Dancing to FINTRAC's beat: Expectations for client monitoring

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Reporting entities such as advisers and dealers are required by FINTRAC to monitor clients with whom they have a business relationship on an ongoing basis. One reason ongoing monitoring is required relates to the obligation to report suspicious transactions to FINTRAC. The frequency of monitoring depends in part on the risk level that has been assigned to clients as part of a reporting entity's risk assessment. Reporting entities must keep records of both the measures taken and the information obtained from the ongoing monitoring of clients.

The requirement for ongoing monitoring only ends when the **business relationship** with a client ends, and thus the meaning of a "business relationship" is quite important for these obligations and can be nuanced. As an example, unless an exemption is available, a reporting entity that is an adviser or dealer generally enters into a business relationship with a client when an account is opened, or if a client otherwise engages in a financial transaction with the adviser or dealer twice within a five-year period where there is a requirement to verify client identity.

If a business relationship exists because of an account opening transaction, that relationship does not end until **five years after** the day on which a client closes their last account with the reporting entity. Otherwise, the business relationship ends after at least **five years** has passed since the day of the last transaction requiring the adviser or dealer to verify its client's identity.

As a result, we are aware that FINTRAC has been reminding reporting entities that ongoing monitoring requirements do continue to apply for five years after the account is closed (or if there is no account, from the last transaction requiring identity verification). During this period, the requirements to file suspicious transaction reports with FINTRAC also continue. One implication is that if a **former** client engages in suspicious activity, that activity could be reportable as a suspicious transaction for five years after the client's account is closed. These obligations and timeframes should be on registrants' radar screens and reflected in AML training and policies and procedures.
Please contact us if you have any questions.

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