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VIA EMAIL: fin.fc-cf.fin@canada.ca

Director General
Financial Systems Division
Financial Sector Policy Branch
Department of Finance
James Michael Flaherty Building
90 Elgin Street
Ottawa, Ontario
Canada
K1A 0G5

Dear Director General:

Re: Discussion Paper: Reviewing Canada's Anti-Money Laundering and Anti-Terrorist Financing ("AML and ATF") Regime (the "Discussion Paper")

The Investment Industry Association of Canada ("IIAC") welcomes the opportunity to provide comments on the Parliamentary Review on behalf of our members and as a member of the Department of Finance's Advisory Committee on Money Laundering and Terrorist Financing. The IIAC's mandate is to promote efficient, fair and competitive capital markets in Canada. To this end, the IIAC supports the objectives of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* ("PCMLTFA") and Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime ("Regime"). A robust, efficient and effective anti-money laundering/anti-terrorist financing regulatory regime acts to detect and deter criminal activities and to enhance the overall credibility of our Canadian capital markets.

As the Department of Finance is aware, our members currently follow an enhanced regime as securities rules at both the Provincial and Self-Regulatory level place higher requirements on securities dealers than many other sectors do on their constituents.

It should be noted that we have not commented on every potential policy measure described in the Discussion Paper, but focused on those in which the industry had a specific interest or concern. While the IIAC has generally followed the order of the Discussion Paper in terms of the order of our responses, the IIAC has the following as key priority items we wish to emphasize:

1) Modernizing the methods in which to ascertain the identity of clients;

2) Information sharing (public/private, private/private); and

3) Corporate transparency and specifically, the creation of a national registry for beneficial ownership.

These items were also included as part of the testimony provided by the IIAC's President and CEO, Ian Russell, in his appearance in March before the House of Commons Standing Committee on Finance relating to Parliament's five-year statutory review of the PCMLTFA.

The IIAC is supportive of many of the proposals outlined in the Discussion Paper to advance the efficiency and effectiveness of the Regime to ensure resources are better aligned, however, we are including some of the potential compliance challenges that our members could face as a result of some of the measures contemplated. We have also reiterated some comments made in the IIAC's April 2017 Parliamentary Review Submission as we believe they can help to support the development of forward policy and technical measures to improve the Regime.

Corporate Transparency

The IIAC agrees with the views of the Department of Finance that accurate and up-to-date beneficial information is critical and that currently, information requirements are spread across a number of different statutes and there are differences between jurisdictions in requirements related to the collection (initially and keeping the information current), disclosure and access to this information as the means to confirm the information provided.

Given our members' responsibility to collect beneficial ownership information for corporations, trusts and other entities and take reasonable measures to confirm the accuracy of the information collected, without always having reliable data to cross-check what is provided by clients, we suggest a national registry be adopted.

The IIAC applauds the consensus reached by federal-provincial-territorial finance ministers on December 11, 2017 to enhance the transparency and improve access to beneficial ownership information. Finance Ministers have committed to changes that are intended to make information on beneficial ownership available to law enforcement, tax and other authorities. This information should also be made accessible to financial services firms, including securities dealers, that have obligations under the AML/ATF legislation and mandated to collect and confirm beneficial ownership information (as well as take measures to keep such information up-to-date) on the entities with which they do business.

However, the IIAC believes more effort is needed to harmonize federal and provincial/territorial corporate statutes, particularly in terms of ownership definitions (for example, beneficial ownership definitions differ as between the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations* ("PCMLTFR") and tax legislation), thresholds and the standardization of corporate records.

Currently, our members state that they have obtained a signed certification, attestation or statement from a person authorized to act on behalf of the client with respect to the beneficial ownership information which also establishes ownership, control and structure as set out in section 11.1 of the

PCMLTFR. Furthermore, as required under subsection 11.1(3) members have retained a copy of the certification, attestation or statement to demonstrate that reasonable measures were taken to confirm the accuracy of the beneficial ownership obtained.

However, FINTRAC has recently indicated that an attestation is not sufficient and that further steps must be taken, specifically that only official documents can be used to confirm the accuracy of the beneficial information obtained as required under section 11.1. This puts the industry in a very difficult position since, in most cases, there is no other source of information beyond the client that would allow members to confirm accuracy. We understand that FINTRAC may now be reversing this position and permitting the use of attestations, subject to certain conditions. While this is a positive step, it still fails to address the lack of official records that reporting entities can rely on to ensure information is accurate and current.

For this reason, the IIAC supports the creation of a national registry that contains current and accurate information with respect to beneficial ownership. This measure will not only reduce the burden on our members but improve the accuracy and transparency with respect to beneficial ownership information. Further, such registry should be publicly accessible. Such accessibility should not simply be at a high level but contain the full details beyond such name of the beneficial owners to include, for example, date of birth. Recognizing the challenges in creating such a registry, as an alternative, the IIAC would accept a secure platform with full details available to the reporting entities in the regime that have an obligation to collect/confirm beneficial ownership information, rather than a fully accessible public registry in order to better ensure the privacy of individuals is protected.

Examining the UK registry would be a useful first start; however, it does not go far enough in many ways and a number of gaps, flaws and issues have been detected in relation to it. Thus, it is critical for industry to work cooperatively with the government in terms of creating a meaningful and effective national beneficial ownership registry.

In addition, it is also recommended that fundamental changes be made to the Regime, including:

1) making it a criminal offense to provide incomplete or false information when beneficial ownership is provided for entity registration (initially, and when it needs to be updated); and

2) creating a government enforcement regime implemented to oversee the registration in which entities and trusts which provide false information at the time of registration or when updated are subject o fines/persecution.

It is further suggested that there is some method of “verification” of the information and that this be borne by the registries or some other form, for example, that notaries and lawyers would have to “certify” that they have obtained the information from the client, ascertained identity and information is “verified” to the best of their ability (this regime exists in certain Financial Action Task Force (“FATF”) countries). We would also suggest that the federal and provincial registry offices have the ability to examine and enforce the legislative requirements.

With respect to trusts, there are specific challenges in collecting the names and addresses for known beneficiaries of certain types of trusts. These challenges include the fact that there are differences in the types of trusts that exist including, informal family trusts, publicly traded trusts, etc. which can result in different requirements. As such, we believe Finance should clarify the requirements for trusts by creating a section specifically related to trusts (where a reporting entity is not a trust company), including detailing the information needed with respect to settlors, beneficiaries and the trustees. This would help support the government's objectives of improving transparency in the Regime and providing additional clarity for reporting entities and their clients.

In addition, we support Finance's examination of ways to enhance the tax reporting requirements for these entities in order to improve the collection of beneficial ownership information.

Expanding the Scope of the PCMLTFA to High Risk Areas - Head of International Organizations (HIOs), Beneficial Ownership and Politically Exposed Persons (PEPS)

Securities dealers currently have obligations relating to PEPs and HIOs in Canada in addition to the obligation to collect beneficial ownership information from corporations or other entities other than corporations.

The IIAC, in principle, supports the inclusion of international bodies in the definition of HIOs and that First Nation Chiefs should be included in the definition of PEPs

However, the IIAC wishes to point out our concern, within this section, as well as some other proposals contained within this Discussion Paper, that while not material in and of itself, once combined with others, have a cumulative effect and, consequently, can result in a significant burden which would impact the effectiveness and efficiency of the Regime. For example, while currently, an HIO ceases to be an HIO upon leaving office, in 2017 there was an indication that some of these existing provisions might change to expand in scope (to mirror the domestic PEP requirement that the individual remains a domestic PEP for five years after the status ceases). If recordkeeping of HIOs is extended for longer periods of time, this can create a considerable burden on our members.

Expanding the range of positions that fall within the domestic PEP requirements increases the regulatory burden by necessitating changes in systems, policies and procedures, and training. This is troubling especially given that fact that the one-for-one principle does not seem to be applied whereby other requirements have been removed or reduced.

Consequently, we would suggest that the category of "mayor" be narrowed to some degree, especially given that with respect to Transparency International's Corruption Perceptions Index, Canada is not considered to have a high risk of domestic corruption. As a result, we would suggest that a risk based approach be applied to those holding that position or equivalent positions to assist in mitigating the increased burden.

In addition, a proposal requiring the determination of whether beneficial owners identified are PEPs would be challenging given the previous discussion of the lack of reliable methods available to reporting entities to confirm beneficial ownership of corporations, trusts and other entities. Until a national registry

is developed it would be premature to introduce a PEP identification requirement for beneficial ownership.

Prohibiting the Structuring of Transactions to Avoid Reporting

Finance is considering the creation of a criminal offence for an entity or individual to structure transactions and to specifically prohibit reporting entities from conducting transactions in such a way as to avoid transaction reporting.

In many situations, our members may have transaction threshold amounts that are created from a business risk perspective and are not done to avoid transaction reporting. In such situations, these types of transactions should not be misconstrued as a criminal offence. For example, where a firm has designed a control that does not permit the wiring out internationally of multiple wires of more than $9,999 in any given day, if the firm does a number of these transaction over two weeks for a client to get their money out – this is done simply for business reasons to mitigate a firm's risk and not a wilful action to evade obligations under the PCMLTFA.

As a result, the IIAC is not opposed to such a provision but our concern is that it is drafted very carefully. In particular, there must be a clear criminal intent requirement by the client of a reporting entity, for example, with the intention of avoiding reporting thresholds under AML/ATF law.

A Stronger Partnership with the Private Sector – Engagement Model for Information Sharing with the Private Sector

As stated in previous submissions, we have the following suggestions with respect to information sharing. In each case, careful consideration should be given to ensure consistency with PIPEDA and the requisite privacy protections are afforded to the individual.

Information Required to be Destroyed by FINTRAC

It would also be helpful if FINTRAC was required to respond back to reporting entities to indicate which suspicious transaction reports ("STRs") are not retained because of not meeting FINTRAC's determination of the STR definition. In other words, which information is required to be destroyed by FINTRAC under subsection 54(2) of the PCMLTFA. Currently, reporting entities are required to submit suspicious transaction and attempted transaction reports to FINTRAC based on the "reasonable grounds to suspect" threshold but are unable to thereafter verify with FINTRAC whether the STR is ultimately determined by FINTRAC to have been required under section 7 of the PCMLTFA.

For transactions which are not retained, FINTRAC destroys the record to protect the privacy of the party; however, if the reporting entity is not provided with feedback on the disposition of the original STR, it may continue to file additional suspicious transaction reports along similar themes if the activity continues, without the opportunity to more appropriately contextualize or suspend filing as the case may be. It would be helpful if FINTRAC could provide information to reporting

entities in situations where the entities do not meet the threshold for a suspicious transaction or where FINTRAC requires additional information to make a determination.

Without improved information sharing, reporting on these additional transactions exacerbates the privacy concern and requires additional resources for FINTRAC. It is also an inefficient use of resources for our members.

If reporting entities receive these notices, a supplementary review could be performed to improve the understanding of applicable STRs. Among other benefits, this would assist reporting entities to most effectively implement the risk based approach and related internal controls. It would also assist in improving the quality of subsequent reviews for similar transactions by FINTRAC for behaviours already deemed to not meet the definition of a suspicious transaction under the PCMLTFA.

Distribution Lists – Proceeds of Crime/Threat to Security

The IIAC further suggests that the Department of Finance propose an amendment to section 55 of the PCMLTFA and the *Criminal Records Act* (the "Act") to empower FINTRAC and the Department of Justice to provide secure disclosures and detailed notices to reporting entities. An actionable list (including name and date of birth or business number for entities) of persons recently convicted of an indictable offence (excluding young offenders) which has applicability to proceeds of crime or listed as a threat to the security of Canada should be provided securely to PCMLTFA reporting entities to aid as a key tool in their assessment of money laundering risk within their business relationships.

Reporting entities require specific intelligence to efficiently respond to persons guilty of a money laundering offence or a threat to the security of Canada. At this time, FINTRAC can only perform a disclosure to law enforcement and select government agencies, or for the purposes of media awareness of past confirmed cases with the Act.

Unfortunately, the legislation as well as the national inherent risk assessments today are overly broad and the FINTRAC interpretive guidance far-reaching. In FINTRAC Guideline two, the section on indicators of suspicious transactions includes an example that reporting entities are to act on media reports of suspicion of money laundering. This results on the reliance of media exposure which may have incomplete information on the party, resulting in burdensome investigations and an inefficient tool in the Regime.

Additionally, media often reports on allegations rather than established facts where an offence may not be present.

If the Department of Justice and FINTRAC provided the information of confirmed convictions, this information can be directly used by reporting entities in a manner which respects the Charter and privacy rights, as court proceedings, unless sealed in rare cases, are technically not private and open to the public (currently, this information is not practically accessible). The reporting entities would be able to review the information on file for any related parties to assess if any applicable

activities for that party are deemed to be a suspicious transaction. To protect the privacy of the convicted person, technology tools can be utilized to limit the access by financial institutions to this list to only present data when it matches a known customer. This would reduce the efforts currently used for media monitoring and ineffective research today when a person with a common name and year of birth could have dozens of matches for a financial institution. This is similar to the practice used in the United States where a targeted list is sent by the Department of the Treasury's Financial Crimes Enforcement Network.

The benefits to the Regime include the ability of financial institutions to review their files for potential networks of other related parties or higher risk transactions where there is a reasonable suspicion of money laundering to be reported to FINTRAC. These transactions, subsequent to the indictable offence conviction, may lead to potential civil forfeiture cases, tax evasion indictments or the discovery of organized crime networks. Furthermore, although the recidivism rate in Canada has been difficult to quantify, this remains a significant concern (as high as 25% of convictions), which may be reduced if criminal proceeds are removed from the financial system.

Generally, to the extent that law enforcement and government can provide reporting entities with public information that relate to threats to national security, it would enable reporting entities to be better partners in combatting money laundering and terrorist financing.

To provide the ability for the convicted person to establish themselves in the future with financial services, provisions can be put in place to limit the list of recent convictions (within one year) as well as limit the listing based on the severity of the predicate offence and to solely permit financial institutions to retain information where there is a match to existing business relationships.

Publication of Decisions

Finally, it would be helpful for FINTRAC to publish on its website written decisions of violations to the PCMLTFA. This would help to inform all reporting entities of the issue and improve their own procedures and practices to ensure they avoid similar issues within their respective organizations.

The U.S Financial Industry Regulatory Authority (FINRA), for example, follows a similar approach by publishing detail of finalized disciplinary actions online, which are reviewed closely by FINRA member firms as another means to ensure their respective effective compliance with applicable requirements.

Electronic Funds Transfers

Given that there is limited information contained in the Discussion Paper on electronic fund transfers, we request more information in order to properly provide feedback on this section.

Geographic Targeting Orders

Before the Government considers development of this tool, we would request some additional clarity as this section is somewhat vague. An example would be very helpful and further clarification as to exactly

what would be the obligations and expectations with these geographic targeting orders. It would be very problematic if the Government anticipates imposing enhanced measure with regions that are close to the U.S. border or for high density cities.

Enhancing and Strengthening Identification Methods

The IIAC thanks the Department of Finance for allowing the expansion of identification methods. The changes to accepting three-year Canadian credit history as a single method and the addition of other documents from "reliable sources" to satisfy the dual method.

However, we also wish to further emphasize the IIAC's previous comments made in our 2017 Parliamentary Review Submission pertaining to clarification of identification and verification:

Credit File Verification

With respect to the use of a credit file in identity verification, the IIAC is pleased that a credit file can now be used on a stand-alone basis but we are of the view that, as previously recommended, the required time frame should be reduced from three years to six months. The requirement that a new customer have a three-year Canadian credit file will mean that some individuals, such as those who are new to Canada or students, will not be able to satisfy the requirement nor avail themselves of online account opening. Other countries do not prescribe the length of the credit record that can be used for customer identification purposes and we suggest a similar approach be applied in Canada.

Client Identification and Copies

Regarding the client identification measures that now allow us to accept various other forms of documents (i.e. CPP statements, Notices of Assessments, utility bill, divorce documentation, credit card/loan account statements, etc.) under the Dual Method, the PCMLTFR and FINTRAC Guidance states, "Original documents do not include those that have been photocopied, faxed or digitally scanned." This appears to be a deviation from prior Policy Interpretation guidance (as referenced in PI-6264 dated December 5, 2018, Activity sector(s): Securities Dealers) on the Confirmation of a Deposit Account method that allowed "a copy of a client's bank statement, a legible fax or scanned copy of a bank statement, or an original or electronically issued bank statement addressed to the client that contains all of the information".

For reporting entities that operate in a purely online environment or for reporting entities that may have clients located in remote regions of the country where a bricks and mortar location is not accessible to the client, allowing scanned, fax, digital/electronic copy or picture image (by smart device) of documents that support client identification in the Dual Method allows firms the ability to service these clients that do not want to send original copies of documents into the reporting entity. Part of the reluctance to send originals includes lost or damaged mail that contains original documents (for example, sending birth certificates), longer wait times to receive and process documents, and liability to the reporting entity if anything happens to originals that are not received back to the client. However, enabling clients to submit electronic copies

provides them with additional choice with respect to the kind of firm with which they wish to do business (for example, online firms or firms that have the flexibility to ascertain identity in a non-face-to-face situation).

The IIAC acknowledges that a possible disadvantage with submitting electronic copies may be the potential risks associated with fabricated documents. However, we note this also exists with documents provided in physical format. Reporting entities would have the ability to use discernment when accepting documents and should be able to reject documents where they feel its validity or authenticity is questionable. Further technological advancements can now assist in identifying falsified or modified documents - whether they are electronic copies or originals.

The changes in the PCMLTFR and FINTRAC Guidance results in the mailing of physical documents vs. accepting electronic, scanned or faxed copies. We believe that the benefits of accepting electronic, scanned or faxed copies far outweighs the potential harm and poses little risk to the effectiveness of the Regime while at the same time allowing the PCMLTFR to remain flexible and adaptive.

The IIAC suggests that the Department of Finance and FINTRAC amend the language of the PCMLTR and FINTRAC Guidance so that scanned, fax, digital/electronic copy or picture image (by smart device) of documents that support client identification in the Dual Method can be accepted.

Considerations for Advancements in Technology

Digital ID

As technology continues to embed itself within the financial industry, we would be remiss to ignore the advancements in technology that could allow us to identify individuals, outside existing methods. As an example of that, the IIAC wishes to emphasize that the inclusion of digital ID methods to ascertain identity will help to facilitate and enhance the effectiveness of customer due diligence for the purposes of Regime by expanding the ability of reporting entities to improve their identity verification and client authentication capabilities going forward. The inclusion would also be more client-centric with respect to opening accounts and would provide clients with a wider choice of options for client identification.

To achieve this, it is important that criteria for accepting digital ID as an identity verification method be defined from a principles-based approach and should involve the industry, together with all applicable government stakeholders, in order to ensure an effective incorporation of digital ID in the Regime.

An important point to highlight is to ensure that FINTRAC is involved in the development of the principles-based standards for the use of digital ID as FINTRAC is the organization that examines members and if FINTRAC does not accept certain identification methods, then advancements will be stifled. There seems to be some tension between the principles-based requirements that

Finance is promoting and the more prescriptive approach that FINTRAC appears to have adopted in its guidance and in examinations.

Accepting Facial Recognition Technology as an Acceptable Method

The IIAC suggests that the Department of Finance and FINTRAC revise the language of the PCMLTFR and FINTRAC Guidance so that facial recognition technology also be considered as an acceptable method when compared with a photograph on a valid, original government-issued identification document. In many cases, newly issued IDs like driver's licenses and passports, contain certain security markers to help confirm the validity and authenticity of the document. Government ID in conjunction with facial recognition technology should be considered an acceptable, reliable source.

There have been significant advancements in technology that would give reporting entities the ability to 'recognize' hundreds of facial markers in a video image of a person to a secondary source, for example, drivers' licenses in several provinces have already been equipped with digital identification technology. The accuracy of this technology is far superior to some of the client identification methods that exist today.

Using facial recognition technology as an example of new technology that could be implemented, the pass criteria for this technology would likely require a match that is two-fold:

i) facial attributes are a match to the photograph on the identification document, and

ii) data contained on the identification document, for example, data on the front of a driver's license (confirming name and date of birth or address) is matched to data contained on the back of the document i.e. readable data.

The reporting entity would retain the name, address and date of birth verified from the identification document, the identification document used and its reference number, and the date the information was confirmed. The reporting entity would also retain a record of the source of the information, i.e. the vendor or service provider that was used and the criteria established by that source.

This would satisfy one of the dual methods and also be a viable mechanism to combat fraud and fraudulent identification documents. Currently, there are no government database that can be accessed to validate identification data.

Updating the FINTRAC Guidance to embrace emerging technologies would allow the PCMLTA and FINTRAC to align with our current Prime Minister's agenda to support high-tech innovation and allows Canada to 'catch up' in implementing new technologies. This issue was also outlined in the 2018 Federal Budget where the government highlighted the importance of the financial sector keeping pace with global developments, including greater flexibility for financial institutions to

undertake and leverage broader fintech activities that enable the delivery of financial services in new and innovative ways.

Exemptive Relief and Administrative Forbearance

In connection with the rapid growth of technology is the ability to permit sandboxes or administrative forbearance in order to empower innovative technologies related to developments as to what digital ID could mean now and in the future. Permitting sandboxes where the regulators and industry can access technologies is imperative in order to move forward more rapidly as evolution occurs. Additionally, as discussed above, such innovative provides for greater ability to meet with the FATF's objectives.

FINTRAC and other organizations that regulate our members should similarly be involved in the sandbox so that they can gain greater comfort as new innovations develop. The IIAC supports the inclusion in the Regime of an exemptive relief and administrative forbearance framework. However, it is critical, given the multiple regulators that our members are subject to, that there is coordination amongst the relevant regulatory bodies and a consistent framework is adopted and applied to ensure an efficient process for administrative forbearance while not creating unnecessary burdens on those entities seeking such exemptions.

Consultation Process for the Development of Guidance

The IIAC agrees with the view of the Department that FINTRAC plays a key role in providing guidance to reporting entities on their obligations and requirements in implementing changes as a result of amendments to the PCMLTFA or its Regulations. OSFI, IIROC and the provincial securities regulators also play a significant role in supervising and providing guidance.

We believe that a more formalized consultation process would provide structure and transparency that would ensure comprehensive industry input. To date, IIAC members involved in the Advisory Committee on Money Laundering and Terrorist Financing Working Groups have found the exercise useful and informative and we believe Finance and FINTRAC agree that it has proven valuable.

Providing industry with the ability to inform the development of guidance helps to ensure the guidance is meaningful and can be operationalized in an efficient and effective manner and in keeping with the objectives of the Regime. Focusing on the highest risk is imperative, as the operationalization is often the biggest challenge for industry. If guidance is developed in the absence of industry involvement, and reporting entities are simply handed the information, they face material challenges in operationalizing it and understanding the risks it is intended to address. A more involved consultation process in the development phase of guidance further helps to avoid any unintended consequences or a possible lack of clarity that could arise during the drafting process.

Administrative Monetary Penalties

FINTRAC has the discretionary power to make public certain information related to an AMP, including the person or entity and violations and penalty amount imposed. While the IIAC is not opposed to the ability

to public naming, there does not appear to be the ability to have one's name or entity removed from the list, once the issue has been rectified.

We understand that FINTRAC has indicated that a new protocol is being developed. Similar to earlier comments, we believe it would be very beneficial to have industry involved in the guidance that FINTRAC creates in how they assess who is named and how penalties are assessed. It is also important to consider which violations are more technical in nature (i.e. related to an expiry date on a driver's license) as opposed to ones that have a material impact. In this regard, as suggested above, allowing the detailed written decisions on enforcement action to be made publicly available would be immensely beneficial.

Finally, the IIAC wishes to mention that perhaps some consideration could be given to a recourse separate from a Federal Court appeal of a violation cited by FINTRAC. Currently, following a request for review from the Director of FINTRAC, the next step is to escalate to the Federal Court of Canada. This is an onerous and expensive proposition for both the Government as well as the institution, especially as a first-instance dispute resolution mechanism. The IIAC respectfully submits that consideration should be given to creating a confidential mediation-arbitration mechanism (leveraging independent experts and/or a specialized tribunal) which will enable the parties to resolve any violation-related disputes that cannot be resolved by bilateral negotiation without immediately having to go to court, which would then become the dispute resolution mechanism of last resort.

Creation of a Uniform Reporting Schedule

While we appreciate the Government attempting to streamline and create one uniform reporting schedule, sometimes such a change does not in fact reduce the regulatory burden for our members. Members have had the schedules in place since 2000. To have large institutions dismantle and then build a brand-new reporting structure results in an even bigger burden. A shift to one uniform reporting schedule would be a fundamental change in how many firms currently design their systems.

We certainly recognize that the streamlining of schedules is an easy way of reporting but the implications to a larger organization are very different than those of a smaller organization.

So as mentioned at the outlet of this submission, while some new requirements may not seem material, they in fact are extremely problematic and create compliance and operational challenges.

Thus, it is critical that before Finance determine that the burden would be reduced for certain measures contained in the Discussion Paper and contemplated to be included in the Regime, that industry is involved in adequately measuring these changes and ensuring both an effective and efficient use of resources for the Regime.

Mitigation of Money Laundering and Terrorist Financing Commensurate with the Risks

We support the Department's statement that there is no explicit obligation to mitigate any risks that are assessed as being lower than the high benchmark according to their risk level. Members currently focus their resources on high risk business activities and should not be expected to change their monitoring of risk factors.

If reporting entities would be expected in the future to take action on risks other than those deemed higher, then the regime will have shifted from a risk based approach and would put into question the value of how effectiveness and efficiency is achieved. As a result, the IIAC does not support the proposal as currently drafted.

Thank you for considering our submission. The IIAC would be pleased to respond to any questions that you may have in respect of our comments.

Yours sincerely,

M. Alexander