS): Jewelry manufacturers are not subject to reporting obligations under the PCMLTFA. This exemption has now been extended to other types of manufacturing entities who utilize precious stones within their production chain.

Life Insurance Sector: Life insurance providers that provide credit facilities such as loans and mortgages will now be subject to the same reporting, record keeping and customer due diligence requirements as other reporting entities offering the same services. For life insurance brokers, managing general agents (a life insurance broker or agent acting on behalf of another life insurance broker, agent or company) will no longer be regarded as reporting entities.

Prepaid Payment Products and Accounts: The new amendments now stipulate pre-paid products are to be treated as bank accounts, making them subject to the regulatory requirements under PCMLTFA.

These are products that permit funds or virtual currency that total up to \$1,000 or more to be added to the account within a 24-hour period or a balance of the same to be maintained.

Exceptions apply to issuers of pre-paid products that can only be utilised at certain merchants or a group of merchants (such as gift cards).

Credit Cards and Record Keeping: Further enhancements have been made to record keeping requirements for credit cards mostly capturing the need for reporting entities to keep records on all credit card accounts they open and of every transaction connected to that account. This will include primary KYC details such as name, address, date of birth, occupation and nature of business where applicable.

Reporting entities are also expected to keep tickets with respect to all foreign currency exchange and virtual currency exchange transactions in the credit card account and are required to keep records of international EFTs of \$1,000 or more to and from the account.

Effective June 1, 2020: Due to the inherent risks involved in dealing with virtual currencies, PCMLTFA now makes provisions for the classification of dealers in virtual currencies. Domestic and foreign businesses dealing in virtual currencies will now be considered as an MSB. This means they are now required to have a compliance program and fulfill all the reporting, identification and record keeping requirements of the regulations, including the determination of a PEP and its record keeping requirements.

MSBs that deal in virtual currency can now voluntarily register with FINTRAC in advance of June 1, 2020, when registration will be mandatory.

Risk Assessments Approach Documentation: Currently, a reporting entity needs to identify the areas of business vulnerable to being used by criminals for money laundering or terrorist financing purposes as part of its risk assessment. Specifically, a reporting entity needs to consider the type of clients it deals with, the products and services it provides, how these products and services are delivered, including delivery through new technologies such as electronic wallets, mobile payments or virtual currencies, among other factors when assessing its business risk. Under the new PCMLTFA amendments, in addition to the above, risk assessments are now expected to be conducted on products and delivery channels before any new technology is launched.

HOW MNP CAN HELP

Managing your risk in today's business environment takes specific knowledge and tools. Our dedicated Anti-Money Laundering (AML) professionals will work with you to build, develop and maintain an AML compliance program that fits your business.

We can help you with:

- Development of your AML compliance program
- Independent review of your AML compliance program
- Preparation and response to regulatory examinations
- AML compliance training
- Transaction monitoring (including EDD) process review



ABOUT MNP

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