
RE: [EXTERNAL] Effectiveness Review Timeframe Starting Point

Policy-Interpretation <Policy-Interpretation@fintrac-canafe.gc.ca>
To: "rodney@outliercanada.com" <rodney@outliercanada.com>

Thu, Sep 8, 2022 at 4:15 PM

Dear Rodney,

Thank you for your email of August 19th, 2022, wherein you requested clarification regarding when a newly registered MSB must complete its two year effectiveness review of its compliance program.

Before beginning to operate in Canada, an MSB is required to register with FINTRAC. Also, pursuant to subsection 9.6(1) of the *Proceeds of Crime Money Laundering and Terrorist Financing Act* (PCMLTFA), every reporting entity subject to the PCMLTFA and its associated regulations must establish and implement, in accordance with the regulations, a compliance program which includes the completion and documentation of a two year effectiveness review.

A MSB or foreign MSB would be considered a reporting entity and must comply with the obligations as set out in Parts 1 and 1.1 of the legislation, which includes the creation of a compliance program, once it engages in the business of providing any of the following services:

- foreign exchange dealing,
- remitting funds or transmitting funds by any means or through any person, entity or electronic funds transfer network,
- issuing or redeeming money orders, traveller's cheques or other similar negotiable instruments except for cheques payable to a named person or entity,
- dealing in virtual currencies, or
- Crowdfunding platform services

Therefore, based on the above, **a registered MSB is required to create a compliance program once it engages in one or more of the MSB-related activities detailed above.** In terms of when an MSB or foreign MSB is required to complete its effectiveness review of its compliance program, this would be again based on when they engage in the business activities and provide the services listed above. For your reference, the Proceeds of Crime Money Laundering and Terrorist Financing Regulations (PCMLTFR) is where you can find the provisions relating to the two year effectiveness review at sections 156(1)(f), 156(3) and 156(4). Also please see FINTRAC guidance [Compliance program requirements](#), section 7.

I hope this clarifies the timelines for you.

Thank you.

Policy Interpretation

Compliance Sector | Secteur de la conformité

Financial Transactions and Reports Analysis Centre of Canada | Centre d'analyse des opérations et déclarations financières du Canada

Government of Canada | Gouvernement du Canada

From: Rodney MacInnes <rodney@outliercanada.com>

Sent: August 19, 2022 9:31 AM

To: guidelines-lignesdirectrices <guidelines-lignesdirectrices@fintrac-canafe.gc.ca>

Subject: [EXTERNAL] Effectiveness Review Timeframe Starting Point

Greetings Friends in Compliance,

I am reaching out today to determine when the clock starts ticking for the 2 year effectiveness reviews.

With the delay in the MSB registration timeline and overhaul in the process, we are seeing more companies beginning the registration process well in advance of commencing operations (typically 3 months give or take).

I am writing today to inquire if the 2 year review clock starts ticking on the initial date of registration, or on the day operations commence?

Thank you for your consideration.

Cheers,

Rodney

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Rodney MacInnes, CAMS, CBP

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