Canada's New Border Bill to Combat Money Laundering

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Legislative developments continue in the federal government's focus on strengthening Canada's anti-money laundering and anti-terrorist financing regime. Bill C-2, *An Act respecting certain measures relating to the security of the border between Canada and the United States and respecting other related security measures* (the Strong Borders Act) was introduced on June 3, 2025. Among other proposed measures, the Strong Borders Act proposes the following amendments to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and its regulations (PCMLTFA).

Universal registration

Currently, money service businesses (MSB) must register with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). The Strong Borders Act will require all reporting entities (other than MSBs and employees, agents, or mandataries of reporting entities) to register with FINTRAC. Like the MSB regime, reporting entities registering with FINTRAC will have obligations to renew their registration and notify FINTRAC of any changes to information provided in the application.

Restricting cash transactions

Reporting entities, such as banks, would be prohibited from accepting cash deposits from third parties who are not the account holder or authorized to give instructions on the account.

Charities and certain professions and businesses, would be prohibited from accepting cash payments, deposits, or donations of $10,000 or more (or the equivalent amount in foreign currency). Banks and other reporting entities are exempted from this prohibition, though additional exempted entities may be prescribed by regulation.

Prohibiting anonymous accounts

Proposed amendments will prohibit reporting entities from opening accounts for clients of whom they cannot verify the identity in accordance with the PCMLTFA, or if the

client's name is obviously fictitious. Risk assessment frameworks, and related anti-money laundering policies and procedures, will need to be reviewed and updated to address this requirement.

Increasing administrative monetary penalties

The maximum administrative monetary penalties (AMPs) that may be imposed for certain violations of the PCMLTFA would increase. The AMP for a minor violation would be a maximum of $40,000; for a serious violation, $4 million; and for a very serious violation, $20 million. Cumulative penalties for multiple violations by an entity will be capped at the greater of $20 million or 3 per cent of a reporting entity's gross global revenue where such revenue exceeds $20 million. In the case of an individual, the cap is the greater of $4 million or 3 per cent of the individual's gross global income in the year before the year in which the penalty is imposed.

The maximum punishments imposed for certain criminal offences under the PCMLTFA would also increase, ranging from $2.5 million to $20 million.

Compliance programs must be reasonably designed, risk-based and effective

The Strong Borders Act will require a review of existing compliance programs, as it requires reporting entities to ensure that their compliance programs are reasonably designed, risk-based and effective. While these matters are generally as commensurate to the reporting entity, FINTRAC will have the ability to review compliance programs in greater detail and may take enforcement action where FINTRAC determines that the compliance program does not satisfy statutory requirements. Contravention of the compliance program requirements would be a very serious violation under the AMP framework.

Replacing the existing compliance regime

The Strong Borders Act proposes replacing the existing optional compliance agreement regime with a new mandatory compliance agreement regime that will require reporting entities to enter into a compliance agreement with FINTRAC where the reporting entity commits a violation under the PCMLTFA. The contravention of a compliance order would also be designated as a new violation under the PCMLTFA.

Contravening a compliance order may subject the reporting entity to a penalty of the greater of $30 million or 3 per cent of the entity's gross global revenue in its financial year before the one in which the penalty is imposed; in the case of an individual, the greater of $5 million or 3 per cent of the person's gross global income in the year before the one in which the penalty is imposed. Additionally, contravention of a compliance order may result in the Bank of Canada refusing to register a payment service provider or revoke registration under the *Retail Payments Activities Act.*

Disclosure of financial intelligence to Elections Canada

FINTRAC would be authorized to disclose prescribed information to the Commissioner of Canada Elections, subject to certain conditions, where FINTRAC has reasonable grounds to suspect the information is relevant to investigating or prosecuting an offence or violation under the *Canada Elections Act* (or an attempt to commit such an offence or violation).

OSFI

The Strong Borders Act amends the *Office of the Superintendent of Financial Institutions Act* to make the Director of FINTRAC a member of the committee established under subsection 18(1) of that Act. It also amends the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* to enable the Director to exchange information with the other members of that committee.

Contact us

For more information on the Strong Borders Act , please reach out to the key contacts below or any lawyer from BLG's Banking & Financial Services Group.

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