



**Opening statement by Nicolas Burbidge,
Senior Director, Compliance Division**

to the

Standing Senate Committee on Banking, Trade and Commerce

in relation to

Consideration of Bill C-25, An Act to amend the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and the *Income Tax Act* and to make a consequential amendment to another Act

Wednesday, December 6, 2006

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Mr. Chairman, 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 consideration of Bill C-25.

I am the head of the group at OSFI responsible for our anti-money laundering and anti-terrorist financing (AML/ATF) program. Appearing with me is Mr. Keith Martin, who heads our AML/ATF assessment team.

We are here today to say that OSFI strongly supports the passage of Bill C-25.

Early in the New Year, Canada's adherence to international AML standards will be reviewed by the Financial Action Task Force (FATF). The FATF is a multi-national body that sets international AML standards and uses a peer review system to evaluate implementation in member countries. OSFI has participated in the FATF review process, and we know the importance that will be attached to the contents of Bill C-25 in Canada's upcoming evaluation. A good review will be important to reinforce the perception that Canada is a safe place for financial transactions and investments. Strong AML programs are an important component of a safe and sound financial system.

Bill C-25 makes important changes that are specifically required by the FATF standards. These include:

- The requirement to report suspicious attempted transactions to FINTRAC;
- the requirement to identify the beneficial owners of clients that are corporations or other entities;
- the prohibition of account opening if the identity of the client cannot be established;
- the requirement to determine if a client is a politically exposed person;
- the requirement to apply enhanced customer due diligence to higher risk accounts and transactions;
- the enhanced identification requirements applicable to correspondent banking;
- the requirement to include certain customer information with electronic funds transfers, and;
- the requirement for Canadian financial institutions' foreign branches to have compliance regimes that meet the legislated Canadian standards and for foreign subsidiaries of Canadian operations to be subject to standards consistent with Canadian requirements.

These measures are not new to the federally regulated financial sector. Our larger banks already comply with similar measures in countries where these standards are already in place. As well, the FATF has had these standards in place for over three years, which has given the

financial community ample time to prepare for the introduction of similar measures into our regulatory regime.

For the reasons provided, Bill C-25 raises the bar significantly on AML standards in Canada, and it will require increased effort and resources by the financial sector to implement. While the higher standards set in Bill C-25 do come at a cost, we believe that the alternative would cost Canadians much more in the long run.

When we last appeared before the Committee in May, I reviewed OSFI's adherence to world banking and insurance supervision standards, which require the Office to be able to determine whether banks and federally regulated life insurers have adequate "know-your-customer" policies and procedures in place. OSFI will continue to work with our regulated entities to ensure these policies and procedures are robust enough to prevent financial institutions being used by criminal elements and terrorists.

In closing, OSFI believes the enactment of Bill C-25 will result in Canada being viewed internationally as having a strong anti-money laundering regime.

We would be happy to respond to any questions the Committee may have.