

## **Notes for Opening of November 9, 2005 Information Session on AML/ATF**

### **Royal York Hotel Toronto, Ontario, Canada**

Good morning, everyone. My name is Nick Burbidge, I'm with the Compliance Division at OSFI, and I will be acting as moderator for today's Information Session.

Before I get into the main agenda for today, some brief words of introduction.

First, I'd like to thank so many of you for traveling to Toronto to attend this session. We did consider holding similar sessions in other cities or perhaps having a separate session for the smaller institutions, given that some of the issues relate more to them than the larger FIs. However, we decided that the advantages of having everyone in the same room to hear all the discussions outweighed the travel burden. We felt that everyone should have the opportunity to hear the same messages regardless of size and business model differences. We hope this approach will underscore that there really is a "level playing field" when it comes to AML/ATF.

Si vous le permettez, j'aimerais remercier nos collègues francophones d'avoir accepté d'assister à cette séance qui se déroulera en anglais. Votre compréhension et votre coopération sont grandement appréciées.

Second, please note that we have arranged for today's session to be audio recorded. We have done this to ensure we have an accurate record of your questions and our responses, as well as to save OSFI people from having to make copious manual notes. Therefore, if you want to ask questions on the various presentations, please use one of the floor microphones and give your name and affiliation when asking a question. Thank you for your understanding. Also, you will note that there will be an opportunity at the end of our formal agenda for questions and discussions. So, in the interest of keeping to the timetable, we may ask you to delay raising some points until then.

We'll have a coffee break at around 10:30 this morning. All refreshments, including lunch, will be served in this room. We'll stay at our tables at lunchtime. The Superintendent will be joining us for lunch and, as you know, will be making a speech on AML and ATF. OSFI has invited the news media to cover the speech. After the speech, the Superintendent will be fielding questions from the press in a separate area and unfortunately will not be available to answer questions from you today.

When you registered, you received a nametag. We'd appreciate your wearing your nametag during the day so that our staff will know you are registered. If you didn't register yet, now would be a good time to do so. It is important to OSFI that we have a record of those in attendance today.

I want to briefly set the stage for today's presentations.

Today's session is not a debate as to the merits of Canada's AML/ATF system or OSFI's guidance; nor is it a workshop where we can dispense "how to" advice. The Proceeds of Crime Act basically speaks for itself. We are, however, happy to field any questions or comments on what we present, which will be focused mostly on risk management and related procedures. In our letter of invitation, we encouraged you to send us any questions or areas of concern you would like addressed. We received many suggestions and have done our best to deal with them in our presentations. However, questions pertaining directly to the Department of Finance consultation paper on Canada's AML/ATF regime will need to be directed to Finance, although it is possible that some of the areas we deal with today may touch on areas discussed in the consultation paper. If that happens, we'll clarify things at that point. In that connection, there are representatives from the Department of Finance with us today as observers. Also, as many of you know, there is an Ad Hoc group made up of credit card issuers and representatives from the Department of Finance, OSFI, FINTRAC and the CBA. This group has been meeting to discuss some of the challenges of complying with the PCMLTFR for credit cards applied for over the Internet, by mail or by telephone, where no face-to-face meetings with bank clients take place. I would ask that comments and questions regarding that topic be referred to the Ad Hoc committee either through the CBA or through Finance.

OSFI started its AML/ATF assessment program three years ago. We have conducted assessments on institutions whose combined balance sheet assets amount to about 97% of the federally regulated sector that we supervise. That includes all the conglomerate banks and insurance companies and a significant number of smaller financial institutions, mostly deposit taking institutions.

The results of all our assessments have been shared with FINTRAC. The formal arrangement for allowing us to do this was put in place last June through means of a Memorandum of Understanding.

Because OSFI developed its assessment program using a risk-based approach, there can be sometimes be delays in communicating systemic findings to the industry. Your registration package contains a copy of OSFI's Guideline B-8, *Deterring and Detecting Money Laundering and Terrorist Financing*. At the end of that document is a list of resources you might find useful. As our assessment program has progress, we've realized that it might be in order to expand on the topics discussed, as well as provide some further clarification on the issues addressed in the current version. We have not quite decided how we will do this. The issuance of formal guidelines, or a revision to an existing guideline, has to follow a prescribed process in OSFI. However, we believe there may be room for us to provide written communication to the industry in a less formal manner.

We believe that today's session affords the opportunity for all institutions to hear OSFI's views on our general findings to date. Our presentations will go into further details on what we see as some key issues in our cumulative findings thus far, with some commentary on acceptable risk management procedures and observed best practices. We will also be discussing issues, risks and best practices that we have noted in respect of various financial products and different business models, particularly those where we

have identified weaknesses of various kinds. Each presenter will be happy to take questions on the matters presented - either at the time or, as mentioned, later in the day.

Finally, today's information session has been designed to provide an opportunity to hear what OSFI's expectations are with respect to AML/ATF programs for deposit-taking institutions and life insurance companies, as well as afford the RCMP and FINTRAC the opportunity to provide you with examples, or typologies, of money laundering.

Our plans for next year are being driven by a number of factors. One of the most significant is the evaluation by the Financial Action Task Force on Money Laundering (FATF) of Canada's AML/ATF regime, which is expected to take place in early 2007. As you know, a significant portion of an FATF evaluation is an assessment of the effectiveness of AML rules. The FATF looks at how the financial intelligence unit and financial supervisors work together to create an effective oversight process.

Another factor affecting our planning is risk. Our largest banks process the lion's share of financial transactions in Canada. For this reason, we will be reassessing the larger banks and insurers in 2006.

During 2005, we assessed several smaller institutions. Unfortunately, some of the mid-size to smaller institutions are not yet at an acceptable level in fulfilling their compliance obligations, nor have they adequately assessed the AML/ATF risks to which they are exposed through their products and services. So, we will be returning to them for another review in 2006.

Finally, we hope to review a selection of life insurance companies starting in the latter part of 2006. It is our intention, by early 2007, to present the FATF with an up-to-date picture of compliance and risk management by the federal sector.

Once again, thank you for making it a priority to be here today. I and my colleagues from OSFI, FINTRAC and the RCMP look forward to a fruitful day of information sharing and discussion.