

2. Sector-specific PCMLTFA changes

In addition to the changes of general application listed in Part 1, a number of changes apply to certain Reporting Entity sectors.

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Securities dealers

Entering into business relationships

FINTRAC has issued new [guidance](#) as of February that will come into effect on June 1, 2021 that redefines when a securities dealer is considered to have entered into a business relationship. This has wide-reaching implications for various obligations securities dealers have under the PCMLTFA and its regulations as the beginning of a “business relationship” triggers beneficial ownership determination obligations, ongoing monitoring obligations and obligations to conduct certain PEP/HIO screenings. Under the new definition, a securities dealer enters into a business relationship with a client when

- the securities dealer opens an account for a client (except in certain circumstances, see the guidance for the full list), or
- if the person does not hold an account, the second time, within a five-year period, that the client engages in a transaction for which the securities dealer is required to verify their identity

Know-your-client requirements

On March 22, 2021, FINTRAC issued new [guidance on when to verify the identity of persons and entities for securities dealers](#) in order to reflect the Amendments. This guidance will come into effect on June 1, 2021.

Changes from the prior guidance include

- additional client verification requirements for large virtual currency transactions (equivalent to \$10,000 or more), which are subject to the 24-hour rule

- the addition of a new exception in respect of large virtual currency transactions equivalent to \$10,000 or more: there is now no need to verify the identity of a person or entity that conducts a large virtual currency transaction if the virtual currency is received from a financial entity or a public body or a person acting on behalf of a financial entity or public body

Screening for politically exposed persons and heads of international organizations

FINTRAC's new PEP/HIO [guidance for account-based reporting entities](#), which was issued in May and will take effect on June 1, 2021, makes a number of changes to the obligations securities dealers have with respect to PEP/HIO screening, monitoring and recordkeeping. These sector-specific changes are in addition to the changes of general application identified above in Part 1, which apply to all reporting entities, including security dealers; that general guidance is available from FINTRAC [here](#).

Under the new guidance, security dealers' obligations are largely the same, though some changes apply:

- Securities dealers must determine the source of any virtual currency that is deposited or is expected to be deposited into an account for any account holder determined to be a foreign PEP (or a family member or close associate of a foreign PEP), or a high-risk domestic PEP or HIO (or a high-risk family member or close associate of a domestic PEP or HIO).
- Recordkeeping is not required for unsuccessful reasonable measures taken, when "reasonable measures" are required.
- Exceptions have been added to the PEP/HIO determination requirements, including when
 - a person was previously determined to be a foreign PEP or a family member of a foreign PEP, as such designations continue indefinitely
 - the person already has an account and opens another account, if the determination was made before
 - a business account has been subject to verification of at least three authorized persons
 - the account was opened to receive certain insurance policy proceeds
 - accounts were opened to sell mutual funds if there are reasonable grounds to believe another securities dealer verified the person's identity
 - for members of a group plan, contributions are made by the sponsor and the identity of the entity was verified
 - certain listed transactions occur (for the full list please review the guidance)

Recordkeeping requirements

Securities dealers will be subject to new recordkeeping requirements under the Amendments. In anticipation of these changes, FINTRAC issued new [recordkeeping guidance](#) on March 22, 2021 to take effect June 1, 2021. As with prior guidance, the new FINTRAC recordkeeping guidance does **not** consolidate

all recordkeeping requirements and additional recordkeeping requirements continue to be found in the beneficial ownership guidance, the ongoing monitoring guidance and the PEP/HIO screening guidance, among others.

Changes under the new guidance include

- new obligations to retain records of terrorist property reports, large cash transaction reports and large virtual currency reports for five years
- recordkeeping requirements for large cash transactions also include transactions in which another person or entity is authorized to receive funds and the other person or entity receives \$10,000 or more in cash
- the modification of the information that must be kept as part of the large cash transaction record and the addition of new information to be retained. New information that must be provided in the record includes information regarding entities involved in the transaction, exchange rates used, reference numbers connected to the transaction and details of the remittance of the cash received
- the addition of a detailed recordkeeping requirement for large virtual currency transactions in an amount equivalent to \$10,000 or more, including information about persons or entities involved in the transaction, accounts affected by the transaction, the account holder's information, and any exchange rates applicable and their source
- records of unsuccessful reasonable measures are no longer required
- large virtual currency transaction records do not need to be kept if received from a financial entity or public body or person acting on behalf of a financial entity or public body
- a receipt of funds record does not need to be kept if the funds are received from a very large trust
- virtual currency received as compensation for the validation of a transaction or a nominal amount of virtual currency received for the sole purpose of validating another transaction is not subject to the virtual currency recordkeeping requirements

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