No time for a power nap: additional FINTRAC sanctions to action

March 29, 2024

On February 24, 2024, the Ministerial Directive on Financial Transactions Associated with Russia (the Directive) took effect. The Directive applies to various entities regulated under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (the Act), including "securities dealers". As a reminder, under the Act a securities dealer is defined to include portfolio managers and exempt market dealers, and thus these firms are subject to the Directive. The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) has also issued guidance on the Directive. Some key requirements include the following:

- Firms must treat every financial transaction originating from or bound for Russia, regardless of its amount, as a high-risk transaction for the purposes of the compliance program provisions of the Act.
- Firms must verify the identity of any client (person or entity) requesting or benefiting from such a transaction in accordance with Part 3 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations.
- Firms must perform client due diligence in relation to any such transaction, including ascertaining the source of funds or virtual currency, the purpose of the transaction and the beneficial ownership or control of any entity requesting or benefiting from the transaction.
- A record must also be retained of any such transaction, in accordance with the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations, regardless of the monetary thresholds set out in those Regulations.

Even if the transactions noted above are not likely to arise for any particular firm in practice, portfolio managers and exempt market dealers should have related policies and procedures in their Anti-Money Laundering and Anti-Terrorist Financing compliance manual in place, as the lack of updates risks being classified as a deficiency. Registrants are reminded of the existing Ministerial Directive in place with respect to North Korea as well.

By

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