



CPA

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ACCOUNTANTS
BRITISH COLUMBIA

ANTI-MONEY LAUNDERING REGULATORY UPDATE AND RED FLAGS

October 2021 Member Engagement Tour
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Presentation Outline

- Overview of Canada's AML regime
- Recent regulatory and other developments of interest
- Evolving MLTF risks and red flags

Canada's AML Regime

Background and Context

- The top three underlying offences related to FINTRAC disclosures in 2019-20 were: Drugs (31%), Fraud (30%), and Tax Evasion (14%)
- Disclosure packages to FINTRAC in 2019-20 were most commonly from Ontario, Quebec and British Columbia
- 70% of money laundering is done through corporations

Canada's AML Regime

Beneficial Ownership Registries

- **British Columbia**

- As of **October 1, 2020** private companies subject to the *B.C. Business Corporations Act* are required to prepare and maintain a transparency register of beneficial owners, including individuals who have direct or indirect control of the company or its shares.
- **November 30, 2021**, the *Land Owner Transparency Act* (LOTA) deadline for existing reporting bodies with an interest in land to file a transparency report. Filings must be submitted electronically by a legal professional.

Canada's AML Regime Beneficial Ownership Registries

- **Canada**

- As of **June 13, 2019** the Canadian Business Corporations Act (CBCA) require corporations governed by the CBCA to maintain information on beneficial ownership.
- <https://www.cpacanada.ca/en/business-and-accounting-resources/taxation/blog/2019/march/beneficial-ownership-rules-start-preparing-now>

2020/21 PCMLTFA Regulatory Changes

- June 1, 2020
 - suspicious transactions to FINTRAC “as soon as reasonably practicable”

2020/21 PCMLTFA Regulatory Changes

- June 1, 2021
 - obtain and take reasonable steps to confirm the accuracy of beneficial ownership information when conducting mandatory KYC checks.
 - new definition for when an accountant or accounting firm is considered to have entered into a business relationship.
 - additional client verification requirements for large virtual currency transactions (equivalent to \$10,000 or more), which are subject to the 24-hour rule
 - screenings for PEPs, HIOs, and the family members and close associates of PEPs and HIOs
 - recordkeeping requirements

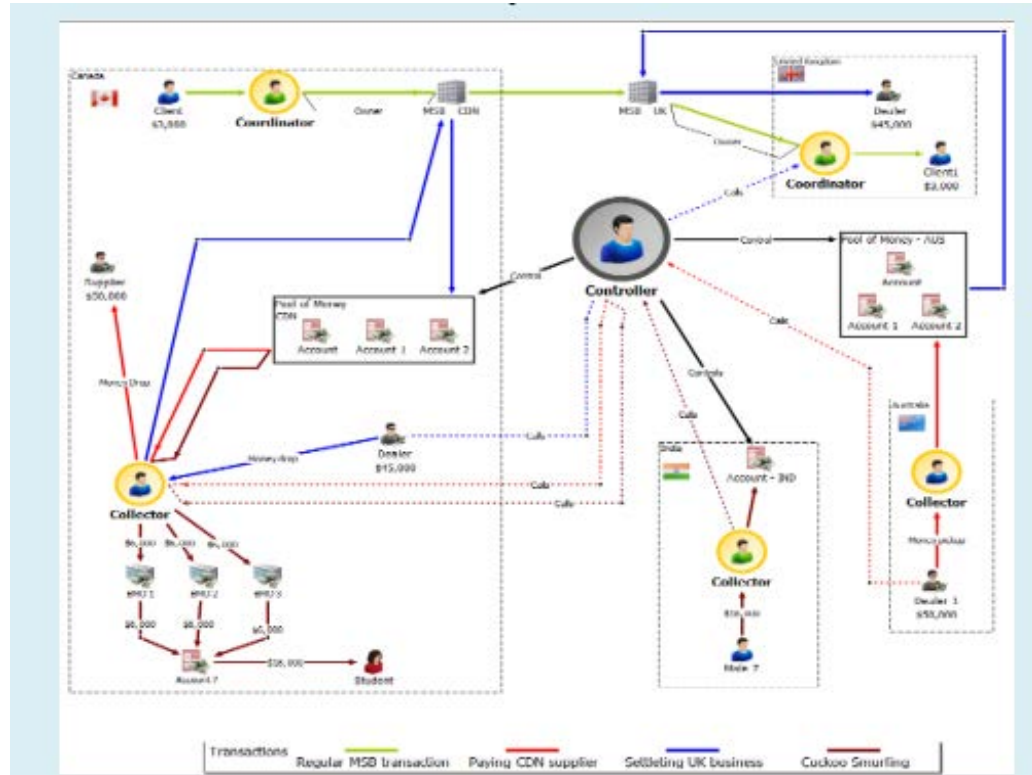
Recent Developments of Interest

- **2021 FATF Review Report**
 - Canada is compliant on 11 of the 40 Recommendations and largely compliant on 23 of them. It remains partially compliant on 5 Recommendations and non-compliant on one.
- **Cullen Commission of Inquiry**
 - Report due December 15, 2021
 - Recommendations will be focused on BC

Evolving Money Laundering Risks and Red Flags

- **Cash**

- International Money Controllers



Note: 1. For further information about hawala, see FATF, *Role of Hawala and Other Similar Service Providers in ML and TF*, October 2013

Source: Australia

Source: FATF Professional Money Laundering 2018

<https://www.fatf-gafi.org/media/fatf/documents/Professional-Money-Laundering.pdf>

Evolving Money Laundering Risks and Red Flags

- **Trust Accounts**

- By nature post issues with high velocity of transactions
- CPA's trust accounts NOT exempt from FINTRAC reporting

Evolving Money Laundering Risks and Red Flags

- **COVID**

- New sources of funds = new sources of laundering opportunities

- **Trade Based Money Laundering**

- disguising and moving illicit financial flows through the use of trade transactions.

Evolving Money Laundering Risks and Red Flags

Recent cases

- **Mozambique**
 - Tuna
- **BC lawyers**
 - Money moving through trust accounts without connection to legal services

RESOURCES

- FINTRAC
 - <https://www.fintrac-canafe.gc.ca/re-ed/accts-eng>
- CPABC
 - CPABC's AML Webpage www.bccpa.ca/aml
- CPA Canada
 - AML Compliance Guide – Coming Soon!

