



Independent Financial Brokers of Canada
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April 30, 2018

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

Submitted by email: fin.fc-cf.fin@canada.ca

Dear Sirs/Mesdames:

Subject: Reviewing Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime

Independent Financial Brokers of Canada (IFB) is pleased to comment on the above-noted paper. IFB consents to the public posting of this response in its entirety.

IFB is a national, not-for-profit, professional association with approximately 3500 members, who are licensed financial advisors. Most IFB members are life insurance licensees and/or securities registrants. They are independent in the sense they can provide clients with access to financial products from two or more companies. IFB members are not employees, or career agents, of a financial institution. They are generally self-employed, owner-operators of a small or medium-sized financial practice in their local community.

IFB represents the interests of its members through advocacy, to ensure the ongoing viability of independent distribution; and education, to help members understand and comply with their various regulatory obligations.

IFB members are reporting entities under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, and have access to training materials, templates and other guidance, including their obligations under the PCMLTFA, specifically tailored to their needs. For example, individual life insurance brokers are required to maintain a compliance regime, separate from that of the insurance companies or managing general agencies (MGAs) they contract with. However, if these advisors are securities registrants as well, their dealer is responsible for the compliance regime and training. This has led to an odd situation where the dual-licensed advisor, who has clients invested in both securities and life insurance products, is required to maintain a compliance regime for that portion of his/her financial practice which is related to life insurance, while relying on the dealer's regime for the securities portion. IFB has prepared educational materials to address this situation, and for individual life insurance licensees to reduce the burden of compliance.



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In addition, some IFB members are semi-retired, remaining licensed only to be able to service existing clients. Others specialize in group insurance. In past submissions, we have advocated for a materiality threshold to reduce the burden on these individuals who, when faced with a FINTRAC audit must produce the same proof of documentation and are subject to the same penalties as those who are larger producers, or more actively building their clientele. IFB would be pleased to offer further comment on these points at the Department of Finance's request.

IFB is a proponent of a risk-based approach to regulation, and we urge the government to use this as a guiding principle when considering legislative change. Below are our comments on specific sections of the consultation paper of interest to our membership.

Corporate Transparency and beneficial ownership.

IFB agrees that the ability of reporting entities to ascertain beneficial ownership is difficult and cumbersome. It is particularly cumbersome for independent life insurance agents who must search multiple websites to verify a corporation's existence and beneficial ownership. Even then, private corporations remain opaque and difficult to source information. A central registry would be welcome, as well as other measures, such as being able to rely on taxpayer information provided to the CRA, for example, to reduce the burden of compliance. This may also be helpful for trusts and legal partnerships.

Determining whether beneficial owners are PEPs and applying prescribed measures to mitigate these risks will be an onerous and problematic obligation for IFB members, given that it is already difficult to find this information to confirm beneficial ownership for entities. We are concerned that this will lead to our members having additional exposure to FINTRAC penalties, with little likelihood of an associated benefit to prevent money laundering or terrorist financing.

Expanding the scope of the PCMLTFA.

IFB is generally supportive of closing identified gaps in the current scope of the legislation, based on their risk.

The recommendation to standardize the record-keeping and client identification dollar thresholds would assist in reducing complexity for reporting entities in this regard.

Sharing information with the private sector.

IFB supports sharing information with reporting entities and the public on methods, trends and financial transactions. This will be helpful in promoting compliance and due diligence, and aid in suspicious transaction monitoring. FINTRAC has improved the guidance materials and policy interpretations for reporting sectors on its website, and we encourage this to continue.



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Privacy review of the PCMLTFA.

We have no objection to moving the OPC's audits of FINTRAC from 2 years to 4 years. These reviews, however, are important checks to ensure the information reported is being properly collected and privacy maintained, in light of the fact that information reported may not lead to any subsequent action by FINTRAC.

We note that the references are only to PIPEDA, although Quebec, Alberta and BC, have their own privacy legislation. The paper does not indicate how this will be addressed.

Enhancing and strengthening identification methods.

IFB members would welcome more flexibility to ascertain the identity of a client using technology. Online and non-face-to-face transactions are increasingly common, and reflect how many clients wish to conduct their financial affairs today.

Penalty calculation for AMPs.

IFB agrees that the AMP program should be clear, including requiring FINTRAC to have a transparent methodology on the calculation process.

Consultation process for the development of guidance.

IFB supports an open dialogue for all stakeholders to participate in when government agencies are considering new or revisions to existing regulatory standards. We recommend adopting a formal consultation framework to ensure input is received from a variety of interested parties.

Defining 'Reporting Entity'.

IFB agrees that defining the term 'reporting entity' would help to improve the readability of the Act and add clarity.

Thank you for the opportunity to provide our comments. If you have questions, or wish to discuss, please contact the undersigned, or Susan Allemang, Director, Policy & Regulatory Affairs (email: sallemang@ifbc.ca).

Yours truly,

A handwritten signature in black ink that reads 'Nancy Allan'.

Nancy Allan
Executive Director
Email: allan@ifbc.ca