



**Opening statement
in relation to the review of the
Proceeds of Crime (Money Laundering) and Terrorist Financing Act
to the Standing Senate Committee on Banking, Trade and Commerce**

by

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**Ottawa, Ontario
Thursday, May 18, 2006**

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Senator Grafstein, honourable members of the Committee:

I would like to thank you for this opportunity for the Office of the Superintendent of Financial Institutions (OSFI) to provide information as part of your review of *the Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

I am the head of the group at OSFI responsible for our anti-money laundering and anti-terrorist financing (AML/ATF) assessment program. With me today are my colleagues, Keith Martin, Director, Compliance Division, who is specifically responsible for leading our anti-money laundering assessments, and Alain Prévost, OSFI's General Counsel.

OSFI does not have a legislated role with respect to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. However, OSFI, like other major financial regulators around the world, is a member of the Basel Committee on Banking Supervision, as well as a member of the International Association of Insurance Supervisors. As such, OSFI subscribes to core principles for supervision of deposit takers and insurance companies. These core principles require OSFI to be able to determine whether banks have adequate policies, practices and procedures in place, including strict "know-your-customer" rules that promote high ethical and professional standards in the financial sector and prevent banks from being used by criminal elements. A similar standard applies to our supervision of life insurance companies.

We share with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) the results of our AML/ATF assessments on all federally regulated financial institutions. Our assessments focus on three key areas: first, whether the institution has implemented the requisite policies and procedures to be in compliance with the Act; secondly, whether it has the requisite framework of controls in place to report designated transactions to FINTRAC; and thirdly, whether the quality of those controls and the supporting risk management processes are adequate.

Canada's banks and other federally regulated financial institutions are allocating significant dollar and people resources to the fight against money laundering and terrorist financing. Most of the financial institutions we have assessed so far have assigned a very high level of importance to getting AML/ATF implementation right. A few, mostly smaller, financial institutions have needed more specific guidance. We have been proactive in providing this guidance, both by intervention at individual institutions and by undertaking numerous speaking engagements and organizing an AML/ATF information session to communicate OSFI's expectations in this area.

OSFI works very closely with FINTRAC. By assessing our regulated institutions on FINTRAC's behalf, we bring our long-standing experience as a bank regulator to this important area of risk management, as well as allowing FINTRAC to focus its resources in other sectors. We also work closely with the Department of Finance and other key government departments on AML/ATF developments and issues. Finally, we participate in the work of the Financial Action Task Force, an international, inter-governmental body whose purpose is to develop and promote national and international policies to combat money laundering and terrorist financing.

My colleagues and I would be pleased to respond to any questions the Committee may have.

Addendum

OSFI's Legislative Mandate

OSFI is the primary regulator of all federally incorporated financial institutions in Canada. The key elements of OSFI's legislated mandate are to:

- Supervise institutions and pension plans to determine whether they are in sound financial condition and meet minimum plan funding requirements respectively, and whether they are complying with their governing law and supervisory requirements;
- Promptly advise institutions and plans in the event there are material deficiencies and take, or require management, boards or plan administrators to take, necessary corrective measures expeditiously;
- Advance and administer a regulatory framework that promotes the adoption of policies and procedures designed to control and manage risk;
- Monitor and evaluate system-wide or sectoral issues that may impact negatively on financial institutions.