

Minutes / Procès-verbal

Committee/Study Group: Comité/Groupe d'étude:	Anti-Money Laundering & Anti-Terrorist Financing Committee	Attendees/ Membres présents:	Michael Ecclestone Bruce McMeekin Michael Pawliw Barry Hawn (by phone)
Meeting Date/ Date de réunion:	March 4, 2015	Regrets / Regrets:	Gene DiMira Monica Stark
Chair / Président(e):	Matthew McGuire		
CPA Canada / CPA Canada:	Marial Stirling Gigi Dawe Cheryl Charbonneau, Recording Secretary, Minutes by Minute		
Guests / Invités:	Lisa Douglas, FINTRAC Frank Lofranco, FINTRAC		

Discussion	Action
<p>Welcome and Introductions <i>Matthew McGuire</i></p> <p>The Chair welcomed everyone to the first meeting of the new Anti-Money Laundering & Anti-Terrorist Financing (AML & ATF) Committee.</p>	
<p>FINTRAC Session <i>Frank Lofranco and Lisa Douglas</i></p> <p>Representatives from the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Frank Lofranco (Deputy Chief Compliance Officer and Regional Director, Central Region) and Lisa Douglas (Regional Compliance Manager), presented an overview of FINTRAC's work regarding AML and ATF in Canada. Highlights included:</p> <ul style="list-style-type: none"> • FINTRAC's mandate. • Interactions with the Financial Action Task Force (FATF). • Roles and responsibilities of the stakeholders. • Regional operations and the compliance sector. 	

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<ul style="list-style-type: none"> • Triggering activities and obligations for the accounting sector – reporting entities engaged in triggering activities have obligations regarding reporting, record keeping, client identification, third party determinations and a compliance regime. Quality reporting is essential to ensure compliance with the legislation. • Compliance regime (Guideline 4) – an effective compliance regime protects an organization and should include a compliance officer, policies and procedures, training, risk assessment, program review, reporting, client ID and record keeping. • Risk assessment – an analysis of the organization’s potential threats and vulnerabilities to understand the risks for AML and ATF and be able to focus on high risk areas. A Risk Assessment Methodology is available as guidance for conducting a risk assessment. Sector-specific workbooks, especially for small to medium organizations, are being developed to provide more guidance. • Record keeping (Guideline 6) – FINTRAC has not dictated the elements of the record keeping system, but it must be effective. • Risk-based approach – in addition to the proposed risk-based approach for reporting entities, FINTRAC determines risk by considering an organization’s risk assessment and history of compliance activities. FINTRAC tailors its activities to focus on areas where there is the highest risk. <p>The presentation then focused on the Chair’s request for clarification of a reference in FINTRAC’s 2014 Annual Report regarding its compliance examination findings in the accounting sector:</p> <p><i>Accountants and life insurance:</i> <i>These sectors include both large businesses and small or single-person operations. Demonstrating similar compliance behavior, these sectors have displayed gaps in compliance regimes. In order to increase compliance within these two sectors, FINTRAC will continue with assessment and enforcement activities, and will reach out to the broader population through their various associations.</i></p> <p>The FINTRAC representatives reviewed the results of its three-year examination review of the accounting sector from April 2012 to February 2015, involving 44 examinations across Canada (some of which were follow-up reviews). FINTRAC considers several risk factors when determining what reporting entities to examine:</p> <ul style="list-style-type: none"> • Profile of the entity (sector and size) • Compliance history • Whether there has been reporting in the past • Financial intelligence or information from regulators • Market share (larger entities are more likely to be selected for an examination) <p>FINTRAC’s risk assessment process also determines whether the review will be on-site or a ‘desk’ examination.</p> <p>The examinations of the accounting sector looked at a variety of compliance regime elements but each reporting entity was reviewed independently, therefore, not all of the following elements were</p>	

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scoped into the reviews of all the accounting firms and accountants selected:																																				
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<p>FINTRAC informed the Committee that it:</p> <ul style="list-style-type: none"> • Has assessed the accounting sector to be a low risk sector. Higher risk sectors, such as casinos, would be subject to more regular, cyclical exams. • Looks at the entire compliance regime during examinations, starting with the financial reports as these are the most valuable factor in addressing AML and ATF - to ensure compliance, a reporting entity must be aware of its reporting obligations. If these are poor quality, FINTRAC will roll up to other elements such as Client ID and Record Keeping and then consider all the other aspects of the regime in place. • Does not keep statistics based on the size of accounting firms. • Believes some accountants and firms have not realized they are covered under the legislative requirements. • Requires Training on AML and ATF requirements to be ongoing and documented. • Requires a reporting entity's Policies and Procedures to be tailored to reflect the risks associated with that organization. The FINTRAC representatives were not aware if any of the reporting entities examined were using 'off-the-shelf' Policies and Procedures. Generally where deficient, the Procedural side of this element was missing. • Did not believe that the accounting sector has ever filed a Suspicious Transactions Report. • Decides whether to levy an Administrative Monetary Penalty (AMP) by reviewing a reporting entity's compliance history to determine if there has been ongoing, serious non-compliance and whether FINTRAC's efforts to date have not changed the entity's behavior. Typically a first examination will not result in an AMP which is viewed as a last resort. FINTRAC's Central region (and it appears that the other regions) have not levied any AMPs against an accounting firm as a result of these examinations. <p>In response to an inquiry from the Committee regarding what can be done to improve the compliance exam results, the FINTRAC representatives indicated FINTRAC has a role to play in increasing awareness of the requirements, including what it is doing with some other sectors:</p> <ul style="list-style-type: none"> • Increase interaction and partner with other organizations and be receptive to suggestions. • Include more information on its website. 																																				

Discussion	Action
<ul style="list-style-type: none"> • Issue workbooks. • Provide more guidance on risk-based assessments. • Present a webinar. • Review (but not endorse) guidance documents authored by another organization – FINTRAC’s policy group has reviewed CPA Canada’s 2014 <i>Guide to Comply with Canada’s Anti-Money Laundering (AML) Legislation</i> and were satisfied with the guidance on an overall basis. <p>FINTRAC also agreed that it should be issuing more operational guidance and guidelines to interpret the many requirements and information emanating from FATF, rather than merely being a conduit between FATF and reporting entities that often do not know how to react.</p> <p>FINTRAC also indicated it intends to differentiate between AML and ATF.</p>	
<p>Response to FINTRAC’s Feedback <i>Matthew McGuire</i></p> <p>The Committee discussed FINTRAC’s presentation and concluded the accounting sector’s exposure is one of compliance risk rather than money laundering risk. It was also noted it appears large firms are generally in compliance but there needs to be a different enforcement approach for smaller firms. Most of the deficiencies are in the Two Year Effectiveness Review element – the other deficiencies tend to flow from that area. If the Two Year Effectiveness Reviews are improved, many other deficiencies should also improve.</p> <p>The Committee also addressed opportunities to raise awareness in the accounting sector as a lack of awareness and need for outreach are the biggest challenges. Feedback included suggestions as reflected in the Action items.</p>	<p>M. McGuire to arrange for FINTRAC to do a webinar for CPA Canada members on their obligations.</p> <p>M. McGuire to have MNP staff categorize 2014 webinar questions into themes. Committee to then develop FAQs with responses.</p> <p>B. McMeekin, M. Ecclestone, M. McGuire, to prepare a ‘message’ for FATF, prior to FATF’s 2015 inspection of Canada’s accounting sector (unified, has an AML & ATF Committee, adhere to international</p>

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	<p>standards).</p> <p>Committee to draft a Bulletin to remind accounting sector of requirements (e.g. mandatory two-year effectiveness self-assessment, refer to/ promote 2014 AML Guide).</p> <p>M. Stirling to inquire if AML & ATF forms part of CPA curriculum.</p> <p>M. Stirling to inquire re a compliance survey.</p>
<p>Current Mandate <i>Marial Stirling</i></p> <p>The Committee reviewed the revised AML & ATF Committee's <i>Terms of Reference</i> that had been updated and made more relevant for the new Committee. The Objectives and Responsibilities in the <i>Terms of Reference</i> are all derived from CPA Canada's Strategic Framework. Members were reminded of their commitment to participate in substantially all meetings and to provide feedback on meeting materials if they are unable to attend in person.</p> <p>The Committee agreed to broaden its mandate to include Anti-bribery and Corruption matters. Members suggested adding, for example, 'Sanctions' or 'Financial Crime' to the Committee's name to cover the broadened perspective.</p>	<p>M. Stirling to revise Terms of Reference.</p>
<p>Strategy Session <i>Matthew McGuire</i></p> <p>The Committee reviewed the <i>Potential Future Initiatives</i> prepared by staff and agreed with the overall direction for the AML & ATF Committee. The Committee agreed to focus on the following on an ongoing basis:</p> <ul style="list-style-type: none"> • The AML & ATF Committee should present an annual update webinar. • Monitor AML and ATF changes for other sectors and assess (1) whether these may be mirrored in the accounting sector (2) how the accounting profession may be affected. 	

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<ul style="list-style-type: none"> • Consider interdepartmental implications for CPA Canada as a result of converging areas and the need to consult with other boards or committees (e.g. overlap with tax). • Represent CPA Canada's position on AML & ATF to government and regulatory bodies by providing input on consultations and submissions (may need ad hoc meetings by phone to respond on a timely basis to e.g. draft legislative and regulatory changes). • Assess the need for and review the results of a high-level environmental scan or in-depth gap analysis to predict the implications of future changes in AML & ATF on the accounting profession. • Market materials through CPA magazine reminders of requirements, promotion of the 2014 Guide and Twitter postings of e.g. prosecutions. 	
<p>Policy Interpretations <i>Matthew McGuire</i></p> <p>The Committee reviewed FINTRAC's Policy Interpretations for Accountants & Accounting Firms and agreed to request clarification of certain matters.</p>	<p>M. Ecclestone to draft a request to FINTRAC to clarify 2009 Policy Interpretation No. 32 - 'paying, receiving and transferring funds' and 'providing accounting services to the public'.</p>
<p>Other Business <i>Marial Stirling</i></p> <p>Staff reminded Committee members to sign the <i>CPA Canada Code of Conduct and Intellectual Property Rights Agreement</i> if they had not already done so.</p>	<p>Members to send a signed copy to Marial Stirling if not already forwarded.</p>
<p>Wrap-up & Next Meeting Date</p> <p>The next meeting date is to be determined.</p>	

