REPORTING GUIDE

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC): Mandatory Sanctions Evasion Reporting for Canadian Financial Institutions

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Sanctions Evasion in Canada Reporting Guide

In June 2024, Canada amended the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and the Criminal Code to strengthen the country's defenses against sanctions evasion. It expands reporting obligations and introduces new enforcement tools for financial institutions.

Who is impacted by sanctions evasion rules in Canada?

Expanded reporting obligations are required for financial institutions to integrate sanctions evasion detection into their AML programs. Entities subject to the PCMLTFA are the following:

- *Banks, credit unions, and trust companies*
- *Securities dealers and portfolio managers*
- *Money Service Businesses (MSBs)*
- *Real estate brokers, casinos, accountants, and dealers of precious metals/stones*

When should a report be submitted?

Reports must be filed promptly once a suspicion is formed. This means that a report must be submitted as soon as reasonable grounds to suspect sanctions evasion exist. No monetary thresholds applies - all amounts are reportable, if linked to evasion. A delay in filing can expose financial institutions to regulatory penalties.

What are the new mandatory reporting obligations?

It is important to note that this amendment expanded reporting obligations rather than introducing new licensing requirements for financial institutions. The content of the reports to be submitted to FINTRAC must include the following information:

- ***Core Transaction Data*** *– This includes the date and time of transaction, amount of currency, type of transaction, routing details, and instrument used.*
- ***Parties Involved*** *– Pertinent information of the customer such as name, address and occupation, beneficial ownership, counterparty details, and intermediaries.*
- ***Narrative Explanation*** *– Include a clear and concise narrative explaining why the institution suspects sanctions evasion. This must be connected to observed red flags to the suspicion.*
- ***Supporting Evidence*** *– Include the sanctions list references (UN, Canada, OFAC, or EU), internal risk indicators, or external intelligence such as media reports, regulator alerts, or prior enforcement actions.*
- ***Compliance Metadata*** *– Provide information of the reporter details (institution name, reporting officer, contact information), date and time of submission, and follow up actions (account freeze, escalation to compliance).*

What are the key red flags for sanctions evasion?

The observed red flags in sanctions evasion are designed to help financial institutions detect suspicious activity and fulfill the mandatory reporting obligations. Examples are below:

- *Sudden changes in transaction patterns inconsistent with client's profile.*
- *Use of third-party intermediaries without clear business rationale.*
- *Transactions involving dual-use goods or restricted under sanctioned regimes.*
- *Crypto-to-fiat conversions linked to high-risk exchanges or mixers.*
- *Unexplained ownership changes in companies or accounts.*

How is the reporting submitted?

Suspicious Transaction Reports (STRs) were expanded to include sanctions evasion suspicions and are reported electronically to FINTRAC Reporting System (FRS).

Institutions can submit single-entry reports or batch reports (for larger institutions).

Reporting Tips

- *Sanctions evasion reporting is not optional—it is mandatory and real-time obligation for all financial institutions covered by PCMLTFA.*
- *File reports immediately, even if it is an attempted transaction, or blocked or rejected internally.*
- *Reporting institutions must focus on timeliness, clarity, and accuracy. The narrative section must be structured, explaining what was observed, why it is unusual, and how it links to sanctions evasion.*
- *It is important to cross-reference Canadian sanctions list, as well as international sanctions list from OFAC, EU, and the UN to strengthen the report's credibility.*

FINTRAC CANAFE — Financial Transactions and Reports Analysis Centre of Canada / Centre d'analyse des opérations et déclarations financières du Canada

For more information, you can visit the FINTRAC's Special Bulletin on financial activity associated with suspected sanctions evasion page.