

Scorecard: Canada

FATF Mutual Evaluation and Follow-Up Reports



RISK | STRATEGY | CYBER COMPLIANCE MANAGEMENT



What are the FATF 40 Recommendations?

The FATF Recommendations outline and elaborate on a comprehensive and consistent framework for countries to implement as a means to combat money laundering (ML), terrorist financing (TF), as well as the financing of weapons of mass destruction. Due to the diversity and differences in the administrative, financial, legal and operational systems and measures of different countries, the FATF Recommendations serve as the international standard, which countries may adapt to their state of priorities and affairs.



AML/CFT Policies and Coordination

- R1** Assessing risks and applying a risk-based approach
- R2** National cooperation and coordination

Terrorist Financing and Financing of Proliferation

- R5** Terrorist financing offence
- R6** Targeted financial sanctions related to terrorism and terrorist financing
- R7** Targeted financial sanctions related to proliferation
- R8** Non-profit organisations (NPOs)

International Cooperation

- R36** International instruments
- R37** Mutual legal assistance
- R38** Mutual legal assistance: freezing and confiscation
- R39** Extradition
- R40** Other forms of international cooperation

Transparency and BO of Legal Persons and Arrangements

- R24** Transparency and beneficial ownership (BO) of legal persons
- R25** Transparency and BO of legal arrangements

Money Laundering and Confiscation

- R3** Money laundering offence
- R4** Confiscation and provisional measures



Powers and Responsibilities of Competent Authorities and Other Institutional Measures

- R26** Regulation and supervision of financial institutions
- R27** Powers of supervisors
- R28** Regulation and supervision of DNFBPs
- R29** Financial intelligence units
- R30** Responsibilities of law enforcement and investigative authorities
- R31** Powers of law enforcement and investigative authorities
- R32** Cash couriers
- R33** Statistics
- R34** Guidance and feedback
- R35** Sanctions



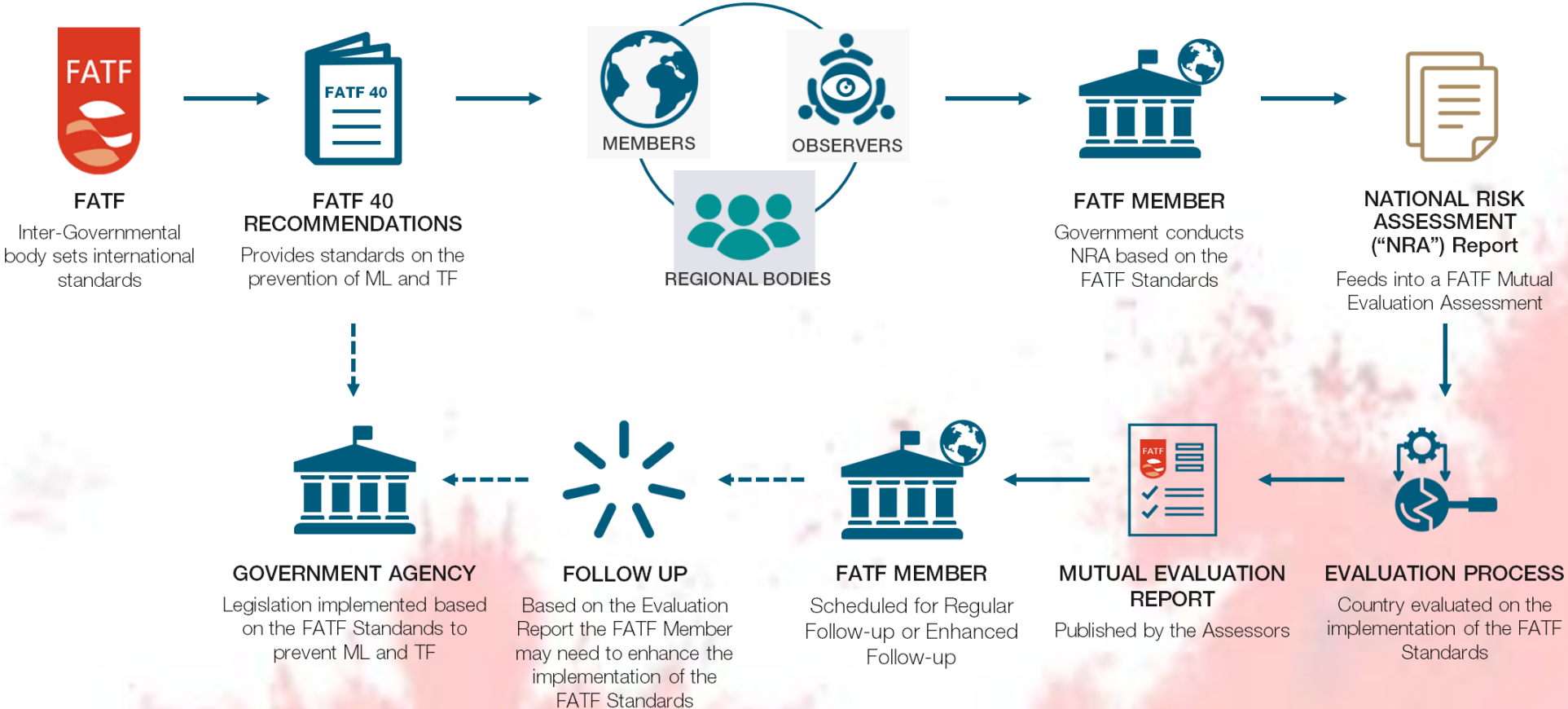
Preventive Measures

- R9** Financial institution secrecy laws
- R10** Customer due diligence
- R11** Record keeping
- R12** Politically exposed persons (PEPs)
- R13** Correspondent banking
- R14** Money or value transfer services
- R15** New technologies
- R16** Wire transfers
- R17** Reliance on third parties
- R18** Internal controls and foreign branches and subsidiaries
- R19** Higher-risk countries
- R20** Reporting of suspicious transactions
- R21** Tipping-off and confidentiality
- R22** DNFBPs: Customer due diligence
- R23** DNFBPs: Other measures




How FATF Sets International Standards

FATF set out the methodology to assess whether a country is compliant to FATF Recommendations or Standards, and if its AML/CFT system is working effectively, assessed through on-site visits, data analysis and the publication of **Mutual Evaluation Reports (MERs)**, or **Follow-Up Reports (FURs)**, where applicable. Done through peer reviews from members of other countries for objectivity, these evaluations are comprehensive country reports that present analysis, findings, as well as points for improvement, regarding a country’s ML/TF systems.



FATF publishes a **Global Assessment Calendar**, which provides a preview of planned assessments by the FATF, its FATF-Style Regional Bodies (FSRBs), the International Monetary Fund (IMF) or the World Bank. The 4th and the most recent round of MERs were measured against the 2013 Assessment Methodology. FATF commenced its 5th round of mutual evaluations in 2024, using revised the Assessment Methodology adopted in 2022. **Canada** is lined up for its 5th round of MER based on the schedule below:

	COUNTRY	ASSESSMENT BODY	ME ROUND	PLANNED ONSITE SCHEDULE	PLANNED PLENARY DISCUSSION SCHEDULE
	Canada	FATF-APG	5th	Nov 2025	Jun 2026



Canada 2016 FATF Mutual Evaluation Report



Key Findings

1. Despite Canadian authorities having a good understanding of ML/TF risks, demonstrated through their 2015 National Risk Assessment (NRA), some high-risk areas are not covered by AML/CFT measures, constituting a significant loophole in the AML/CFT framework.
2. Pursuing TF activities is a priority, which are generally adequately implemented by financial institutions (FIs), but not by designated non-financial business and professions (DNFBPs) and charities.
3. FIs and DNFBPs undergo risk-based supervision, but some sectors are not commensurately supervised, such as real estate and precious metal dealers.
4. Lack of risk mitigation in legal person and arrangements.
5. Law enforcement not commensurate to asset recovery.

MUTUAL EVALUATION REPORT (MER) RATING

DATE: September 2016

Effectiveness

Immediate Outcomes	
Risk, Policy and Coordination	●
International Cooperation	●
Supervision	●
Preventive Measures	●
Legal Persons and Arrangements	●
Financial intelligence	●
ML Investigation and Prosecution	●
Confiscation	●
TF Investigation and Prosecution	●
TF Preventive Measures and Financial Sanctions	●
PF Financial Sanctions	●



Technical Compliance

FATF Recommendations									
R1	●	R11	●	R21	●	R31	●	R1	●
R2	●	R12	●	R22	●	R32	●	R2	●
R3	●	R13	●	R23	●	R33	●	R3	●
R4	●	R14	●	R24	●	R34	●	R4	●
R5	●	R15	●	R25	●	R35	●	R5	●
R6	●	R16	●	R26	●	R36	●	R6	●
R7	●	R17	●	R27	●	R37	●	R7	●
R8	●	R18	●	R28	●	R38	●	R8	●
R9	●	R19	●	R29	●	R39	●	R9	●
R10	●	R20	●	R30	●	R40	●	R10	●



Canada 2021 FATF Follow-Up Report and Technical Compliance Updates



Progress Updates

1. Since the 2021 MER, Canada issued regulatory changes under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) to enhance measures in handling politically exposed persons (PEPs), and to require intermediary and beneficiary FIs to identify specific cross-border electronic funds transfer (EFT) information.
2. Canada also implemented legislative measures to improve shortcomings on beneficial ownership, new technologies and third-party reliance obligations. These regulatory amendments created legal mechanisms to fulfil customer due diligence (CDD) requirements by certain DNFBPs and those reliant to third parties. However, further improvements are still needed for CDD measures to cover other relevant DNFBPs.
3. Regulatory amendments were also made to improve internal controls and reporting requirements, which imposed stricter Suspicious Transaction Reporting (STR) obligations on majority of the DNFBPs. Further improvements to be made to cover other relevant DNFBPs for better overall outcome.
4. The revised NRA identified the Non-Profit Organization (NPO) sector as whole as high in TF risks, which represented moderate deficiencies not originally assessed in the 2021 MER.

FOLLOW-UP REPORT

DATE: October 2021

Technical Compliance Re-Rating

Rating Updates Based on Follow-Up Report:

- R8 Downgrade
- R12 Upgrade
- R15 Upgrade
- R16 Upgrade
- R17 Upgrade
- R20 Upgrade
- R22 Upgrade
- R23 Upgrade

FATF Recommendations

R1		R11		R21		R31	
R2		R12		R22		R32	
R3		R13		R23		R33	
R4		R14		R24		R34	
R5		R15		R25		R35	
R6		R16		R26		R36	
R7		R17		R27		R37	
R8		R18		R28		R38	
R9		R19		R29		R39	
R10		R20		R30		R40	





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