# Canada's 'Modernised' AML Regime Could Give Industry Boost, Experts Say

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**Imminent changes to Canada's anti-money laundering regime have been welcomed by legal experts, who suggest the new regulations could modernise compliance practices for e-commerce and payments businesses.**

The proposed regulations, which attempt to "close gaps in Canada's regime", were published in the Canada Gazette this month and are now subject to a 60-day consultation and review process.

If passed, they would update a range of anti-money laundering (AML) and know-your-customer (KYC) requirements for financial entities, including money services businesses, foreign exchange dealers and banks.

Toronto-based financial regulation expert Ana Badour, a partner at McCarthy Tetrault law firm, said businesses will now be permitted to check customers' identity using only their online credentials, whereas previous legislation required voice or in-person validation.

"Most of the changes deal with how you verify identity, and in this respect they're intended to be more flexible, less prescriptive and very much tuned to an online context," she told PaymentsCompliance.

"The bulk of them were intended to ease compliance burdens with respect to online identity verification.

"Previously, it was causing difficulty in trying to implement systems that were both customer-friendly and compliant in e-commerce environment."

Peter Aziz, a counsel at Torys law firm and payments expert, added that the regime could even see the creation of a new state-managed identification system that is suitable for online use, something the regulations now make provision for.

He said: "What I understand is that the federal and provincial governments in Canada are going to be developing some kind of online identification product, but we don't know much about that yet.

“It’s interesting that it’s appearing in the regulation now in anticipation of this product being developed.”

Aziz said this further reflects the “modernising” of payments, and could make compliance less costly for online and mobile fund transfer businesses.

However, the attempt to ease certain requirements does not necessarily mean the country is adopting a softer approach to financial crime.

Canada’s top financial crime regulator, FINTRAC, revealed this month that Coin Co International PLC, a money services business operating in the UK, had been fined $149,200 for multiple violations of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA).

Coin Co, it stated, failed to report large transactions, did not sufficiently assess and document its risk of exposure to money laundering, and did not ascertain customer identity for high-value foreign exchange transactions.

Previously, Canada has faced pressure to improve its financial crime enforcement processes, and will be subject to an on-site inspection later this year by the Financial Action Task Force (FATF), the international watchdog for money laundering and terrorist financing.

“There are aspects to the regime that are tightening controls, and those are the ones designed to make sure Canada is essentially up-to-date with the current FATF recommendations,” Aziz said.

These include reporting requirements for suspicious transactions that attempt to eliminate uncertainty.

He said: “The potential difficulty is when something appears that looks suspicious to you, but doesn’t look suspicious to me; FINTRAC can now say that to any reasonable person it appears to be suspicious.

“What they’ve done [is] to switch the definition from subjective to objective.

“It takes away the defence of saying ‘it didn’t look suspicious to me', and people have to take this a lot more seriously if they didn’t before.”

McCarthy Tetrault lawyer Badour added that businesses should monitor for additional details from FINTRAC.

She said: “This could mean a more objective standard; there’s not much information provided around the context of that change, but it could be read to be a lower threshold.

“We would hope to see more details from FINTRAC.”

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