

Summary of Canada's Follow-Up Reports to the FATF (2017-2019)

Summary: Canada's 1st Enhanced Follow Up Report to the FATF (2017)

Canada's first follow-up report to the FATF outlined Canada's strategy, actions taken to date and planned actions to address technical compliance and effectiveness deficiencies identified in Canada's mutual evaluation report (MER). Canada reported to FATF that their key actions taken include:

- Canada launched the process to update its Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada published in July 2015. The update will seek to identify and assess the impact of evolving and emerging risks, taking into account the findings of Canada's MER.
- The Government of Canada has taken action to improve beneficial ownership transparency:
 - In September 2016, Canada introduced amendments to the *Canada Business Corporations Act* (CBCA) banning the issuance of bearer shares and bearer bonds.
 - Canada's 2017 Budget contained a commitment to work with provinces and territories to develop a national strategy to strengthen the transparency of legal persons and legal arrangements in Canada, including beneficial ownership information.
 - The Government is also exploring ways to enhance tax filing requirements for trusts in order to improve collection of beneficial ownership information.
- Canada's 2017 *Budget Implementation Act I* contained measures to allow the Financial Transactions Reports and Analysis Centre of Canada (FINTRAC) to disclose beneficial ownership information to disclosure recipients;
- In June 2017, regulatory amendments associated with the PCMLTFA made in 2016 came into force. These include obligations related to domestic politically exposed persons (PEPs) and Heads of International Organizations (HoIOs), online casinos, group-wide compliance programs, and risk assessments of new technologies, among other provisions which are now included within the scope of the PCMLTFA. Guidance has been updated accordingly.
- FINTRAC increased its outreach to key Designated Non-Financial Professionals and Businesses (DNFPBs), including the real estate and dealers in precious metals and stones (DPMS) sectors to support their understanding of PCMLTFA obligations and suspicious transaction report (STR) filing requirements.
- The Government of Canada has worked closely with private sector stakeholders domestically and internationally to develop and share expertise on new financial technologies and their potential impact on the AML/ATF regime. This work is supporting both the development of virtual currency regulations as well as understanding the benefits

and risks of the broader adoption of new technologies to support Customer Due Diligence (CDD) requirements.

- Work is ongoing to develop a national Strategy and Charter for Canada's AML/ATF regime, as part of a review on regime governance.
- In 2017, the Government of Canada engaged Canadians in a consultation on ten major national security themes, including terrorist financing.
- A Parliamentary Committee review of Canada's United Nations and economic sanctions regimes was completed in April 2017.

Summary: Canada's 2nd Enhanced Follow Up Report to the FATF (2018)

Canada's second follow up report to the FATF provided an update on progress and actions taken over the past year since the first report. Key updates included:

- Canada is updating its Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada (NIRA), first published in July 2015.
- The House of Commons Standing Committee on Finance (FINA) launched a Statutory Review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* in February 2018. This study was complemented by the release of a discussion paper by the Department of Finance, which sought public comment on measures to close legislative gaps, promote information sharing as well as strengthen intelligence capacity and enforcement, among other issues.
- In 2018, the Department of Finance and Justice Canada opened a dialogue with the Federation of Law Societies of Canada, the national coordinating body of Canada's 14 provincial and territorial law societies, on how to better integrate legal professionals within Canada's AML/ATF Regime.
- Since 2017, the Government of Canada has led a working group of federal, provincial and territorial officials to examine options to improve collection and disclosure of beneficial ownership information for corporations, trusts and other legal arrangements.
- In December 2017, federal provincial and territorial finance ministers agreed in principle to pursue legislative amendments to federal, provincial and territorial corporate statutes or other relevant legislation to ensure corporations hold accurate and up to date information on beneficial owners that will be available to law enforcement, and tax and other authorities, and to eliminate the use of bearer shares, with best efforts to implement the amendments by July 2019. In addition, finance ministers agreed to continue existing work assessing potential mechanisms to enhance timely access by competent authorities to beneficial ownership information (e.g., registry options).
- In Budget 2018, the Government announced its intention to amend the *Canada Business Corporations Act* to implement the agreement in principle at the federal level. To improve the availability of beneficial ownership information, the Government announced plans to introduce enhanced income tax reporting requirements for certain trusts to provide additional information on an annual basis, applicable for the 2021 and later taxation years. In addition, Bill C-25, which amended the Canada Business Corporations Act (CBCA) and the Canada Cooperatives Act, received Royal Assent on May 1, 2018. While the CBCA has required that shares be in registered form since 1975, with these additional amendments, the issuance of options and rights in bearer form is prohibited, and corporations which are presented with bearer instruments are required to convert them into registered form.

- Canada's 2017 Budget Implementation Act 1, which received Royal Assent in June 2017, allows the Financial Transactions Reports and Analysis Centre of Canada (FINTRAC) to disclose beneficial ownership information to disclosure recipients.
- In June 2017, regulatory amendments associated with domestic politically exposed persons (PEPs) and Heads of International Organizations (HoIOs), online casinos, group-wide compliance programs, and risk assessments of new technologies, are now included within the scope of the PCMLTFA. Guidance has been updated accordingly.
- In June 2018, proposed amendments to the PCMLTFA Regulations were published in the *Canada Gazette* for public comment. These amendments introduce obligations related to the 24-hour rule for reporting large transactions and requirements for prompt reporting on suspicious transactions, verifying beneficial ownership accuracy, client due diligence for life insurance companies, assessing the risks of new technologies, source of wealth for politically exposed persons, prepaid cards as well as virtual currency dealers.
- FINTRAC has increased its outreach to key Designated Non-Financial Businesses and Professions (DNFBPs), including the real estate and dealers in precious metals and stones (DPMS) sectors to support their understanding of PCMLTFA obligations and suspicious transaction report (STR) filing requirements.
- Work is ongoing to develop a national Strategy and Charter for Canada's AML/ATF Regime, as part of a review of Regime governance. In addition, the Government will begin implementing a newly developed Performance Measurement Framework.
- In response to a Parliamentary Committee review of Canada's United Nations and economic sanctions regimes, Budget 2018 provided \$22.5 million over five years, starting in 2018-2019, with \$4.3 million per year thereafter, to Global Affairs Canada and the Canada Border Services Agency to reinforce Canada's sanctions policy and implementation capacity. In this vein, Canada launched a Consolidated Special Economic Measures Act Sanctions List, which includes individuals and entities subject to specific sanctions regulations made under the Special Economic Measures Act (SEMA).

Summary: Canada's 3rd Enhanced Follow Up Report to the FATF (2019)

- Canada's third follow up report to the FATF provided an update on progress and actions taken over the past year. Key updates included:
- In July 2019, regulatory amendments associated with Canada's primary AML/ATF legislation, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), were finalized and published in the Canada Gazette. These measures are expected to be fully in force by June 2021 and will introduce obligations related to:
 - the 24-hour rule for reporting large transactions;
 - requirements for prompt reporting on suspicious transactions;
 - verifying beneficial ownership accuracy;
 - verifying client due diligence for life insurance companies;
 - assessing the risks of new technologies;
 - requiring the source of wealth for politically exposed persons; and
 - regulating prepaid cards and virtual currency dealers.
- The House of Commons Standing Committee on Finance (FINA) released its final report of its statutory review of the PCMLTFA in November 2018. The report included 32 recommendations some of which Canada has implemented. This includes: new Criminal Code amendments to facilitate money laundering investigations (through a new money laundering offence of recklessness), establishing a regulatory regime for virtual assets service providers, and updating reporting regulations for financial institutions to include prepaid credit cards.
- The Government announced in Budget 2019 new funding of \$162 million over five years, starting in 2019-20, and \$38 million ongoing to:
 - strengthen federal policing capacity within the Royal Canadian Mounted Police (RCMP);
 - increase operational capacity at Canada's financial intelligence unit, FINTRAC; improve data sharing on real estate purchases;
 - create an Anti-Money Laundering Action, Coordination Enforcement (ACE) team to bring together experts across intelligence and law enforcement agencies to identify and address significant ML and financial crimes threats; and
 - create a Trade Fraud and Trade-Based Money Laundering (TBML) Centre of Expertise to target trade fraud and TBML threats.
- The Government also made legislative amendments to add Revenu Québec and the Competition Bureau as recipients of FINTRAC financial intelligence, modernize FINTRAC's administrative monetary penalty regime to make it more transparent, and broadened access across jurisdictions to federally provided seized property management services at Public Services and Procurement Canada.
- Canada convened a special joint meeting of federal, provincial and territorial ministers of finance and other ministers responsible for anti-money laundering on June 13, 2019. Ministers agreed to strengthen beneficial ownership transparency; intensify efforts by

governments to investigate and prosecute ML/TF and recover proceeds of crime using criminal and civil processes; and ensure vulnerable sectors including real estate, casinos, money services businesses and the legal profession are aware of and effectively manage ML/TF risks.

- In 2018, the Department of Finance and Justice Canada opened a dialogue with the Federation of Law Societies of Canada, the national coordinating body of Canada's 14 provincial and territorial law societies, on how to better integrate legal professionals within Canada's AML/ATF Regime. The FLSC recently revised its Model Rules in October 2018, to align with certain aspects of the federal AML/ATF framework, including requirements for lawyers to identify their clients, keep records for certain financial transactions, and make reasonable efforts to obtain beneficial ownership information. In June 2019, the federal government formed a new working group with the FLSC to address the inherent risks of money laundering and other illicit activity that may arise in the practice of law.
- In 2018, the Government passed amendments to the *Canada Business Corporations Act*, to require private corporations to create and maintain registers of individuals with significant control and to eliminate residual risks with respect to the issuance of options and rights in bearer form. Subsequent amendments were made in 2019 that require corporations to provide police and tax authorities access to beneficial ownership records on request under specified circumstances. The government of British Columbia passed similar amendments to corporate legislation with respect to maintaining beneficial ownership records and prohibiting bearer shares.
- Work is ongoing to develop a national Strategy for Canada's AML/ATF Regime, and implement a new performance measurement framework to strengthen governance, transparency and accountability for results. A new Deputy Minister-level committee for AML/ATF was established in late 2018 to provide greater strategic direction to Canada's AML/ATF Regime. In 2018-19 Global Affairs Canada established a Sanctions Policy and Operations Coordination Division, charged with bolstering sanctions policy and regulatory development, implementation, research and analysis, and engagement with internal and external stakeholders. This has improved engagement with stakeholders through better access to information and is intended to improve stakeholder understanding and support efforts to implement Canada's sanctions.