Frequently Asked Questions on Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and Proceeds of Crime (Money Laundering) Terrorist Financing Act (PCMLTFA) Requirements for CPA's

CPABC has sought clarification from the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) on a number of commonly asked questions from practitioners as part of CPABC's Anti Money Laundering (AML) Program. CPABC will continue to update this FAQ as additional questions are received from practitioners and further guidance is provided by FINTRAC.

As FINTRAC is the agency responsible for administering and enforcing the PCMLTFA, practitioners are encouraged to contact FINTRAC directly for further clarification or guidance on any of the topics addressed. FINTRAC's contact information is available here: Contact FINTRAC.

The following topics are covered below:

1. Triggering Activities – CRA payments
2. ERP Systems/Bill Payments
3. CPA for Hire Arrangements/Employee vs Contractor determination
4. Compliance Programs

Triggering Activities		
1	**If a CPA receives funds from a client, whether the funds are transferred from an onshore or offshore source, for the purposes of paying taxes to the CRA,**	The key factor in determining whether an activity is "triggering" is whether the CPA is engaged in an activity captured under section 5 of the Act, including receiving, paying, transferring, or otherwise dealing with funds on behalf of a client, rather than the origin of those funds (onshore or offshore).

	would this constitute a triggering activity under the PCMLTFA?	Accordingly, where a CPA receives funds from a client for the purpose of remitting taxes to the CRA, this would constitute a triggering activity, as the CPA is taking possession or control of client funds and acting as an intermediary in a financial transaction, thereby engaging obligations such as client identification, record keeping, and potentially reporting. The geographic source of the funds does not affect whether the activity is triggering, though it may inform the risk assessment.
2	**Would this also include mailing a cheque from the client addressed to the CRA that was not signed or prepared by the CPA (the only action the CPA does is mail)?**	By contrast, where a CPA's involvement is limited to mailing a cheque that has been fully prepared, signed, and made payable by the client and the CPA does not take possession of, deposit, or otherwise control the funds, the activity will generally be viewed as clerical or administrative in nature. In such circumstances, this would not typically meet the threshold of "receiving or transmitting funds" under the Act.

	ERP Systems/Bill Payments	
3	**A common situation for bookkeeping practitioners who do payroll on behalf of clients:** **i. Owner will request direct deposit information from employee** **ii. Employee gives the information to owner** **iii. Owner gives the information to their bank, which approves that the direct deposit information is correct and authorizes direct deposits to be taken from the account.**	**Case 1: CPA only enters hours into ERP** • Owner sets up direct deposit with the bank. • ERP is configured so that payroll payments occur automatically once data is entered. • CPA **does not have authority to approve or release funds**, only enters hours. **This is NOT a triggering activity.** Reason: The CPA is performing an administrative function. They are not "receiving, paying, or transferring funds on behalf of a client" because the payment mechanism was set up and authorized by the owner and the bank. **Case 2: Payroll Payment does not happen until CPA enters data** • If entering hours **directly causes the ERP to initiate payment from the client's account**, then the CPA's action is effectively **instructing the payment to occur**. **This IS a triggering activity.** Reason: The CPA's input results in funds being moved from the

	iv. CPA enters in information monthly for hourly employees into ERP **v. ERP calculates the payroll and auto-deposits into employees account through direct deposit.** **In this case, all the CPA did was take information and enter it into the ERP system. They did not set up the autopay, or make the payments, or approve the autopay to be set up.** **Would the first situation be a triggering activity?** **Alternatively, in the case where the payment does not happen until the bookkeeper enters in the information, would this be considered instructing the payment to happen and thus is a triggering activity?** **a. Is this an activity that would require a full compliance program for our practitioners?**	client's account to employees. Even though they don't "approve" the payment, their action initiates the transfer. **Does this require a full compliance program?** • If the CPA's role **includes any activity that results in moving funds on behalf of a client**, they are considered a reporting entity under PCMLTFA. • This means: ○ **Compliance program required** (policies, procedures, risk assessment, training, compliance officer). ○ **Record-keeping and reporting obligations** apply (e.g., suspicious transaction reports, large cash transaction reports, etc.). **Key Principle** • **Administrative data entry only → Not triggering**. • **Action that initiates payment → Triggering activity → Full compliance program required**.
4	**For a firm that never triggers a record keeping requirement (i.e. a bookkeeper who never receives funds or deals with**	• For a firm that does not engage in activities that trigger record-keeping or client identification obligations under the PCMLTFA – such as a bookkeeper who never receives or transmits client funds,

	suspicious transactions, or a tax practitioner that pays taxes via cheque but never more than 3K), what would a compliance program look like? • **If all triggering activities are through an ERP system (e.g. bookkeepers and CFOs for hire), the only way to actually trigger a verification requirement is through a STR. Is this correct? If so, what would a compliance program look like here?**	or a tax practitioner who facilitates payments only indirectly (e.g., client-prepared cheques below reporting thresholds and not handled through trust accounts) – a compliance program is still required, with its design proportionate to the nature and level of risk faced by the firm. The compliance program should include: ◦ A clear assessment of why the firm's activities do not constitute triggering activities under the Act and Regulations, ◦ Written policies and procedures confirming that staff do not receive, hold, or transmit client funds ◦ A risk assessment acknowledging that inherent exposure is low but not zero ◦ Basic training program so personnel can recognize situations that could inadvertently result in triggering activities or suspicious transactions, and ◦ A two-year effectiveness review process to confirm that the firm's the firm's activities remain non-triggering, and that AML controls continue to be appropriate • With respect to your interpretation, it is broadly correct that where all client financial activity is processed directly through an ERP or through client-controlled systems—such that the firm never touches or controls funds—the remaining pathway to a PCMLTFA obligation would most commonly be the identification of a suspicious transaction, which can arise even in the absence of fund handling. In that context, the only practical trigger for a verification requirement would indeed be the need to file a Suspicious Transaction Report (STR), which requires reasonable measures to identify the client involved. A compliance program in this scenario would therefore be focused on:

		- Clear documentation that the firm does not act as a financial intermediary - Establishing internal escalation procedures for identifying and assessing suspicious behaviour (even without fund flows) - Maintaining the ability to perform client identification if required for an STR, and - Ensuring staff are trained to recognize red flags tied to financial irregularities observed through records, ERP systems, or advisory work. - For example: unusual invoice patterns, inconsistent payment behaviour, and/or unexplained third party relationships The compliance program in this case would be focused on risk awareness and the ability to identify and assess suspicious transactions for reasonable grounds to suspect ML/TF and reporting.
5	**If the CPA sets up autopay from a client's account for certain bills, does this count as a triggering activity?** **i. If so, would it be a triggering activity at the time of setting up, or each time a bill is paid from the account?** **ii. If the owner needs to approve the bill before it is transferred out of the account, is this the accountant moving the funds?**	**Yes, it likely does.** Setting up an autopay arrangement involves **authorizing or enabling the movement of funds from the client's account**, which falls under *"paying funds on behalf of a client"*—a defined triggering activity. **i. Is it a triggering activity at the time of setting up, or each time a bill is paid from the account?** **At the time of setup:** This is the key triggering moment because the CPA is creating the mechanism for funds to move without further intervention. - Each subsequent payment is considered execution of the original instructions, rather than individual instances of new instructions - as such, the instance of the CPA setting up and giving the instructions for the autopayments (i.e. movement of funds) is the triggering activity while the subsequent transactions are not considered new

		instructions, so regulatory focus is primarily on the setup and ensuring the authorization remains appropriate. **ii. If the owner needs to approve the bill before it is transferred out of the account, is this the accountant moving the funds?** • Similar to question 3, the original instructions sent by the CPA on behalf of their client to move funds automatically [for the bill payment] would be considered a triggering activity. In this case, the accountant is setting up an autopayment, with an additional approval from their client. As such, they have been directly involved in providing instructions for the movement of funds.

CPA for Hire/Employee vs Contractor		

6	**When would an accounting firm's employee be considered an employee vs an individual contractor under FINTRAC's rules?**	**When would an accounting firm's employee be considered employed vs an individual contractor under FINTRAC's rules?**
		FINTRAC generally looks at the **nature of the relationship**, not just the title. Key distinction:
		• **Employee:**
		  ○ Works under the **direction and control** of the firm. (supervised)
		  ○ Uses the firm's systems, policies, and compliance program.
		  ○ The **firm is the reporting entity**, and the employee operates under its compliance framework.
		• **Independent Contractor:**
		  ○ Operates **on their own account**, even if serving the firm's clients.
		  ○ A contractor operates **independently** when they conduct their work under their **own designation or firm**, separate from the reporting entity that they were contracted for.
		Example:

		- A CFO-for-hire who is **on the firm's payroll, supervised, and integrated into the firm's operations** → Employee. - A CFO-for-hire who **contracts directly with the client, invoices independently, and controls their own work** → Independent Contractor → Subject to PCMLTFA if triggering activities occur.

7	**Advice for practitioners to determine if they are considered a contractor for FINTRAC purposes**	**Key factors to assess:**
		1. **Control:** Who directs and controls the work?
		  o Firm controls → Employee.
		  o Practitioner controls → Contractor.

8	**What are the key factors for CPAs to assess in the employee vs contractor assessment?**	From FINTRAC's perspective, we also understand that control, while important, is not the sole or determinative factor. CRA applies a "totality of the relationship" approach based on common law principles, which looks at multiple factors taken together, including:
		  o The degree of control over how and when work is performed;
		  o Ownership of tools and equipment;
		  o Chance of profit and risk of loss;
		  o Ability to subcontract or hire assistants;
		  o Integration of the individual's work into the payer's business; and
		  o The intent of the parties, as reflected in agreements and conduct (as a supporting, but not overriding, factor).
		The core question underlying these factors is whether the individual is operating a business on their own account (i.e., as a contractor), or whether they are economically dependent on and integrated into the payer's business (i.e., as an employee).
		From a FINTRAC perspective, these same factual elements are relevant as they help determine who ultimately bears compliance responsibility and AML risk, rather than merely how the relationship is labelled.

9	**If the CRA has made an employee vs contractor stance for tax purposes, does FINTRAC take the same stance, or would they consider the situation separately?**	While CRA and FINTRAC operate under different statutory regimes and for different purposes, FINTRAC does not apply a distinct legal test to determine whether an individual is an employee or an independent contractor. CRA determines employment status for tax, CPP, and EI purposes using long standing common law principles, and that determination is generally persuasive for other federal regimes. FINTRAC's focus, by contrast, is not payroll or taxation, but rather to determine who qualifies as a reporting entity under the PCMLTFA and whether an individual is acting on behalf of that reporting entity (e.g., as an employee, agent or mandatary). As such, FINTRAC does not automatically adopt CRA determinations as legally binding; however, in practice, FINTRAC typically aligns with CRA/common law conclusions unless there is a specific AML-related reason to assess the relationship differently (e.g., where an individual is functionally operating as an independent business despite labels to the contrary). In practice: o Individuals acting within a firm's structure and under its compliance program would generally be treated as an employee acting on behalf of the firm who is the reporting entity. o Individuals operating independently and providing regulated services on their own account may themselves be considered the reporting entity under the FINTRAC regime, depending on the activities performed.
10	**Example Scenario:** **CPA acting as CPA for hire who may also be responsible for paying invoices.** **a. CPA receives invoice for services/goods (note: CPA not involved in contract**	In the scenario described, where a CPA is acting as a "CFO for hire" and participates in an accounts payable process through a client-owned ERP system, the key consideration is whether the CPA is receiving, paying, controlling, or transferring funds on behalf of the client. Based on the facts provided, the CPA's role appears to be limited to data input and processing and administrative and authorization support

	negotiations/activities that led to the invoice), **b. CPA inputs information from their personal laptop into ERP system (note: ERP system chosen by the company),** **c. CPA enters invoice details into ERP system and sends to owner for final approval via the ERP system (the triggering activity for CPA),** **d. Payment made from company bank account via automatic withdrawal triggered by approval in ERP system (note: account from which payment made determined by company and CPA may/may not have access to).**	functions, rather than acting as a financial intermediary with control over the movement of funds. The fact that the CPA's action within the ERP system advances a payment workflow does not, in itself, constitute causing or transmitting funds for the purposes of the Act. An important distinction is that the payment is ultimately made from the client's bank account, using banking arrangements established by the client, and typically requires separate approval and system authorization outside the CPA's control. Accordingly, such activities would **generally not constitute triggering activities**, provided the CPA: • does **not have signing authority**, • cannot **independently release or initiate payments**, • does not **hold or redirect client funds**, and • cannot **override payment controls**. From a compliance program perspective, firms operating in this model should clearly document that they do not control client funds, define the limits of their ERP roles, and train personnel to recognize when their authority or system access could cross into fund transmission. Additionally, they should maintain STR awareness procedures, as suspicious activity can still arise from reviewing invoices or payment patterns, even where the CPA is not directly handling funds.

Compliance Programs		
11	**When is a full compliance program required?**	If the CPA’s role includes any activity that is a triggering activity, they are considered a reporting entity under PCMLTFA. This means: • Compliance program required (policies, procedures, risk assessment, training, compliance officer). • Record-keeping and reporting obligations apply (e.g., suspicious transaction reports, large cash transaction reports, etc.).