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March 13, 2020

**VIA EMAIL:** [fin.fc-cf.fin@canada.ca](mailto:fin.fc-cf.fin@canada.ca)

Lynn Hemmings  
Director General  
Financial Crimes and Security Division  
Financial Sector Policy Branch  
Department of Finance  
90 Elgin Street  
Ottawa, Ontario  
K1A 0G5

Dear Ms. Hemmings:

**Re: Regulations Amending the Regulations Amending Certain Regulations Made Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, 2019 (the “Proposed Regulations”)**

The Investment Industry Association of Canada (“IIAC”) welcomes the opportunity to provide comments on the Proposed Regulations published in the Canada Gazette on February 15, 2020 on behalf of our members. 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.

#### Exemptions from Business Relationships

The IIAC notes that the definition of business relationships that was contained in the previous 2019 draft regulations, has been removed and new section 4.1 has been included in the Proposed Regulations.

Paragraph 4.1(a) now states that a business relationship can occur at the time when the person or entity opens an account for the client, *except in the circumstances set out in any of paragraphs 154(1)(a) to (d) and 2(g) to (l) and (p) and subsection 154(3).*

This means that under subsection 154(2), certain entities are now excluded from the above exemption and those entities will be subject to the business relationship obligations, including ongoing monitoring. These entities include:

(m) a public body;

(n) a corporation or trust that has minimum net assets of \$75 million on its last audited balance sheet, whose shares or units are traded on a Canadian stock exchange or a stock exchange designated under subsection 262(1) of the Income Tax Act and that operates in a country that is a member of the Financial Action Task Force;

(o) a subsidiary of a public body referred to in paragraph (m) or a corporation or trust referred to in paragraph (n) whose financial statements are consolidated with the financial statements of that public body, corporation or trust.

We question why these paragraphs were specifically excluded given the fact that in other requirements are these entities exempted along with the other provisions in subsection 154(2) due to the low risk that these entities present.

#### Record-keeping Requirements for Authorized Persons

While we understand there was not sufficient time in these Proposed Regulations to include the previously made joint request by the IIAC and the Canadian Bankers Association (“CBA”), we wish to reiterate the issue as part of this consultation process. The IIAC and CBA wrote to the Department of Finance in November 2019 providing comments related to subsection 29(b) of the 2019 *Regulations Amending Certain Regulations Made under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. In our submission, we highlighted the fact that while the record-keeping obligations for securities dealers require a record of the name and address of each account holder and every other person who is authorized to give instructions in respect of the account, the equivalent record-keeping section for financial entities under subsection 12(b), only requires up to three persons who are authorized to give instructions.

There seems to be no clear policy rationale for the distinction and is overly burdensome, particularly for large clients who may have dozens of such persons.

We therefore continue to request that the record-keeping requirements for persons authorized to give instructions, “up to three, in the case of a business account”, be equally applicable to financial entities and securities dealers.

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,

