

INFORMATION CIRCULAR

DATE: 23 May 2017

N^o. 2017-12

CATEGORY: COMPLIANCE

TO: Managing General Agents, Associate General Agents, Advisors, General Agents, Independent Financial Advisors and National Accounts

SUBJECT: **Amendments to Canada's Anti-Money Laundering and Anti-Terrorist Financing Legislation**

Introduction

On June 17, 2016 the Canadian Governor General in Council made amendments to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* ("Act"). The amended regulations are intended to update and strengthen the legislation to combat money laundering and terrorist financing activities.

The changes that impact advisors are:

- Politically Exposed Persons
- Risk Assessment
- Methods for ascertaining identity

Politically Exposed Persons

Effective June 17, 2017, there will be new obligations that relate to politically exposed persons (PEP) and heads of international organizations. The revised regulations requires reporting entities to take reasonable measures to determine whether a lump sum payment of \$100,000 or more is being made by a foreign PEP a domestic PEP, a head of an international organization (HIO), a family member of one those persons, or a person who is closely associated with one of those persons. You must also take reasonable measures to establish the source of funds for these payments. For more information, please review FINTRAC [Guideline: Politically exposed persons and head of international organizations- Life insurance companies, brokers and agents.](#)

Risk Assessment

FINTRAC [Guideline 4: Implementation of a Compliance Regime](#) states that independent advisors must have a compliance regime. As part of your compliance program, you have to assess and document your exposure to the risk of money laundering offences or terrorist activity financing offences. You will also have to consider money laundering or terrorist financing risks that may arise because of new products and new business practices, including new delivery channels, and the use of new or developing technologies for both new and pre-existing products.

Methods for ascertaining identity

Amendments to the PCMLTFA and its associated Regulations have changed the methods that reporting entities can apply to ascertain the identity of clients. The methods for identifying clients face-to-face and non face-to-face have changed. For face-to-face identification, identity must be verified using a government-issued photo identification document. For non face-to-face identification, identity must be verified either through the credit file method or the dual process method. You also must now document the date the identity was verified.

The transition period was from June 30, 2016 to June 30, 2017. During this time, you could use either the methods outlined in FINTRAC [Guideline: Methods to ascertain the identity of individual clients](#) or the methods listed in FINTRAC [Guideline 6 \(a\) to \(j\)](#). If you have already ascertained the identity of your clients according to the regulations that were in force at that time, you are not required to do so again.

Summary of methods to ascertain client identity

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

It is important to note that all documents used to ascertain client identity must be original, valid and current. Information found through social media is not acceptable. Empire Life’s preferred method is photo identification. Further information on changes to applications and processes will **follow** shortly.

All reporting entities will need to review the [Amended Regulations](#) carefully to ensure that their compliance programs are correctly aligned with the new and modified requirements.

Reference:
Lisa Lawlor, Manager, Distribution Practices