

MEMBER REGULATION



INVESTMENT DEALERS
ASSOCIATION OF CANADA

notice



ASSOCIATION CANADIENNE DES
COURTIERS EN VALEURS MOBILIÈRES

Contact:

L. Boyce: (416) 943-6903 - lboyce@ida.ca

MR0263

Revised January 9, 2004

December 23, 2003

ATTENTION:

Ultimate Designated Persons
Chief Financial Officers
Panel Auditors

Distribute internally to:

- Corporate Finance
- Credit
- Institutional
- Internal Audit
- Legal & Compliance
- Operations
- Registration
- Regulatory Accounting
- Research
- Retail
- Senior Management
- Trading desk
- Training

Amendments to Federal Anti-Money Laundering Regulations

Amendments to the Federal anti-money laundering regulations were passed on November 6, 2003. Attached is the text of the amendments.

The principal amendment relevant to Members are:

- (1) Section 6 amends subparagraph 23(1)(a)(ii) of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations* (PCMLTFA Regs) to clarify that a Member is required to obtain the number of a financial entity account in the name of a person having authority over an account only if verification of the person's identity is done by verifying that the person has that account.

This change that relates to the interpretation received from FINTRAC and communicated to Members in MR Notice 226 dated 15/Jul/03.

- (2) Section 12 changes the exemption for ascertaining the identity of any individual who makes a large cash deposit from the depositor to a "corporate" account to the depositor for a "business" account.
- (3) Section 14(1) makes the same change for the exemption from having to verify the identity of more than three people having authority over an account - from applying solely to "corporate" to any "business" account.
- (4) Section 14(2) adds an exemption from verifying identity to employee profit sharing plans and deferred profit sharing plan accounts where contributions to the plans are made solely by the employer; and dividend reinvestment plans where the accounts are funded solely by the corporation for its investors.

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- (5) Section 17 amends various sections of the PCMLTFA Regs, including section 57(3) applicable to Members, to exempt those subject to the regulations from having to obtain the names of directors of securities dealers (i.e. Canadian securities dealers as defined in the Regulations, which includes all Members) when verifying the identity of the securities dealer.
 - (6) Section 25(1) adds a clarifying sentence to the definition of "monetary instruments" in the *Cross-border Currency and Monetary Instruments Reporting Regulations*, noting that the reporting requirements do not apply to securities or negotiable instruments bearing restrictive endorsements or a stamp for the purposes of clearing or made payable to a named person and not endorsed. This is the advice we had received previously and clarifies that securities sent to foreign transfer agents with stamps instructing that they be transferred into the Member's name are not subject to a reporting requirement.
 - (7) Section 27 grants a total exemption from the Cross-Border Currency and Monetary Instruments Reporting Regulations for securities being imported into Canada by a financial entity or securities dealer (as defined) by courier or mail.

The Compliance and Legal Section Anti-Money Laundering Committee has requested further definition of the term "business account" noted in items (2) and (3) above. Any Member having a question whether a specific account fits within the meaning should direct it to Larry Boyce at the contact numbers noted above, for re-direction to the FINTRAC Policy Department. While Members are entitled to direct such questions to FINTRAC, directing them through the Association will enable it to record responses for future reference and guidance, and may enable the Association to respond based on the results of previous inquiries of a similar nature.

Html versions of the consolidated regulations are available on FINTRAC's Web site at http://www.fintrac.gc.ca/reg/1_e.asp#1. FINTRAC's Web site also has a brief summary of how the changes affect each type of financial institution.