



Distribution Practices

Reference Document

DATE: June, 2021

SUBJECT: Updated AML/ATF Modules to include Amendments to Canada's Anti-Money Laundering and Anti-Terrorist Financing Legislation effective June 1, 2021

Introduction

In 2018, we added the [AML/ATF Modules](#) to the [Compliance section of the Advisor website](#) to assist advisors with their AML/ATF compliance programs. The modules focus on each of the five compliance program requirements required by FINTRAC and provide guidance and templates to help advisors develop or enhance their compliance programs.

We are pleased to announce that we have amended our AML/ATF Modules to align with FINTRAC's new regulatory amendments that took effect June 1, 2021.

A high level summary of some of the specific changes for insurance companies, brokers, and agents include:

Politically Exposed Persons (PEP) and Heads of International Organizations (HIO)

The changes to the obligations life insurance companies, brokers, and agents have regarding PEP/HIO screening, monitoring, and recordkeeping include:

- Taking reasonable measures to determine whether someone who makes a lump-sum payment of \$100,000 or more in funds with respect to an immediate or deferred annuity or life insurance policy is a PEP, HIO, or a family member or a close associate of a PEP or HIO. If the person is determined to be a foreign PEP or a domestic PEP or HIO that is determined to be high risk you must take reasonable measures within 30 days to establish the source of the funds and the source of the person's wealth, and ensure that a member of senior management reviews the transaction.
- Taking reasonable measures to determine whether any person to whom is remitted \$100,000 or more over the duration of an immediate or deferred annuity or life insurance policy is a PEP, HIO, or a family member or a close associate of a PEP or HIO.
- When reviewing transactions involving a PEP, HIO, or family member or close associate of a PEP or HIO, a record must be kept, including specific details about the PEP/HIO, the date of the determination, the source of the funds, the source of the person's wealth, the name of the entity's senior management who reviewed the transaction and the date of the review. Transaction records must be kept for at least five years from the day on which the business transaction was conducted.

Recordkeeping Requirements

Life insurance companies, brokers and agents will be subject to new recordkeeping requirements under the Amendments. Changes under the new guidance include:

- Must retain records of terrorist property reports, large cash transaction reports for five years
- Records of unsuccessful reasonable measures are no longer required
- Large virtual currency transaction records do not need to be kept if the amount was received from a financial entity or public body or a person acting on behalf of a financial entity or public body.

On-going Monitoring Requirements

The new guidance provides that the requirements for enhanced ongoing monitoring end when the business relationship ends or the client is no longer high-risk. This is significantly less burdensome than the ongoing monitoring obligations under prior guidance which required that Reporting Entities perform enhanced monitoring for high-risk clients for five years after the closure of the account.

Additionally, under the new guidance, insurance companies, brokers and agents do not have to conduct ongoing monitoring when dealing in reinsurance.

Methods to Identify Individual and Entities

The guidance regarding acceptable methods to verify the identity of individuals and entities has been updated. The updated guidance largely contains minor changes to the prior guidance. One specific change includes, if a child is between 12 and 15 years of age, you can verify their identity by using any of the [methods](#) prescribed by FINTRAC. If this is not possible due to a lack of identification information, you may use a variation of the dual-process method that allows you to:

- Refer to one reliable source of information that includes the name and address of the child's parent, guardian, or tutor; and
- Refer to a second reliable source that includes the child's name and date of birth.

For further information on advisor obligations for AML/ATF, please go to www.fintrac.gc.ca.