

## AML Legislative Changes

Changes to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) – Canada’s anti-money laundering (AML) legislation- require new methods for identifying clients and determining politically exposed persons. These requirements come into effect **June 17, 2017**. The goal of the new regulatory amendments include strengthening Canada’s anti-money laundering and anti-terrorist financing regimes and improving Canada’s compliance with international standards.

### Politically Exposed Persons

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), or a family members or close associate of one of those persons. You must also take reasonable measures to establish the source of funds for those payments. FINTRAC [Guideline: Politically exposed persons and head of international organizations- Life insurance companies, brokers and agents](#)

### Risk Assessment

FINTRAC Regime states that ***independent advisors must have a compliance regime***. As part of your compliance program, you are required to assess and document your exposure to the risk of money laundering offences or terrorist activity financing offences. You will also need 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 or new or developing technologies for both new and pre-existing products.

### Methods for ascertaining identity

New legislation requires government photo identification, such as a driver’s license or passport, to identify clients. Non-photo ID such as birth certificates are no longer acceptable. If a client doesn’t have government-issued photo identification or if you need to verify the identity of a client who is not physically present, new legislation includes the dual process method. This client ID method involves viewing and validating two distinct and most recent original personal identification documents from reliable and independent sources such as a utility bill, Canada Pension Plan statement, financial statement, etc. from the client to provide identity. FINTRAC [Guideline: Methods to ascertain the identity of individual clients](#)

### 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"> <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>
Credit file	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>
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"> <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>

\*\* All documents used to ascertain client identity must be original, valid and current.

## Common Reporting Standard

As of July 1, 2017, new legislation with a global reach- the Common Reporting Standard (CRS)- requires financial institutions to identify and report financial accounts held by non-Canadian and non U.S persons to the CRA. Financial Advisors will be required to collect additional tax information under this new tax legislation.

***Further information on changes to applications, forms and processes will follow shortly.***