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COMPLYING WITH ANTI-MONEY LAUNDERING STANDARDS

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1.a. AML Regulatory Authorities - FINTRAC

- FINTRAC's mandate is to facilitate the detection, prevention and deterrence of money laundering and terrorist activity financing.

- It fulfills its mandate through the following activities:
  - Receiving transaction reports
  - Ensuring compliance of reporting entities
  - Producing financial intelligence on suspected money laundering and terrorist activity financing

FINTRAC = The Financial Transactions and Reports Analysis Centre of Canada

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1.a. AML Regulatory Authorities - FINTRAC

- Researching and analysing data from a variety of information sources for trends and patterns.

- Enhancing public awareness and understanding of money laundering and terrorist activity financing.

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1.b. AML Regulatory Authorities - Royal Canadian Mounted Police

- Provides an investigative assessment on money laundering intelligence and monitors national and international money-laundering trends.

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2. Stages of Money Laundering -

- **Placement** – The initial stage in which illegal funds are put into the system.
- **Layering** - Disguising the proceeds of crime such that the original source and current position of the funds are not clear.
- **Integration** - Moving the money back into the economy.
  - For example (using trading accounts): The money launderer transfers funds into a brokerage account, allowing the financial institution to trade on their behalf and at some later stage they remove the funds from the account.
- **Repatriation** – The money is returned into the hands of the criminal so that it can be used without attracting suspicion.

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3.a. Firm Responsibilities - PCMLTF Regulation

- **PCMLTF* Regulation S.71** – Key legislation that requires the firm to have a policy against money laundering and activity which facilitates money laundering or funding of terrorist or criminal activities.

PCMLTF = The Proceeds of Crime (Money Laundering) and Terrorist Financing; Overseen by FINTRAC and the RCMP (primary authorities)*

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3.b. Firm Responsibilities – Suggested Firm Policies

- Describe firm and senior management commitment to comply with the laws to combat money laundering.
- Describe the responsibility of every employee to protect the firm.
- Describe the process in place to monitor for unusual or suspicious transactions and reporting. Should include:
  - Appointment of a Compliance Officer who will be responsible for implementing AML procedures.
  - Development of Written Procedures that are kept current.

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3.b. Firm Responsibilities – Suggested Firm Policies

- Make an assessment and document the risks related to money laundering and terrorist financing that need to be conducted.
- Provide a training program to all employees so as they are aware of firm latest procedures. Must include written reference material.

3.b. Firm Responsibilities – Suggested Firm Policies

- Test the effectiveness of compliance policies and procedures. This review must be completed every 2 years by an independent party (i.e. internal or external). The findings must be reported to a senior officer within 30 days.

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4. Avoiding Pitfalls Through Best Practices -

a. Risk Assessment
b. Onboarding Clients- Due Diligence
c. Enhanced Client Due Diligence
d. Ongoing Monitoring
e. Reporting Requirement
f. Training
g. Independent Review

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4.a. Risk Assessment –

- **FINTRAC Guideline 4**: Implementation of a Compliance Regime Section 6 requires that institutions perform a risk analysis of inherent risks the firm is exposed to.

- Objective of a risk assessment is to:
  - Identify the general and specific risks (i.e. gaps)
  - Assess and make decisions about the identified risks
  - Risk ranking and highlight the higher risk
  - Develop risk mitigation strategies
  - Document in writing and keep records

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4.a. Risk Assessment –

- Factors to be considered when evaluating firm risk:
  - Clients
  - Services
  - Products
  - Transactions
  - Geographies

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4.b. Onboarding Clients - KYC Obligations for Individuals

- **Identification required can include**: Passport, Driver's licence, Birth Certificate, Provincial Health Card (i.e. prohibited in Ontario, Manitoba and PEI).

- **Information gathering**: Name, Address, Date of Birth, Occupation, Intended use of the account, Source of Funds.

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4.b. Onboarding Clients - KYC Obligations for Entities/Corporations

- **Identification required can include**: Corporation certificate or corporate status, records filed annually under provincial securities legislation, other records (i.e. corporation's published annual report signed by an independent audit firm, notice of assessment).

- **Information gathering**: Name, address, nature of principal business, intended use of account, name of all directors and their occupations, Beneficial owners (10% or 25%- IIROC requires 10%, name, address, citizenship, occupation, employer)

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4.b. Onboarding Clients - Suspicious Examples

- Provides vague or limited information of occupation/business, source of wealth, etc.
- Does not want to receive correspondence sent to home address (i.e. provide a P.O. Box or alternate address).
- Secretive and does not want to meet in person.
- Asks questions about the firm’s controls.

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4.b. Onboarding Clients - Suspicious Examples

- Prospect known to have a questionable reputation.
- Occupation does not make sense in relation to funds they want to deposit.
- Deposits followed within a short time by wire transfers of funds to high risk countries.
- Transaction involved suspected shell companies.

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5. Enhanced Client Due Diligence – Risk Factors to Consider

- Politically exposed persons
- Non-resident clients
- Business relationship
- Value of assets
- Adverse News releases
- Transactions performed by clients deemed suspicious or unusual

6. Ongoing Monitoring - Procedures

- Follow up on client accounts that have “high” risk rating (i.e. client updates)
- Confirm the source of funds and intended use of the account
- Review incoming and outgoing transactions for trends
- Update the risk rating
- Keep records of the information gathered, analysis performed and measures taken

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7. Reporting Requirements -

- Suspicious transactions
- Large Cash Transactions
- Electronic fund transfers
- Terrorist property

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8. Training -

- Responsible to develop and maintain the employee AML/ATF training program.
- Design the program to provide all employees an understanding of requirements (i.e. client identification, reporting, record keeping, penalties).
- Review the training program for effectiveness on a periodic basis.
- Ensure that the training program is in writing and maintained.

9. Independent Review - FINTRAC Guideline 4 - Implementation of a Compliance Regime Section 8

- Review of your compliance policies and procedures
- Test effectiveness of policies and procedures
- Performed every 2 years

Management Team -

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Founder and Managing Director

Industry Experience: Performance and Research

Career began: 1999

Founded: 2010

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Managing Director

Industry Experience: Investment Management and Research

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