Changes to FINTRAC Supervision Model and Penalty Policy

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On Aug. 6, 2025, the Financial Transaction and Reports Analysis Centre of Canada (FINTRAC) unveiled its supervisory framework (Supervisory Framework) and updated administrative monetary penalties policy (AMP Policy).

Supervisory Framework

FINTRAC's Departmental Plan

The Supervisory Framework follows FINTRAC's publication of its Departmental Plan for the fiscal year of 2025-2026 (Departmental Plan).

On June 17, 2025, FINTRAC presented its Departmental Plan setting out FINTRAC's priorities and planned achievements for the upcoming fiscal year. The Department Plan placed a strong emphasis on FINTRAC's supervision mandate of ensuring compliance with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its regulations (the PCMLTFA). To assist FINTRAC in executing its supervision work in an effective fashion and intervening in a timely manner, FINTRAC set out its plan to strengthen its Supervisory Framework and supporting systems using a risk-based approach. To that end, FINTRAC has published the comprehensive Supervisory Framework.

Key principles and change in supervisory approach

The Supervisory Framework outlines the key principles and guidelines FINTRAC will adopt when supervising reporting entities. The Supervisory Framework is based on the following three fundamental components:

1. Guiding principles that are risk-based, early intervention, transparent, and forward-looking.
2. A risk framework and supervisory strategic plan, which provides a structured approach for identifying, assessing, measuring, and mitigating risks as it relates to FINTRAC's supervisory activity.
3. Three pillars of supervision (engaging, monitoring and enforcing).

The Supervisory Framework marks a pivotal step towards the anticipated increase in FINTRAC's supervisory role. Notably, the Supervisory Framework provides insight into several key recurring themes that are weaved seamlessly throughout the Supervisory Framework's three fundamental components and will inform FINTRAC's supervisory activity. These themes include early intervention, engagement, transparency, collaboration, proportionality and continuous improvement.

Guiding principles

The following four guiding principles will inform FINTRAC's approach towards multiple aspects of its supervisory work, which includes its policy development, use of resources, monitoring and enforcement tools, collaboration with industry stakeholders, and guidance.

1. **Risk-Based** – FINTRAC's resources and actions towards non-compliance are proportional to the level of risk and complexity of reporting entities.
2. **Early Intervention** – The identification of issues is early and timely, appropriate, corrective action is taken to effectively address these issues.
3. **Transparent** – Clear line of sight for reporting entities about FINTRAC's expectations and actions, to cultivate collaboration and trust.
4. **Forward-Looking** – The continued evolution of FINTRAC's risk model, supervisory framework application and understanding of the financial ecosystem such that FINTRAC remains proactive and attuned to change.

Risk framework and supervisory strategic plan

The risk framework follows a structured approach to identifying, assessing, measuring, and mitigating money laundering and terrorist financing risks that have a direct impact on supervisory activities. This structured manner will also govern FINTRAC's supervision priorities, objectives, performance measures, and resource allocation.

The risk framework and supervisory strategic plan consist of the following components:

- Early intervention.
- Consistent application of internal support programs and supervisory activities.
- Transparency and public trust.
- Strong governance and accountability.
- International leadership and participation.
- Ongoing improvement.

Pillars of supervision

The Supervisory Framework outlines three pillars of supervision be implemented by FINTRAC:

1. **Engagement.** Regularly communicating and engaging with reporting entities for the purposes of sharing compliance expectations, providing information on existing and anticipated legal requirements, and preventing non-compliance. In addition, engagement and collaboration with external stakeholders (such as relevant domestic and international regulators) that will develop into long-term

relationships. This pillar will be achieved using a variety of tools at FINTRAC's disposal, which include public notices, accountability reporting, and the money services business registry.
2. **Monitoring.** Assessing compliance with the PCMLTFA by reporting entities is at the heart of FINTRAC's mandate. This pillar will be achieved using measures such as action plans, examination, scorecards, supervisory letters, and voluntary self-declarations of non-compliance.
3. **Enforcement.** Addressing non-compliance in a proportional, risk-based manner and using corrective measures where appropriate. This pillar will be achieved using administrative monetary penalties (AMPs), compliance agreements, registration revocations, non-compliance disclosures, and notices of violation.

AMP Policy Updates

The Departmental Plan also sets out FINTRAC's intention to update and streamline guidance in response to all legislative and regulatory amendments coming into force. FINTRAC has updated its AMP Policy to provide transparency and clarity on its approach to assessment and enforcement of AMPs.

As we outlined in our article, FINTRAC imposes administrative monetary penalties on securities dealers, there has been a recent increase in the frequency and amount of AMPs issued by FINTRAC including in relation to deficiencies identified during audits of compliance programs. Taken together with the below updates, FINTRAC is signalling a move towards a stricture enforcement approach in the application of AMPs.

Updates to the AMP Policy include a penalty reduction on a case-by-case basis and may choose to not apply a penalty reduction for serious violations. Further, FINTRAC will no longer be sharing its findings and observations with reporting entities before the findings are finalized. As a result, a notice of violation may be issued immediately after assessment activities.

Contact us

For more information on the Supervisory Framework and the updated AMP Policy, please reach out to the key contacts below or any lawyer from BLG's Banking & Financial Services Group.

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