

SCHEDULE "A"

MONEY LAUNDERING

Money Laundering is defined as the "the act or attempted act to disguise the source of money and assets derived from criminal activity"

Essentially is taking "dirty money" or money obtained from crime and transforming it into "clean money".

STAGES OF MONEY LAUNDERING

Placement: The first stage which involves taking the money and placing it into various financial institutions and instruments.

Layering: Conducting a series of complex financial transactions. The intention is to hide or distort the original source of the illegal money.

Structuring: Breaking down the money and again moving it around in portions that are below the reporting requirements.

TERMS AND DEFINITIONS

PCMLTFA = Proceeds of Crime (Money Laundering) and Terrorist Finance Act

FINTRAC= Financial Transactions and Reports Analysis Centre of Canada

PIPEDA = Personal Information Protection and Electronic Documents Act

OSFI = Office of the Superintendent of Financial Institute Canada

SUSPICIOUS TRANSACTION REPORT (STR)

This form is to be completed whenever you have completed or attempted to complete a transaction for a client that has the potential to be "suspicious" under the PCMLTFA.

Below is a list of indicators to help you determine if the transaction should be reported. Keeping in mind this list is not exhaustive and every situation has to be looked at individually. Your knowledge of your client and your client's background will also come into play here. Rule of thumb should be KYC- KNOW YOUR CLIENT. While one indicator may not be reason enough to complete a STR if you have two or more indicators it will be necessary to complete a STR and submit it to FINTRAC.

SUSPICIOUS INDICATORS

- Client admits or makes statements about involvement in criminal activities.
- Client does not want correspondence sent to home address.
- Client appears to have accounts with several financial institutions in one area for no apparent reason.
- Client conducts transactions at different physical locations in an apparent attempt to avoid detection.
- Client repeatedly uses an address but frequently changes the names involved.
- Client is accompanied and watched.
- Client shows uncommon curiosity about internal systems, controls and policies.

- Client has only vague knowledge of the amount of a deposit.
- Client presents confusing details about the transaction or knows few details about its purpose.
- Client appears to informally record large volume transactions, using unconventional bookkeeping methods or “off-the-record” books.
- Client over justifies or explains the transaction.
- Client is secretive and reluctant to meet in person.
- Client is nervous, not in keeping with the transaction.
- Client is involved in transactions that are suspicious but seems blind to being involved in money laundering activities.
- Client’s home or business telephone number has been disconnected or there is no such number when an attempt is made to contact client shortly after opening account.
- Normal attempts to verify the background of a new or prospective client are difficult.
- Client appears to be acting on behalf of a third party, but does not tell you.
- Client is involved in activity out-of-keeping for that individual or business.
- Client insists that a transaction be done quickly.
- Inconsistencies appear in the client’s presentation of the transaction.
- The transaction does not appear to make sense or is out of keeping with usual or expected activity for the client.
- Client appears to have recently established a series of new relationships with different financial entities.
- Client attempts to develop close rapport with staff.

INDUSTRY SPECIFIC INDICATORS

- Client wants to use cash for a large transaction.
- Client proposes to purchase an insurance product using a cheque drawn on an account other than his or her personal account.
- Client requests an insurance product that has no discernible purpose and is reluctant to divulge the reason for the investment.
- Client who has other small policies or transactions based on a regular payment structure makes a sudden request to purchase a substantial policy with a lump sum payment.
- Client conducts a transaction that results in a conspicuous increase in investment contributions.
- Scale of investment in insurance products is inconsistent with the client’s economic profile.
- Unanticipated and inconsistent modification of client’s contractual conditions, including significant or regular premium top-ups.

- Unforeseen deposit of funds or abrupt withdrawal of funds.
- Involvement of one or more third parties in paying the premiums or in any other matters involving the policy.
- Overpayment of a policy premium with a subsequent request to refund the surplus to a third party.
- Funds used to pay policy premiums or deposits originate from different sources.
- Use of life insurance product in a way that resembles use of a bank account, namely making additional premium payments and frequent partial redemptions.
- Client cancels investment or insurance soon after purchase.
- Early redemption takes place in the absence of a reasonable explanation or in a significantly uneconomic manner.
- Client shows more interest in the cancellation or surrender of an insurance contract than in the long-term results of investments or the costs associated with termination of the contract.
- Client makes payments with small denomination notes, uncommonly wrapped, with postal money orders or with similar means of payment.
- The duration of the life insurance contract is less than three years.
- The first (or single) premium is paid from a bank account outside the country.
- Client accepts very unfavorable conditions unrelated to his or her health or age.
- Transaction involves use and payment of a performance bond resulting in a cross-border payment.
- Repeated and unexplained changes in beneficiary.
- Relationship between the policy holder and the beneficiary is not clearly established.

“TIPPING OFF”

FINTRAC requires confidentiality for all reports completed. You are not allowed to disclose to anyone including your client any information submitted to FINTRAC on a Suspected Terrorist Report. This includes advising your client that a report has been completed and submitted.

Because it is important not to tip your client off that you are making a suspicious transaction report, you should not be requesting information from the individual conducting or attempting the transaction that you would not normally request during a transaction.

CONTINUING TO DO BUSINESS

There is no requirement under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* to close a client's account or stop dealing with the client when you have reported or are preparing to report a suspicious transaction. This is entirely up to you and your business practices.

If you do decide to close an account or to stop dealing with an account, and this decision is made before you submit the suspicious transaction report to FINTRAC, include information about this as action taken in Part H of the report.

LARGE CASH TRANSACTION REPORT (LCTR)

This form is to be completed when a client completes a transaction or several transactions totaling \$10 000.00 Canadian in a 24 hour period where you have received **cash** from the client. Each new transaction begins a new 24 hour period. This report must be sent to FINTRAC within 15 days of the transaction being completed.

TERRORIST PROPERTY REPORT

You are obligated to report to FINTRAC any property that you may have in your possession that is owned or controlled by or on behalf of a terrorist or terrorist group. A copy of the suspected terrorist list (Entities and Individuals) should be available in your office. Names of clients should be checked against these lists to prevent you from unwittingly accepting property suspected to be that of a terrorist. The list is available on the Office of the Superintendent of Financial Institutions Canada website.

www.osfi-bsfi.g.ca click on Life Insurance Companies and Fraternal Section

click on Terrorism Financing (List of Name) you will see two lists available for printing

Name of Entities and Name of Individuals (they will print on legal size paper)

RECORD KEEPING

When FINTRAC makes a request for documentation we have 30 days to comply. Therefore all documentation is to be kept in a centralized location and easily retrievable. Any documents relating to FINTRAC reporting should be kept in your office for a period of 5 years.

CLIENT INFORMATION

Before conducting a transaction for a client you must ascertain identity. You must get identification from your client and keep information on file regarding the identification such as;

- Type of identification
- Identification number
- Date of Issue
- Date of Expiry
- Where the identification was issued City and Province

If you have had dealing with the client in the past and have conducted transactions with them regularly you may not be required to gather

FINES AND PENALTIES

- Failure to report suspicious transactions: up to \$2 million and/or 5 years imprisonment.
- Failure to report a large cash transaction or an electronic funds transfer: up to \$500,000 for the first offence, \$1 million for subsequent offences.
- Failure to meet record keeping requirements: up to \$500,000 and/or 5 years imprisonment.
- Failure to provide assistance or provide information during compliance examination: up to \$500,000 and/or 5 years imprisonment.
- Disclosing the fact that a suspicious transaction report was made, or disclosing the contents of such a report, with the intent to prejudice a criminal investigation: up to 2 years imprisonment.

*NOTE: an employee will not be liable for failure to report a transaction provided they have submitted the required report to the company compliance officer. Employees will not be held responsible for the actions or inactions of the compliance officer