SPOTLIGHT ON CANADA'S PCMLTFA

Compliance Requirements and Obligations Under the PCMLTFA for Money Services Businesses

A Spotlight on the Regulatory Requirements and Obligations for Money Services Businesses (MSBs) under the Associated Regulations of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)

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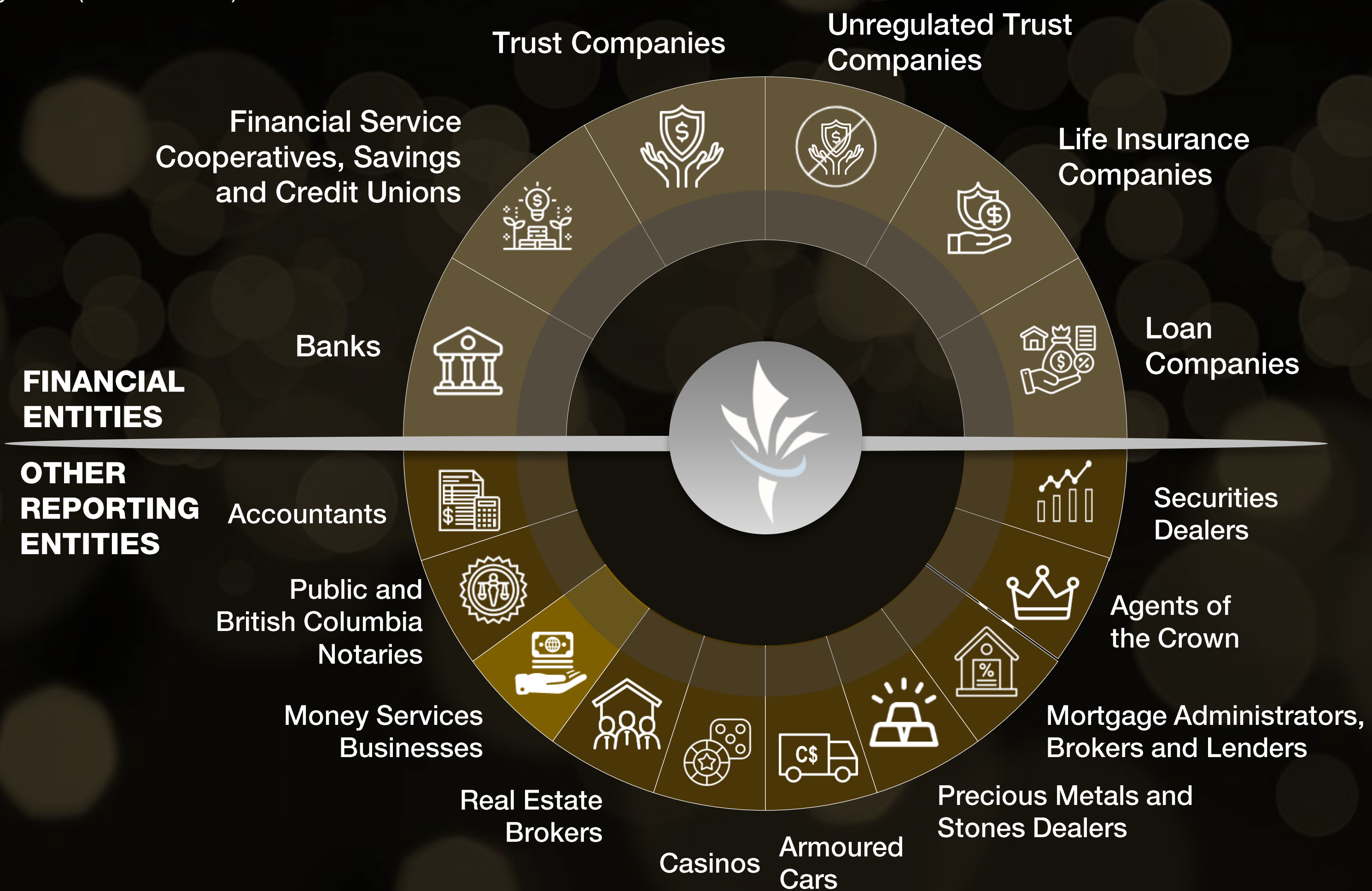
RISK | STRATEGY | CYBER | COMPLIANCE MANAGEMENT

FINTRAC and Reporting Entities in Canada

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC or the Centre) is Canada's financial intelligence unit, mandated to facilitate detection and prevention of money laundering and terrorist financing while protecting personal information under its scope. Furthermore, FINTRAC also ensures the compliance of businesses and reporting entities to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA).

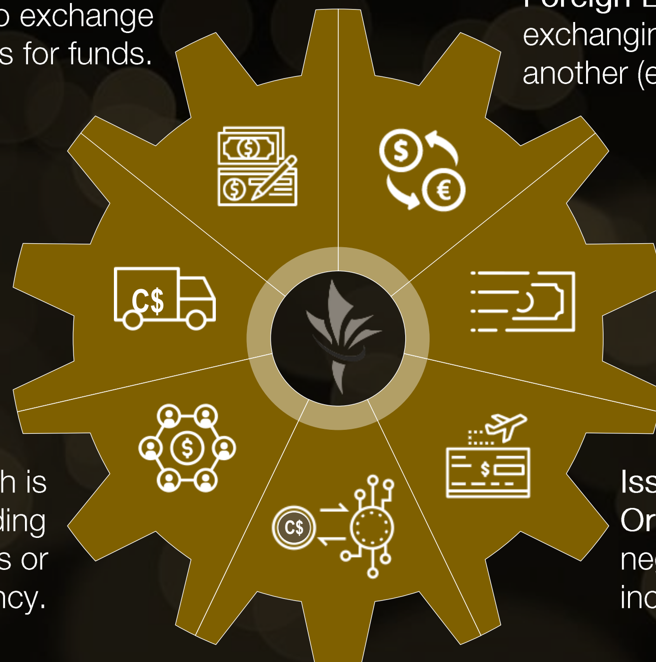


Money Services Business (MSB) Activities

There are two types of MSBs within the scope of fulfilling PCMLTFA obligations and FINTRAC registration requirements, Canadian or local MSBs and foreign MSBs (FMSBs). They are engaged in the same business activities as shown below, however, FMSBs do not have a place of business in Canada unlike local MSBs do, but provide their services to Canadian citizens or entities.

Cheque Cashers who exchange cash cheques for funds.

Foreign Exchange Dealing or exchanging one type of currency for another (e.g. USD to CAD).



Remitting or Transmitting Funds from one person or entity to another through an electronic funds transfer network or other methods. Also includes invoice payment services or payment services for goods and services.

Issuance or Redemption of Money Orders, Traveller's Cheques or similar negotiable instruments and does not include selling or cashing cheques.

Dealing in Virtual Currency, whether exchanging funds to virtual currency, vice versa or virtual currency to another virtual currency, as well as transferring or receiving virtual currency.

Crowdfunding Platform Services which is providing and maintaining a crowdfunding platform for use by other entities or persons to raise funds or virtual currency.

Armoured Car Businesses engaged in transporting currency, money orders, traveller's cheques or other negotiable instruments.

Regulatory Requirements Under the PCMLTFA

The PCMLTFA aims to implement measures that detect and prevent money laundering and terrorist financing, as well as to facilitate investigations and prosecutions from these illicit offences. Additionally, the PCMLTFA is intended to enhance Canada's capacity to protect its financial system from threats posed by the increasing organized crimes and to support Canada's international commitment to participate in combating transnational crimes related to money laundering and terrorist financing. The general requirements are as follows:

GENERAL REQUIREMENTS

Compliance Program

- Compliance Officer
- Board-Approved Compliance Policies and Procedures
- Risk Assessment
- Ongoing Training
- Two-Year Effectiveness Review

KYC and Business Relationships

- Identity Verification
- Business Relationship Requirements
- PEP Screening
- Beneficial Ownership
- Third Party determination

Ongoing Monitoring

- Ongoing monitoring requirements
- Enhanced ongoing monitoring
- Timing and records

Reporting and Record Keeping

- Suspicious Transactions
- Listed Person or Entity Property
- Large Cash and Virtual Currency Transaction
- Electronic Funds Transfer
- 24-Hour Rule
- Sanctions evasion

Travel Rule

- Travel Rule Policies and Procedures
- Specific information that should be included when sending or receiving VC or electronic funds transfer

Ministerial Directive Requirements

Requirement for regulated entities to comply to directives issued by the Minister of Finance and to transaction restrictions (DPRK, Russia and Iran)

F/MSB-SPECIFIC

FINTRAC Registration

Before an MSB or FMSB can operate in Canada, the eligible person or entity must be registered with FINTRAC.

Discover what Stratis Advisory can do for you

FINTRAC MSB Registration

Prior to engaging as a MSB in Canada, whether domestic or foreign, a company must be registered with FINTRAC. For more than 10 years, Stratis has helped startups to Fortune-ranked companies of different business models in North America, inclusive of Canada and the Province of Quebec, and abroad, to launch, scale, and optimize regulated business operations. Stratis can help you prepare, process, and submit your MSB Registration with FINTRAC, and develop your PCMLTFA required compliance programs.

PCMLTFA Two-Year Effectiveness Review

An evaluation every two (2) years at a minimum, to ensure effectiveness and to identify gaps and weaknesses in your compliance program and its elements, forms part of the compliance program requirements of the PCMLTFA. With our insights and experience in Canada, inclusive of the Provence of Quebec, Stratis can assess your compliance program, evaluate your compliance with the PCMLTFA, and to support you with the enhancement or continuous improvement of your risk management practices.

PCMLTFA Ongoing Compliance

When offering financial services or certain businesses in Canada, you may fall under the scope of the PCMLTFA, Canada's AML and anti-terrorist financing legal framework. Apart from a sound compliance program, the PCMLTFA includes other requirements such as ongoing monitoring, know-your-customer, electronic funds transfer (EFT) reporting, among others. Stratis can help you develop, execute, monitor and maintain compliance to regulatory requirements in Canada, commensurate to your risk tolerance and business goals.

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