



CHANGES TO THE PROCEEDS OF CRIME (MONEY LAUNDERING) AND TERRORIST FINANCING REGULATIONS

On June 29, 2016, the federal government published changes to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations* concerning the new requirements for ascertaining the identity of customers and determining politically exposed persons (PEPs) and heads of international organizations (HIOs). A PEP may be a foreign PEP or a domestic PEP. These changes will apply to life insurance companies and their independent representatives.

The new requirements associated with **ascertaining customer identity** took effect on June 30, 2016. However, the regulated entities are given a **grace period up to June 30, 2017**, to implement the new methods for ascertaining identities.

The changes associated with **determining politically exposed persons and heads of international organizations** will take effect on **June 17, 2017**.

HERE ARE SOME OF THE NEW RULES:

NEW REQUIREMENTS FOR ASCERTAINING IDENTITY:

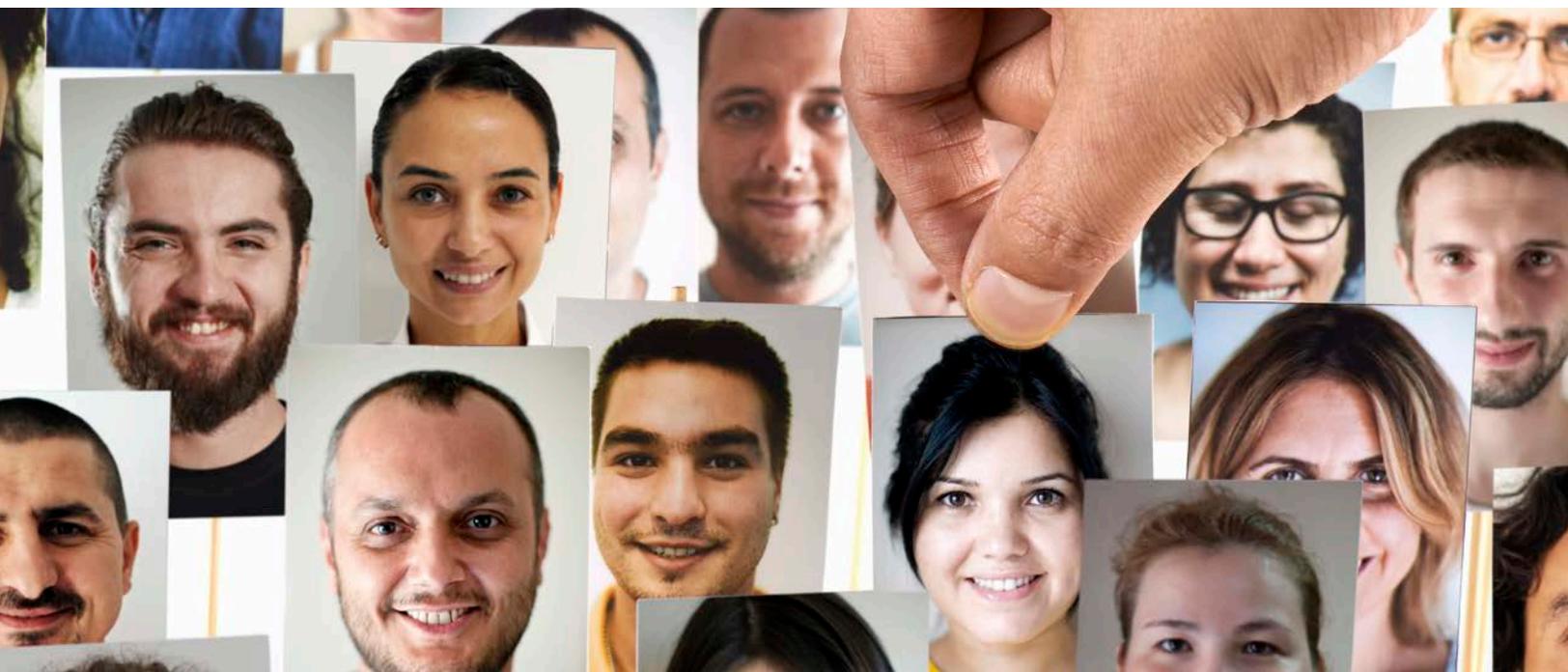
- **Reference to an identification document with photo issued by a government body is now required.**

Identification without a photo is no longer permitted. The document that is used must be valid, original and current such as a driver's licence, passport, etc.

- **Ascertaining the identity of an investor who is a minor**

For investors who are minors, their identity may be verified directly by means of a valid photo ID. If such a document is not available:

- verify the identity of the parent or guardian with a photo ID and ensure that this person has the same address as the child, **AND**
- confirm the name and date of birth of the child using the child's birth certificate.



• **Verification of the identity of a client who is not physically present has been modified:**

- Reference to the client's Canadian credit file that has been in existence for at least three years, and confirm the accuracy of the information (name, address and date of birth)
- Verification of a client's identity using the "dual process method", which is to verify the information using two reliable and independent sources. For more information about this method, see FINTRAC's new guideline: [Methods to ascertain the identity of individual clients \(in force as of June 30, 2016\)](#).

NEW REQUIREMENTS FOR POLITICALLY EXPOSED PERSONS (PEPS) AND HEADS OF INTERNATIONAL ORGANIZATIONS (HIOs):

Certain requirements that apply to foreign politically exposed persons (foreign PEP) now apply to domestic politically exposed persons (domestic PEP)¹ as well as heads of international organizations (HIOs)², and their family members and close associates (for personal or business reasons).³

As a result, when a person makes a lump-sum payment of \$100,000 or more towards an annuity or life insurance policy on their own behalf or at the instruction of someone else, you must take **reasonable measures** to determine whether the person is a foreign PEP, a domestic PEP, a HIO, or the family member or close associate of one of these.

A **reasonable measure** to make this determination is to ask the client questions. This is the approach that SSQ will take and new questions will be added to our forms and applications accordingly.

The determination of PEPs and HIOs and the collection of required information must be completed **within 30 days of the transaction**.

A PEP or HIO is a person entrusted with a prominent position that typically comes with the opportunity to influence decisions. The government considers these people to be more exposed to the risk of corruption and money laundering or terrorist financing.

For this reason, a foreign PEP or a family member or close associate of a foreign PEP must be considered high risk by the legislated institutions. You have specific obligations to keep records, establish source of funds, and have senior management review the transaction.

If you determine a person to be a domestic PEP, a HIO, or a family member or close associate of either, you must complete an assessment to determine if the person is high-risk. If the level of risk is considered high, measures similar to those described above for foreign PEPs must be applied.

For more details on these new requirements, see FINTRAC's new guideline: [Politically exposed persons and heads of international organizations – Life insurance companies, brokers and agents](#).



WHAT WILL BE THE IMPACT OF THESE NEW REQUIREMENTS?

We will be required to collect additional information from our clients in future. Our forms and other documents will be amended between now and June 2017 to comply with the new requirements.

Additional information concerning each of these changes will be available in the update of the [Guidelines of the Financial Transactions and Reports Analysis Centre \(FINTRAC\)](#) by summer 2017.

We will keep you updated on future changes.

For more details, please see [Regulations Amending Certain Regulations Made Under the Proceeds of Crime \(Money Laundering\) and Terrorist Financing Act \(2016\)](#) published in the [Canada Gazette](#), Part II, Vol. 150, No. 13, on June 29, 2016 – under: DORS/2016-153.

¹ **A domestic PEP** is a person who holds or has held within the last 5 years one of the following offices or positions in Canada: Governor General, lieutenant governor or head of government, member of the Senate or House of Commons or member of a legislature, deputy minister or equivalent rank, ambassador, or attaché or counsellor of an ambassador, military officer with a rank of general or above, president of a corporation that is wholly owned by Her Majesty in right of Canada or a province, head of a government agency, judge of an appellate court in a province, the Federal Court of Appeal or the Supreme Court of Canada, leader or president of a political party represented in a legislature, or **mayor***.

* In line with legislation across Canada, municipal governments include cities, towns, villages and rural (county) or metropolitan municipalities. As such, a mayor is the head of a city, town, village, or rural or metropolitan municipality, regardless of the size of the population.

² The **head of an international organization** is a person who is either:

- the head of an international organization established by the governments of states; or
- the head of an institution established by an international organization.

When we refer to the head of an international organization or the head of an institution established by an international organization we are referring to the primary person who leads that organization, for example a president or CEO.

There is no requirement for an institution established by an international organization to operate internationally. It is possible that an institution that has been established by an international organization only operates domestically or in one jurisdiction.

³ A **close associate** can be an individual who is closely connected to a PEP or HIO for personal or business reasons. For example, joint insurance policy where one of the holders may be a PEP or HIO, business partners with, or who beneficially owns or controls a business with, a PEP or HIO, in a romantic relationship with a PEP or HIO, such as a boyfriend, girlfriend or mistress, involved in financial transactions with a PEP or a HIO.

The examples provided are only a sample of considerations to assist in determining close associates.

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