Mutual Evaluation of Canada

Anti-money laundering and countering the financing of terrorism and proliferation financing measures



September 2026



The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

For more information about the FATF, please visit www.fatf-gafi.org.

This document and/or any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

How to read this mutual evaluation report

The Financial Action Task Force (FATF) has revised its assessment methodology to place an even greater focus on effectiveness, to ensure that countries are implementing and making use of the laws, regulations and policies that are being passed, as well as a greater emphasis on the major risks and context. This round of mutual evaluations is operating on a six-year cycle, significantly shorter than earlier rounds, and includes time-bound Key Recommended Actions roadmaps for countries that need to improve in key areas.

Effectiveness has been assessed according to the 11 immediate outcomes that an effective anti-money laundering/countering the financing of terrorism/countering proliferation financing (AML/CFT/CPF) framework should be able to deliver. The extent to which a country is taking effective action in this area is reflected in ratings that range from low to high level of effectiveness (see Chapters 2 – 11).

Technical compliance has been re-assessed in line with the FATF Recommendations where: (i) the country has made legal, regulatory or operational framework changes since its last mutual evaluation or follow-up report with technical compliance re-ratings and (ii) there has been a change in the FATF Standards for which the country has not previously been assessed. Where technical compliance has been reassessed the relevant section is clearly indicated in the Technical Compliance Annex. Where a Recommendation has not been re-assessed, the previous assessment is included under a grey heading (see Annex A. Technical Compliance).

A glossary of key terms is available at the end of the report.

Citing reference:

FATF (2026), *Mutual Evaluation Report of Canada*, FATF, Paris, www.fatf-gafi.org/en/publications/Mutualevaluations/canada-mer-2026.html

© FATF/OECD 2026



Attribution 4.0 International (CC BY 4.0)

This work is made available under the Creative Commons Attribution 4.0 International licence. By using this work, you accept to be bound by the terms of this licence. For information about reproduction, distribution and translation please see the Terms, Conditions and Disclaimers published on the FATF public website. You must not use the FATF logo, visual identity or cover image without express permission or suggest the FATF endorses your use of the work. Any dispute arising under this licence shall be settled by arbitration in accordance with the Permanent Court of Arbitration (PCA) Arbitration Rules 2012. The seat of arbitration shall be Paris (France). The number of arbitrators shall be one.

Table of contents

Executive summary 3

Roadmap of key recommended actions (KRAs) 13

Preface 15

Introduction to money laundering and terrorist financing risks and context 17

1 Assessment of risks, co-ordination and policy setting 29

2 International co-operation 43

3 Financial sector and virtual asset supervision and preventive measures 68

4 Non-financial sector supervision and preventive measures 100

5 Transparency and beneficial ownership 132

6 Financial intelligence 152

7 Money laundering investigations and prosecutions 169

8 Asset recovery 193

9 Terrorist financing investigations and prosecutions 229

10 Terrorist financing preventive measures and financial sanctions 247

11 Proliferation financing financial sanctions 262

Annex A. Technical compliance 276

Annex B. Technical compliance shortcomings 399

Glossary of acronyms 402

Executive summary

1. This report provides a summary of the anti-money laundering and counter-terrorist financing (AML/CFT) measures in place in Canada as at the date of the on-site visit from 3 to 21 November 2025. This report analyses the level of compliance with the FATF 40 Recommendations and the effectiveness of Canada's AML/CFT system, and provides recommendations on how this system could be improved.

Key Findings

a) Canada has developed a mature and nuanced understanding of its ML/TF threats and vulnerabilities through successive National Risk Assessments (NRAs). Overall, Canada faces material money laundering (ML) risks driven by major profit-generating crimes. ML in Canada is mainly linked to proceeds from drug trafficking, fraud, commercial trade fraud and tax crimes, often involving organised crime groups and professional money laundering intermediaries. Terrorism financing (TF) activity is generally low in value and volume, reflecting the risk associated with lone-actor attacks with limited financing needs, alongside some links to foreign-based ideologically motivated groups using a range of funding channels.

b) The AML supervisor, Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) generally demonstrates a good understanding of sectoral ML/TF risks affecting FIs and VASPs and has taken steps to enhance its risk-based supervision. At the same time, constraints related to model design affect the effectiveness of differentiation of ML/TF risk at the institutional level, with a significant proportion of FIs and VASPs not subject to an entity-level risk assessment. Supervisory activities are conducted by FINTRAC through on site examinations, desk-based reviews and ongoing engagement, and compliance monitoring meetings with banks, guided by annual planning. However, the supervisory frequency and intensity are not always aligned with the assessed risk of some sectors.

c) For Designated Non-Financial Businesses and Professions (DNFBPs), supervision focuses on higher risk entities, such as casinos, with the result that overall coverage and enforcement remain limited relative to the size and high inherent vulnerability of certain sectors, notably Dealers in Precious Metals and Stones (DPMS) and real estate. Lawyers, while subject to professional rules and oversight by Law Societies, remain outside the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) framework. While the Law Societies have taken positive initiatives to reinforce the implementation of ML/TF related obligations, their approach is largely rules-based.

d) Canada has considerably advanced its framework for BO Transparency since the previous MER, introducing corporate beneficial ownership (BO) registers at the federal level and in Québec, BO record keeping and disclosure requirements for companies, BO data filing obligations for trusts as part of annual income tax returns, land ownership transparency mechanisms in British Columbia, Customer Due Diligence (CDD) obligations on reporting entities (REs) to obtain BO information, and prohibitions on bearer shares. Canada applies a multi-pronged approach to accessing BO information, which generally enables competent authorities to obtain BO information in a timely manner and supports investigative needs. While this approach is positive, overall effectiveness is impacted by uneven implementation across provinces and territories.

e) ML activity is primarily detected through financial investigations into proceeds generating predicate offences, rather than as standalone ML. These financial investigations are systematically embedded in case prioritisation, particularly within Royal Canadian Mounted Police (RCMP) Federal Policing, ensuring that major cases are supported by parallel financial enquiries. Canada faces persistent challenges in prosecuting professional money laundering (PML) particularly in standalone ML cases where predicate offences cannot be prosecuted. Laundering Proceeds of Crime (LPOC) cases involving third-party laundering are high value and sophisticated, but difficult to prove.

f) Canada has a well-established and effective system to detect and investigate terrorist financing, led primarily by the RCMP's Federal Policing National Security (RCMP-FPNS) and supported by strong co-ordination among relevant partners. While the number of TF-related prosecutions remains low, Canada has the necessary mechanisms to prosecute cases effectively as they arise, in line with the country's terrorist financing threat environment.

Ratings for effectiveness and technical compliance

	Effectiveness		Technical Compliance	
Risk mitigation through policy, co-ordination and co-operation				
Assessment of risk, co-ordination and policy setting	IO.1	Substantial	R.1	Largely compliant
			R.2	Compliant
International co-operation	IO.2	Substantial	R.36	Compliant
			R.37	Largely compliant
			R.38	Largely compliant
			R.39	Compliant
			R.40	Largely compliant
Cross-cutting requirements			R.33	Compliant
Prevention, detection and reporting of illicit funds across sectors				
Financial sector and virtual asset supervision and preventive measures	IO.3	Moderate	R.9	Compliant
			R.10	Largely compliant
			R.11	Largely compliant
			R.12	Largely compliant
			R.13	Compliant
			R.14	Compliant
			R.15	Largely compliant
			R.16	Largely compliant
			R.17	Compliant
			R.18	Largely compliant
			R.19	Compliant
			R.20	Compliant
			R.21	Largely compliant
			R.26	Partially compliant
			R.27	Compliant
Non-financial sector supervision and preventive measures	IO.4	Moderate	R.22	Largely compliant
			R.23	Largely compliant
			R.28	Partially compliant
Transparency and beneficial ownership	IO.5	Moderate	R.24	Partially compliant
			R.25	Largely compliant
Cross-cutting requirements			R.34	Compliant
			R.35	Largely compliant
Detection and disruption of threats, sanctions and deprivation of illicit funds				
Financial intelligence	IO.6	Substantial	R.29	Largely compliant
Money laundering investigations and prosecutions	IO.7	Moderate	R.3	Compliant
Asset recovery	IO.8	Moderate	R.4	Partially compliant
			R.32	Compliant
Terrorist financing investigations and prosecutions	IO.9	Substantial	R.5	Compliant
Terrorist financing preventive measures and financial sanctions	IO.10	Substantial	R.6	Compliant
			R.8	Largely compliant
Proliferation financing financial sanctions	IO.11	Substantial	R.7	Largely compliant
Cross-cutting requirements			R.30	Largely compliant
			R.31	Largely compliant

Note: Effectiveness ratings can be either a High-HE, Substantial-SE, Moderate-ME, or Low-LE, level of effectiveness. Technical compliance ratings can be either a Compliant-C, Largely compliant-LC, Partially compliant-PC or Non-compliant-NC. While the technical compliance findings can be relevant across the effectiveness immediate outcomes (for example, R.1 or R.40), the table above illustrates the main technical compliance findings specific to each effectiveness immediate outcome and cross-cutting requirements for each of the intermediate outcomes. For more detail on the relevant technical compliance requirements relevant to each effectiveness immediate outcome, see the relevant paragraph at the beginning of each chapter. See also paragraphs 53 and 54 of the FATF 2022 Methodology for links between effectiveness and technical compliance ratings.

Risks and general situation

2. Overall, Canada faces material ML risks driven by major profit-generating crimes, while TF risk remains limited in scale and proliferation financing (PF) exposure is assessed as low to medium, with sectoral and jurisdictional differences shaping the risk profile. ML in Canada is mainly linked to proceeds from drug trafficking, fraud, commercial trade fraud and tax crimes, often involving organised crime groups and professional money laundering intermediaries. Key inherent vulnerabilities are present across large banks, certain money services businesses, virtual asset service providers, private corporations and express trusts, with growing exposure related to virtual assets, crowdfunding mechanisms and online gambling platforms.

3. TF activity is generally low in value and volume, reflecting the risk associated with lone-actor attacks with limited financing needs, alongside some links to foreign-based ideologically motivated groups using a range of funding channels. PF risk is assessed as low to medium overall, with higher relative exposure linked to Iran than to the Democratic People's Republic of Korea (DPRK) due to differences in trade, financial links and domestic presence. In this MER, priority areas for increased focus included the use of corporate structures, ML associated with organised crime drug trafficking, risks in the real estate sector, and AML/CFT controls within the legal profession.

Assessment of risk, co-ordination and policy setting (Chapter 1; IO.1, R.1, 2, 33 & 34)

4. Canada has developed a mature and nuanced understanding of its ML/TF threats and vulnerabilities through successive National Risk Assessments. The 2025 NRA provides a comprehensive analysis of threats, threat actors and the most vulnerable sectors, and this understanding is reinforced by intelligence products produced by operational and intelligence partners. National AML/CFT policies and operational activities are strongly guided by risk assessments and stakeholder consultation, and the NRA process demonstrates several good practices, including structured public-private engagement and inter-agency co-ordination.

5. Canada has a strong multi-layered inter-agency co-ordinating mechanism at operational and policy levels, which has taken significant measures to mitigate Canada's highest ML threats through operational reforms and initiatives. National policies and objectives have been established through national strategies, the current strategy being for 2023-2026. Overall, the objectives and activities of competent authorities are broadly aligned with evolving national AML/CFT policies, and their responses to higher ML/TF risks are generally consistent with these priorities.

6. Canada applies a risk-based approach to its AML/CFT framework, with enhanced measures in place for higher risk areas and simplified measures or exemptions permitted for lower risk areas. However, the NRA provides limited identification of lower risk sectors, which limits Canada's ability to apply a proportionate, risk-based approach and to enable simplified measures where the risks are low.

International co-operation (Chapter 2; IO.2; R.36-40)

7. Canada has a sound legal framework for international co-operation, supported by a wide network of bilateral and multilateral treaties. The central authority (CA) functions effectively, applying a prioritisation framework and utilising an electronic case-management system that allows for tracking of Mutual Legal Assistance (MLA), extradition and asset recovery requests and associated deadlines. Canada rarely refuses incoming requests and demonstrates constructive engagement with foreign counterparts, including

through liaison officers, bilateral and multilateral consultations, and the provision of guidance, templates and mock cases to facilitate co-operation.

8. Canada provides good-quality assistance in MLA and extradition matters, and provisional arrests are executed in a timely manner. However, overall effectiveness is diminished by persistent timeliness challenges, particularly for MLA and asset recovery. Execution of MLA requests takes, on average, 12 months, with a significant proportion exceeding one year, and delays are more pronounced for freezing and confiscation requests, which have low execution rates and extended processing times. International feedback indicates that multiple requests for additional information contribute to delays. While refusals are rare, a sizeable share of incoming asset recovery requests remains pending, reflecting inefficiencies that affect responsiveness.

9. Asset recovery outcomes achieved through international co-operation are limited relative to Canada's risk profile and materiality. A small proportion of assets sought for confiscation by foreign counterparts is ultimately confiscated and shared. Canada seeks outgoing MLA and extradition assistance for ML/TF to some extent, but the volume of formal requests has declined and does not fully reflect the highest risk threats, notably organised crime and drug trafficking. Informal co-operation mechanisms are used increasingly and often deliver good-quality assistance, but only partially compensate for limited formal asset recovery outcomes. Beneficial ownership information is sought and shared in only a small number of cases.

Financial sector and virtual asset supervision and preventive measures (Chapter 3; IO.3, R.9-21, 26, 27, 34 & 35)

10. Canada has established robust market entry controls for financial institutions through licensing and registration frameworks. Fit and proper requirements are generally applied, although these requirements do not always explicitly extend to senior management for some provincially regulated FIs. The policy approach that allows retrospective registration of money services businesses (MSBs, including Virtual Asset Service Provider(s) (VASP)) may not always provide sufficient deterrent to unregistered activity.

11. The AML supervisor, FINTRAC which is also the Financial Intelligence Unit (FIU), generally demonstrates a good understanding of sectoral ML/TF risks affecting FIs and VASPs and has taken steps to enhance its risk-based supervision through the introduction of a new Supervision Risk Model (SRM). At the same time, constraints related to model design affect the effectiveness of differentiation of ML/TF risk at the institutional level, with a significant proportion of FIs and VASPs not subject to an entity-level risk assessment.

12. Domestic Systemically Important Banks (D-SIBs) and MSBs within large international financial groups generally demonstrate a good understanding of their ML/TF risks while risk understanding of some securities firms, VASPs, and smaller MSBs needs improvement. While FIs and VASPs had been assessed by FINTRAC as having reasonably sound levels of compliance, a large percentage of VASPs, banks and credit unions have been assessed as "deficient" in their suspicious transaction report (STR) reporting. Compliance with core obligation of record keeping of a considerably large portion of MSB and VASP also needs improvement.

13. Supervisory activities are conducted by FINTRAC through on site examinations, desk-based reviews and ongoing engagement, and compliance monitoring meetings with banks, guided by annual planning. However, the supervisory frequency and intensity are not always aligned with the assessed risk of some sectors, particularly for those assessed as very high risk (i.e. DSIBs, MSBs and VASPs). FINTRAC examinations generally cover assessment of compliance with the regulatory requirements and sample testing but most of them do not provide specific recommendations to address examination findings or their root causes.

While remediations undertaken by FIs and VASPs are followed up with progress closely tracked, wider range of measures are required to bring timely remediation to address non-compliance and to prevent recurrence. FINTRAC has increased the use of enforcement actions, but their overall scale and impact, particularly for larger FIs and VASPs, remain relatively limited.

14. Overall, the supervisory framework supports the management of key risks to a certain extent, and enhancements in institutional risk assessment, risk based supervisory approach and range of measures to bring about timely remediation would support more effective supervision and implementation of preventive measures by FIs and VASPs.

Non-financial sector supervision and preventive measures (Chapter 4; IO.4, R.22, 23, 28, 34 & 35)

15. Canada has established supervisory and market-entry frameworks for most DNFBP sectors, supported by licensing or registration requirements and fit-and-proper controls at the provincial or territorial level, although the absence of a federal or provincial/territorial licensing, registration or other equivalent control framework for DPMS remains an outstanding gap. FINTRAC has a generally sound understanding of sectoral ML/TF risks and overall applies a risk-based approach to supervision; however, the limited number of entity level risk assessments constrain its ability to consistently assess risk across DNFBP sectors and to prioritise supervisory activities effectively.

16. Supervision focuses on higher risk entities, such as casinos, with the result that overall coverage and enforcement remain limited relative to the size and high inherent vulnerability of certain sectors, notably DPMS and real estate. Lawyers, while subject to professional rules and oversight by Law Societies, remain outside the PCMLTFA framework. While the Law Societies have taken positive initiatives to reinforce the implementation of ML/TF related obligations, their approach is largely rules-based. Overall, supervisory arrangements address certain key risks, but uneven coverage, sectoral gaps and limited supervisory intensity impact the level of effectiveness.

Transparency and beneficial ownership (Chapter 5; IO.5, R.24 & 25)

17. Canada has considerably advanced its framework since the previous MER, introducing corporate beneficial ownership (BO) registers at the federal level and in Québec, BO record keeping and disclosure requirements for companies, BO data filing obligations for trusts as part of annual income tax returns, land ownership transparency mechanisms in British Columbia (BC), CDD obligations on reporting entities to obtain BO information, and prohibitions on bearer shares. Canada has generally a good understanding of the risks associated with legal persons and arrangements, although understanding of misuse of legal vehicles and foreign arrangements could be further enhanced.

18. Canada applies a multi-pronged approach to accessing BO information, relying on corporate registries where available, reporting entities, FINTRAC, securities regulators, and tax authorities, which generally enables competent authorities to obtain BO information in a timely manner and supports investigative needs. While this approach is positive, overall effectiveness is impacted by uneven implementation across provinces and territories, including limited establishment of central BO registries, lack of data on compliance with corporate BO record keeping obligations, and certain limitations with mechanisms for the update of BO information on trusts. In addition, verification mechanisms and the application of proportionate and dissuasive sanctions for BO related deficiencies are not applied consistently across the framework and could be further enhanced.

Financial intelligence (Chapter 6; IO.6, R.29-32)

19. Canada demonstrates a strong capacity to access, develop, and use financial intelligence in support of ML and TF investigations. FINTRAC, as the central financial intelligence unit, has access to a wide range of reporting, transactional data, open-source information, and domestic databases, enabling the production of high quality operational and strategic intelligence. While FINTRAC's authority to request additional information is limited to circumstances where a report has already been filed, this constraint is largely mitigated in practice through comprehensive reporting regimes and effective co-operation with Law Enforcement Agencies (LEAs).

20. LEAs and other competent authorities (including the RCMP, Canada Revenue Agency (CRA), Canada Border Services Agency (CBSA), and Canadian Security Intelligence Service (CSIS)) benefit from wide access to financial information and intelligence to support ML/TF investigations. Their access to FINTRAC intelligence is limited to proactive disclosures and the Voluntary Information Record (VIR) mechanism. While the VIR mechanism is well established and secure, lengthy response times in non-urgent cases reduce the timeliness of financial intelligence and may hinder its optimal use in investigations. To address this, LEAs increasingly rely on alternative proactive intelligence gathering techniques, which enable faster access to financial information and more targeted use of investigative powers. In practice, key agencies develop a substantial proportion of their own financial intelligence to support investigations.

21. Financial institutions account for the majority of STRs, reflecting both their size and inherent ML/TF risks. In contrast, DNFBPs (except casinos) report significantly lower STR volumes than expected given their exposure to higher risk activities. FINTRAC relies considerably on STRs related to DNFBP activity generated through financial institutions, suggesting a degree of under engagement among DNFBPs. The absence of STR obligations for lawyers represents a significant gap, limiting FINTRAC's visibility over certain higher risk financial activities and reducing the depth and breadth of intelligence related to DNFBP transactional behaviour.

22. FINTRAC produces high quality operational and strategic intelligence that is actively used by competent authorities. Its products support investigations into high-risk predicate offences, such as fraud and drug trafficking, and contribute directly to identifying entities of interest, tracing criminal proceeds, and developing evidentiary leads. Strategic intelligence has demonstrably influenced both public and private sector approaches to ML/TF risks. FINTRAC's integration into joint operational structures, including the Joint Operational Intelligence Cell (JOIC), and its participation in public private partnerships, are good examples of operationalisation of financial intelligence against ML/TF threats.

Money laundering investigations and prosecutions (Chapter 7; IO.7, R.3, 30 & 31)

23. Canada identifies and investigates money laundering to a large extent in line with its risk profile. ML activity is primarily detected through financial investigations into proceeds generating predicate offences, rather than as standalone ML. These financial investigations are systematically embedded in case prioritisation, particularly within RCMP Federal Policing, ensuring that major cases are supported by parallel financial enquiries. Laundering proceeds of crime (LPOC) offences involve the most serious and complex ML in Canada, while possession of property obtained by crime (PPOC), trafficking property obtained by crime (TPOC) and possession of property obtained by crime for the purposes of trafficking (PPOCPT) offences generally relate to lower-level criminality such as straightforward self-laundering or simple possession matters. A smaller number of PPOC, TPOC, and PPOCPT matters have involved more complex, high-value and high-impact conduct.

24. LEAs are well co-ordinated at federal, provincial and municipal levels, and are appropriately resourced to investigate ML. They have access to a wide range of investigative powers, including

production orders and beneficial ownership information, and make extensive use of these tools. FINTRAC intelligence plays an important role: while proactive disclosures initiate a minority of ML investigations, FINTRAC information is regularly used during investigations, with extensive reliance on the VIR mechanism. Delays in accessing information, particularly in responding to production orders, continue to affect timeliness, although recent legislative reforms and informal measures with financial institutions are being advanced to address this issue.

25. Despite strong investigative capacity ML prosecutions are less effective, particularly for LPOC offences. The majority of ML prosecutions relate to PPOC and TPOC/PPOCPT, while LPOC prosecutions remain limited. At the prosecution stage, ML charges, are frequently withdrawn to secure convictions for predicate offences carrying higher maximum penalties through resolution agreements. While this approach supports successful outcomes for serious criminality overall, it is occurring at the expense of convictions for ML and limits the extent to which ML is pursued and sanctioned as a distinct offence, reducing the deterrence of ML prosecutions relative to the risks posed.

26. Canada faces persistent challenges in prosecuting professional money laundering (PML) particularly in standalone ML cases where predicate offences cannot be prosecuted. LPOC cases involving third party laundering are high value and sophisticated, but difficult to prove. While Canada has demonstrated some successes and has recently introduced legislative reforms intended to address evidentiary barriers, prosecutions and convictions for PML remain limited and do not yet reflect the scale of PML activity identified in national risk assessments.

27. Finally, sanctions are not consistently effective, proportionate, or dissuasive. Although courts have imposed significant penalties in some major ML cases, sentencing for LPOC and PPOC, particularly in the absence of a predicate offence, is inconsistent and often at the lower end of the spectrum. This weakens the overall deterrent effect of Canada's ML enforcement framework and limits its impact on serious and organised ML activity.

Asset recovery (Chapter 8; IO.8, R.1, 4 & 32)

28. Canada recovers proceeds and instrumentalities of crime to some extent, with clear improvements in prioritisation and capacity during the assessment period. Asset recovery is increasingly treated as a core policing function, supported by dedicated resources, specialised units, and a growing culture of parallel financial investigations. Competent authorities identify and trace criminal property to some extent, with financial intelligence and early financial enquiries supporting the identification of criminal benefits. Despite this, operational and legal constraints continue to limit the securing and recovery of assets, particularly in complex cases.

29. Canada employs a broad range of mechanisms to seize, restrain, and confiscate assets, involving federal, provincial, and municipal police, prosecutors, tax authorities, border authorities, and provincial/territorial civil forfeiture offices. Structures generally support asset recovery, with effective co-ordination at both strategic and operational levels. Dedicated asset recovery units and specialist financial investigators contribute positively to tracing outcomes. The Forensic Accounting Management Group (FAMG) plays a critical role in complex cases by providing advanced forensic asset tracing and analysis. FAMG is a clear force multiplier and a cornerstone of Canada's approach to identifying assets for forfeiture.

30. Law enforcement places strong emphasis on seizure during investigative activities, while restraint is used less frequently and primarily for financial accounts and real estate. Canada demonstrates sophisticated capability in seizing cryptocurrency, and during the review period seized and restrained assets exceeding CAD 1 billion. However, time constraints set out in Supreme Court of Canada's case Jordan (arising from Charter protections) can reduce the scope and value of assets ultimately traced and secured. Further, competent authorities do not consistently restrain criminal property when it is intermingled with

legitimate assets or where the offender exercises effective control without formal legal ownership. This limits Canada's ability to preserve assets for confiscation and contributes to comparatively modest confiscation outcomes under the Criminal Code.

31. Confiscation is achieved to some extent. Canada forfeited approximately CAD 333 million under the Criminal Code and CAD 199 million through provincial and territorial civil forfeiture. The use of Property of Corresponding Value (PoCV) confiscation is very limited. Fines in lieu of forfeiture are not subject to provisional measures, cannot be directly enforced against PoCV, and lack effective incentives or enforcement mechanisms. As a result, value-based confiscation does not meaningfully mitigate situations where criminal property cannot be directly restrained or has dissipated. In contrast, provincial/territorial civil forfeiture regimes represent a strength, particularly in British Columbia, Alberta, Manitoba, and Saskatchewan, where civil forfeiture is used proactively and at scale. However, civil forfeiture is uneven across provinces and does not permit value-based confiscation.

32. Compensation of victims from confiscated assets occurs to some extent but remains inconsistent. Under the Criminal Code, restitution orders are commonly made but frequently unpaid, particularly for medium to high value cases, leaving victims to pursue civil enforcement or provincial compensation schemes. Ontario and Québec demonstrate good practice through more structured victim compensation and restitution facilitation, while federally confiscated assets contribute indirectly to victim support through the federal Victims Fund. Compensation outcomes are stronger under provincial and territorial civil forfeiture frameworks. At the border, CBSA identifies and seizes undeclared and falsely declared currency to a large extent, with substantial seizures and forfeitures. Despite this, relatively few cases are referred for criminal ML investigation, limiting the potential for broader confiscation outcomes.

Terrorist financing investigations and prosecutions (Chapter 9; IO.9, R.5, 30, 31 & 39)

33. Canada has a well-established and effective system to detect and investigate terrorist financing, led primarily by the RCMP's Federal Policing National Security (RCMP-FPNS) and supported by strong co-ordination among relevant partners. While the number of TF-related prosecutions remains low, Canada has the necessary mechanisms to prosecute cases effectively as they arise, in line with the country's terrorist financing threat environment. At the same time, sentences imposed for TF offences may not be sufficiently dissuasive, although jurisprudence appears to be evolving since the previous mutual evaluation.

34. Co-ordination and co-operation mechanisms to support the development of TF-related policies are in place; however, Canada's National Counter-Terrorism Strategy remains outdated and under review. Nevertheless, this has not prevented Canada from leveraging its well-established co-ordination framework to apply a range of effective disruption measures.

Terrorist financing preventive measures and financial sanctions (Chapter 10; IO.10, R.1, 4, 6 & 8)

35. Canada effectively implements without delay targeted financial sanctions pursuant to United Nations Security Council Resolutions (UNSCR) 1267 and UNSCR 1373. Through its Listed Person or Entity Property Report (LPEPR), Canada identifies and prevent the raising, moving and using of funds or other assets to a large extent. Larger banks demonstrate high capability to identify sanctioned entities, whereas smaller DNFBPs and some MSBs rely on manual screening, increasing the risk of delays. Moreover, authorities would benefit from a more proactive approach to monitoring asset freezing independently of any existing reports.

36. Canada's application of a risk-based approach to the Non-Profit Organisation (NPO) sector is effective, directing oversight toward organisations with meaningful TF risk and applying largely proportionate interventions. Although larger NPOs generally demonstrate a sound understanding of their TF exposures, smaller organizations exhibit more variable levels of awareness and would benefit from further targeted outreach.

Proliferation financing financial sanctions (Chapter 11; IO.11, R.7)

37. Canada implements proliferation financing targeted financial sanctions (PF TFS) without delay and has established competent authorities that effectively co-ordinate and co-operate in the development and implementation of counter proliferation financing (CPF) policies. Canada has also demonstrated a sound understanding of its PF risks, including through the issuance of Ministerial Directives (MDs) related to the DPRK and Iran, as part of broader efforts to mitigate identified risks. All transactions to Iran must be reported to FINTRAC, while there is a blanket prohibition on DPRK transactions. Global Affairs Canada (GAC) is the primary policy department responsible for administering Canada's sanctions legislation related to PF, while Finance Canada is responsible for co-ordinating Canada's assessment of PF risks.

38. As in the case of TF-TFS, Canada's framework to identify and freeze assets linked to PF-TFS relies mainly on STRs and Listed Person or Entity Property Reports (LPEPRs), which contributes to a large extent to asset identification but lacks sufficiently proactive measures, reducing effectiveness when reporting is incomplete. While financial institutions and VASPs largely understand and comply with PF-TFS obligations, DNFBPs show uneven understanding and implementation across sectors. Supervision exists to some extent, primarily through FINTRAC's oversight of entities subject to the PCMLTFA and related to Ministerial Directives. However, these directives do not fully reflect all UN requirements, and some sectors remain without comprehensive supervisory coverage.

Roadmap of key recommended actions (KRAs)

1. Canada underwent a Mutual Evaluation of its anti-money laundering / countering the financing of terrorism / countering proliferation financing (AML/CFT/CPF) measures in place during its on-site visit to the country from 3 to 21 November 2025. This evaluation was based on the 2012 FATF Recommendations (as updated from time to time) and was prepared using the 2022 Methodology.

2. The Mutual Evaluation Report identifies the strengths and weaknesses of Canada's AML/CFT/CPF system, including both the level of effectiveness and the level of technical compliance, and recommended actions for improvement. The highest priority measures are identified as Key Recommended Actions (KRA) are included in this KRA Roadmap.

3. The following presents the KRA Roadmap for Canada as adopted by FATF Plenary in June 2026. Based on Effectiveness and Technical Compliance Ratings, Canada is placed in regular follow-up. This KRA Roadmap also serves as the basis for Canada's follow-up process.

IO.3 (Financial sector and virtual asset supervision and preventive measures)

a) Canada should strengthen the effectiveness of risk-based supervision by: (i) developing more granular institutional risk profile for non-federally regulated FIs and VASPs based on a broader range of information sources to better support targeted risk-based supervision and (ii) establishing supervisory priorities and programmes based on and aligning with the NRA, sectoral risk assessment and vulnerability assessment of individual FIs and VASPs and ensuring that higher-risk sectors and entities are prioritized for on-site examinations and off-site supervisory reviews.

b) The AML supervisor should introduce and make effective use of a wider range of measures to tackle non-compliance of different levels of severity, with a view to ensuring timely remedial actions to address non-compliance and prevent recurrence. Where appropriate, this should be complemented by proportionate and dissuasive sanctions, including increased use and, where necessary, higher sanction amounts.

IO.4 (Non-financial sector supervision and preventive measures)

c) Canada should enhance the effectiveness of AML/CFT risk-based supervision of DNFBPs by improving the risk model used as a basis for supervision to more effectively differentiate between the ML/TF risk profiles of different types of DNFBPs, and between their activities, to support more targeted risk-based supervision. This should include enhancing the assessment and understanding of entity-level risks in the absence of sufficient STR or transaction reporting and ensure that a solid understanding of risk clearly informs prioritisation of supervisory activities.

d) Canada should make effective use of proportionate and dissuasive sanctions across all DNFBP sectors where appropriate, including increasing the number and monetary value of sanctions

applied. In the case of legal professionals, this should also include making referrals to law enforcement authorities where warranted.

e) Canada should take the necessary measures to prevent criminals and their associates from being the beneficial owners or holding a management function in the DPMS sector (see R.28) and consider a licensing or registration regime, or other controls for DPMS.

IO.5 (Transparency and beneficial ownership)

f) Canada should continue to progress the implementation of a pan-Canadian corporate BO framework to ensure aligned BO obligations, including central BO registry or alternative mechanisms, are implemented and dissuasive and proportionate sanctions for non-compliance are applied, across all provinces and territories, with a priority on Ontario and Alberta.

g) Canada should implement additional verification measures to ensure accuracy of corporate basic and BO information, on a risk-sensitive basis, which should include enhanced information sharing between the different sources of BO information across its multi-pronged system (i.e. corporate registries and FINTRAC) to further facilitate cross-checking.

h) Canada should facilitate timely and streamlined access by competent authorities to BO data on trusts and fiducies held by tax authorities.

IO.7 (Money laundering investigations and prosecutions)

i) Canada should prioritise the investigation and prosecution of complex professional and standalone ML cases consistent with Canada's ML risks.

j) Canada should strengthen ML prosecution outcomes, particularly convictions for LPOC, including by increasing the priority given to the securing ML convictions when concluding resolution agreements.

IO.8 (Asset recovery)

k) Canada should prioritise practical expansion of PoCV and value-based tools (including through law reform) including provisional measures to seize and restrain PoCV, and to support confiscation of the full benefit obtained from crime (particularly in high value, high-risk cases.)

l) Federal, provincial, and territorial governments should co-operate to expand the use of civil forfeiture frameworks across all provinces and territories, and using the convening power of the Federal government, encourage its proactive and consistent use in a way that leverages best practices across provinces and territories, in line with Canada's risks.

Preface

This report summarises the anti-money laundering / countering the financing of terrorism / countering proliferation financing AML/CFT/CPF measures in place as at the date of the on-site visit. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT/CPF system and recommends how the system could be strengthened.

This evaluation was based on the 2012 FATF Recommendations (as updated from time to time) and was prepared using the 2022 Methodology.1 The evaluation was based on information provided by the country, and information obtained by the evaluation team during its on-site visit to the country from 3 to 21 November 2025.

The evaluation was conducted by an assessment team consisting of:

- Sajini CHANDRASEKARA, Senior Assistant Director, FIU, Central Bank, Sri Lanka
- Alan KEATING, Assistant Principal Officer, Department of Finance, Ireland
- Masashi KONNO, Attorney, International Affairs Division, Ministry of Justice, Japan
- Jack MATTHEWS, Assistant Director, Department of Home Affairs, Australia
- Susan PAWSEY, Financial Investigator Regulator and Trainer, Metropolitan Police Service, Counter Terrorist Policing, , United Kingdom
- Manuel SOSCIA, Senior Analyst, FIU/Banca d'Italia, Italy
- Maggie WONG, Chief Manager, Hong Kong Monetary Authority, Hong Kong, China

with the support from the FATF and APG Secretariats of Tom NEYLAN, Joelle WOODS, Claire LEGER, Millie RADOVIC, Carolina PRELAZZI and Carolina ALVES.

The report was reviewed by Mathilde CHARLIN (France), Lennique QUASHIE (Antigua) and Joris ROZEMEIJER (The Netherlands).

Canada previously underwent a Mutual Evaluation in 2016, conducted according to the 2013 FATF Methodology. The *2016 evaluation* and *2021 follow-up report* have been published on the FATF website.

That Mutual Evaluation concluded that the country was compliant (C) with 11 Recommendations; largely compliant (LC) with 18; partially compliant (PC) with six; and non-compliant (NC) with five. Canada was rated C or LC with 4 of the following 5 Recommendations which were triggers for enhanced follow-up during the last round: R.3, 5, 10, 11 and 20.[2] Canada's effectiveness was rated as Substantial for five Immediate Outcomes, Moderate for five Immediate Outcomes and Low for one Immediate Outcome.

Based on these results, Canada was placed in enhanced follow-up. Since its last evaluation, Canada achieved 8 technical compliance re-ratings:

[1] This evaluation was assessed against the August 2024 version of the 2022 Methodology as this was the methodology in place at the time the country provided its submission on technical compliance.

[2] For the purposes of the report, a country will be placed in enhanced follow-up if any one of the following applies: (a) it has 5 or more PC ratings for technical compliance; or (b) 1 or more NC ratings for technical compliance; or (c) it is rated PC on any one or more of R.3, R.5, R.6, R.10, R.11 and R.20; or (d) it has a moderate level of effectiveness for 6 or more of the 11 effectiveness outcomes; or (e) it has a low level of effectiveness for 1 or more of the 11 effectiveness outcomes.

- 1 Recommendation upgraded from NC to C: R.17;
- 3 Recommendations upgraded from NC to LC: R.12, 15, 23;
- 2 Recommendations upgraded from PC to LC: R.16, 20;
- 1 Recommendation upgraded from NC to PC: R.22;
- 1 Recommendation downgraded from C to PC: R.8.

Based on this progress, Canada was moved from enhanced to regular follow-up. In total, one Recommendation remained rated NC (R.25) and five Recommendations (R.8, 22, 24, 28, 29) remained rated PC since the adoption of the 2021 follow-up report.

Introduction to money laundering and terrorist financing risks and context

39. Canada is a federation of ten provinces and three territories[3] in the northern part of North America spanning the Atlantic to the Pacific and northward into the Arctic Ocean. Covering 9.98 million square kilometres (3.85 million square miles) in total, it is the world's second-largest country by total area and the fourth-largest country by land area. As of 2024, Canada ranked as the ninth-largest global economy (with a GDP of approximately USD 2.224 trillion).[4] As of 2024, the population is estimated at 41.5 million[5] with 75% residing in the provinces of Ontario, Québec, and British Columbia. In 2021, foreign-born individuals represented 23% of the Canadian population[6] - the highest among the G7 countries.

40. Ottawa, located in Ontario, is the national capital. Canada is a federal parliamentary democracy and a constitutional monarchy, with his Majesty King Charles III as Head of State. The Governor General performs most federal royal duties on behalf of the Crown. Canada's Constitution consists of unwritten and written elements, including acts, customs, judicial decisions, and traditions dating from 1763.[7] Defined in subsection 52(2) of the Constitution Act, 1982, it includes the Canada Act 1982 (including the Constitution Act, 1982), the Constitution Act, 1867, the Charter of Rights and Freedoms, and subsequent amendments. All provinces and territories adhere to the common law legal tradition, except Québec, which follows a civil law tradition. Federal laws apply across all provinces and territories, while each province and territory enacts its own legislation in areas that fall within their jurisdiction (especially in private law matters under provincial and territorial jurisdiction). Federal laws must be bilingual and bijural, taking into account the common law of provinces and territories outside of Québec, and the civil law of Québec.

ML/TF/PF risks and scoping of higher-risk issues

Overview of ML/TF/PF risks

41. According to the 2025 National Risk Assessment (NRA), the primary sources of criminal proceeds driving ML in Canada are drug trafficking, fraud, commercial trade fraud and tax crimes. These threats are each estimated to involve billions of dollars in illicit proceeds annually in Canada, which are often laundered

[3] The 10 provinces are Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec, and Saskatchewan. The three territories are Northwest Territories, Nunavut and Yukon.

[4] Report for Selected Countries and Subjects

[5] Population estimates, quarterly

[6] Immigration and ethnocultural diversity statistics

[7] See Preamble to the Constitution Act, 1867 and section 35 of the Constitution Act, 1982.

through complex methods involving sophisticated enablers. While exact figures are hard to determine due to the covert nature of these activities, the Criminal Intelligence Service Canada (CISC) estimates that between CAD 45 billion and CAD 113 billion is laundered in Canada each year in total.

42. Organized crime groups (OCGs) and professional and third-party money launderers represent the main ML threat actors. Most large-scale sophisticated money laundering operations in Canada involve professional third parties offering ML services for commissions, fees, or other benefits. Since Canada's 2023 NRA, the vulnerability of assessed sectors and professions has remained relatively stable. Where there have been vulnerability shifts these have been driven by technology, particularly the growth of virtual assets, crowdfunding platforms, and online casinos, where risks are rapidly evolving and increasing overall.

43. A broad range of financial and non-financial entities and services are exposed to ML and TF risks. Those deemed most vulnerable include large banks (Domestic Systemically Important Banks or D-SIBs), certain types of money services businesses (MSBs), virtual asset service providers (VASPs), private corporations and express trusts.

44. Canada's terrorism financing (TF) landscape overall remains low volume and low value. Most terrorist attacks in Canada over the past decade have been perpetrated by ideologically motivated lone actors. These ideologically motivated attacks have had a low level of sophistication, which generally require fewer resources. The main foreign-based threat actors with observed terrorism financing links to Canada are religiously and/or politically motivated. These groups are observed to rely on diversified funding sources and methods, including crowdfunding, cryptocurrencies, informal value transfer systems (IVTS), state sponsorship, abuse of non-profit organizations (NPOs), and criminal activity (for more on the financing methods see IO.9).

45. Canada's overall proliferation financing (PF) risk is assessed as low to medium, with material differences between jurisdictions. The PF risk linked to the DPRK is rated as low, while Iran presents a medium overall risk, reflecting stronger trade and financial linkages, the presence of a diaspora community and identified immobilized property in Canada. Although both countries are considered sophisticated sanctions evaders with high capability, Canada's limited financial connections, minimal sensitive-goods trade and - regarding the DPRK - the absence of a diaspora significantly mitigate exposure. Moreover, Iran-related transactions account for less than one percent of cross border flows.

46. The following four issues were identified as topics for increased focus during the on-site visit and to be specifically addressed in the Mutual Evaluation.

Corporate Structures at risk of abuse for ML

47. The Canadian corporate sector is large and very complex. There are approximately 4 million Canadian corporations active across the country. Over 80% of corporations are incorporated federally and in the provinces of Ontario, Québec and British Columbia. Corporations can be formed quickly, cheaply and remotely from abroad, with or without the assistance of professional intermediaries and undertake business globally, including with individuals and entities operating in high-risk foreign jurisdictions. Private corporations, including shell and shelf corporations, pose the highest ML/TF risk of all corporate structures in Canada, as they can be used to conceal ownership.

ML associated with drug trafficking by organised crime groups

48. Drug trafficking is Canada's most prevalent predicate offence for ML. The principal drivers of substance-related harms in Canada are organised crime groups (OCGs), the illegal drug trade, and the market for highly toxic synthetic drugs. Transnational OCGs are the principal suppliers to the domestic market and facilitate drug movement into and out of Canada. According to the CISC's 2024 Public Report on Organized Crime, 93% of assessed OCGs are involved in both drug manufacturing and distribution,

facilitating their self-sufficiency. Most trafficking involves cocaine, while involvement in fentanyl trafficking has increased by more than 42% since 2019.

49. OCGs engaged in drug trafficking employ diverse ML methods, including blending illicit funds with legitimate business revenues, funnelling illicit funds through shell companies, bulk cash smuggling, trade-based money laundering (TBML), investing in real estate, and cyber-enabled ML using online financial platforms. Sophisticated drug traffickers often create complex business structures involving nominees, multiple addresses, and hidden beneficial ownership. These entities may also receive services from professionals (such as accountants and lawyers), whose expertise may be exploited by criminal actors.

50. Nearly all large transnational OCGs use third-party money launderers to launder the proceeds of drug sales, forming a sophisticated money laundering ecosystem. These actors, often linked to trading companies or MSBs, use their occupation and knowledge, the infrastructure associated with their line of work, and their networks to facilitate money laundering, and lend legitimacy to criminal operations.

Real estate sector

51. Real estate transactions are integrated with a range of other sectors, and the purchase and sale of real estate involves a variety of facilitators, including legal professionals, mortgage providers, and mortgage and title insurers. Investing in real estate is one method by which OCGs involved in drug trafficking attempt to launder their proceeds of crime. Real estate brokers, sales representatives, and developers can be exposed to high-risk clients, including politically exposed persons (PEPs), foreign investors (including from high-risk jurisdictions or jurisdictions of concern), and individuals in vulnerable occupations and businesses. Certain Canadian municipalities are high value real estate markets that attract significant foreign investment (such as Vancouver, British Columbia). The degree of foreign investment in Canadian real estate, potentially including foreign proceeds of crime has also been a long-standing subject of public debate.

AML/CFT controls in the legal profession

52. The estimated 136 000 lawyers and 4 200 Québec notaries active in Canada can provide sophisticated and complex services to Canadians and foreign clients, including in respect of financial and real estate transactions, and the formation of corporations or other legal arrangements, making them vulnerable to misuse for ML and TF. In addition to operating trust accounts that hold funds or property on behalf of their clients, lawyers can also accept or receive limited amounts of cash in connection with the provision of legal services[8]. The controls applied to prevent abuse of the legal profession for ML and TF have been identified as a weakness in past Mutual Evaluations.

Country's risk assessment and scoping of higher-risk issues

53. Canada's most recent NRA, completed in 2025, provides the country's most comprehensive and current picture of ML/TF risks. It delivers an in-depth analysis of threats, key threat actors, and structural vulnerabilities, along with targeted risk summaries for individual sectors. While the 2025 NRA builds on insights from earlier assessments (2015 and 2023), its findings are significantly strengthened by a wide range of complementary sectoral and thematic risk analyses, strategic intelligence products, and risk-based guidance produced by partners across Canada's AML/CFT regime. These include assessments on risks linked to legal professionals, tax evasion in the real estate sector, the role of VASP ATMs in laundering proceeds of crime, online gambling, illegal wildlife trade, informal value transfer systems (IVTS), fraud, and other evolving typologies.

[8] Lawyers and Québec notaries may not receive cash in an aggregate amount of more than CAD 7 500 in any one client matter, subject to certain limited exceptions (e.g. that limit does not apply where a lawyer receives cash for professional fees, disbursements or expenses, or to pay a fine, penalty or bail in connection with the provision of legal services by the lawyer).

54. The 2025 NRA was supported by diverse information sources and a structured governance framework. The assessment was co-ordinated by the Strategic Intelligence and Risk Assessment Working Group (SIRA-WG), co-chaired by the Department of Finance Canada and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), which synthesised intelligence, supervisory data, and operational insights from across the AML/CFT regime. A core feature of the process was systematic engagement with the private sector through a dedicated working group within the Advisory Committee on Money Laundering and Terrorist Financing (ACMLTF), ensuring that sector specific risks and emerging typologies are integrated into the analysis.

55. Most of the medium vulnerability activities or sectors and the low-medium threats which were identified in the 2025 National Risk Assessment have been de-prioritised for this evaluation.

Materiality

56. Canada's financial system is concentrated, with 36 Canadian-incorporated domestic banks, including the 'Big Six' D-SIBs as of April 2025. D-SIBs have a significant presence in the Canadian financial sector in terms of transaction volume, asset holdings, and scope of operations both domestically and internationally, holding approximately 94% of total banking assets. The Canadian MSB sector represent 3 000 businesses that offer services in various market segments. The D-SIBs and certain types of MSBs are assessed by Canadian authorities as having a very high level of inherent vulnerability. In line with the Methodology, the evaluation carefully reviews the risks and controls in these sectors, reflecting their pivotal role in the financial system, although the scoping exercise did not identify any specific aspect of their business as an area for additional focus.

57. Canada's financial system plays a key role in the Canadian economy and the global financial system. Canadian FIs provide substantial services to non-residents. The financial system is dominated by banks whose total assets reached 234% of GDP in 2024, and by a handful of entities in most sectors. The D-SIBs hold 94% of bank assets. The IMF's 2025 Financial Sector Assessment Program (FSAP) found that Canada's regulatory and supervisory framework demonstrates strong compliance with prudential international standards. Responsibility for supervision of FIs and markets is divided among federal and provincial authorities. The majority of the prudential supervision of the financial sector is regulated at the federal level by the Office of the Superintendent of Financial Institutions (OSFI), though a significant segment is subject to provincial regulation.9 In regard to prudential and business conduct, financial supervision is generally well co-ordinated across the federal oversight bodies.

Financial sector, VASPs and DNFBPs

58. Canada has approximately 19 757 financial institutions (FIs) and 1 357 virtual asset service providers (VASPs) subject to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), offering financial products and services that may be vulnerable to illicit activity. FINTRAC serves as the primary AML/CFT supervisor for all entities covered by the PCMLTFA, while OSFI focuses on the prudential implications of AML/CFT compliance for federally regulated financial institutions (FRFIs) as part of its oversight of their regulatory compliance management frameworks. In addition, certain FIs and VASPs are overseen by provincial and territorial regulators, many of which issue guidance to support compliance with PCMLTFA obligations and maintain information sharing agreements with FINTRAC.

[9] Company Service Providers, White-Label ATMs and Non-Profit Organisations were also identified as having medium vulnerability in the NRA, however due to recent changes to the FATF Standards they will receive appropriate focus as per Immediate Outcomes 3 and 10. Environmental Crimes are also identified as a low threat in the NRA but will receive some focus due to the country's risk and context (other types of extractive crimes in the context of Canada's geography).

Table 0.1. FIs and VASPs Population (as of April 2025)

Sector	Number of Reporting Entities
FIs - Banks	
Domestic Systemically Important Banks (D-SIBs)	6
Domestic Banks (other than D-SIBs)	30
Foreign Bank Subsidiaries	15
Foreign Bank Branches	27
Foreign Bank Branches – Lending	2
FIs – Non-Banks	
Credit Unions and Caisses Populaires (CUs/CPs)	186
Securities Dealers	2 646
Life Insurance Companies	84
Trust and Loan Companies	75
Mortgage brokers and lenders	Up to 15 000
Factoring Companies	Up to 65
Financing and Leasing Companies	Up to 200
FIs – MSBs and VASPs	
Money Services Businesses (MSBs) (including VASPs)	2 778
MSBs – no VC activity	*1 421*
MSB-VASPs (VC and non-VC)	*1 357*
MSB-VASP – Only VC activity	*147*
MSB – Payment Service Providers (PSPs)	*1 067*
MSB - Crowdfunding	*127*
MSBs - Armoured Cars	*21*
MSB - Cheque Cashing Businesses[10]	*Up to 600*
Total	21 114

Source: Canada

59. In addition, Canada has approximately 12 054 designated non-financial businesses and professions (DNFBPs) subject to the PCMLTFA, all of which are supervised for AML/CFT compliance by FINTRAC, while provinces and territories license and register casinos, accountants, notaries, real estate professionals, and lawyers. Canada does not operate a licensing or registration regime for dealers in precious metals and stones (DPMS). All DNFBPs covered by the PCMLTFA (with the exception of the estimated 136 000 lawyers and 4 200 Québec notaries) are considered "reporting entities" and are subject to transaction reporting obligations and other compliance requirements, as they provide services involving financial transactions that may be vulnerable to illicit activity.

[10] Numbers provided by Department of Finance Canada.

Table 0.2. DNFBP Population (as of April 2025)

Sector	Number of DNFBPs
Accountants[11]	1 000
BC Notaries[12]	293
Dealers in Precious Metals and Stones (DPMS)	3 000
Casinos[13]	19
Real Estate[14]	7 742
Trust and Company Service Providers (TCSPs)[15]	419
Lawyers and QC Notaries	140 200
Total	152 673

Source: Canada

Legal persons and arrangements

60. Canada's company law consists of federal, provincial and territorial frameworks. Legal entities may be established at the federal level under the Canada Business Corporation Act (CBCA); the Canada Not-for-Profit Corporations Act, the Canada Co-operatives Act (CCA) or the Boards of Trade Act. A federally incorporated entity is entitled to operate throughout Canada. However, provincial and territorial law requires federal entities to register with the province or territory in which the entity is carrying out business. Incorporation at the federal level is carried out by Innovation, Science and Economic Development Canada (ISED, formerly Industry Canada), while each province has its own system for incorporating and administering legal entities.

61. There are over 4 million corporations incorporated in Canada, including over 4 000 publicly traded companies. About 85% of corporations are incorporated at the provincial or territorial levels and the remaining 15% at the federal level. The issuance of bearer shares is prohibited in all provinces and territories and at the federal level, and any remaining existing bearer shares are very rare. All companies are obliged to file tax returns with the CRA on an annual basis. The CRA collects and administers all federal income taxes and provincial income taxes in all provinces and territories, other than in Alberta (for corporate income tax) and Québec (for personal, corporate and trust income taxes).

62. With approximately 40 000 active partnerships, partnerships are much less prevalent than corporations in Canada. Partnerships, which do not constitute distinct legal persons in Canada, are generally formed by the conclusion of a partnership agreement among the partners. Partnerships are

[11] Based on validation exercises, FINTRAC estimates that the number of accountants that have obligations under the PCMLTFA is less than a 1,000.

[12] Not all BC notaries provide legal services to the public. Some notaries public would also be practising within a larger firm, which in that case, would make the firm the reporting entity and not the notary.

[13] The change in casino population is due to the definition of "casino" being updated, in both the PCMLTFA and the Regulations, which came into force in June 2017. These amendments clarified that only a provincial body, charity or temporary fair can be a casino; private day-to-day casino operators are no longer recognized as reporting entities. These amendments also clarified the definition of casinos to include video lottery terminals and online gaming.

[14] This number represents brokerages. Agents working with brokerages are examined under the brokerages and not as an entity on their own, which may explain the decrease from 2016. The number provided here is based on registered licensed brokerage lists provided in 2024 by the British Columbia Financial Services Authority (BCFSA), Real Estate Council of Ontario (RECO) and the Organisme d'autoréglementation du courtage immobilier du Québec (OACIQ), which regulate real estate brokers in their respective provinces. The brokerage number for other provinces was sourced from the Canadian Real Estate Association (CREA).

[15] Trust and Company Service Provides (TCSPs) are not separately recognised nor regulated as a business category in Canada, although businesses such as lawyers, accountants and trust companies offer such services. If they are not an entity otherwise covered by the legislation (e.g. accountants), then they do not fall under the scope of the PCMLTFA.

created under provincial law only and, other than limited partnerships, are created under the rules of the common law. In contrast, limited partnerships are created under statute and subject to ongoing registration requirements. In order to carry on business in Canada, partnerships must generally register with the relevant provincial or territorial registrar.

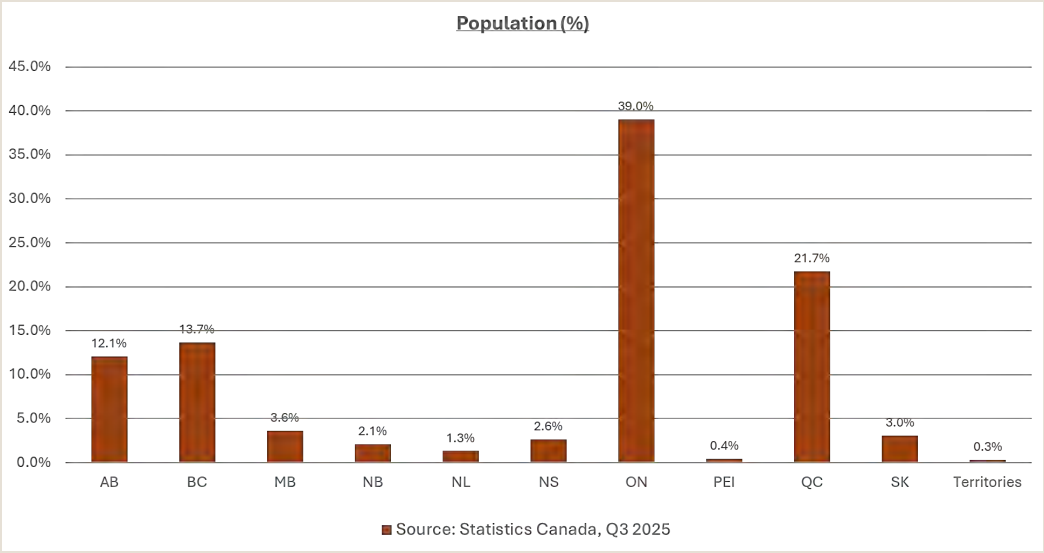
63. The primary forms of legal arrangements that exist in Canada are the common law express trust and the Québec civil law fiducie established by contract or by will. While there is no general requirement for trusts to be registered, trusts are subject to trust income tax return requirements at the federal level and in Québec, which were enhanced to require express trusts to file beneficial ownership information with Canadian tax authorities for tax years ending on or after 31 December 2023. Trust tax filing requirements apply to express trusts that are factually resident or deemed resident in Canada or non-resident trusts with a sufficient nexus to Canada. Publicly traded trusts, such as unit or mutual fund trusts, are also subject to the securities laws of the relevant province. More than 750 000 trusts were registered with the CRA as of the 2023 year. In 2023, 417 550 trusts filed trust income tax returns with the CRA.

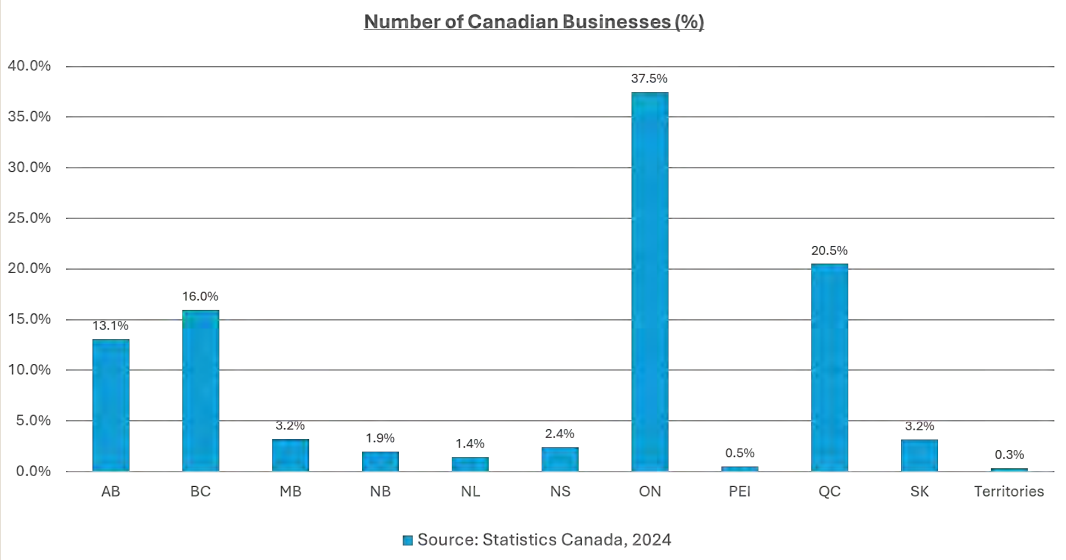
Structural elements

64. The key structural elements for effective AML/CFT controls are present in Canada. Canada is considered to be a very stable democracy. Political and institutional stability accountability, the rule of law and an independent judiciary are all well established. Canada has an independent, efficient, and transparent justice system. The judicial process is widely trusted and effective, as well as relatively quick.

65. In determining the scope of its review, the assessment team opted not to examine AML/CFT legislation for every province and territory. Instead, the analysis focused on federal laws, and those of the three most populous provinces (i.e. Ontario, Québec and British Columbia), whose legal and regulatory frameworks are most consequential for Canada's overall ML/TF risk environment. These provinces account for the largest concentration of population, economic activity and reporting entity presence, making their provincial regimes the most relevant for understanding how sub national measures contribute to national AML/CFT effectiveness. This targeted approach ensured analytical depth while remaining representative of the jurisdictions that shape the bulk of Canada's risk exposure. Laws, regulations, and agencies from other provinces have been reviewed on an exceptional basis when relevant to the specific issue under consideration.

Box 0.1. Percentage of Population and Businesses per Province





Source: Canada

66. The analysis considered Canada's constitutional framework and how it is balanced with the implementation of AML/CFT measures. The Canadian Charter of Rights and Freedoms, a foundational component of the constitution, guarantees fundamental rights and freedoms to all individuals in Canada while also establishing limitations on the state's authority to collect, use, and share financial information for regulatory and law-enforcement purposes. In particular, Section 8 of the Charter, which protects individuals against unreasonable search or seizure, plays a central role in determining how AML/CFT measures may affect personal and informational privacy.16 This constitutional right and association limitation on state action was reinforced by the Supreme Court of Canada's 2015 decision in Canada (Attorney General) v. Federation of Law Societies of Canada, in which the Court held that the PCMLTFA's client identification and verification, record-keeping and search and seizure provisions, which then applied

[16] www.justice.gc.ca/eng/csj-sjc/rfc-dlc/ccrf-ccdl/check/art8.html

to lawyers, infringed Sections 7 and 8 of the Charter by providing inadequate safeguards for solicitor-client privilege and interfering with a lawyer's duty of commitment to their client's cause. As a result of this ruling, the legal profession was excluded from the PCMLTFA framework. AML/CFT safeguards for lawyers were instead left to self-regulatory bodies falling under the umbrella of the Federation of Law Societies of Canada (FLSC), which continues to develop measures aligned with FATF standards while operating outside the federal reporting regime. More broadly, state-mandated financial reporting, such as obligations to FINTRAC or expanded information-sharing mechanisms, must operate within legal and constitutional parameters that ensure such measures are both lawful and reasonable. These constitutional safeguards have practical implications for the implementation of AML/CFT regulations. Investigative and regulatory actions that do not conform with fundamental principles of domestic law may be subject to judicial scrutiny.

Background and other contextual factors

AML/CFT/CPF strategy

67. Canada's 2023–2026 AML/CFT Strategy is shaped by the risk landscape outlined in the 2023 NRA and has prompted reforms across legislative, regulatory, and operational domains. The Strategy conceptualises the AML/CFT regime around three core functions, i.e. (i) strategic policy co-ordination, (ii) preventive and supervisory measures, and (iii) investigative and enforcement responses. To guide implementation, it sets out four strategic priorities: enhancing operational performance, remedying identified gaps in laws and regulations, strengthening governance mechanisms, and reinforcing Canada's role in global AML/CFT efforts. To advance these priorities, the government issued a 2023 public consultation exploring additional measures to reinforce the AML/CFT framework and address the risks highlighted in the Strategy.

68. Counter terrorist financing efforts are pursued through a comprehensive, multi stakeholder model that brings together federal, provincial, and territorial authorities, law enforcement agencies, private sector entities, civil society, and international partners. Reflecting the need to remain adaptive to evolving TF threats, Canada is currently updating its National Counter Terrorism Strategy. Simultaneously, the RCMP is developing a dedicated Terrorist Financing Strategy.

Legal and institutional framework

69. Canada's AML/CFT Regime[17] is centrally governed through a structured framework of well-co-ordinated interdepartmental committees, which includes the Director-General Interdepartmental Co-ordinating Committee, the Assistant Deputy Minister Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Steering Committee and the Deputy Minister Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Committee. These bodies are co-chaired by senior officials from the Department of Finance Canada and Public Safety Canada, and draw on analytical input from several thematic working groups led by Director-level officials across the Government of Canada.

70. The internal governance structure is complemented by a set of external advisory and co-ordination mechanisms, most notably the Advisory Committee on Money Laundering and Terrorism Financing (ACMLTF), which serves as the federal government's principal consultation forum with private-sector reporting entities. Additional support comes from broader engagement with partners at the federal, provincial, territorial, and municipal levels through various outreach and co-ordination initiatives. A comprehensive analysis of the regime's internal co-ordination mechanisms is provided in IO.1.

[17] Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime Strategy 2023-2026

71. This AML/CFT regime operates on the basis of three interdependent pillars: (i) policy and co-ordination; (ii) prevention and detection; and (iii) investigation and disruption. The following are the primary ministries, agencies, and authorities responsible for formulating and implementing Canada's AML/CFT policy:

Policy and Co-ordination:

- **Department of Finance Canada**: lead responsible for AML/CFT policy, FATF engagement and Regime co-ordination.
- **Public Safety Canada (PS)**: lead responsible for intelligence, security and operational policy co-ordination. Public Safety is responsible for the listing of terrorist entities under the Criminal Code and also plays a lead role in co-ordinating federal counter-proliferation policy.
- **Department of Justice Canada (JUS)**: responsible for criminal law policy and procedure and the Criminal Code; the provision of legal advice to Cabinet, federal departments, and agencies; and acting as Canada's Central Authority for mutual legal assistance (MLA) and extradition treaties.
- **Global Affairs Canada (GAC)** is responsible for the designation of entities and individuals in Canada associated with terrorist activities listed by the United Nations 1267 Sanctions Committee or under Resolution 1373 of the United Nations Security Council.

Prevention and Detection:

- **Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)**: Canada's AML/CFT supervisor and financial intelligence unit.
- **Innovation, Science and Economic Development Canada (ISED)**: collects information about business corporations, including the business name and address, and information about the directors.
- **Office of the Superintendent of Financial Institutions (OSFI)**: prudential supervisor of federally regulated financial institutions; supports the Regime through its prudential oversight of money laundering and terrorist financing risks that could affect the financial soundness of federally regulated financial institutions.

Investigation and Disruption:

- **Royal Canadian Mounted Police (RCMP)**: national police force and provincial or local police force in many jurisdictions across Canada, responsible for investigating predicate offenses, ML and TF.
- **Public Prosecution Service of Canada (PPSC):** responsible for prosecuting criminal offenses under federal jurisdiction. It also provides legal advice to the RCMP and other LEAs over the course of their investigations, and for undertaking any subsequent prosecutions.
- **Canada Revenue Agency (CRA):** the CRA's Criminal Investigations Directorate (CID) investigates cases of suspected tax evasion/tax fraud and seeks prosecution through the PPSC where warranted. The CRA also has responsibility for administering the registration system for charities under the Income Tax Act through its Charities Directorate.
- **Canada Border Services Agency (CBSA):** enforces the physical cross-border reporting obligation and has been granted new authorities to pursue trade-based money laundering.
- **Canadian Security Intelligence Service (CSIS):** collects, analyses and reports to the Government of Canada **information** and intelligence concerning threats to Canada's national security.
- **Public Services and Procurement Canada (PSPC)**: responsible for managing assets seized or restrained by law enforcement in connection with criminal offenses and for disposing and

sharing the proceeds upon court declared forfeitures through its Seized Property Management Directorate (SPMD) and for providing independent, high-quality forensic accounting services in support of law enforcement and the justice system through the Forensic Accounting Management Group (FAMG).

Preventive measures

72. The legal framework relevant to the preventive measures includes the PCMLTFA, the OSFI Act and the FRFIs' governing legislation (i.e. the Bank Act, Trust and Loan Companies Act, the Co-operative Credit Associations Act and the Insurance Companies Act). The PCMLTFA is applicable to most of the financial activities and DNFBPs.

Supervisory arrangements

73. Since the 2016 MER, Canada has substantially restructured its supervisory framework for financial institutions. Previously, FINTRAC relied on OSFI to perform part of its AML/CFT supervisory functions for federally regulated financial institutions (FRFIs). Following the 2016 MER's recommendation to strengthen co-ordination, Canada revised this model: since 2021, FINTRAC has acted as the sole AML/CFT supervisor for all reporting entities subject to the PCMLTFA and now leads AML/CFT supervision for all FRFIs, including banks, federal credit unions, insurance companies, and trust and loan companies. OSFI continues to serve as the prudential supervisor for FRFIs and remains responsible for overseeing the prudential aspects of ML/TF compliance risk management, corporate governance, and some other internal controls. For provincially regulated financial institutions, such as securities dealers, provincially regulated credit unions/caisses populaires, life insurance companies, and provincially regulated trust and loan companies, FINTRAC conducts AML/CFT supervision in co-operation with the relevant provincial supervisory authorities.

74. OSFI and FINTRAC work in a complementary manner throughout the lifecycle of a FRFI, co-ordinating closely with each other. FINTRAC also co-ordinates with provincial regulators through Memorandum of Understandings (MOU) that facilitate information sharing. OSFI leads prudential oversight, including market entry, governance, fitness and propriety assessments, and engages FINTRAC during the licensing phase to evaluate proposed AML/CFT controls. Once institutions become operational, OSFI maintains its prudential supervision while FINTRAC monitors compliance with PCMLTFA obligations. Both agencies share supervisory findings and co-ordinate on emerging risks, with OSFI's prudential assessments sometimes prompting FINTRAC's examinations. Regular exchanges of information support a more comprehensive understanding of sectoral and institution-specific risks and allow both authorities to respond when AML/CFT deficiencies raise prudential concerns.

75. OSFI (and provincial supervisors, where relevant) may exercise their prudential powers in cases where AML/CFT weaknesses threaten an FRFI's soundness or integrity. Case studies demonstrate the effectiveness of this co-ordinated approach, including OSFI's imposition of supervisory measures such as restrictions on business activities, changes in senior personnel, and downgrading supervisory ratings when AML/CFT weaknesses constitute broader governance or risk management issues.

76. These changes in supervisory roles and responsibilities have important implications for the assessment of IO.3 in this MER, as the supervisory framework now differs substantially from that reviewed in the previous MER. Financial regulation is shared by a number of government bodies in Canada. The Bank of Canada has overall responsibility for financial stability, as well as for the conduct of monetary policy and the issuance of currency. As mentioned above, FINTRAC supervises and regulates FRFIs (banks, insurance companies, trust and loan companies, and co-operative credit associations) for PCMLTFA compliance. All banks, including branch operations of foreign banks, are regulated solely at the federal level. The securities sector is regulated on a provincial and territorial basis, overseen by provincial/territorial securities

regulators, which co-ordinate their activities through the Canadian Securities Administrators. VASPs have been subject to the requirements under the PCMLTFA since 2021 including requirements to register as MSBs with FINTRAC.

International co-operation

77. Canada's ML/TF risk profile is shaped by transnational criminal activity and the high degree of openness and integration in its financial, commercial, and economic systems, necessitating strong international co-operation. Given the extent of cross border financial and commercial linkages, co-operation with the United States represents Canada's most significant partnership, supported by broader engagement with jurisdictions in Latin America and the Caribbean, Europe, and Australia. The effectiveness of Canada's international co-operation is supported by the International Assistance Group (IAG) within the Department of Justice Canada. As Canada's central authority for mutual legal assistance and extradition, the IAG co-ordinates all incoming and outgoing requests and works closely with domestic and foreign investigative and prosecutorial bodies.

1 Assessment of risks, co-ordination and policy setting

The relevant Immediate Outcome considered and assessed in this chapter is IO.1. The Recommendations relevant for the assessment of effectiveness under this chapter are R.1, 2, 33 and 34 and elements of R.15.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Canada has developed a mature understanding of its ML/TF threats and vulnerabilities through successive National Risk Assessments (NRA) conducted in 2015, 2023 and 2025, and supporting thematic and sectoral assessments. The 2025 NRA provides a comprehensive analysis of threats, threat actors and the most vulnerable sectors, and this understanding is reinforced by intelligence products produced by operational and intelligence partners. Authorities have made proactive efforts to raise awareness of national ML/TF threats and vulnerabilities.

b) The NRA provides a robust analysis of higher-threat predicate offences and sectoral vulnerabilities. In its assessment, it places greater emphasis on predicate offences and gives comparatively less attention on articulating the role of ML as an enabler of serious and organised crime. Operational strategies and responses at prosecution level similarly focus on predicate offences and less on how responses to ML can reduce the broader harms of criminal activity. While the 2023 NRA has determined overall risk levels, Canada's 2025 NRA focuses on inherent threats and vulnerabilities and does not clearly delineate how these, along with residual risk, interact to generate ML/TF risks, indicating need for further refinement of risk articulation.

c) In contrast to the detailed analysis of high threat and vulnerabilities, the NRA provides limited identification of lower risk sectors, which limits Canada's ability to apply a proportionate, risk-based approach and to enable simplified measures where the risks are low. Canada's risk understanding requires a clearer delineation between the laundering of domestically generated proceeds, the laundering of foreign proceeds through Canada, and the outward transfer of proceeds from Canada as better reflecting the scale and distribution of these different activities in the NRA would enable better targeting of mitigating measures.

d) Canada applies a risk-based approach to its AML/CFT framework, with enhanced measures in place for higher risk areas and simplified measures or exemptions permitted

for lower risk areas despite the limitations in the NRA for low-risk sectors. While Canada adopts a cautious approach to simplified due diligence, the authorities continue to assess and monitor evolving risks and review existing compliance obligations to ensure that the application of simplified measures is aligned with the risk profile.

e) National AML/CFT policies and operational activities are strongly guided by risk assessments and stakeholder consultation. The NRA process demonstrates several good practices, including structured public-private engagement and inter-agency co-ordination. Canada's AML/CFT governance framework co-ordinates federal, provincial, and territorial authorities through dedicated co-ordinating committees and thematic working groups. National policies and objectives have been established through national strategies, the current strategy being for 2023-2026. The National ML/TF Strategy have been supported by action plans which are monitored for progress and timely implementation. Overall, the objectives and activities of competent authorities are broadly aligned with evolving national AML/CFT policies, and their responses to higher ML/TF risks are generally consistent with these priorities. Despite this, the NRA and sectoral risk assessments are not adequately taken into account by the AML supervisory authority for its supervisory activities (as noted in IO.3 and IO.4).

f) Canada has a strong multi layered inter-agency co-ordinating mechanism at operational and policy levels, which has taken significant measures to mitigate Canada's highest ML threats through operational reforms and initiatives.

Recommended Actions

a) In the next NRA, Canada should continue to refine its approach by:

   i. ensuring the assessment of threats and vulnerabilities are systematically integrated to determine risk conclusions, with a clear articulation of how residual risk is assessed;

   ii. articulating more clearly the scale of ML and its role in enabling serious and organised crime thereby supporting the new Financial Crimes Agency to enhance co-ordinated efforts in prioritising disruption of ML, particularly at prosecuting stage; and,

   iii. identifying low risk sectors more clearly, thereby supporting application of measures proportionate to risk.

b) Canada should develop and implement a comprehensive strategy to support its new Financial Crimes Agency in advancing its mandate to address sophisticated and complex financial crimes.

Canada should complement the NRA by conducting sub-national and targeted/thematic ML/TF risk assessments, especially in key provinces and territories such as Ontario, Québec, British Columbia and Alberta, and in areas insufficiently covered by the NRA, such as shell companies, opaque legal-entity structures, higher-risk DNFBPs and trust or nominee arrangements, to ensure region-specific threats and vulnerabilities and hidden or emerging vulnerabilities are accurately identified and incorporated into national risk understanding and policy responses.

Overall Conclusions on IO.1

Canada demonstrated a nuanced understanding of the country's national ML/TF threats and vulnerabilities, reinforced by its NRA and several supporting thematic and sectoral assessments which were widely disseminated among key stakeholders. Canada's NRA framework focuses on inherent threats and vulnerabilities, without clearly articulating how these interact to determine ML/TF risks. Risk understanding of the VASPs, small MSBs and DNFBPs is less robust, with D-SIBs and MSBs within large international financial groups showing a stronger understanding of the ML/TF risks. The authorities have taken actions to raise awareness of national ML/TF risks, although it is varied, with more sophisticated sectors having a better awareness. In its 2025 NRA, Canada has a robust analysis of high-level threats and vulnerabilities, and its communication of low threats and vulnerabilities, geographic risk, including the laundering pathways of foreign and domestic proceeds, is less clear (although other risk analyses do address this question to some extent).

Canada has a strong muti-layered interagency co-ordinating mechanism, which mitigates Canada's highest ML threats, particularly by developing robust policies and strategies. The NRA findings and sectoral risk assessments were disseminated among key stakeholders. Although the NRA provides a comprehensive understanding of threats and vulnerabilities, its emphasis is on predicate offences and sectoral vulnerabilities, and it does not set out as clearly the role of ML as an enabler for other criminal activity. Effective cross-jurisdictional co-ordination is established for Canada's national response to ML/TF threats, given its federal structure, and involves collaboration among federal, provincial, territorial and municipal stakeholders through working groups and bilateral engagement.

Given that Canada's highest ML/TF are generally well understood and assessed, the strong co-ordination framework has developed comprehensive strategies to tackle the high-level threats and vulnerabilities, and authorities have taken a number of policies to address risks and structural gaps, the improvements needed in NRA and policies are considered moderate shortcomings.

Canada is rated as having a Substantial level of effectiveness for IO.1.

Immediate Outcome 1

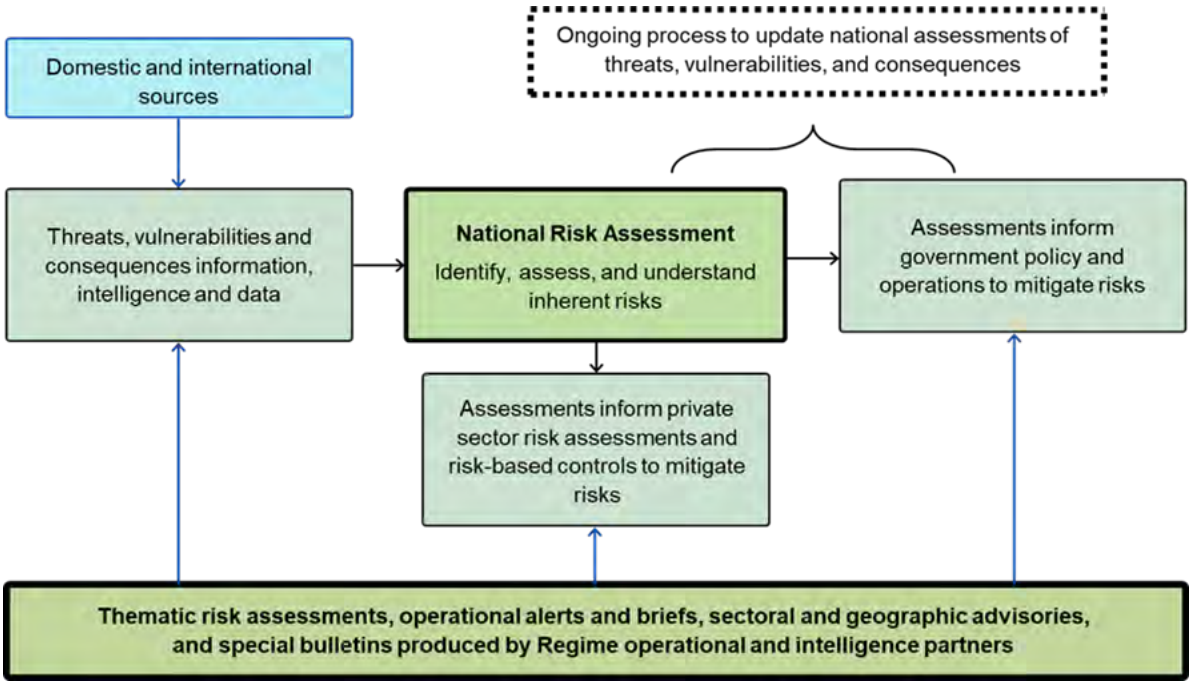
1.1. Country's identification, assessment and understanding of its ML/TF risks

1.1.1. ML risks

78. Canada has a robust understanding of its ML/TF threats and vulnerabilities. Canada's understanding of threats and vulnerabilities is ingrained in three National Risk Assessment (NRA) iterations in 2015, 2023 and 2025. The recently published 2025 NRA provides a comprehensive analysis of threats, threat actors, and vulnerabilities along with risk summaries targeted at sectors. This risk understanding is complemented by sectoral and thematic risk assessments, strategic intelligence products, risk-based guidance and assessments of evolving threats and vulnerabilities produced by intelligence and operational partners of Canada's AML/CFT regime, covering areas such as legal professions, tax evasion in real estate, role of VASP ATMs in laundering proceeds of crime (PoC), online gambling, illegal wildlife trade, informal

value transfer systems (IVTS), fraud and others. These assessments allow regime partners to develop a deeper understanding of thematic areas and have fed into each iteration of the NRA.

Figure 1.1. Canada's Money Laundering and Terrorist Financing Assessment Framework



Source: Canada

79. Between the 2015 and 2023 iterations of the NRA, Canada's risk understanding was strengthened through several thematic, sectoral, strategic intelligence products. Central to this process is the Strategic Intelligence Risk Assessment Working Group (SIRA-WG) which brings together experts from 13 federal partners that comprise Canada's AML/CFT regime. SIRA-WG undertakes analyses and development of threat and vulnerability assessments that underpin Canada's NRA. Since 2020, NRA has been increasingly supplemented with thematic and strategic intelligence products which has reinforced Canada's risk understanding. Findings from the NRA reports and other risk products have been widely shared with competent authorities, supervisors, reporting entities and general public, and have greatly contributed to developing and maintaining the authorities' assessments and understanding of risks.

80. The robust level of understanding of threats and vulnerabilities is supported by the variety of information sources used for the NRA. Canada's NRA process is a co-ordinated effort led by the SIRA working group (co-chaired by Department of Finance Canada and FINTRAC) consulting the private sector through a dedicated working group under the public-private Advisory Committee on Money Laundering and Terrorist Financing (ACMLTF). The NRA was also informed by discussions with provinces and territories and the non-profit organization sector. Findings of the NRA are first discussed among the key regime partners through the SIRA and ACMLTF working group meetings, then reviewed by the AML/CTF governance committees, including the AML/CFT committee at Deputy Minister level, for endorsement prior to publication.

81. National AML/CFT policies and operational activities are guided by a risk-based approach informed by the findings of risk assessments and consultation with stakeholders. The national AML/CFT Strategy (2023-2026) is influenced by ML/TF risks identified in the 2023 NRA and supported by internal interdepartmental action plans which have led to legislative, regulatory, and operational reforms under all priority areas for action.

82. Canada's NRA process demonstrates some good practices including, effective implementation of working groups across public and private sector, frequent meetings, and strong interaction with the private sector and law enforcement authorities. The NRA findings are disseminated widely through the ACMLTF working group as well as through FINTRAC's outreach, written guidance, and consultations with industry and provincial and territorial partners. The NRA provides robust analysis of higher risk areas; however, it places limited emphasis to identify lower risk sectors or activities, impeding Canada's ability to present a balanced view of the whole risk spectrum, to apply simplified measures commensurate with low-risk areas.

83. Canada's risk assessment framework defines ML/TF risk as a function of three components: threats, inherent vulnerabilities and consequences, with risk reflecting the likelihood that identified threats exploit inherent vulnerabilities to launder illicit proceeds or finance terrorism, and the resulting impact should this occur. However, the published NRA primarily assesses inherent threats and inherent vulnerabilities, without deriving the risk component. This synthesis of risk information was achieved in 2023 NRA in a separate chapter using scenario-based risk analysis. Canadian authorities have since identified that these presentations were overly complex and not user friendly for a broad range of stakeholders including policy and enforcement authorities. Consequently, 2025 NRA does not adequately articulate the ML/TF risks it faces because it lacks a clear analytical linkage between the identified threats, vulnerabilities and the resulting risk levels. Enhancements are needed to assess and articulate risk levels in a manner that demonstrates how specific threats interact with particular vulnerabilities to generate overall risks.

84. A substantive modification introduced to the methodology of the 2025 NRA was to consider residual risk, i.e. incorporating an assessment of the mitigation measures already applied to respond to identified threats and inherent vulnerabilities. In this regard, Canada has applied a "residual risk lens" that considered corresponding policy responses, supervisory and enforcement actions, and public-private collaboration efforts undertaken to combat the illicit activity. However, while the NRA analysis includes some new analysis of residual risk, the results of this "residual risk lens" are not yet included in the published NRA, which remains centred on more mature methodologies assessing inherent risks. This approach is reasonable for public consumption, particularly when communicating with regulated sectors and allowing additional time to develop robust methodologies for assessing residual risks. Nevertheless, clearer articulation of residual risks could result in more efficient allocation of resources in national AML/CFT strategies.

85. Canada's NRA identifies illegal drug trafficking, fraud, commercial trade and Trade based Money Laundering (TBML and tax evasion and other tax crimes as the country's highest ML threats. Corruption, cross border smuggling, human smuggling and trafficking, illegal gambling, ransomware and extortion and robbery (including auto theft) are identified as presenting medium-level ML threats. Environmental crimes, loan sharking, and counterfeiting and piracy are assessed to pose low level ML threats. The NRA also outlines corporations, express trusts, D-SIBS, money service businesses (MSBs) and Virtual Asset Service Providers (VASPs) as "very" highly vulnerable to ML while the lawyers and Québec notaries, credit unions, crowdfunding platforms, dealers in precious metals and stones (DPMS), foreign bank branches and subsidiaries, import/export companies, mortgage lenders, securities lenders, trust and loan companies, other domestic banks, armoured car companies casinos, and the real estate sector remain highly vulnerable.

86. The NRA assesses ML threats based on criteria including the level of threat actor sophistication, the complexity of ML activity, the scope of ML activity and the estimated value of proceeds of crime. To arrive at its conclusions, the NRA employs both quantitative and qualitative data from a range of public and private sources to identify and assess above criteria. ML threats were assessed against a set of key parameters, primarily the degree of actor sophistication, scope and complexity of laundering activity and estimated value of proceeds of crime involved. In assessing vulnerabilities, consideration was given to sector's inherent characteristics, nature of products and services, nature of business relationship, geographic reach and nature of delivery channels.

87. D-SIBs, private corporations, express trusts, crypto-asset service providers, and certain categories of money service businesses (MSBs) constitute the sectors and structures most inherently vulnerable to ML and TF exploitation. These sectors are readily accessible to individuals both within Canada and internationally, and they are characterized by high transaction volumes and rapid processing capabilities and complex transaction arrangements which could reduce transparency and obscure the origin and destination of funds. Entities that engage with politically exposed persons (PEPs), or that transact with jurisdictions exhibiting weak AML/CFT frameworks or known activity by listed terrorist organizations, may face elevated ML/TF risks and therefore require the application of enhanced due-diligence (EDD) measures.

Table 1.1. Overall ML/TF Threat Ratings

High Threat Rating
Illegal Drug Trafficking
Fraud
Commercial Trade Fraud and TBML
Tax Evasion and Other Tax Crimes
Medium Threat Rating
Corruption, Bribery, and Collusion
Cross-Border Smuggling
Human Smuggling and Human Trafficking
Illegal Gambling
Ransomware and other types of Extortion
Robbery and Theft (including Auto theft)
Low Threat Rating
Environmental Crimes
Loan Sharking
Counterfeiting and Piracy (with Currency Counterfeiting as a typology)

Source: Canada's NRA

Table 1.2. Overall ML/TF Vulnerability Ratings

Very High Vulnerability Rating	
Corporations*	Express Trusts*
Domestic Systemically Important Banks (D-SIBs)	Money Services Businesses (MSBs)
Virtual Asset Service Provider (VASPs)	
High Vulnerability Rating	
Armoured Car Companies	Lawyers and Québec Notaries
Brick-and-Mortar and Online Casinos	Mortgage Lenders
Credit Unions and Caisses Populaires	Other Domestic Banks
Crowdfunding Platforms	Payment Service Providers
Dealers in Precious Metals and Stones	Real Estate Brokers, Sales
Foreign Bank Branches	Representatives and Developers
Foreign Bank Subsidiaries	Securities Dealers
Import/Export Companies	Trust and Loan Companies
Medium Vulnerability Rating	
Accountants	Financing and Leasing Companies
British Columbia Notaries	Life Insurance Companies
Cheque Cashing Businesses	Mortgage Brokers
Company Service Providers	Non-Profit Organizations
Customs Brokerages and Freight Forwarders	Partnerships*
Factoring Companies	White-Label ATMs

Note: *The vulnerability relates to the ability of these entities to be used to conceal beneficial ownership, therefore facilitating the disguise and conversion of illicit proceeds.
Source: Canada's NRA

88. Whilst Canada's NRA is broad, and the process of risk assessment is comprehensive; some moderate gaps remain. Currently, the NRA's emphasis is on the threats posed by predicate offences and the inherent vulnerabilities of sectors. While the social harms caused by ML are mentioned, the key enabling role of ML in relation to key predicate offences such as drug trafficking or organised crime is not highlighted. This contributes to an over-emphasis (in strategic and operational decisions) on the predicate offences themselves, as opposed to ML infrastructure that enables them. A clearer articulation in the NRA of the links between money laundering and wider criminal activity would enable ML to be better integrated into coherent strategies to reduce the harm caused by crime.

89. Canada's NRA has not clearly distinguished the different risks associated with laundering the proceeds of domestic crimes within Canada, of laundering foreign proceeds of crime in Canada (as a destination or an intermediary jurisdiction); and of the proceeds of crime within Canada being laundered in other countries. Exposure to cross border flows and transnational linkages are integrated into threat and sector vulnerability assessments. Thematic and topical risk assessments by FINTRAC and operational agencies that supplement the NRA discuss these patterns of illicit financial flows to support Canada's overall risk understanding. However, reflecting the scale and distribution of these different activities in the assessments would greatly benefit the assessment and enable better targeting of mitigating measures.

90. While the NRA provides a broad and comprehensive overview of Canada's ML/TF risks, its scope does not allow for an in-depth analysis of specific vulnerabilities in individual sectors. To complement this risk understanding, Canadian authorities have published regular topical and thematic risk assessments that provide a more granular risk analysis. However, these sector-specific assessments have yet to cover all sectors identified as having ML/TF vulnerabilities, such as shell companies and opaque legal-entity structures, high-risk DNFBPs, accountants, trusts/nominee structures.

91. In addition to filling the gaps above, future iterations of Canada's NRA could also be strengthened by including a more granular consideration of the differential risk exposure of the different geographical regions, including clearer distinctions between domestic, inbound, and outbound laundering of proceeds where relevant, to enable these to be addressed in future iterations of the NRA.

1.1.2. TF Risks

92. Canada has a sound understanding of its TF threats informed by its NRA and significant number of strategic intelligence products. The NRA indicates that Canada's TF landscape is largely low volume, characterised by low value and low volume financial flows. There is little evidence of funds flowing into Canada from other countries to finance domestic terrorism. Suspicious funds are more likely to originate from Canada and to be either directed to domestic violent extremist actors, who largely use self-financing methods to support possible attacks, or to be destined to high-risk jurisdictions and/or conflict zones that are a risk for terrorist financing. Most terrorist attacks in Canada over the past decade have been by ideologically motivated lone actors, generally using self-financing without drawing on significant external financing sources.

93. The 2025 NRA highlights several methods that terrorist actors may use to raise funds including, crowdfunding, cryptocurrencies, IVTS such as hawala, abuse of NPOs, self-financing or state sponsorship. Canada distinguishes among three broad categories of terrorist threats as ideologically motivated violent extremism (IMVE), politically motivated violent extremism and religiously motivated violent extremism . While the overall TF threat is assessed as low, the potential for misuse of funds remains real given evolving global threats, technological factors and criminal networks that straddle both organised crime groups (OCG) and terrorism. The authorities demonstrated a sound understanding of TF methods, classifying TF threat actors and identifying that the majority fall within the IMVE category which the authorities assess as representing the most significant TF threat.

94. D-SIBs, private corporations, express trusts, crypto assets, and certain types of MSBs namely multi-retail service MSBs and informal value transfer services, are the sectors, corporate structures and payment products most inherently vulnerable to exploitation for TF.

95. Canada has aligned intelligence production with a whole of government strategy to support counter terrorism efforts. Canada's core legislations pertaining to AML/CFT, notably the PCMLTFA and the Criminal Code, as well as the Income Tax Act, provide the foundational legal framework to criminalize terrorist-financing offences, require reporting, regulate financial institutions, and enable financial intelligence gathering. Implementation of United Nations resolutions on terrorist financing and international sanctions regimes complements domestic law.

1.2. National policies and activities to address identified ML/TF risks

1.2.1. Policies and activities to address ML risks

96. Canada's AML/CFT policies are strongly influenced by its understanding of ML/TF threats and vulnerabilities. Canada applies a comprehensive risk-based approach to combating ML and TF, ensuring that national policies and operational actions are aligned with its understanding of both current and emerging risks through intelligence prioritisation, strategic planning, and co-ordinated engagement with provincial and territorial authorities, LEAs, self-regulatory bodies, and the private sector.

97. The national AML/CFT policies of Canada are outlined in the 2023-2026 AML/CFT strategy priority actions, which establishes a general framework to address the highest priority ML/TF threats based on findings of Canada's NRAs and the results of other risk and effectiveness assessments or performance reviews of the regime. The strategy outlines the AML/CFT regime as operating through three independent pillars: (1) policy co-ordination, (2) prevention and detection, and (3) investigation and disruption. The strategy identifies four principal themes to guide AML/CFT efforts over 2023-2026 with a set of priority actions under each, increasing operational effectiveness, addressing legislative and regulatory gaps, improving regime governance and co-ordination, and contributing to international community efforts.

98. Since its last assessment, Canada has enacted extensive legislative, regulatory and operational reforms to strengthen its AML/CFT framework. Notable examples include expanding the scope of regulated entities under the PCMLTFA to cover sectors assessed as posing a heightened vulnerability to ML/TF through Canada's NRA process, including factoring companies, check cashing businesses, and financing and leasing companies, among others; improving access to beneficial ownership information and enhancing information sharing between private institutions through private-to-private information sharing and the federal beneficial ownership registry; making significant amendments the Criminal Code to support investigations, prosecutions, and the recovery of proceeds of crime; and making amendments to the Income Tax Act. Since April 2025, amendments to the PCMLTFA have also expanded FINTRAC's ability to disclose financial intelligence to provincial civil forfeiture offices, which may also submit VIRs as well as CBSA's ability to proactively share intelligence on TBML and trade based illicit financial flows with the RCMP and key international stakeholders. Canada has enhanced its AML/CFT regime governance framework by introducing a new Deputy Minister level AML/ATF Committee in 2019 to elevate the priority of AML/CFT efforts across the Government of Canada and provide senior strategic direction which elevates political commitment.

99. The public National AML/CFT strategy and related activities are articulated at a high level and rely on co-operation among authorities and consultations with stakeholders to translate its broad priorities into operational measures. A consultation paper with specific proposed measures to strengthen Canada's AML/CFT regime was published in 2023, following the release of the strategy, to advance progress in priority areas for action. Based on these consultations, several targeted measures have been advanced

under the leadership of Canada's AML/CFT governance committees as noted above. Canada's AML/CTF Strategy consolidates identified priority areas into four overarching strategic objectives. Action plans were developed in parallel with the formulation of the 2023–2026 AML/CFT Strategy to operationalise these objectives. Implementation is co-ordinated and monitored through Canada's AML/CFT interdepartmental governance committees, which provide strategic oversight. Canada monitors the progress of strategic objectives using an outcome-based performance measurement framework while maintaining flexibility to adapt its action plans to achieve objectives in each priority area as risk and context evolves.

1.2.2. Policies and activities to address TF Risks

100. Canada employs a comprehensive, integrated CFT framework aimed at identifying, preventing, and disrupting terrorists, terrorist organisations, and their financiers from accessing funds. The framework is grounded in national security priorities and supported by senior-level governance structures that facilitate information sharing and co-ordinated decision-making on both policy and operational TF matters. Intelligence on illicit and threat finance is a priority for Canada more broadly, aligning CFT intelligence efforts with broader whole of government security objectives.

101. Canada pursues a whole-of-government approach to CFT, involving all levels of government, law enforcement, the private sector, citizens, and international partners. In recognition of evolving threats, Public Safety Canada is in the process of updating Canada's National Counter Terrorism Strategy, originally published in 2011, while the RCMP is developing a Terrorist Financing Strategy to strengthen the strategic and operational framework for counter terrorism and counter terrorist financing efforts. Policy co-ordination between the lead agencies at the centre of government is strong, and this is reflected in a coherent approach to TF across the different strategies and agencies. Operationally, the RCMP leads TF investigations under the Criminal Code, while the PPSC conducts prosecutions. The Criminal Code also provides for the Government of Canada to list terrorist entities on the recommendation of the Minister of Public Safety Canada. While being listed does not, in itself, constitute a criminal offence, the listing enables disruption by obligating financial institutions and others to freeze property and restricting any dealings that may facilitate a listed group. These mechanisms support asset freezing, seizure, restraint and forfeiture, and impose prohibitions on providing funds or financial services to terrorist groups.

102. TF policies and activities also reflect a proportionate approach: the Canada Revenue Agency's Charities Directorate plays a dedicated role in protecting the charity sector from TF abuse by monitoring, engaging, and applying targeted controls to registered charities at risk. This strengthens the integrity of the charity registration system and contributes to Canada's broader CFT regime. The Government of Canada launched an interdepartmental dialogue with NPOs to increase awareness and understanding of ML/TF risks and policies, and to understand and mitigate potential impacts of AML/CFT policies on financial inclusion.

1.3. Exemptions, enhanced and simplified ML/TF measures

103. Canada applies a risk-based approach to its AML/CFT regulatory framework, strengthening requirements where higher risks are identified and allowing simplified measures or exemptions where risks are demonstrably lower, as determined through NRA and supporting risk assessments, although some limitations remain in the identification of lower risk areas). This approach is embedded in the federal regulatory system, which mandates that regulatory decisions be grounded in evidence and that all regulatory proposals incorporate structured and transparent risk assessments.

104. Most sectors are obliged to comply fully with AML/CFT obligations. There are simplified measures in the regulatory framework available for some lower risk scenarios. The framework allows certain entities

such as entities subject to legal transparency requirements or assessed as low risk, to undergo simplified identity verification provided that the reporting entity has conducted a risk assessment and proven the low level of risk. As highlighted in the 2025 NRA, public corporations display a low vulnerability to ML/TF, as they are subject to stringent legal constraints under provincial and territorial securities laws and stock exchange rules. In recognition of this lower vulnerability profile, Canada's AML/CFT framework has introduced simplified measures in certain low-risk scenarios involving public corporations. This approach has also allowed for the exclusion of low-risk activities offered by sectors, such as financing and leasing services for low value consumer products (rent-to-own furniture, personal electronics, etc.). Managing general agents, where they act as facilitators between brokers and insurers, typically offering services to assist with contracting of insurance agents and commission payments are also exempted as per the identified low risk.

105. Simplified measures can also be applied to certain categories of entities, including administrators of pension plans or regulated investment funds, a corporation or trust whose shares are traded on the Canadian stock exchange or a stock exchange designated under the Income Tax Act, a subsidiary whose financial statements are consolidated with these entities, or a state-owned enterprise, institution or agency or public service body, subject to specific record-keeping obligations. These categories are underpinned by ongoing risk assessment and monitoring, consultations with FINTRAC, private sector stakeholders, and other relevant authorities as part of the policy development process. However, the NRA focuses its analytical emphasis on the higher-risk end of the spectrum of entities and activities. While this approach supports the identification of significant ML/TF threats and vulnerabilities, it may mean some further, lower risk areas are not assessed in sufficient detail to determine where simplified measures may be appropriate. A more detailed analysis of lower-risk activities in a future iteration of the NRA could be the basis for additional applications of simplified measures under a risk-based approach.

106. Canada has strengthened its regulatory framework for sectors consistently assessed as highly vulnerable to ML/TF, with particular focus on MSBs, which have been rated as very highly vulnerable in recent NRAs. In response, the government introduced legislative and regulatory measures, specifically enhanced PCMLTFA registration requirements obliging domestic MSBs to provide criminal record checks for every person who directly or indirectly controls 20% or more of the business upon registration to address this persistent elevated risk. This is a good example of Canada's ability to act rapidly on its evolving understanding of national risks and implement enhanced measures to more vulnerable sectors.

1.4. Objectives and activities of competent authorities and SRBs

107. The overall objectives and activities of the competent authorities are generally aligned with the evolving national AML/CFT policies, and the extent to which authorities have aligned their objectives and activities to respond to the higher national ML/TF risks are consistent. For the AML supervisory authority, FINTRAC, generally demonstrates good understanding of the ML/TF risks of different FI, VASP, and DNFBP sectors. However, as mentioned in IO.3 and IO.4, some very high risk and high-risk sectors, identified as highly vulnerable to ML/TF in the NRA, including D-SIBs, VASPs, MSBs, securities and DPMS, are not sufficiently prioritised for supervision. This is discussed further in IO.3.

108. For LEAs, the fight against ML related to drug trafficking, fraud, tax evasion and TBML continues to be prioritised in their daily work, which is consistent with Canada's highest ML risks. While there is generally more emphasis placed on investigations for predicate crimes, as shown by the establishment of several working groups, LEAs (particularly RCMP) also demonstrated a clear focus on following the money, conducting parallel financial investigations to identify potential ML activity. LEAs and other competent authorities with investigative mandates (CBSA and CRA) have increased their focus on ML. While prosecutors demonstrated increased prioritisation of several high value Professional Money Laundering

(PML) matters, they generally do not prioritise ML prosecutions and will often withdraw ML charges to secure convictions on the predicate offence (see Core issue 7.2). Recent structural changes and the adoption of new powers to target TBML and ML linked to commercial trade fraud demonstrate CBSA's priority in this space. CRA-CIP is also increasing its focus on ML, introducing new guidance and case management practices in November 2025 requiring ML and proceeds of crime to be considered in all tax offence investigations.

Box 1.1. Public-Private Collaboration to Combat Illegal Drug Trafficking

Canada's private sector, including large banks, has taken a leading role in public-private partnerships aimed at combating the trafficking of illegal drugs, with a particular focus on ML. These initiatives are supported by law enforcement agencies and FINTRAC, Canada's FIU.

Project Guardian, launched in 2018, is a public-private partnership led by the Canadian Imperial Bank of Commerce (CIBC) and supported by Canadian law enforcement agencies, international partners and FINTRAC to combat the trafficking of illegal fentanyl. Tracing the movement of funds related to the trafficking of illegal fentanyl is a priority for FINTRAC. Through a strategic analysis of its financial intelligence, and in collaboration with Canada's financial institutions and the RCMP, FINTRAC released a comprehensive Operational Alert on ML indicators related to this illicit activity in 2025. In 2024-2025, FINTRAC produced 108 disclosures of actionable financial intelligence which identified 456 subjects to law enforcement in association with Project Guardian.

Project Legion, is a public-private partnership led by Toronto-Dominion Bank (TD), supported by Canadian law enforcement agencies and FINTRAC, which targets illicit cannabis activities by focusing on the ML aspect of the crime. The illicit cannabis market results in a significant loss of tax revenue and helps fund other illegal and harmful activities by OCGs in communities across the country. In 2024-2025, FINTRAC produced 51 financial intelligence disclosures in support of law enforcement investigations involving illicit cannabis activities at the municipal, provincial, and federal levels. In addition, FINTRAC identified 142 subjects and supported 14 project-level investigations.

Source: Department of Finance Canada

1.5. National co-ordination and co-operation to develop and implement policy

109. Canada's AML/CFT governance framework co-ordinates federal, provincial and territorial authorities through dedicated co-ordinating committees and thematic working groups. Federal AML/ATF committees up to the Deputy Minister level are co-chaired by Finance Canada and Public Safety Canada. The federal, provincial, and territorial working group on AML/CFT is co-chaired by Finance Canada and a rotating provincial co-chair (the British Columbia Ministry of Finance at the time of the evaluation). These committees have led the development of legislative and regulatory measures for consideration by the Government, to strengthen the investigative, enforcement, and information sharing tools of Canada's AML/CFT Regime.

110. The AML/CFT Regime is supported by a structured governance framework with committees at multiple levels, including the Deputy Minister level AML/CFT Committee, the Assistant Deputy Minister (ADM) Steering Committee, and the Director General Interdepartmental Co-ordinating Committee (DG-ICC), each responsible for oversight, strategic alignment, and co-ordination across policy and operational partners. Working groups, such as the Strategic Intelligence and Risk Assessment Working Group (SIRA-WG), provide analysis on ML/TF risks, emerging threats, and sector vulnerabilities, informing policy and

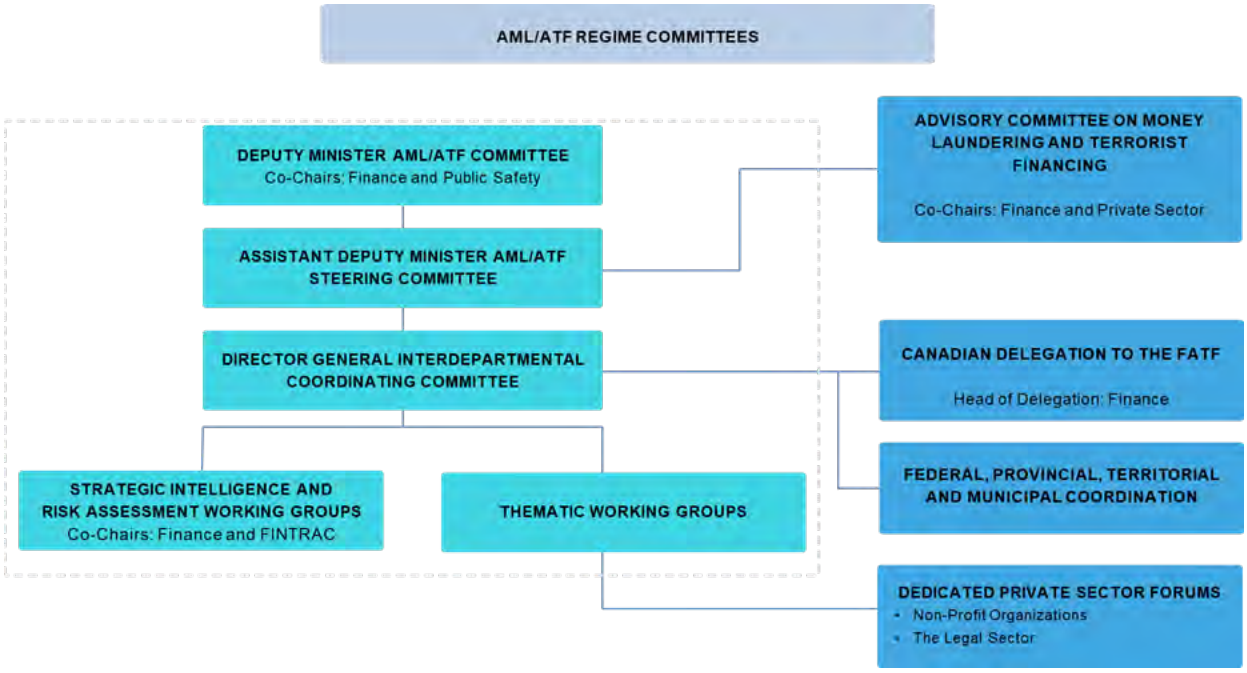
operational decisions. This committee structure is actively co-ordinated by the thematic lead departments (Finance Canada and Public Safety Canada), with participation from the Privy Council Office (PCO), to ensure coherence with broader government objectives. The AML/CFT Regime committees, together with PCO-led national security governance structures, work in a complementary manner to ensure cross-government buy-in to strategies and implementation at the appropriate level and operate flexibly to ensure a timely response to urgent issues when these arise.

111. Effective cross-jurisdictional co-ordination is established for Canada's national response to ML/TF threats, given its federal structure, and involves collaboration among federal, provincial, territorial, and municipal stakeholders through working groups and bilateral engagement.

112. AML/CFT priorities are regularly advanced through meetings of Finance Ministers, financial regulators, police chiefs, and other co-ordination fora, with dedicated federal-provincial-territorial (FPT) forums supporting policy alignment and operational co-operation. Notable FPT bodies include the Meetings of Ministers and Deputy Ministers Responsible for Justice and Public Safety, the Crime Prevention and Policing Committee, the Working Group on AML/CFT, the Co-ordinating Committee of Senior Officials on Criminal Justice, and the National Co-ordinating Committee on Organized Crime. Sector-specific working groups, such as the Beneficial Ownership Working Group and the Joint Government of Canada - Federation of Law Societies of Canada (FLSC) Working Group, further enhance co-ordination on corporate transparency and ML/TF risks in the legal profession. Additionally, the Canadian Association of Chiefs of Police Organized Crime Committee contributes to national and international policy development, law enforcement innovation, public awareness, and unified responses to organized crime. The appointment of Canada's Fentanyl Czar demonstrates the focused governance arrangements to address high priority, cross cutting risks through leadership and enhanced co-ordination when a rapid and flexible response is required. The Fentanyl Czar model provides a national focal point to align the actions of multiple authorities and accelerate implementation of priority actions to address evolving risks which require co-ordinate national action.

113. In support of the Regime, the ACMLTF is a public-private advisory committee that encourages collaboration with the private sector and promote transparency in risk understanding, policymaking. Canada's provincial and territorial law societies, co-ordinated by the FLSC, collaborate with the Government of Canada through a joint working group aimed at strengthening information sharing on ML/TF risks specific to the legal sector. They also co-ordinate through a variety of committees to develop and enforce AML/CFT standards, guidance, and disciplinary frameworks within the legal profession.

Figure 1.2. Canada's AML/CFT Governance Structure



Source: Canada

1.6. National co-ordination and co-operation for operational purposes

114. Canada's operational reforms and initiatives show a strong alignment with the highest – risk threats identified in the NRA. To address drug trafficking – one of the most important sources of criminal proceeds - Canada has established and expanded mechanisms including the appointment of a Fentanyl Czar; integrated drug intelligence cells; a precursor chemical monitoring Unit; and the North American Drug Dialogue . To counter fraud, and other major threats, initiatives such as the Integrated Money Laundering Intelligence Partnership (IMLIP), the Canadian Integrated Response to Organised Crime (CIROC), Integrated Money Laundering Investigation Teams (IMLITs), Integrated Market Enforcement Teams, and expanded Joint Force Operations (JFOs) have been established. Canada announced in 2025 that it will be establishing a new Financial Crimes Agency to lead Canada's efforts in combating sophisticated financial crimes. Its operational approach would benefit from a more systematic focus on the ML activity associated with the threats, particularly to ensure that operational responses extend beyond predicate offence disruption to fully address the laundering methodologies identified in the NRA.

115. Canada's public-private partnerships (PPP) allow for operational collaboration and this has enabled law enforcement agencies at all levels of policing to develop formal and informal information sharing, develop thematic projects to form best practices to combat ML, establish secretariats and co-ordination offices to ensure ML activities are adequately resourced and leverage private sector forums to address AML operational priorities.

116. FINTRAC co-ordinates closely with OSFI and provincial regulators, such as the Autorité des marchés financiers (AMF), the British Columbia Financial Services Authority (BCFSA), and the Alcohol and Gaming Commission of Ontario (AGCO), through MOUs that facilitate information sharing, strengthen sectoral risk understanding, and support more targeted enforcement. FINTRAC also collaborates with supervisory authorities like the Canadian Investment Regulatory Organization (CIRO) to align examination approaches

and address compliance issues in the securities sector, leading to improved implementation of PCMLTFA requirements by market participants.

Box 1.2. The Canadian Association of Chiefs of Police (CACP) Counterterrorism and National Security Committee

The CACP Counter Terrorism and National Security Committee aims to harmonize the work of the Canadian law enforcement in identifying, preventing, deterring, and responding to criminal activities related to terrorism and national security threats. Its objectives include:

a) Promoting collaboration and integration among law enforcement agencies and with appropriate public/private security and intelligence partners;

Improving the ability to operate in a co-operative and integrated manner with the view of addressing emerging trends;

Developing processes and facilitate strong communication at all levels;

Recommending legislative reforms; and

Promoting education and training in matters of counter-terrorism and national security.

Eighteen partner agencies participate on the Counter Terrorism and National Security Committee. They represent federal law enforcement and intelligence authorities (RCMP, CSIS, CBSA, PSPC, FINTRAC) as well as police of jurisdiction (Calgary Police Service, Edmonton Police Service, Vancouver Police Department, York Regional Police, Toronto Police Service, Sûreté du Québec, Service de police de la Ville de Montréal, New Westminster Police, Ontario Provincial Police, Ottawa Police Service).

Recent accomplishments of the Counter Terrorism and National Security Committee include:

a) Launch of the "See Something Say Something" campaign to improve understanding of national security threats both within Canadian law enforcement agencies and with the public;

The Countering Violent Extremism Guidebook; and

Establishment a new working group to develop operational guidance and standardize processes relating to Foreign Actor Interference investigations and engagement activities.

Source: Department of Finance, Canada

2 International co-operation

The relevant Immediate Outcome considered and assessed in this chapter is IO.2. The Recommendations relevant for the assessment of effectiveness under this chapter are R.36-40 and elements of R.9, 15, 24, 25 and 32.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Canada has a sound legal framework to provide and seek a broad range of assistance, supported by bilateral and multilateral treaties. Canada's central authority (CA) applies a prioritization system for international co-operation, and the electronic case-management system enables tracking of incoming and outgoing mutual legal assistance (MLA), extradition and asset recovery MLA requests. This tool gives competent authorities a clear overview of all cases and their deadlines.

b) Canada provides constructive and good quality MLA assistance (63% of 464 requests executed). While co-operation is generally timely, there are persistent challenges, particularly for MLA and asset recovery. Delays are often case-specific and linked to complexity or legal requirements. Provisional arrests were executed in a timely manner. Canada's legal framework for executing extradition requests involves multiple Ministerial and judicial steps which is consistent. Incoming freezing orders and confiscations requests are more limited and encounter some timeliness issues (18% of 45 requests executed, beyond 18 months on average). Refusal for MLA and extradition incoming requests is rare; however, around a quarter of incoming asset recovery requests remain pending, in some cases following requests for additional information from Canada.

c) The amount of confiscated assets in response to international co-operation requests is limited. Out of CAD 17.5 million of assets sought for confiscation by foreign counterparts, only CAD 1.4 million was confiscated (8%), including CAD 1 million shared with the requesting states.

d) International co-operation feedback, including from key counterparts, underlined the length of the process due to a number of requests for further information by the competent authorities, hampering timeliness. Canada took steps to engage with foreign counterparts to facilitate formal co-operation, including through liaison counsellors posted in relevant jurisdictions, multilateral and bilateral consultations with partners, provision of templates, guidance and mock cases.

e) Canada sought formal assistance to some extent (70 ML/TF MLA and 8 ML/TF extradition). The number of outgoing ML/TF requests declined during the assessment period (seven (7) requests in 2023-2024 and three (3) in 2024-2025) which is partially compensated by the growing reliance on other forms of international co-operation; LEAs use of domestic production orders to obtain evidence held by foreign companies with a virtual presence in Canada; and the increased reliance on informal police-to-police co-operation. International co-operation feedback highlighted the good quality of Canada's requests and the responsiveness of the CA. Underlying offences are not fully in line with the Canada's risk profile, while requested countries are. The highest priority threats, with offences such as drug trafficking and requests involving OCGs are underrepresented.

f) Canada sought MLA to trace and recover illicit assets abroad to some extent (26 outgoing requests between 2019-2025, including 12 executed). Overall, outcomes remain limited, with low level of assets seized and confiscated relative to Canada's risk profile and materiality. The modest assistance in asset recovery through formal MLA is only partially offset by LEA's use of informal measures. These are focused on identification and tracing efforts, through Camden Asset Recovery Inter Agency Network (CARIN) and RCMP's Liaison Officer (LO) network. Evidence that these resulted in assets being restrained and confiscated in Canada or abroad is unclear. Informal co-operation is insufficient to effectively achieve asset recovery outcomes.

g) Competent authorities are engaging in other forms of co-operation to varying degrees. Police-to-police outgoing requests for international co-operation increased during the period under review which partially explains the decline in formal co-operation. The FIU sought information to a limited extent (on average, 123 requests per year). Outgoing FIU requests are in line with Canada's risk profile and addressed to the main counterparts. Supervisors seek information for FIs and VASPs from main foreign counterparts. Customs and tax authorities seek information to a good extent through their participation in working groups and networks with main counterparts. Advanced mechanisms of exchange of information, such as automatic and simultaneous exchanges, are also in place.

h) Competent authorities provide informal co-operation to varying degrees. The trend in FINTRAC response times is inconsistent. In some cases, a negative reply was provided because no information was held or due to lack of financial information in the request received, despite an established link with Canada. LEAs provided good quality informal assistance, with several cases studies demonstrating effective and timely co-operation. FINTRAC as a supervisor provided good and timely assistance, mainly with respect to FIs and VASPs. Customs and tax authorities provided assistance to a good extent through replies to requests and spontaneous disclosures

i) Information on beneficial ownership is sought through formal co-operation in a very few cases and is provided to foreign counterparts upon request, although it represents only a small percentage of incoming requests.

Recommended Actions

a) Competent authorities should ensure effective and timely response to incoming MLA asset recovery requests and make active use of formal and informal international co-operation to recover criminal property located outside Canada.
b) The FIU should be more proactive in seeking international assistance for STR analysis involving international elements, in line with Canada's risk and context, and providing information to foreign counterparts.
c) Canada should provide the FIU, or another competent authority, with the power to rapidly suspend or withhold transactions, following a request of a foreign FIU, to supplement the existing but informal-only approach.
d) Canada should request structured feedback and retain data on the formal international co-operation provided and produce higher quality statistics.

Overall Conclusions on IO.2

As a country with significant cross-border links, international co-operation is essential for Canada, which has a sound legal framework to provide and seek assistance. During the period under review, Canada provided constructive, and good quality MLA and extradition assistance. While co-operation is generally timely, there are persistent challenges, particularly for MLA and asset recovery. Delays are often case-specific and linked to complexity or legal requirements, The execution of incoming extradition requests involves multiple Ministerial and judicial steps which is consistent. Execution of incoming freezing orders and confiscation requests appear more limited and encounter timeliness issues. International co-operation feedback shows that Canada provides constructive and good quality information but frequent requests for additional information affect the timeliness and limit the effectiveness of assistance provided.

Canada sought information through formal international co-operation to some extent and not always fully in line with its risk profile. Canada's domestic rule of evidence does not require foreign evidence to be obtained through MLA to be admissible for trial, thereby providing Canada with greater flexibility to use the most efficient, often informal, channels for evidence gathering for the purposes of Canadian investigations and prosecutions. The reduction in seeking formal co-operation is partially offset by police-to-police informal co-operation. Information was sought from countries consistent with Canada's risk profile.

The volume of assets confiscated and shared with foreign counterparts remains low. In some instances, the requesting state was unable to provide a foreign order to enforce, which is a legal requirement for execution. The modest assistance in asset recovery through formal MLA is only partially offset by LEAs informal measures. These are focused on identification and tracing efforts, through CARIN and RCMP's LO network. Outcomes of assistance is limited and this factor is given some weight in the overall assessment.

Overall, supervisors, law enforcement, customs and tax authorities actively exchange information with their foreign counterparts as appropriate. The FIU seeks and provides information to a limited extent, despite improvements in the most recent years.

Canada is rated as having a Substantial level of effectiveness for IO.2.

Immediate Outcome 2

2.1. Providing constructive, timely and quality mutual legal assistance and extradition

117. International co-operation is important for Canada due to the transnational nature of its ML/TF threats and the open nature of its financial, commercial, and economic systems. The US is Canada's primary partner in commercial and financial trade. The Canadian financial system is widely developed and globally interconnected. Providing assistance and seeking assistance from foreign counterparts is key to the global fight against ML/TF which Canadian competent authorities clearly recognise. Canada's most strategic partner for international co-operation is the US. Additional partners are countries from Latin America and the Caribbean, Europe and Australia.

118. The report's findings are based on statistics on MLA, extradition and other forms of international co-operation; cases and examples; feedback from 68 jurisdictions from the Global Network, including most of Canada's strategic partners; interviews with all the relevant competent authorities and other data.

119. The International Assistance Group (IAG), in the Criminal Law Operations Section, in the National Litigation Sector of the Department of Justice Canada, is the central authority (CA) for Canada. It reviews and co-ordinates all extradition and MLA requests made either by or to Canada. On a day-to-day basis, the IAG works with foreign and Canadian competent authorities, providing them with assistance and support in relation to MLA and extradition.

120. Starting in 2019-2020, a new electronic case management system was adopted, allowing IAG to monitor all requests and track events, updates and final outcomes, as well as to manage records. This tool is a positive instrument that helps Canadian authorities to maintain a clear overview of incoming and outgoing MLA and extradition requests, including their prioritization, status, and deadlines. Incoming urgent ML/TF MLA and extradition requests are prioritized and dispatched within hours by senior staff at IAG, including outside office hours. Incoming requests are prioritized based on urgency, including where there is a risk of evidence being lost, risk of dissipation of assets, flight of fugitive, and/or public safety concerns. Where the incoming request is not flagged as urgent but falls under one of the above-mentioned categories, IAG proactively contacts international partners to properly assess urgency and to address any quality issues, if needed.

121. IAG is adequately staffed with 38 lawyers and 14 paralegals, supported by 14 legal assistants. Some of the lawyers are posted abroad in the most relevant foreign partners jurisdictions, as liaison counsellors to facilitate formal and informal international co-operation. The IAG's staff members bring a range of expertise, including a specialization in geographic regions or types of cases.

2.1.1. Providing evidence and locating criminals

122. In Canada MLA is available to multilateral or bilateral treaty partners as well as "Designated States or Entities" listed in the Mutual Legal Assistance in Criminal Matters Act (MLACMA). Canada has bilateral

treaties in force with 35 foreign states, including neighbouring countries and relevant commercial counterparts. In the absence of a listing in the MLACMA or a relevant treaty, Canada can provide assistance pursuant to court issued non-treaty letters of request (letters rogatory), non-treaty letters of request, and administrative arrangements. Pursuant to MLACMA, Canada may enter into an administrative arrangement with a State or Entity for the purpose of giving effect to a request for MLA in a particular case. During the relevant period, Canada entered into 15 administrative arrangements. Twelve ML MLA requests were received from non-partner countries during the review period. Of these 12 requests, 7 were fully executed, while the remaining 5 were either withdrawn (in 2 cases the requesting state did not reply to Canada's request to clarify the legal grounds to proceed in the absence of a treaty, while in 2 other cases the requesting State did not respond to Canada's request to provide the location of the witness to interview, or the type of evidence sought) or abandoned (in 1 case, because the evidence was no longer required) by the requesting country.

123. In the period under review, Canada received 4 577 incoming MLA requests across all offences. A total of 464 MLA requests arose from the investigation or prosecution of ML (451) and TF (13) offences, mostly from the US, other countries from the Americas and Europe, and a small percentage from other regions, in line with Canada's risk profile (see Table 2.1).

124. Most of the MLA requests received relate to fraud (42%), corruption and bribery (11%), illicit drug trafficking (10%), which is consistent with Canada's risk profile. 72% of incoming MLA requests related to drug trafficking involved OCGs (34 out of 47 requests), which is in line with Canada's risk and context. Additional incoming requests are related to robbery and theft (6%), counterfeiting (3%), TF (3%), and other crimes (33%)[18]. Some requests relate to more than one type of offence.

125. Most of the incoming ML/TF MLA requests have been executed (63%), with high degree of execution for MLAs related to high-risk predicate offences such as fraud (73%) and drug trafficking (61%) (see Box 2.1). Some of the more recent incoming MLA requests are ongoing (22.8%) and a small percentage was refused by Canada (about 2%)[19]. A number of requests were withdrawn (5.8%) or abandoned (6%) by the requesting country. With respect to refusals, they are generally communicated in advance to try to address any gaps. Most of the incoming MLA requests were executed within 12 (ML) to 13 (TF) months (See Table 2.2). Urgent ML MLA requests are executed by Canada more rapidly, on average within five (5) months, while urgent TF MLA are executed on average within 17 months. In cases where it took more than six (6) months to execute the requests, these were related to complex cases. Such cases take time to ascertain all the requirements are met; collect additional information; manage delays in obtaining or complying with a judicial authorization; manage additional time requests by competent authorities and identify and resolve electronic case management system anomalies. Statistics show that in 103 cases (36%), Canada required more than one year to provide assistance and in 28 cases (10%) Canada required between

[18] Other crimes include the following offences: Abuse of duties; Abuse of trust; Accounting Offenses; Aiding and Abetting; Aggravated damage to computer data; Breach of trust; Breach of economic sanctions; Conspiracy to commit illicit drug trafficking, fraud, organized crime, bribery, other smuggling/trafficking, illegal gambling, corruption; Crime against the economic order; Copyright infringement; Counterfeit cheques; Cybercrimes; Embezzlement; Extortion; Fraudulent evasion of duties; False accounting; False declaration; False statements on loan applications; Falsification of public documents; Financial abuse; Fraudulent trading; Hacking; Hidden funding of political parties; Human smuggling and trafficking; Illegal gambling; Illegal mining; Illicit enrichment by an official; Illicit streaming; Infringement on bankruptcy; Influence peddling; Insider trading; Issuance of no funds cheque; Intrusion into computer systems; Misappropriation; Misconduct; Operating an unlicensed money transmitting business; Other smuggling and trafficking; Pimping (procuring prostitution); Prohibited foreign trade practices by domestic concerns; Possession of forged document; Possession and publication of child pornography; Receiving stolen goods; (Autonomous) sanctions evasion; Sale of stolen vehicles; Tax offences; Transferring criminal property; Unlawful computer access; Unlawfully recording data; Uttering a forged document.

[19] Reason for refusals are the following (9 requests): the evidence was not located in Canada (2); there was insufficient information to meet Canada's legal threshold to apply for the required MLA court order and Canada provided guidance to the requesting states who were unfortunately unable to address the gaps (4); could not be executed due to COVID-19 restrictions (1), could not be advanced as to do so would have been contrary to Canada's public interest (2),

2 and 5 years. There are 17 MLA requests (4%) received between 2019 and 2022 which are still ongoing. This is due to delays in execution by executing authorities and/or regional counsel; requests for additional information from requesting states; and assessing compliance with treaty and legal requirements in complex cases. This data and statistical data do indicate inconsistencies in recording timeframes of executing requests, which is considered as not consistently timely. In urgent cases, case studies demonstrate that assistance provided was timely. Moreover, where provided, Canada's assistance is constructive and generally of good quality.

126. Foreign counterparts make use of MLA mostly for compelled or voluntary production of documentary evidence (61%) (such as financial transaction records, business records, accounts' owners); voluntary or compelled witness interview (16%); corporate information, both basic (12%) and, occasionally). A small percentage of documentary evidence is related to beneficial ownership records (1%).

Box 2.1. Case of effective incoming MLA

In June 2022, country "B" made an MLA request to Canada to advance an anti-corruption and ML investigation. The suspects allegedly laundered proceeds of crime arising from the corruption of a public official using shell companies with ties to Canada and other jurisdictions and illegally transferred assets worth billions of dollars. Country "B" requested assistance in obtaining business records related to the beneficial ownership and movement of the impugned assets.

IAG prioritized the request as there was a risk that high value assets would dissipate. The IAG worked closely with their counterpart in country "B" to address information gaps. Once the request was perfected, Canadian authorities sought a court order for the production of records. The court application was made on a confidential basis, so as to protect the integrity of the investigation in country "B". Pursuant to a Canadian court order, the requested records were produced and sent to country "B". The request was executed in full in March 2023.

The investigation in country "B" is still going on and remains confidential, however, the authorities in country "B" have confirmed the importance of the evidence to their investigation and thanked Canada for the efficient manner in which the assistance was provided.

Source: Canada

Table 2.1. Incoming ML/TF MLA requests

Fiscal year (fy)	Executed	Withdrawn	Abandoned	Refused	Ongoing	Total
2019-2020	62	6	8	0	4	80
2020-2021	55	5	7	1	6	74
2021-2022	58	7	5	4	7	81
2022-2023	64	5	4	0	14	87
2023-2024	40	4	2	1	28	75
2024-2025	15	0	2	3	47	67
Total	294	27	28	9	106	464

Note: Data updated as of 29 September 2025. Of the 110 in progress MLA requests, 16 are currently in progress in the requesting country.
Source: Canada

Table 2.2. Time to execute incoming MLA requests

Time	Total
1 - 6 mo	109
6 - 9 mo	35
9 mo - 1 yr	43
1 - 2 yrs	75
2 - 5 yrs	28
Total	290*

Note: Data as of 29 September 2025. *The discrepancy with the total number of executed requests in Table 2.1 is attributable to four cases for which Canada provided incomplete data regarding execution timelines.
Source: Canada

127. International co-operation feedback shows that Canada's responses to MLA requests are generally useful and of good quality, when provided. One country reported a lack of assistance due to the absence of a treaty. Three reported that it was not possible to receive the requested documents, such as civil and financial documents. Some foreign counterparts underlined that differences in legal systems contributed to delays. Two countries also highlighted the responsiveness of Canada's CA and one country noted Canada's willingness to work together to understand differences between legal systems, which has led to some improvements in timeliness.

2.1.2. Extradition

128. Extradition is available to bilateral (51) or multilateral (26) treaty partners, as well as "States and Entities" designated in the *Extradition Act* (31 States and three international courts or tribunals). Extradition is available to Canada's most relevant partners. Canada also has the ability to execute incoming extradition requests pursuant to case specific agreements. During the period under review, Canada did not conclude any new agreements; however, bilateral negotiations were reportedly ongoing to expand the treaty network. Dual criminality must be assessed. There is no bar to extraditing nationals under Canadian law and Canada has extradited Canadian citizens. Canada's legal framework for executing extradition requests involves multiple Ministerial and judicial steps. This process altogether can be time-consuming as the process must balance efficiency with the protection of individual liberty under domestic law.

129. Canada has received 469 extradition requests across all offence types (see Table 2.3). A total of 65 extradition requests arose from the prosecution of ML (52) and TF (13) offences. Canada executed 18 out of 52 ML and predicate extradition requests on average within 18 months, coming mostly from the US, in line with Canada's risk profile. Notably, none of the 13 TF extradition request were executed. Most urgent requests (additional 20 out of 25) for provisional arrest were executed by Canada within 2 days or less (40%) or within 4 to 6 days (33%), depending on whether the person sought was readily located. Pursuant to the *Extradition Act*, urgent requests for provisional arrest can be made by the requesting country or entity, which must be followed by the receipt of a formal extradition request. Majority of the incoming extradition requests are related to fraud (14), TF (13), organized crime (6) and drug trafficking (6). TF is largely low volume, characterized by low-value transactions and limited financial flows, as set out in the 2025 NRA. The relatively high percentage of TF-related requests is because the majority (11 out of 13) were received from only two countries, related to two international terrorist groups.

130. 45% of the incoming regular ML and TF-extradition requests are ongoing, and at different stages of execution (see Table 2.4). Half of the ongoing ML extradition requests are starting the judicial or Ministerial phase, while the remaining are under review. 12% are awaiting additional information from the requesting state or in litigation, as Ministerial decisions to surrender may be subject to judicial review before the appellate courts. 17% were refused by Canada, primarily due to the person sought was not located in Canada or the requesting state was not an extradition partner. Others were withdrawn (8%) or abandoned (3%) by the requesting state. Two TF requests were abandoned by the requesting State following the requests for additional information by Canada in order to meet the double criminality requirement. When provided, assistance is constructive and mostly of good quality.

131. There are four ongoing TF extradition requests as of the onsite. During the period under review two requests were abandoned by the requesting state as they failed to respond to Canada's requests for additional information and to meet the double criminality requirement; and six were refused by Canada for different reasons (person sought was not located in Canada, absence of treaty or other legal basis to execute the requests, Minister of Justice discharged the person from extradition at the surrender stage of extradition).[20]

132. Nevertheless, Canada showed constructive co-operation with respect to these TF requests. Efforts were made to assist the extradition partners in improving the quality of their requests by travelling to requesting states (2) for in-person targeted consultations and conducting follow-up virtual meetings to monitor progress. Regarding the six organised crime extradition requests received, none was executed: one was refused for failing to meet the treaty requirements, including meeting definition of organized crime, and three were withdrawn by the requesting country. The remaining two are ongoing, in one case Canada met in person with the requesting State to provide further guidance on the request for additional information, in the other request, Canada is trying to locate the person sought.

Table 2.3. Incoming extradition requests

	Executed – extradited	Withdrawn	Abandoned	Refused	Ongoing	Total
Regular	18	5	2	11	29	65
Provisional Arrests	20	2	1	2	0	25
Total	38	7	3	13	29	90

Note: Of the 29 in progress extradition requests, 12 are currently in progress in the requesting country.
Source: Canada

Table 2.4. Time to execute incoming extradition requests

Time	Regular	Provisional Arrests
1 - 6 mo	1	20
6 - 9 mo	2	0
9 mo - 1 yr	4	0
1 - 2 yrs	8	0
2 - 5 yrs	3	0
Total	18	0

Source: Canada

[20] One request was full executed after the period under review in January 2026, and the person sought was surrended.

133. International co-operation feedback, underlined Canada's positive assistance for extradition requests and good practice to hold bilateral periodical meetings to facilitate a fruitful collaboration. Five countries, including one main partner, specifically underlined the length of the process due to the number of requests for further information leading to delays, and for one country, the refusal of requests. Two countries reported instances where requests were returned for not meeting legal requirements and three countries reported that Canada did not provide assistance due to the lack of a treaty or any legal basis. Several civil law system countries highlighted challenges in obtaining international co-operation due to the difference with Canada's common law system. This is due to the differing standards of evidence required. To address this issue Canada constructively had direct contact with the counterpart States, provided training to extradition partners and, to reduce the need for additional information, provided mock extradition requests to foreign partners tailored to fraud and drug trafficking cases.

2.1.3. Facilitate asset recovery

134. Pursuant to multilateral and bilateral treaties, Canada has the ability to directly enforce foreign freezing, confiscation and seizure orders to trace assets and enforce foreign criminal fines, including restitution orders.

135. In contrast to MLA generally, dual criminality is required as a basis for providing MLA for asset recovery. For incoming confiscation MLA requests, IAG legal counsel must also determine if any of the grounds for refusal are present. A senior legal counsel acts as the IAG asset recovery co-ordinator to ensure a consistent approach to criminal asset recovery MLA requests, and monitors the process to avoid dissipation of assets.

136. Canada has executed 8 (18%) of the 45 asset recovery incoming requests (5 requests for freezing orders and 3 requests for confiscation orders), across all offences, which is limited. Of these requests, 32 (71%) were ML related, while none of the requests were TF related, which is in line with Canada's risk profile. Most of the confiscation requests were received from the US, which is also in line with Canada's risk and context. Asset freezing requests are mostly received from other counterparts, including a non-partner country21. Around a quarter of these requests are ongoing (both in Canada and in the requesting state). Case studies provided by Canada show that assistance was provided to foreign jurisdictions; however, figures show that competent authorities' assistance with incoming requests to freeze, confiscate and share criminal property and property of corresponding value (PoCV) is limited (see table 2.5). Assets restrained following the enforcement of a freezing order amounted to CAD 21.8 million22, while the total amount requested by foreign jurisdictions was not provided by Canada. Out of the total of CAD 17.5 million of assets sought for confiscation by foreign counterparts, only CAD 1.4 million was confiscated (8%), including CAD 1 million shared with the requesting states.

137. The majority of the 38 freezing requests were withdrawn, abandoned or refused (25) while none of the 7 confiscation requests were withdrawn, abandoned or refused (see Table 2.5). For the abandoned and withdrawn freezing requests, 70.5% of the requests (12 of 17) failed to provide the foreign order. MLACMA requires a copy of the foreign order to execute these requests. In all cases, Canada requested and did not receive a copy of the order. Refused requests were due to proceeds not being located in Canada, no funds were available on the account, or the request failed to meet Canada's legal requirements for execution. In all of these latter cases, Canada provided guidance to the requesting State who was unable to address those gaps. Twelve freezing and confiscation requests were ongoing during the assessment period: f5 requests under review to ensure MLACMA requirements were met; 4 cases required additional

[21] In all three cases, Canada attempted to obtain additional information from the requesting state to determine a legal basis to proceed. In two cases, the non-partner country did not provide the required information and the requests were abandoned. In the other case, it was withdrawn after the non partner country informed Canada that the assistance was no longer needed for the foreign investigation.

[22] An additional CAD 730 000 was recently confiscated.

information from requesting states; 2 cases are in the process of being executed; and one is in litigation as the enforcement of the confiscation order was being contested. Challenges in tracing and restraining intermingled property and property beyond the person's legal ownership, are considered contributing factors to the lack of execution of freeze and confiscation requests (see IO.8). Additionally, following the Ontario Superior Court of Justice decision in Georgiou it is now broadly accepted that Canada can enforce incoming requests to recover proceeds of corresponding value (PoCV). This has not yet occurred, which is inconsistent with Canada's risk and extensive outreach.

138. Overall, in several cases Canada requested additional information to the requesting State. Most of the incoming asset recovery requests were executed within a period of more than 18 months. Canada's main counterpart reports competent authorities are quick in restraining asset, but significant delays were reported in returning the confiscated funds.

Table 2.5. 2019-2025: Incoming asset recovery MLA requests – Freezing orders and confiscations

Type of MLA request	Executed	Withdrawn	Abandoned	Refused	Ongoing	Total
Freezing orders	5	8	9	8	8	38
Confiscations	3	0	0	0	4	7
Total	8	8	9	8	12	45

Source: Canada

139. There is limited international co-operation feedback on Canada's effectiveness in providing assistance in asset recovery. Whilst Canada is reported to quickly restrain assets at the behest of the requesting country's authorities, it also reported that the legislative mandate of a minimum 10% cut off the top of any assets slated for sharing undermines the counterparts' ability to seek to fully compensate victims of crime. The cut off percentage raises up to 50% or 90% depending on the contributions of each jurisdiction to the confiscation. While it is appropriate for Canadian competent authorities to retain a portion as reimbursement of expenses related to the confiscation and investigations, this can dissuade foreign counterpart countries from requesting asset recovery MLA. Delays in return of forfeiture to the requesting State can also be ascribed to the once yearly process for adjudicating asset sharing requests for both domestic and international matters.

140. Provincial CFOs cannot utilise formal MLA and require MOUs with foreign counterparts to co-operate. During the period under review, the BC and Alberta CFOs collectively received six incoming requests for asset confiscation. Half of the received requests are concluded, taking an average of 1-2 years to complete. To date, approximately 10% of confiscated assets were shared with the foreign counterparts. International co-operation feedback on NCB confiscations is mixed.

141. Competent authorities' assistance with incoming requests to freeze, confiscate and share criminal property and PoCV are moderate over the review period. Constructiveness and quality of assistance provided is low in terms of the number of requests executed (many still ongoing), timeliness (mostly over 18 months) and amounts confiscated (8%) and shared (CAD 1 million over CAD 17.5 million sought). The modest assistance in asset recovery through formal MLA is only partially offset by LEA's use of informal measures. These are focussed on identification and tracing efforts through CARIN and RCMP's LO network. Evidence that these resulted in assets being restrained and confiscated in Canada or abroad is unclear.

2.2. Seeking appropriate and timely mutual legal assistance and extradition

142. For formal outgoing MLA and extradition, IAG provides competent authorities with: templates; step by step guidance on how to make MLA requests; trainings; and extradition templates for provisional arrest and full extradition requests. IAG has two paralegals embedded within RCMP (IAG's largest domestic counterpart) to facilitate the process and ensure the quality of draft requests. IAG has established central contacts in several provinces, including all material provinces (Ontario, Québec and BC), who are specialized in co-ordinating MLA and extradition requests from line agencies to IAG. This helps make the system more efficient, as the provincial central contacts engage with IAG and provide advice to prosecutors and LEAs who want to submit a request to foreign authorities. In provinces and territories where there are no central contacts, IAG engages directly with the LEAs and prosecutors.

2.2.1. Seeking evidence and locating criminals

143. Canada seeks ML/TF MLA pursuant to bilateral and multilateral treaties to some extent. A total of 23 MLA partners advised the CA they would consider providing MLA to Canada in the absence of an applicable treaty. Assistance is also available pursuant to court issued non-treaty letters of request. International elements of investigations for ML and for proceeds generating offences are conducted routinely. This typically commences through informal channels, with formal co-operation sought at later stages where necessary. It is a strength of Canada's domestic rules of evidence that foreign gathered evidence may be used in trials without necessarily receiving it via MLA. This contributes to an increased reliance on informal co-operation via LEAs (see 2.3.2).

144. For non-urgent matters, IAG takes four to five months to consult with LEAs or prosecutors to finalize the request. A large majority (95%) of requests received by IAG are then transmitted to the MLA foreign counterpart. These generally meet the standard required, reflecting the usefulness of IAG's training to LEAs and their close engagement during the drafting process.

145. Canada sought MLA to some extent, with a total of 70 ML and TF-related outgoing requests, including 6 ML and 5 TF urgent MLA requests (see Table 2.6). During the period under review, the number of outgoing ML MLA has declined. Canada explains this reduction is due to two factors: (i) reliance on other forms of international co-operation; and (ii) the possibility for LEAs to rely on domestic production orders to obtain evidence held by foreign companies with a virtual presence in Canada[23]. The number of outgoing TF MLA requests is low but consistent with Canada's TF risk, which is largely low volume, characterized by low-value transactions and limited financial flows, as set out in the 2025 NRA.

146. The volume of executed requests is high (69%), with all outgoing urgent requests executed and a low percentage (4%) of withdrawn or abandoned requests. None were refused during the assessment period. This demonstrates the good quality of Canada's outgoing requests for the receiving State. Their timing of execution by requested state was on average 16 months for ML MLA and 18 months for TF MLA (table 2.7).

[23] This possibility follows decisions of the Courts of Appeal of British Columbia and Alberta.

Table 2.6. Outgoing MLA requests

FISCAL YEAR (FY)	EXECUTED	WITHDRAWN	ABANDONED	REFUSED	ONGOING	TOTAL
2019-2020	16	0	0	0	2	18
2020-2021	12	0	0	0	2	14
2021-2022	8	2	1	0	5	16
2022-2023	9	0	0	0	3	12
2023-2024	3	0	0	0	4	7
2024-2025	0	0	0	0	3	3
TOTAL	48	2	1	0	19	70

Source: Canada

Table 2.7. Time to execute outgoing MLA requests

Time	Total
1 - 6 mo	11
6 - 9 mo	5
9 mo - 1 yr	5
1 - 2 yrs	18
2-5 yrs	9
TOTAL	48

Source: Canada

147. In most cases, MLA is sought to compel the production of documentary or physical evidence, to compel witness statements or testimony, and very occasionally to seek basic corporate and beneficial ownership information. Predicate offences underlying outgoing MLA requests are, fraud (66%) and counterfeiting (23%), with only a few requests for organized crime (12%), extortion (10%) and illicit drug trafficking (8.5%). This is only partially in line with Canada's risk profile (see IO.1).

148. Most of the outgoing ML MLA requests are addressed to the US (57%), followed by EU countries (17%), which is in line with Canada's risk profile. TF MLA requests are mostly addressed to EU countries (50%), followed by the US (30%) and Asian countries.

149. International co-operation feedback shows Canada's requests for MLA are largely useful and of good quality. Canada's main counterpart highlighted that requests received are among the most well-prepared, legally sound, clear and precisely tailored to meet statutory requirements. Additional countries highlighted that the quality of requests received from Canada is good. Competent authorities are reported as highly responsive when follow-ups are needed (see Box 2.2).

Box 2.2. Case of effective outgoing MLA on TF

In 2020, the RCMP commenced a criminal investigation into suspected terrorist activities of a Canadian citizen. It was alleged that between 2019 and 2022, the suspect created and administered fundraising campaigns using an online crowdfunding platform, ultimately benefiting individuals alleged to be involved in TF.

Between 2022 and 2023, Canada sought MLA from three countries, to obtain urgent records related to foreign criminal investigative files and criminal convictions related to the alleged terrorism financing scheme linked to the suspect in Canada. Records were sought to assist the RCMP in furthering its investigation into the TF allegations and to allow Canadian authorities to lay charges. All requests were made pursuant to bilateral MLA treaties.

The suspect was charged in Canada in July 2023 for terrorism-related and TF offences. In May 2025, they pleaded guilty and were sentenced to a term of imprisonment.

The RCMP reports that the records provided pursuant to the MLA requests were critical to the success of the Canadian investigation.

Source: Canada

2.2.2. Extradition

150. Canada seeks extradition from bilateral, multilateral treaty partners or from foreign states that permit extradition to Canada under their domestic legal framework even without a formal treaty, e.g. UK and other Commonwealth partners. Canadian prosecutors or correctional authorities, with the assistance of IAG, may make extradition requests for persons wanted for prosecution or for the enforcement or imposition of a sentence.

151. The IAG provided training to competent authorities about best practices in drafting a provisional arrest (PA) request or straight arrest request. IAG legal counsel and paralegals are also available for consultation during the drafting process. During the period under review, IAG received eight new outgoing extradition requests related to ML, seven made by prosecutorial authorities and one from correctional authorities. All of which were then transmitted to the foreign counterpart. No TF extradition request was received by IAG, consistent with Canada's risk and context.

152. IAG takes approximately 53 days from the receipt of the request to review it, consult with competent authorities, and transmit it to the foreign counterpart.

153. Canada sought extradition from other countries regarding ML/TF and main predicates to some extent. During the period under review, competent authorities sent a total of eight extradition requests, mostly related to fraud (see Table 2.8). Out of the three that were urgent extradition requests (PA), two were executed, one within one day and the other in under a month (arrested on a Red Notice), while the third one was withdrawn because the person sought was not in the extradition partner's jurisdiction. The volume and nature of underlying offences are not fully in line with the NRA and Canada's risks. Notably, six extradition requests are related to fraud and only one relates to drug trafficking. The majority of outgoing extradition requests were executed within one year. Canada provided some case studies showing that extradition assistance was sought in an appropriate and timely manner (see Table 2.9).

Table 2.8. Outgoing extradition requests

FISCAL YEAR (FY)	EXECUTED	WITHDRAWN	ABANDONED	REFUSED	ONGOING	TOTAL
2019-2025	3	1	2	0	2	8

Source: Canada

Table 2.9. Time to execute outgoing extradition requests

Time	Total
1 - 6 mo	1
6 - 9 mo	0
9 mo - 1 yr	1
1 - 2 yrs	0
2-5 yrs	1
TOTAL	3

Source: Canada

2.2.3. Seeking to facilitate asset recovery

154. In criminal cases, MLA partners share confiscated proceeds, or proceeds from the disposition of confiscated property, pursuant to bilateral asset sharing agreements with Canada. Under the terms of these agreements, net proceeds can be shared in compliance with domestic law and without conditions. Furthermore, during the MLA process, Canada can seek the return of property via other mechanisms such as voluntary return of property, a Canadian court order requiring property to be returned, or enforcement by the MLA partner. Canada's CA encourages the use of MLA asset recovery through targeted outreach and training to LEAs and prosecutors, provides guidance on a regular basis to domestic authorities with respect to the drafting of requests and has a designated asset recovery and asset sharing co-ordinator.

155. Canada sought MLA to trace and recover illicit assets abroad to some extent. Informal co-operation for asset recovery does support investigating and tracing; however, provisional measures are required through the formal MLA process to freeze, seize and confiscate assets. Informal co-operation (see core issue 2.3) is insufficient to effectively achieve asset recovery outcomes.

156. Canada sought assistance from foreign counterparts for 7 freezing orders and 1824 requests for confiscations, across all offences, mostly related to ML offences. The IAG processed asset freezing requests in approximately two and a half months, while confiscation requests were processed in approximately four months. Canada provided a case study showing that assistance was successfully sought to freeze assets on an urgent basis and outside business hours. Most of the asset freezing requests were addressed to the US, in line with Canada's risk profile. Confiscation requests were mostly addressed to partners other than the US. 46% of MLA asset recovery requests were executed by the requested state, while 42% remain ongoing and are largely with the requested state (see Table 2.10). On average, all the freezing orders were executed by the requested state within two months, while confiscation orders mostly within 16 months (see Table 2.11).

[24] One additional request was received by the IAG but was not transmitted to the foreign counterpart during the assessment period and was instead forwarded at a later stage.

157. During the period under review, assets worth about CAD 11.3 million were restrained. Canada sought the confiscation of approximately CAD 10.3 million and CAD 182 000 were confiscated abroad on behalf of Canada through asset recovery MLA.25 These amounts are low in the context of Canada's already modest confiscation outcomes (see IO.8).

Table 2.10. 2019-2025: Outgoing asset recovery MLA requests – Freezing orders and confiscations

Type of MLA request	Executed	Withdrawn	Abandoned	Refused	Ongoing	Total
Freezing orders	4	0	0	2	1	7
Confiscations	8	0	0	1	10	19
Total	12	0	0	3	11	26

Source: Canada

Table 2.11. Time to execute outgoing asset recovery ML requests – Freezing orders and confiscations

Time	Freezing orders	Confiscations
1 - 6 mo	1	3
6 - 9 mo	3	0
9 mo - 1 yr	0	1
1 yr - 2 yrs	0	1
2 – 5 yrs	0	3
Total	4	8

Source: Canada

2.3. Seeking other forms of international co-operation for AML/CFT purposes, including asset recovery

158. In general, competent authorities seek other forms of international co-operation to varying degrees, with the FIU seeking international co-operation to a limited extent while the other competent authorities to a large extent.

2.3.1. FIU

159. FINTRAC, in its role as an FIU, is empowered to exchange information with 111 FIUs through MOUs. FINTRAC has requested financial intelligence to a limited extent. A total of 740 requests for information were sent by FINTRAC to foreign FIU counterparts between 2019 and 2025. 93% of these were sent following receipt of a Voluntary Information Record (VIR), while the remaining 7% were issued following the receipt of an STR. The FIU plays a central role in supporting other forms of co-operation for ML/TF and predicate offences for the needs of competent authorities, including RCMP, provincial and municipal police services, CBSA, CRA, and CSIS (see IO.6). These requests were mainly on ML related offences including fraud (41.2%), customs and trade-based illicit financial flows (29.1%), tax evasion (21.8%), drug trafficking (13.7%),

[25] In the context of an MLA request CAD 7 million was returned to Canada without enforcement of confiscation order abroad.

TF (9.8%), human trafficking (9.7%) and corruption (2.1%) (see table 2.12), in line with Canada's risk and context. FINTRAC does not prioritise seeking intelligence through informal co-operation on asset recovery. Most requests were addressed to US, UK, Australia, and Mexico, in line with Canada's risk profile (see Box 2.3).

160. The low volume of requests sent (on average, 123 requests per year) indicates an underuse of international co-operation as a means of obtaining financial intelligence and is not consistent with the cross-border nature of the threats faced by Canada (see Chapter 1), nor with the overall number of STRs received. Although some cases show that information sought from FINTRAC positively contributed to investigations, Canada does not systematically track their outcomes.

Box 2.3. International Co-operation with AUSTRAC and New Zealand FIU

In 2023, FINTRAC received voluntary information from a LEA regarding an ongoing investigation into an international drug smuggling and professional money-laundering network involving Canada, Australia, and New Zealand. After receiving the information, FINTRAC performed its analysis and determined that the designated information would be relevant to multiple law enforcement agencies, AUSTRAC (Australia's FIU), and the New Zealand FIU. FINTRAC also sent queries to AUSTRAC and the New Zealand FIU.

The FINTRAC disclosure contained designated information from suspicious transaction reports, attempted suspicious transaction reports, large cash transaction reports, electronic fund transfer reports, and casino disbursement reports, totalling approximately CAD 21.3 million. FINTRAC's disclosure included financial intelligence on subjects identified in the voluntary information, as well as numerous additional individuals and entities previously unknown to law enforcement and the FIUs. The disclosure identified the illicit flow of funds and relationships between individuals and entities through shared bank accounts, addresses, and ownership. Financial activity included third-party wire transfers, bank draft purchases, email money transfers, unlicensed gambling, payment purchases, and cryptocurrency transactions.

Co-operation between law enforcement, FINTRAC, and the FIUs, including information that was provided by an FIU in response to FINTRAC's query, helped to determine the flow of funds and the scope of the transnational criminal network.

Source: Canada

Table 2.12. FINTRAC as FIU - outgoing request by offence (%)

Predicate Offence*	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	TOTAL
Fraud	43.4	55.3	42.6	37.1	35.7	33.0	41.2
Customs/TB Illicit Financial Flows	11.2	22.4	37.0	24.2	44.3	35.7	29.1
Tax Evasion	26.6	16.5	31.5	19.4	18.6	18.3	21.8
Drug	13.3	8.2	18.5	14.5	10.0	17.4	13.7
Terrorism Financing	8.5	3.3	30.8	3.8	4.0	8.7	9.8
Human Trafficking	8.4	7.1	11.1	8.1	14.3	9.6	9.7
Corruption	1.4	1.2	0	4.8	4.3	0.9	2.1
N. of requests sent	153	122	78	104	76	207	740

Source: Canada

Note: (*) One request may relate to more than one predicate offence

2.3.2. Law enforcement agencies (LEAs)

161. The RCMP is a party to 47 MOUs with international partners and is part of many law enforcement co-operation agreements with foreign counterparts. The RCMP engaged in 48 major projects tied to ML and international criminal activity, with 14 foreign agencies, including from the US and EU. The RCMP also leverages a network of 46 international Liaison Officers (LOs) posted in 29 countries and to international policing bodies (including Interpol and Europol) to support Canadian ML, TF and predicate investigations in co-operating with foreign counterparts.

162. RCMP sought assistance from international partners in at least 477 ML/TF and related predicate offence files, showing a marked increase compared to the previous MER, where 252 requests were sent (see Table 2.13). This reinforces an increased prioritisation on informal co-operation instead of formal co-operation (see 2.2.1). Additional requests for assistance also occurred but data was not available. Canada notes that several of these cases involved asset identification and tracing elements; however, it is unclear the extent to which this has occurred. No specific data was provided on the results of LEAs requests in terms of prosecutions or other outcomes; however, a number of case studies provided were positive. Requests were addressed to foreign counterparts in line with Canada's risks.

Table 2.13. RCMP - outgoing requests

Foreign Agency	Criminal Code and PCMLTFA Occurrence Type			Total Unique Occurrences
	Criminal Code Laundering POC	PCMLTFA Specific	Criminal Code TF	
Europe, Middle East, Africa	104	9	119	231
Indo Pacific	44	5	7	56
Latin America and Caribbean	102	7	11	120
North America	91	11	14	115
Total Unique Occurrences	299	29	150	477

Note: Since a request may be sent to multiple foreign agencies, it is counted only once in the overall totals (unique occurrences).

Source: Canada

163. RCMP participates in international working groups and committees to facilitate international co-operation in asset recovery26. The number of requests sent by RCMP to foreign partners on asset recovery, via CARIN and similar bodies, is low (10 in total for the review period). There is a lack of proactive use of the asset recovery fora, particularly considering the limited use of formal international co-operation for asset recovery (see 2.2.3). Case study discussions demonstrate LEAs are using different informal means to try and pursue asset recovery; however, effective results are not realised based on the evidence available for this assessment.

164. Provincial prosecution authorities also participate in CARIN, in relation to non-criminal seizure and confiscation, as such matters fall within the provincial sphere under Canada's constitutional division of powers. During the period under review, only one request was made in the 2021-2022 fiscal year, on behalf of LEAs in Québec.

2.3.3. Supervisors of FIs, VASPs and DNFBPs

165. In its role as AML/CFT supervisor, FINTRAC has engaged actively in informal co-operation with foreign partners bilaterally (71 engagements in total) and multilaterally through the five-eyes countries' International Supervisory Forum (ISF); over 20 meetings from 2019-2025). Main counterparts are Australia, the US and New Zealand, in line with Canada's risk profile. Canada reported that FINTRAC sought information through the ISF with other AML regulators and supervisors on FIs and DNFBPs.

166. Since 2016, FINTRAC signed seven (7) MOUs, bringing the total number to 11 MOUs with supervisory authorities in six (6) countries. This is in addition to the 30 MOUs signed by OSFI targeted on Federally Regulated Financial Institutions (FRFIs). Foreign supervisors can request information to FINTRAC via OSFI, who both leverage their respective MOUs to share information, subject to safeguards of confidentiality, data protection and security. Notably, a MOU between FINTRAC and foreign counterparts is not a prerequisite for supervisory co-operation and information exchange with respect to AML/CFT.

167. These supervisory co-operation arrangements create a mechanism for information exchange that expand FINTRAC's ability to collaborate with foreign regulatory and supervisory authorities, enhancing FINTRAC's ability to fulfil its supervisory mandate.

2.3.4. Customs and tax authorities

168. Between 2020 and 2025, the CBSA's Border Financial Crime Centre (BFCC) made a total of 83 requests relating to ML/TF to foreign customs, law enforcement and regulatory partners, mostly in the US and the UK. Fifty-three of these requests were made for information to support internal analysis and investigations. An additional eight disclosures were a combination of a standard request for customs information as well as spontaneous disclosures. Information on timeliness to receive a response from a foreign counterpart is not available, as the program is relatively new and information has not been tracked consistently during the period under review. The BFCC further received foreign financial intelligence from foreign FIUs on 15 cases, based on Egmont requests submitted through FINTRAC, corroborating the BFCC's reasonable grounds to suspect activity indicative of ML, TF or sanctions evasion.

169. CRA-CIP investigates ML cases that arise from tax evasion and other tax crimes. CRA has 94 Tax Treaties and 24 Tax Information Exchange Agreement with its international partners. Canada is also a party to the Convention on Mutual Administrative Assistance in Tax Matters , which includes over 150 members.

[26] Such as Five Eyes Law Enforcement Group, INTERPOL Expert Group on AML, Counterfeit and Security Documents Working Group, the Global Focal Point Conference on Asset Recovery, the FATF-INTERPOL Roundtable Engagement on Asset Recovery, and other FATF working groups, Camden Asset Recovery Informal Network (CARIN), in the Asset Recovery Inter-Agency Network for the Caribbean (ARIN-CARIB) and in the UK-backed International Anti-Corruption Coordination Centre (IACCC), (see c.40.23).

CRA-CIP has conducted 3 simultaneous criminal investigations under the Simultaneous Criminal Investigations Program (SCIP). This joint arrangement, generally between Canada and the US, allows both parties to simultaneously investigate taxpayers residing in either country suspected of tax evasion.

170. CRA-CIP also actively participates and contributes to several and working groups (Trade Based Money Laundering International Working Group, International Visitors' Program). Through its participation in these networks, CRA-CIP has created a network with other tax administrations on a global scale. These relationships have led to an increase in the sharing of strategic intelligence. In collaboration with J5 partners, hundreds of data exchanges have occurred.

171. The CRA has received information from foreign partners spontaneously and reactively on tax evasion and income tax matters (civil queries) to a good extent. Furthermore, CRA automatically exchanges information through the transmission of bulk data with treaty partners, usually on an annual basis (144 cases in the period under assessment). No data was provided on the timeliness to receive a reply from counterparts, but Canada reports to be pleased with the co-operation received (see Box 2.4).

Box 2.4. CRA-CIP investigation

The CRA-CIP conducted an investigation that targeted international investors through a scheme designed to solicit funds for investment in shares of various companies. However, no funds were ever returned to the international investors. Instead, the money was misappropriated for personal use. The accused personally appropriated more than one million dollars from his corporations' bank accounts and failed to report any of it in his individual income tax, thereby evading over CAD 275 000 in federal income tax. The success of this investigation was largely on the basis of international co-operation through the use of treaties and witness interviews. Canada made international treaty requests for banking information in several jurisdictions outside of Canada. Leveraging treaties and fostering cross-border co-operation played a crucial role in empowering CRA-CIP investigators to gather the essential evidence needed to effectively pursue justice, ultimately leading to a conviction, in December 2021, in which the accused was conditionally sentenced to two years less a day in prison and fined over CAD 200 000.

Source: Canada

2.4. Providing other forms international co-operation for AML/CFT purposes, including asset recovery

172. In general, competent authorities provide other forms of international co-operation to varying degrees, with the FIU providing international co-operation to some extent while the other competent authorities to a large extent.

2.4.1. FIU

173. FINTRAC is providing assistance to some extent. During the period under review, the FIU sent a total of 1 457 disclosures, which include 695 proactive disclosures and 762 reactive disclosures to 1 617 requests received (47%) (see Table 2.14). Disclosures included 33 388 STRs (1.2% of received STRs). On average, within five days, FINTRAC informs the foreign FIU whether it has information within its holdings to provide a disclosure and information is then provided at a later stage. The FIU provided a positive response, on average, to 61% of incoming requests deemed admissible by Canada. A negative response to incoming requests deemed admissible was provided, on average, in 39% of cases. FINTRAC reports that

24% are due to the lack of financial information in the query received, limiting FINTRAC's possible actions combined with the absence of information in FINTRAC's holding. 15% are due to the lack of authority for FINTRAC to request further information from reporting entities without a prior STR or report.

174. FINTRAC's ability to provide effective and comprehensive international co-operation is restricted when needing to seek additional information from REs (see R.29 and IO.6). This issue is also reported in international co-operation feedback.

Table 2.14. FINTRAC as FIU – incoming requests

Fiscal year (FY)	Received requests	Received requests deemed admissible *	Positive replies in response to a request deemed admissible	No information to provide to a request deemed admissible	Days to provide a positive reply
2019-2020	227	181	106	75	N/A
2020-2021	209	174	107	67	60
2021-2022	268	222	140	82	92
2022-2023	255	195	122	73	53
2023-2024	280	189	121	68	80
2024-2025	378	297	166	131	39
TOTAL	1 617	1 258	762 (61%)	496 (39%)	** 65

Note: (*) Requests deemed admissible are those requests received from a MOU partner and having a link with Canada; (**) indicates averages on available data only.
Source: Canada

175. FINTRAC prioritises incoming requests based on nature of the investigation, predicate offences, critical deadlines, previous disclosure work, and the relevance of the transactions within its database. Of the 121 urgent requests received between 2020 and 2025, 59% were responded to in less than 10 days, 20% between 11 and 30 days, 21% in more than 30 days. Overall, FINTRAC replies, on average, within 5 days to inform whether it has or does not have information. Positive replies to incoming requests are provided in 65 days, on average. The trend in positive response times is inconsistent, with averages always exceeding 30 days and peaks of over 90 days. While an improvement is observed in the most recent year (FY 2024-2025), FINTRAC's timeliness providing responses is inconsistent.

176. In addition, FINTRAC proactively sent 695 disclosures (Table 2.15), 88% on ML and 12% on TF. A proactive disclosure is either spontaneous disclosures of information in FINTRAC's data holdings or dissemination of a disclosure prepared for another partner where FINTRAC also assessed relevance to another FIU and subsequently disclosed. On average, proactive disclosures are mostly related to customs/TBML (33.9%), frauds (26.1%), tax evasion (23.8%), TF (12.1%), human smuggling or trafficking (12%), drug trafficking (10.3%) and corruption (1.7%), mostly in line with Canada's risk profile.

Table 2.15. Proactive disclosures sent to foreign FIUs (%)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total

Customs/TBML	22,4	25,4	31,5	34,9	43,3	46,0	33,9
Fraud	41,4	29,6	27,0	19,3	19,4	20,0	26,1
Tax Evasion	15,5	25,4	19,1	13,3	26,9	32,0	23,8
TF	4,0	15,1	18,2	9,0	6,7	19,8	12,1
HS / HT	8,6	16,9	14,6	9,6	11,9	10,0	12,0
Drugs	11,2	14,1	4,5	10,8	9,0	12,0	10,3
Corruption	1,7	1,4	1,1	1,2	3,0	2,0	1,7
Total number sent	50	93	137	144	165	106	695

Note: TF proactive disclosures can be proactive or reactive. One disclosure may involve more than one predicate offence. Data, with the exception of the total, are expressed as percentages.
Source: Canada

177. Canada does not have the authority to suspend funds or withhold transactions when a request is received from a foreign counterpart. LEAs do not have legislative suspension powers (see TC Annex, c. 4.3(a)), but they can share information with financial institutions, which may suspend or withhold a transaction while awaiting restraint. FINTRAC used this process 18 times (out of 20) in the past five years, where following an alert from a foreign FIU, FINTRAC disseminated the information to the RCMP and the Canadian Anti-Fraud Centre. This process does take additional time for domestic authorities to exchange information among themselves before sharing information with the relevant reporting entity that may, or may not, suspend funds or withhold transactions.

178. FINTRAC produces and shares with many partners internationally, strategic intelligence that details emerging characteristics, trends, and tactics used by criminals to launder money and fund terrorist activities (e.g. Project Anton which is the first international public-private partnership on illegal wildlife trafficking). As an active member of the Egmont Group, FINTRAC drives a range of initiatives, such as developing typologies and providing technical assistance, training, and contributing to capacity-building efforts.

179. International co-operation feedback shows that assistance provided by FINTRAC is generally of good quality, even though in some cases delays were reported (see Box 2.5). Additionally, some countries reported that they did not receive a reply to their requests due to the absence of an MOU with Canada. Canada reports that in such cases, the countries would receive a negative response outlining the procedure for entering into an MOU with Canada.

Box 2.5. International Co-operation with AUSTRAC

In 2023, voluntary information was received by FINTRAC regarding an ongoing investigation into an international drug smuggling network involving Canada, Australia and Country X. According to information submitted by AUSTRAC, the case was instigated by law enforcement to determine the flow of funds, the suspected involvement of various individuals, and the scope of the international network.

After receiving this information, FINTRAC performed its analysis and developed a disclosure (22 suspicious transaction reports, 1 suspicious attempted transaction report, 4 large cash transaction reports and 37 electronic funds transfer reports) to AUSTRAC. FINTRAC's disclosure included financial intelligence on individuals and an entity identified in the voluntary information, as well as several additional individuals previously unknown to the partner FIU and to law enforcement. The disclosure also contained financial transactions, publicly available information, and a case summary highlighting the relationships between subjects and the flow of funds.

Further, FINTRAC initiated a proactive disclosure based on a cross-border seizure report submitted on another individual suspected to be involved in the same international drug smuggling network, and that was later determined to be traveling quite regularly to Country X to meet with the main suspect. The disclosure contained financial transactions, publicly available information, and a case summary on the suspected involvement of one individual and one entity.

AUSTRAC provided feedback that indicated that FINTRAC's disclosure answered major intelligence gaps and showcased the physical movement of funds to and from Canada, and Country X, highlighting how the criminal network was possibly being financed.

2.4.2. Law enforcement agencies (LEAs)

180. RCMP LOs collaborate with INTERPOL Ottawa and are often the first point of contact for foreign requests for police assistance, such as subscriber checks, locating travellers, criminal record checks and fingerprint verification. RCMP provided assistance to foreign counterpart in 1 618 cases, mostly from the US (see Table 2.16). Direct requests for assistance by the foreign police agency to in country or regional RCMP LOs are another major source of requests.

Table 2.16. RCMP – incoming requests

Foreign Agency	Criminal Code and PCMLTFA Occurrence Type			Total Unique Occurrences
	Criminal Code Laundering POC	PCMLTFA Specific	Criminal Code TF	
FBI	43	4	420	467
Foreign (except US) Police Agency	286	21	217	524
Foreign INTERPOL Offices	293	29	98	103
US non-Police Agency	20	3	9	32
US Police Agency (except FBI)	56	7	9	72
Total Unique Occurrences	793	65	760	1 618

Source: Canada

181. As above, LEAs may leverage established information channels with the reporting entity for a suspension, while a formal restraint order is sought. Timeliness of intervention is managed through established informal channels, and private-public partnerships (see Box 2.6 below). Canada also provided

one case where foreign authorities approached Canadian LEAs, including RCMP Liaison Network and the Canadian Anti-Fraud Centre (CAFC), asking for intervention to recover funds that were the object of fraud against foreign entities.

182. RCMP received 108 requests related to asset recovery through the CARIN and similar networks (see Table 2.17). Most requests come through CARIN, but the RCMP has also received requests from ARIN-CARIB, Red de Recuperation des Activos GALIFAT (RRAG), ARIN Asia Pacific (ARIN-AP), and ARIN Southern Africa (ARIN-SA).

Table 2.17. RCMP – incoming requests on asset recovery via CARIN networks

Year	Incoming and answered requests
2019	21
2020	10
2021	23
2022	13
2023	21
2024	20
Total	108

Source: Canada

183. Provincial and territorial authorities received requests related to asset recovery via CARIN. During the period under review, 39 out of 40 incoming requests were completed, including 35 relating to asset tracing.

Box 2.6. Case of effective suspension of funds by Canadian competent authorities, following a request of foreign FIU

In 2022, a foreign FIU informed FINTRAC that CAD 127 000 of illicit funds obtained from a romance scam, were transferred to an account at a major Canadian FI. Information was shared with the Canadian Anti-Fraud Centre (CAFC), who immediately engaged the Canadian FI. It was determined that the illicit funds had been transmitted outside of Canada, but that recovery efforts were possible if the foreign jurisdiction issued a wire recall. Through collaboration with the FIUs, domestic and internation law enforcement agencies and banking institutions, the funds were traced and returned to the foreign jurisdiction and to the victim via a wire recall.

Source: Canada

2.4.3. Supervisors of FIs, VASPs and DNFBPs

184. FINTRAC received, on average, between 2-3 requests for supervisory information per year, which were responded within a timely manner (1-5 days).

185. Through ISF, FINTRAC participates in the multilateral sharing of supervisory information, best practices, and approaches with other AML regulators and supervisors from the UK, US, Australia, and New Zealand. The ISF provides a venue to share information, operational practices, and to develop common performance indicators with a goal to establish best practices and harmonize collective processes wherever possible. For example, with FinCEN (US) and AUSTRAC (Australia), discussions revolved around how to

ensure virtual currency compliance. On two occasions, FINTRAC presented its approach to compliance to, and shared best practices with, the Reserve Bank of New Zealand. FINTRAC also provided a case study on international co-operation related to the sharing of information on banking supervision (see Box 2.7).

186. FINTRAC and FinCEN meet quarterly, with the possibility for ad hoc meetings to discuss emerging issues. These meetings focus on the exchange of information pertaining to virtual currency dealers, other money services businesses (MSBs), current exam approaches, hiring practices, and technical training for employees with subject-matter expertise in virtual currencies, and experiences using various blockchain analytics tools. For example, in the course of supervisory work, both agencies identified crossovers in operations involving a foreign MSB with operations in both countries, which enables information sharing on supervisory best practices. FINTRAC and FinCEN also share knowledge regarding virtual currency typologies and how to assess and supervise this sub-sector. To this end, a joint examination resulted in FINTRAC revoking the license of a virtual currency dealer.

Box 2.7. FINTRAC and the Office of the Comptroller of Currency (OCC): International Co-operation in Information Sharing on a Bank

In July 2025, FINTRAC conducted a supervisory activity on a Canadian bank with operational presence in the United States, among other countries. Given the gaps that were noted by FINTRAC's supervisory team, the high-risk nature of cross-border activities, and possible impact at a global level, FINTRAC reached out to OCC in order to gain better insight into the bank's operations in the United States and assess the bank's oversight and compliance with AML/TF Regulations in the United States. During the meeting, both OCC and FINTRAC supervisory teams shared information on the compliance history of the bank on each side of the border, the deficiencies noted, enforcement actions taken, and more importantly, discussed possible impact of the deficiencies and risk areas noted at both domestic and global levels. In addition, both agencies shared assessment and examination methodologies, as well as best practices. As a result, FINTRAC gained targeted knowledge that enhanced its risk-based supervisory approach.

Source: Canada

187. FINTRAC provided assistance to a foreign counterpart sharing its own experience supervisory methodology on DPMS. Additionally, in 2024, FINTRAC met with Australia regarding sanitized information on STRs pertaining to notaries and real estate after a request from AUSTRAC.

2.4.4. Customs and tax authorities

188. From 2020 to June 2025, CBSA's BFCC produced a total of 71 tactical intelligence assessments and reports, which identify a range of trade-based illicit financial flow threats. Each intelligence assessment produced contains indicators of non-compliance/offences, customs-based trade fraud behaviours, suspected financial crime behaviours and may also contain financial intelligence reporting from FINTRAC. Some of these reports were shared with the US, the UK, Mexico and Australia.

189. In the same period, the BFCC received 44 requests for customs information from foreign customs (17) and law enforcement (27) partners. In each case, the BFCC responded with the requested custom information to assist these partners, with caveats limiting use to intelligence purposes only. Information on timeliness to provide a reply to incoming requests is not available, as the program is relatively new and information has not been tracked consistently over the review period. An additional 24 spontaneous disclosure of CBSA information and intelligence were shared with foreign counterparts, as well as 26

operational or strategic intelligence products on emerging, typologies and broader assessments of threat associated with complex trade fraud or trade-based movements of illicit financial flows.

190. The BFCC has also collaborated with several multi-lateral working groups to document and share intelligence to broaden awareness of typologies, trends and indicators regarding trade-based illicit financial flows, mostly with US, UK, Australia and New Zealand through the Border Five. The division also works closely with local US and UK liaison officers to share information and intelligence and develop joint investigative leads. In the relevant period, CRA shared information with foreign partners spontaneously, simultaneously or in response to an incoming request in relation to criminal investigations for tax evasion and in relation to income tax matters (civil queries).

3 Financial sector and virtual asset supervision and preventive measures

The relevant Immediate Outcomes considered and assessed in this chapter is IO.3. The Recommendations relevant for the assessment of effectiveness under this chapter are R.9-21, 26, 27, 34 and 35 and elements of R.1, 29 and 40.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Canada has established strong market entry controls through an effective licensing and registration framework which is particularly robust for federally regulated financial institutions (FRFIs) and newly registered MSBs are subject to additional validation based on risk. For provincially regulated FIs, fit and proper market entry requirements are generally applied in most provinces although senior management of these FIs are not explicitly covered in regulatory requirements.

b) While unlicensed activity can be identified through a variety of sources, FINTRAC's policy of generally allowing unregistered MSBs/VASPs to remediate their positions results in a low number of administrative monetary penalties or prosecutions of unregistered money service businesses (including VASPs). While Canada considers that this practice has facilitated the inclusion of a larger number of qualified MSBs within the supervisory perimeter, it may not be sufficiently dissuasive against unlicensed activity.

c) FINTRAC generally demonstrates a good understanding of the sectoral ML/TF vulnerabilities of FIs and VASPs. However, risk understanding at the institutional level needs improvement. Prior to 2024, FINTRAC used the Compliance Risk Model for examination planning which predicts the likelihood of non-compliance rather than assessing the institutional ML/TF risks. In 2024, FINTRAC adopted a new Supervision Risk Model (SRM) which assesses the inherent ML/TF risk profile of individual FIs and VASPs. While representing a step in the right direction, the SRM is over-reliant on information from STRs and monetary threshold reporting and therefore does not adequately assess the risks of FIs or VASPs which do not regularly submit STRs and threshold reports. As a result, the inherent risk profile of about 79% of FIs and VASPs is not assessed in SRM, and is instead assumed, by default, to be consistent with the risk level of the corresponding sector. The SRM lacks sufficient sophistication and granularity to adequately reflect the inherent risk profiles of larger, more complex FIs including banks and securities firms. In practice, information about ML/TF risk profile of FRFIs (including banks) is collected through risk

questionnaires and regular information exchange mechanism with OSFI but only a minimal portion of securities firms are subject to information collection. The SRM also does not differentiate the MSBs with different types of activities and risk profiles (for example, distinguishing between remitters, currency exchanges, and VASPs). While the results of the SRM are complemented by intelligence and information from various sources, the additional information collected through supervisory activities or driven by events, covers only a small proportion of entities which is not considered adequate to support institutional risk assessment of each FI and VASP.

d) Understanding of ML/TF risks is good in D-SIBs and MSBs within large international financial groups, and weaker in some securities firms, VASPs and smaller MSBs. While FIs and VASPs examined by FINTRAC had been assessed as having reasonably sound levels of compliance, counter-intuitively a large percentage of VASPs (31%), banks (27%) and credit unions (19%) were assessed as " deficient" in their STR reporting which is a key data point for SRM. More than one-third of MSBs and VASPs examined by FINTRAC during the review period have been assessed as not fully compliant with the record keeping requirement which is a core obligation. Smaller MSBs and VASPs face challenges in ongoing monitoring due to limited resources or manual processes.

e) FINTRAC undertakes four types of supervisory activities across supervised sectors to monitor compliance by FIs and VASPs: on-site examinations, desk-based reviews of submissions required by FINTRAC, ongoing supervisory engagements and compliance monitoring meetings with banks, all of which are guided by an annual operational plan. As a combined FIU and supervisor, FINTRAC also leverages its strategic intelligence, research and analytics to monitor emerging risks and inform FIs' and VASPs' effectiveness in STR reporting. However, FINTRAC was unable to demonstrate how supervisory planning, both in terms of year-to-year priorities as well as intensity and scope for individual FIs and VASPs is driven by risk assessment results at both the sectoral and institutional levels.

f) The frequency of FINTRAC on-site examinations and the intensity of supervisory activities conducted on different FIs and VASPs are not always aligned with the risks, in particular for the securities and VASP sectors. The actual period between FINTRAC examinations of FIs and VASPs assessed as very high risk, in particular D-SIBs, are not sufficiently frequent and not commensurate with risks. The intensity of other supervisory activities undertaken by FINTRAC including quarterly monitoring meetings, score card, risk questionnaires and validation of MSB registration are not considered sufficient for FIs and VASPs assessed as very high risk.

g) FINTRAC examinations generally cover assessment of compliance with the requirements under the PCMLTFA with respect to policies and procedures and testing of sample cases. Most of them do not provide specific recommendations to address examination findings or their root causes.

h) More than half of the FINTRAC examinations were concluded as having minor deficiencies addressed through guidance given during the examination. More serious deficiencies require action plans which are monitored by FINTRAC, with follow-up examinations in most cases. Nearly half of these follow-up examinations identified that the control deficiencies had not been satisfactorily remediated; in particular, the overall improvement rate for banks, MSBs and VASPs is less than satisfactory.

i) Supervisory resources dedicated to AML, in particular those overseeing banks and MSBs (including VASPs), are not adequate to support an effective risk-based approach given the increased supervisory responsibilities assumed after 2021.

j) Enforcement actions may be considered in case of serious or repeated non-compliance, but the range of measures adopted by FINTRAC to bring about prompt remedial actions to address non-compliance and to prevent recurrence is limited. The majority of enforcement actions

against FIs and VASPs relate to failure to file STRs and/or monetary threshold reports. While FINTRAC has increasingly made use of enforcement actions against FIs and VASPs for non-compliance, their use is still limited taking into account the size of these sectors. Penalties imposed for non-compliance are not sufficiently dissuasive and proportionate for large FIs and VASPs, though the public naming aspect of Administrative Monetary Penalty (AMP) provides some deterrent effect

Key Recommended Actions (KRAs)

a) Canada should strengthen the effectiveness of risk-based supervision by: (i) developing more granular institutional risk profile for non-federally regulated FIs and VASPs based on a broader range of information sources to better support targeted risk-based supervision and (ii) establishing supervisory priorities and programmes based on and aligning with the NRA, sectoral risk assessment and vulnerability assessment of individual FIs and VASPs and ensuring that higher-risk sectors and entities are prioritized for on-site examinations and off-site supervisory reviews .

b) The AML supervisor should introduce and make effective use of a wider range of measures to tackle non-compliance of different levels of severity, with a view to ensuring timely remedial actions to address non-compliance and prevent recurrence. Where appropriate, this should be complemented by proportionate and dissuasive sanctions, including increased use and, where necessary, higher sanction amounts.

Other Recommended Actions

a) Canada should ensure that clear fit-and-proper requirements for senior management of provincially and territorially regulated FIs are specified in the respective regulatory requirements and consistently implemented across all provinces and territories.

b) Canada should enhance its approach to tackle unregistered money service businesses (including VASPs) to ensure that it provides a sufficient deterrent to unregistered activity.

c) The AML supervisor should increase the focus of the risk-based examination programme on high-risk areas for FIs and VASPs, in particular targeting higher-risk activities within large scale and/or complex operations, and the assessment of the system effectiveness to mitigate those risks.

d) Canada should increase the resource of the AML supervisory teams, in particular for high-risk sectors including D-SIBs and MSBs (including VASPs).

e) The AML supervisor should enhance the understanding of FIs' and VASPs' ML/TF risks and broaden the range of inputs used, including by collecting information about their business profiles and activities of all regulated entities on a regular basis with a view to developing risk-focused supervisory programs which factor FIs and VASPs presenting different ML/TF vulnerabilities.

f) The AML supervisor should intensify its efforts so that securities firms, VASPs and smaller MSBs, improve their understanding of existing and evolving sectoral and institutional ML/TF risks, and

apply commensurate risk-based preventive measures, including complying with suspicious transaction reporting obligations, in particular for VASPs, banks and credit unions.

Overall Conclusions on IO.3

Canada has generally implemented robust market entry controls and while fit and proper requirements for senior management of FIs differ across provinces, in practice they are being applied effectively in most provinces. Canada in general takes a proactive approach to identify unlicensed activities in particular unregistered money services businesses where a wide range of surveillance techniques are deployed, including using blockchain analytics in the cases of VASPs. However, the number of enforcement actions taken against unregistered money services businesses (including VASPs) is limited. This reflects a policy approach that allows for retrospective registration which Canada considers has facilitated the inclusion of a larger number of qualified MSBs within the supervisory perimeter. However, this may not always provide sufficient deterrent to unregistered activity.

The AML supervisor, FINTRAC, which is also an FIU, has a strong capability in terms of strategic intelligence, research and analytics and generally demonstrates a good understanding of ML/TF vulnerabilities at the sectoral level for FIs and VASPs. However, risk understanding at the institutional level needs improvement. The risk assessment model introduced in 2024 to enhance risk-based supervision, the SRM, has material shortcomings in how it assesses the inherent risk profile of reporting entities, particularly for the FIs and VASPs which did not file any STRs and monetary threshold reporting, and FIs with large and complex business operations including banks and securities firms. These shortcomings undermine the supervisor's ability to effectively differentiate risks of the relevant entities for risk-based supervision.

D-SIBs and MSBs within large international financial groups generally demonstrate a good understanding of their ML/TF risks while risk understanding of some securities firms, VASPs, and smaller MSBs is weaker. The AML supervisor generally conducts a range of outreach activities to strengthen risk understanding and compliance. A large percentage of VASPs, banks and credit unions have been assessed as "deficient" in their STR reporting while more than one-third of MSB and VASPs have been assessed as not fully compliant with the core obligation of record keeping. Smaller MSBs and VASPs continue to face challenges in ongoing monitoring due to limited resources or manual processes.

The frequency and intensity of supervisory activities carried out over the review period are not always aligned or commensurate with the risks of sectors and individual FIs and VASPs. The prevalence of the risk assessment results at sectoral and institutional levels in the development of supervisory priorities and programme of activities could be improved.

FINTRAC examinations generally cover assessment of compliance with the requirements under the PCMLTFA with respect to policies and procedures and testing of sample cases. Most of them do not provide specific recommendations to address identified findings. The actual examination period between examinations of FIs and VASPs assessed as very high risks, in particular DSIBs, are not sufficiently frequent and not commensurate with the risks.

While the resources of AML supervisory teams have been increased since FINTRAC assumed the overall responsibility for AML/CFT supervision of FRFIs and VASPs in 2021, they remain

insufficient to support effective risk-based supervision. This is particularly the case for higher risk entities, including D SIBs and VASPs, where supervisory intensity and coverage are not commensurate with the level of ML/TF risks.

Enforcement actions may be considered in case of serious or repeated non-compliance, but the range of measures adopted by FINTRAC to bring about prompt remedial actions to address non-compliance and to prevent recurrence is limited. The AML supervisor has increasingly made use of enforcement actions against FIs and VASPs for non-compliance. While FINTRAC provided some case examples supporting that monitoring and supervision, outreach and monitoring of remedial actions have demonstrated a positive impact on compliance by the targeted FIs and VASPs, there is limited information to support these activities or actions bring about a positive impact on compliance by FIs and VASPs over time.

Canada is rated as having a Moderate level of effectiveness for IO.3.

Immediate Outcome 3

191. The report applies the following weighting to assess the supervision and implementation of preventive measures by FIs and VASPs, based on the risk and materiality of each sector: effectiveness is very heavily weighted for banks, heavily weighted for VASPs and money service businesses (MSBs); moderately weighted for securities, credit unions and caisses populaires (CU/CPs); and a lower weight is placed on life insurance companies and other FIs. The details of the weighting of each sector can be found in Chapter 1.

192. FINTRAC previously delegated a portion of its AML/CFT supervisory responsibility for federally regulated financial institutions (FRFIs) to OSFI. Following the 2016 MER recommendation to co-ordinate more effectively on AML/CFT supervision of FRFIs, FINTRAC became the sole AML/CFT supervisor for reporting entities (REs) subject to the PCMLTFA and has assumed the overall responsibility for AML/CFT supervision and monitoring of FRFIs including banks, federal credit unions, insurance companies, and trust and loan companies since 2021. OSFI remains the prudential regulator of FRFIs, and continues to oversee the risk management, corporate governance, oversight of internal control and compliance covering, among others, AML/CFT. For provincially regulated securities firms, CU/CPs, life insurance companies, trust and loan companies, FINTRAC conducts AML/CFT supervision with the co-operation of the relevant provincial supervisory authorities.

193. VASPs have been subject to the requirements of the PCMLTFA since 2021 including requirements to register as MSBs with FINTRAC. Pursuant to the PCMLTFA, a VASP refers to a person or entity that is engaged in the business of providing the services of dealing in virtual currencies to Canadians, which includes both virtual currency exchange and virtual currency transfer services. Canada's definition broadly covers forms of safekeeping and/or administration, and is applicable to virtual currencies, wallets, and private keys where a financial service is being offered. There are about 1 210 MSBs offering both VC and non-VC services while 147 MSBs conduct solely VC operations.

3.1. Licensing, registration and controls for FIs and VASPs preventing criminals and associates from entering the market

3.1.1. Market entry controls

194. Canada has established licensing, registration and other controls for most FIs and VASPs to prevent criminals or their associates from being beneficial owners or hold a controlling interest. Almost all FIs and VASPs must be licensed or registered with the relevant authorities before they can carry out activity in Canada. MSBs and VASPs must register with FINTRAC. The federal prudential regulator (i.e. OSFI) and relevant provincial regulators are responsible for managing the approval of licensing applications and carrying out fit-and-proper tests on persons owning or controlling FIs in Canada. MSBs operating in Québec must also register with the provincial authority, Revenue Québec. While fit-and-proper requirements applicable to senior management staff of credit unions, trust and loan companies and life insurance companies are not clearly covered in the relevant regulatory requirements in some provinces, such requirements are applied in practice in most of them.

195. For FRFIs, applications comprise two phases involving two approvals: the Letters Patent approved by the Minister of Finance for creating banks and other FRFIs; and approval from OSFI to commence business, prior to which, OSFI undertakes a comprehensive review of the applicant and its proposed business model including ownership structure to identify ultimate controlling owners, as well as any shareholders acting in concert; fitness and propriety (F&P) of shareholders, directors and senior officers; and risk management practices. As part of its review OSFI engages with FINTRAC which performs a review of the controls and oversight of AML/CFT requirements. In conducting its review of proposed owners, directors and senior officers, OSFI works with RCMP and CSIS to run background security checks, including, among others, criminal background checks on all shareholders that will have control and/or a significant interest in the FRFI and all proposed directors and senior officers. OSFI has a dedicated division, comprising about 25 staff responsible for assessing legislative approvals, including market entry. Other OSFI supervisory and specialist staff are also involved in market entry applications and review financial and non-financial risks. OSFI's resources deployed for supporting market entry's assessment for FRFIs are generally adequate.

196. Following market entry, FRFIs are subject to ongoing supervision by OSFI. OSFI follows its supervisory process to understand the FRFIs' processes and procedures in a variety of areas, including but not limited to: recruitment and hiring practices for new senior management and board members, and the oversight of its relationships with affiliated and significant third-party individuals/entities. A FRFI must apply for and obtain the Minister of Finance's approval for any change to significant or controlling owners[27] before the proposed new owner(s) acquire such an interest in the FRFI. OSFI undertakes the same process mentioned in the preceding paragraph to conduct an assessment of the suitability of the proposed controlling owners. For directors and senior management, all FRFIs should have in place assessment policies and procedures which are in line with the Integrity and Security Guideline issued by OSFI to ensure their F&P. FRFIs' compliance with the Guideline is reviewed by OSFI as part of its ongoing supervision.

197. There are approximately 200 front-line staff in OSFI responsible for ongoing supervision of over 400 FRFIs, supported by an additional 250 specialists who assist in targeted reviews of prudential risks. All

[27] A person has a significant interest in a class of shares of a FRFI if the aggregate of any shares of that class beneficially owned directly or indirectly by the person exceeds 10 per cent of all the outstanding shares of that class of shares of the FRFI (Section 8 of the Bank Act and similar provisions in Insurance Companies Act, Trust and Loan Companies Act); or a person controls a FRFI if it controls more than 50 per cent of the votes that may be cast to elect directors of FRFI OR if a person has any direct or indirect influence that, if exercised, would result in control in fact of the FRFI (section 3 of the Bank Act and similar provisions in Insurance Companies Act, Trust and Loan Companies Act).

supervisors are provided with training through OSFI's Supervision Institute to ensure that they are familiar with approaches of prudential supervision and specific risk topics.

198. While no application was withdrawn for reasons relating to F&P over the review period, OSFI indicated that there have been instances where applicants have chosen not to pursue an FRFI licence based on OSFI's feedback provided at an early juncture, which could include concerns relating to prudential, integrity and security, legislative and public policy matters. OSFI presented to cases demonstrating the ability to take action regarding senior management and directors both at and after market entry.

Securities sector

199. In Canada, all firms or individuals advising on or managing investments, selling securities, and/or trading derivatives must be registered in the appropriate category or categories with the relevant provincial or territorial regulator. Market entry controls are applied by the provincial/territorial regulators which include, among others, performing background checks on the applicant, shareholders who beneficially own more than 10% of voting shares of the applicant, and directors, and senior management staff of the applicant. Applications for registration from individuals must be sponsored by a registered firm which must file separate individual application forms through the National Registration Database. The individuals are required to make disclosure on, among others, whether they have been subject to any outstanding civil actions, and any outstanding or stayed criminal charges in the application forms, and provincial/territorial regulators conduct criminal record checks on the applicants.

200. Securities regulatory authorities in Canada's provinces and territories delegate the registration of firms as investment dealers, mutual fund dealers and the individuals who act on their behalf to the Canadian Investment Regulatory Organization (CIRO), which is an adequately resourced self-regulatory organisation operating under Recognition Orders issued by the securities' regulatory authorities. A firm applying to be registered as an investment dealer or mutual fund dealer firm must apply for membership with CIRO. CIRO's subsequent review of the membership application is comprehensive covering all key areas including background checks and whether individuals who carry out required functions for CIRO Dealers pursuant to CIRO's Rules (i.e. "Approved Persons") comply with suitability or relevant "fit-and-proper" requirements under securities legislation and CIRO's Rules. There are disclosure requirements on applicant firms including structure and ownership.

201. For ownership changes of 10% of voting rights or more, a written request for approval must be filed with CIRO at least 30 days before the proposed acquisition, including the appropriate Investor Application Form and organizational charts showing the pre-transaction and post-transaction ownership chain. CIRO reviews information regarding potential conflicts of interest, proposed changes to management or control of the entity, and the names of all directors and officers of any new entities.

202. There are 76 staff in CIRO responsible for assessing membership applications and relevant registration of Approved Persons. Adequate training is provided to these staff to ensure that they are familiar with assessment processes associated with application, post-licensing changes and specialized practices relevant to registration.

203. Securities regulators in Canada's provinces and territories directly oversee securities firms and individuals that trade or advise in securities, commodity futures contracts or options, or act as investment fund managers. The regulators conduct reviews of persons who take a controlling interest in registered firms, and perform background checks on all shareholders beneficially owning more than 10% of the voting securities of the firm, and each director, chief executive officer, chief financial officer, or chief operating officer, or the functional equivalents of any of these positions (with the material shareholders, these individuals are known as permitted individuals). Specific regulatory, civil and criminal disclosures are required for permitted individuals and applicants for registration under the standard form prescribed by

the Canadian Securities Administrators (CSA)[28] and are attested to by the individual applying for registration or notifying the relevant Commission that they intend to act as a permitted individual of the applicant. This includes disclosures related to any outstanding or stayed criminal charges, findings of guilt and absolute or conditional discharges against the individual or a firm in which the individual was a partner, director, or shareholder. In addition to the mandatory disclosure required of all applicants, the provincial / territorial securities regulators conduct background checks on every registered and permitted individual using both internal and external sources and include national Canadian criminal checks, select international checks where applicants reside or have previously resided outside Canada, and specific United States criminal checks on individuals who currently reside in the United States or have done so at any point during the past seven to ten years[29]. After market entry, a registered firm is required to notify its provincial or territorial securities regulator of any changes in permitted individuals and of any changes to the initially submitted information on an ongoing basis. The same disclosure requirements apply, and the provincial or territorial regulators conduct the same background checks for the newly appointed persons.

204. Major provincial and territorial securities regulators generally put in place adequate resources to support the assessment of applications for registration. Training and mentoring are provided to the responsible staff upon initial hire and on a continuous basis covering topics including how to conduct background checks, assessing beneficial ownership of securities firms, and emerging issues and regulatory developments expected to impact registration and on-going suitability. All provincial and territorial securities regulators have registration operations manuals that are updated regularly, and the CSA maintains committees and working groups which provide training and promote consistency across the provinces and territories.

205. Securities regulatory authorities in major provinces of Canada provided cases of revocation of licenses/registration due to F&P concerns. For example, *Autorité des Marchés Financiers* (AMF) of Québec conducted four disciplinary proceedings in the past five years, including one case where a licence was withdrawn due to criminal ties. Ontario Securities Commission (OSC) indicated during the onsite visit that there were 18 cases over the past five years where registration was denied, suspended or revoked due to failing the criminal record check. OSC also provided the number of registration bans for individuals and firms over the past five years for breaches of registration requirements or other securities related misconducts. The British Columbia Securities Commission (BCSC) provided cases of denial of registration of individuals due to dishonest conduct or fraud. The Alberta Securities Commission provided statistics for firm registration applications having been denied or withdrawn, which included 1 firm subject to a notice of hearing alleging breach of undertaking and fraud, and statistics for firm registration suspensions, which included 2 firm registrations suspended for compliance failures.

Other provincially regulated FIs

206. For other provincially regulated FIs (i.e. credit unions, life insurance companies and trust and loan companies), market entry requirements are specified in the relevant provincial legislation and regulations. The relevant provincial regulators manage the approval of licensing applications and conduct F&P testing of the beneficial owners and directors at market entry. Although the relevant requirements applied to senior management staff of these FIs are not specifically codified in the regulatory requirements / guidance for some provinces, in practice assessment of F&P is in place in most of these provinces. During the last five years, the Financial Services Regulatory Authority of Ontario licenced only one new CU and conducted background checks on the relevant directors / incorporators.

[28] Canadian Securities Administrators (CSA) is the national umbrella organization that harmonizes legislation and regulatory policy wherever possible. All provincial and territorial securities regulators participate in the CSA.

[29] The number of years may vary depending on the province/territory.

207. There were no case of revocation/suspension of licence or registration of credit unions, life insurance companies and trust and loan companies over the review period, although case examples were provided regarding withdrawal of an application, and removal of an FI's board of directors and placing the FI under administration due to mismanagement and misconduct.

MSBs and VASPs

208. MSBs and VASPs must register with FINTRAC prior to commencing operations and renew registration every two years. This process requires completion of a pre-registration form to confirm whether the applicant qualifies as an MSB (including VASPs) under the PCMLTFA, which is reviewed by FINTRAC to assess the eligibility of the business ownership. FINTRAC requires the submission of criminal record checks for domestic and foreign MSB applicants for registration and renewal, and the same requirement extends to owners and entities in the MSB (including VASP) ownership chains - including the director, senior management or beneficial owners of these entities. Under the PCMLTFA, MSBs are obliged to notify FINTRAC of any changes to their registration information within 30 days and the same criminal record check will be applied to any new controller or officer.

209. FINTRAC scrutinizes every applicant and registered MSB and Federal Money Services Business (FMSB) (including VASPs) on an ongoing basis. and can revoke the registration where the eligibility requirements are no longer met, or if the MSB does not respond to an information demand. If FINTRAC becomes aware that an MSB has not met the obligation to report a registration change within 30 days, it sends out clarification requests and undertakes validation. As part of a special project to review the MSB population, FINTRAC revoked a total of 195 MSB registration in FY2021/22 and FY2022/23 due to findings that the owners/controllers had criminal records or did not respond to enquiries. FINTRAC continued to revoke MSB registrations where necessary in following years (i.e. 17 in FY2023/2024; and 12 in FY2024/2025).

210. There are 17 staff in FINTRAC responsible for assessing applications for registration as MSB (including VASPs) and beneficial owners, directors, senior management of firms applying for registration. Sufficient training is provided to staff at onboarding and on an ongoing basis, to ensure that they are familiar with assessment processes for application, renewal of registration and post-registration changes. FINTRAC's resources to manage the registration and renewal are generally adequate.

211. MSBs located in Québec are also subjected to a fit-and-proper test by Revenu Québec. Any person or entity that wants to operate as an MSB for payment must hold a licence under the Money Services Businesses Act. To get the licence, the MSB must get security clearance reports which contain previous conviction record (if any) issued by the *Sûreté du Québec* for itself and each person associated with it.

3.1.2. Detecting and addressing breaches

212. Canada employs various mechanisms to detect and address breaches in licensing and registration requirements for FIs and VASPs, with mechanisms varying depending on the sector and regulatory authority of jurisdiction. For instance, FINTRAC can detect unregistered activity through intelligence from various sources including suspicious transaction reports from FIs, information shared via MOUs with provincial regulatory authorities, LEAs, and external sources like media coverage and complaints.

213. OSFI has a mechanism for members of the public to submit queries, including with respect to unlicensed entities claiming to be banks or credit unions. Case examples were shared where follow-up actions were taken to clarify the business activities of entities concerned, and the legislative requirements restricting the use of "bank" or its derivatives. OSFI refers matters involving fraudulent conduct to appropriate authorities and the Canadian Anti-Fraud Centre. Potential breaches are managed within OSFI's existing approvals and market entry division mentioned in the relevant paragraph under 3.1.1.

214. Securities regulatory authorities of major provinces are proactive in detecting unlicensed activities through various sources, including complaints and information from the public; whistleblower tips through whistleblower programs; referrals from other functional divisions of the authorities, other regulatory and law enforcement partners; intelligence monitoring and issues uncovered during the course of investigations. The OSC operates a paid whistleblower program covering reporting of unregistered securities dealing, fraud, securities-related misconduct, etc., and assigns dedicated teams of staff to handle tips from the whistleblower program and complaints from the public and manage follow-up actions. The securities regulatory authorities generally put in place adequate resources to support the handling and investigation of suspicious unlicensed activities. For example, staff of Enforcement Division of OSC have legal, accounting, investigative and market specialist backgrounds and are supported by technological tools include data analytics, crypto tracing tools which facilitate access to and analysis large volumes of data from different sources. Between 5 June 2025 and 23 November 2025, the CSA in collaboration with CIRO worked to successfully deactivate more than 3 900 fake investment platforms and cryptocurrency scam websites involving more than 6 900 individual URLs associated with those sites.

215. FINTRAC identifies unregistered MSBs and VASPs through various measures, including monitoring STRs, and Intelligence Notices from FINTRAC's Intelligence sector and Strategic Intelligence, Research and Analytics (SIRA) unit, which analyses FINTRAC's data sources for anomalies in MSB/FMSB behaviour, such as geographic analysis of electronic fund transfers to high-risk jurisdictions or co-located corporate entities that share addresses with MSBs/FMSBs. FINTRAC is proactive in this area, increasingly leveraging technology and blockchain analytics for surveillance of VASPs, engaging with industry associations for insights, as well as undertaking media scans. FINTRAC also collaborates with other Canadian agencies, such as Canadian Anti-Fraud Centre to improve detection of fraudulent and unregistered MSBs. Suspected unregistered MSBs go through the FINTRAC MSB pre-registration validation process, to determine whether they are an MSB or FMSB subject to the PCMLTFA. FINTRAC reviews all individual/entity information from internal and external sources, conducts open-source research and contacts the individual/entity to confirm whether they are operating as an MSB/FMSB. Where this is confirmed to be the case, the MSB/FMSB has five business days to complete the registration. Failure to do so will result in enforcement action, which could include an administrative monetary penalty (AMP) or non-compliance disclosure (NCD) to law enforcement agencies, and there may be additional factors to consider such as criminal activity.

216. Between 1 April 2021 and 31 March 2023, FINTRAC detected and conducted 357 validations of suspected unregistered MSBs/VASPs. Of these, the vast majority were either no longer operational or not subject to the PCMLTFA, while forty-five renewed or completed their registration with FINTRAC retrospectively upon instruction, and three were recommended for imposing administrative monetary penalty (AMP). Since 2020-21, FINTRAC has imposed administrative monetary penalties (AMP) on six MSBs/VASPs for failure to register with FINTRAC and on one MSB/VASP for failure to renew registration, for a total amount of CAD 25.7 million. Since 2019-20, 61 NCDs were disclosed in relation to the registration offence of failing to be registered as an MSB and 19 NCDs were disclosed in relation to the registration offence of knowingly engaging in an MSB activity without being registered with FINTRAC (which came in force on June 23, 2024). Since 2018-19, there were 10 cases of convictions/sentencing for contravention of MSB/VASP registration. Canada provided multiple case examples of law enforcement investigating and laying criminal charges for failure to register as an MSB and engaging in MSB activities without registration. However, the number of enforcement actions (i.e. 1.4 cases involving AMP and 2 cases of conviction/ sentencing on average per year respectively) is small taking into account the size and the inherent risk level of the MSB and VASP sectors. The limited number reflects FINTRAC's approach of requiring persons/entities identified undertaking unregistered money service business (including VA dealing activities) to complete registration within a specified timeline and taking enforcement actions only if the persons / entities fail to do so. While Canada considers that this approach has facilitated the inclusion of otherwise eligible MSBs within the supervisory perimeter, it may not provide a sufficient deterrent to unregistered activity.

217. There are currently 17 staff members within the MSB Registration team who work on suspected unregistered MSBs, in addition to registration duties, plus an additional 6 staff members within the NCD team who are responsible for referring suspected unregistered MSBs for criminal investigation where warranted. Beyond the specific staff on these two teams, FINTRAC uses a range of supervisory activities to detect suspected unregistered MSBs and enforce the PCMLTFA, leveraging staff expertise across the Centre and information sharing through established processes amongst its various divisions/sectors and within other units of Supervision. Supervision manages the follow up actions to address the non-compliance identified through supervisory activities or enforcement actions.

3.2. Supervisors identifying understanding and promoting FI and VASP understanding of ML/TF risks

3.2.1. Identifying and maintaining an understanding of the ML/TF risks in the different sectors and types of FIs and VASPs and of individual FIs and VASPs over time

218. The supervisory authority, FINTRAC generally demonstrates a good understanding of the ML/TF risks in different sectors based on sectoral risk assessments which use Canada's NRA as a foundational input to identify, assess, and understand the ML/TF risks associated with each sector. This baseline is enhanced through the integration of strategic research, publicly available information, and analysis of data contained in the transaction reports submitted by FIs and VASPs to FINTRAC which consolidates these insights into a sectoral risk outlook. FINTRAC has also enhanced its identification of emerging risks relevant to different sectors through collaboration with domestic and international partners, either through joint partnerships on specific projects, including public-private partnerships mentioned in IO.6, in its regular participation in international projects at the Egmont Group and FATF, or participation in projects with provinces. Among various types of FIs, the NRA assessed the ML/TF vulnerabilities of DSIBs, MSBs and VASPs as Very High; and those of non-DSIB banks, CU/CP, securities dealers, trust and loans companies as High.

219. Canada's NRA serves as the primary reference for sectoral and entity level risk analysis. The latest NRA (3rd) was published in August 2025, two years after the 2nd NRA in 2023. There was an 8-year period between the 1st NRA (in 2015) and 2nd NRA. As noted in IO.1, the NRA is complemented by sectoral and thematic risk assessments, strategic intelligence products, risk-based guidance and assessments of evolving threats and vulnerabilities produced by intelligence and operational partners of Canada's AML/CFT regime. FINTRAC produced multiple strategic intelligence reports relevant to the VA and VASP sector and published several operational alerts and indicators relevant to fraud, tax evasion, sanctions evasion, human trafficking and TF. From 2020 to 2025, sixteen strategic intelligence reports were published and were shared with the private sector through various channels, including industry forum and Advisory Committee on Money Laundering and Terrorist Financing.

220. Until 2024, FINTRAC used the Compliance Risk Model (CRM) to support annual examination planning of all reporting entities, which primarily predicted the likelihood of non-compliance rather than assessing the inherent ML/TF risks of the individual sectors and reporting entities. The annual operational plan for FY2023/24 is high- level and there was no information to support that FIs and VASPs were selected for on-site examination and other supervisory activities based on the results of CRM assessment and sectoral risk assessment. The FY2024/25 plan mainly focused on supervisory resource allocation and there was no articulation of how supervisory work priority and activities were developed based on the assessment of sectoral risk and individual institutions. FINTRAC has not fully satisfied assessors that regulated entities are selected for supervisory activities on the basis of risk.

221. In December 2024, FINTRAC adopted a new Supervision Risk Model (SRM), a model developed to quantify the inherent ML/TF risks associated with individual reporting entities with a view to differentiating the ML/TF risk profiles of FIs and VASPs to support FINTRAC's risk-based supervision. In addition to the SRM assessment results, FINTRAC takes into consideration intelligence and information from various sources in determining the ML/TF risk profile of individual FIs or VASPs. These include public data, intelligence notices from the Tactical and Strategic Intelligence unit, monetary threshold reports, additional information from regulatory partners, and non-compliance reports voluntarily filed by FIs and VASPs; and information collected through supervisory activities (e.g. risk questionnaire and past compliance assessments). FINTRAC regards this as a multi-pronged approach to risk assessment and understanding and updates the risk profiles of sectors and reporting entities at least annually to support the planning of its supervisory activities considering this additional information.

222. Under the SRM, an FI or VASP which submitted STRs or monetary threshold reports in the past 3 years is assigned a risk score informed by eleven indicators, including the risk level of each sector in the NRA. Any FI or VASP which did not file any STR or monetary threshold reports in the past 3 years (referred to as a "non-reporter") is assessed as either "potentially high risk" or "no flag". A non-reporter will only be flagged as "Potentially high risk" if it is flagged in an STR filed by another reporting entity; or its geographic location is in a high-risk location/jurisdiction prescribed by FINTRAC; or if there is any intelligence /adverse news suggesting potentially high ML/TF risks. The inherent risk of a non-reporter with "no flag" is regarded as "being consistent with the sectoral risk level in the NRA" by default, essentially meant that the ML/TF risk profile of each of these non-reporters is not differentiated or assessed within the SRM.

223. Most of the eleven indicators of the SRM primarily focus on geographical risks, quantitative figures and ratios compiled based on the transactions reported in STRs and the monetary threshold reports. There is no consideration of different customer types, business lines, or products and services of an FI or VASP in the assessment of the inherent ML/TF risk profile. It does not differentiate MSBs which include virtual asset operations (i.e. VASPs), and those which do not (e.g. remitters). At present, the SRM lacks sophistication and granularity, and is not adequate for assessing the risk profile of FIs, particularly those which have large and complex business operations, and different activities which do not all share the same risk profile, including many banks and securities firms, and particularly the DSIBs. FINTRAC obtains this information as noted in paragraph 220 above to complement the SRM. In practice, information about ML/TF profile of FRFIs is collected through regular information exchange mechanism with OSFI. In addition, a large portion of banks were subject to information collection exercise (over 80% subject to risk questionnaire from FY2021/22 to FY2024/25). However, for securities firms, information was collected on only a minimal portion (less than 1%) through risk questionnaires or monitoring meetings in the same period. FINTRAC indicated that information exchange with the CIRO help its understanding on the difference in ML/TF risk profile across broad categories of securities dealers. However, no supporting evidence was provided to demonstrate how the information collected is translated into institutional risk profile of securities dealers. FINTRAC also recognises room for enhancement of the SRM in this regard and plans to integrate residual risk or supervisory outputs into the model.

224. The SRM is over-reliant on data contained in STR and transaction reporting to the FIU and therefore struggles to adequately assess risks of non-reporters. It also does not differentiate between MSBs which include virtual asset operations (i.e. VASPs), and those which do not (e.g. remitters). Based on the assessment results generated from the SRM for the annual operational planning of supervisory activities of FINTRAC for FY2025/2026, about 79% of FIs and VASPs are non-reporters, of which less than 1% were flagged as potentially high risk. As a result, the inherent risk profile of the vast majority of non-reporters has not been assessed. In particular, more than 90% of the FIs in the securities sector and about 80% of MSBs (including VASPs) are non-reporters. FINTRAC takes into consideration various sources of intelligence collected in its ongoing surveillance process to inform the ML/TF risk profiles of individual FIs and VASPs. This additional information collected through supervisory activities (e.g. information collection through risk

questionnaire from selected reporting entities), or driven by events which is by its nature ad hoc and reactive, covers only a small portion of FIs and VASPs. Given the identified gaps, the assessment team is of the view that FINTRAC has not demonstrated an adequate understanding of ML/TF risks of each non-FRFI and VASP which is fundamental for risk-based AML/CFT supervision.

225. Subsequent to the onsite visit, FINTRAC provided examples of "entity risk profile" documents of non-reporters30 to illustrate how FINTRAC's risk assessments combine and consider the various sources of information. The document contains a very brief summary setting out any sources of information / intelligence suggesting an entity faced "elevated risk" relative to the sector baseline, rationale of selection for supervisory activities, sector risk profile, business risk indicators (all inputted as "sectoral baseline" by default unless there is intelligence suggesting "elevated risks"), compliance risk indicator (showing past supervisory activities and the assessment results). For a non-reporter which has not been subject to any intelligence or information suggesting "elevated risk" in any one of business risk indicators or any past supervisory activities, its risk profile is marked as "sectoral baseline" (i.e. consistent with the sectoral risk level), with a decision marked as "not selected this time". However, the assessment team understands that this "entity risk profile" is not prepared as a normal part of FINTRAC's risk assessment processes for each regulated entity, as the information contained is scattered in different internal systems. The Assessment Team (AT) is of the view that – even if it were used in supervisory planning- the documents still could not address the gap that a large portion of non-FRFIs and VASPs whose risk profiles are not assessed.

226. FINTRAC has started collecting further information about the business profile and AML/CFT compliance programmes of more reporting entities through expanded risk questionnaires in FY2025/26 to assist its understanding of the risk profile of individual reporting entities as part of its supervisory activities. However, the information collection exercise does not cover the entire supervisory population and is applied selectively. For FY2025/2026 annual operational plan based on the SRM results, about 3.9% of non-reporters whose inherent risk profiles were not assessed are selected for information collection through risk questionnaire, and they are mainly securities firms. Risk questionnaires are not prioritised for MSB and VASP sectors as FINTRAC uses the registration process which needs review every two years as a comparable desk-based review mechanism. The scope of information for registration or registration renewal purpose includes, among others, approximate annual value of all foreign exchange transactions and all other MSB services or activities, names of beneficial owners and the AML officer, business addresses which is not considered adequate to facilitate entity level ML/TF risk profile assessment. In practice, analysis of such information is not conducted for assessing the ML/TF risk profile of each of the MSBs / VASPs which are non-reporters.

[30] At the face-to-face meeting.

Table 3.1. Breakdown of FIs and VASPs by risk categories

Sector	Vulnerability Rating (NRA 2025)	Number of Entities by Risk Category				Number of Non-reporter		
		Very High	High	Medium	Low	Potentially high risk	"No flag"	Total number of entities*
Banks - DSIB	Very High	4	2	0	0	0	0	6
Banks - non- DSIB	High	0	11	15	38	0	4	68
CU/CP	High	28	125	45	7	0	0	205
Securities	High	0	0	29	66	1	1 328	1 424
Life insurance	Medium	0	0	4	15	3	34	56
Trust and loan	High	0	18	9	10	0	16	53
MSB (including VASP)	Medium to Very High	32	161	176	317	12	2 854	3 552
Sub-total		64	317	278	453	16	4 236	5 364

Source: Canada

* Data source from Risk Outlook 2025-26. The SRM population is different from the estimated-population of each FI sectors because the SRM includes active and inactive entities. However, for banks, securities, insurance, trust and loan companies, the number of entities under SRM is smaller than the total population of their sector but Canada is unable to reconcile the numbers

**. Mortgage lenders are newly regulated in 2024 and have not yet been assessed under SRM

227. As far as FRFIs are concerned, in additional to FINTRAC's institutional ML/TF profile assessment, OSFI, the prudential regulator also conducts its own risk assessment on each FRFI from prudential supervision perspective. OSFI's supervisory framework translates supervisory insights directly into an FRFI's Overall Risk Rating (ORR), an 8-point scale risk rating system with four categories assessing the level of overall risk to the financial viability (risk of failure) of an FRFI. The four categories are business risk, financial resilience, operational resilience, and risk governance. AML/CFT control issues are included, among other things, in the assessment of risk governance, though OSFI's primary focus of its prudential supervision is not on AML/CFT controls. OSFI's supervisory focus is on the effectiveness of the FRFI's governance, and oversight of cultures risk as they are important controls for integrity and security, including ML/TF risks. The AML control weaknesses can directly inform the ORR and trigger proportionate intervention. Examples of supervisory interventions include enhanced monitoring and targeted restrictions on one end of the spectrum, to capital or liquidity orders, variation of business authorities (including limitations), removal of directors or officers, or, in extreme cases, taking control (please also refer to 3.6).

3.2.2. Promoting FI and VASP understanding of ML/TF risks and AML/CFT obligations

228. FINTRAC collaborates with the Department of Finance and other agencies as required to conduct extensive outreach and consultation with industry, including on new and revised guidance, reporting forms, the NRA, and the implementation of regulatory amendments. It promotes a clear understanding amongst FIs and VASPs of their ML/TF risks and AML/CFT obligations through a range of engagements including in-person meetings, presentations, conferences and training sessions.

229. Finance Canada and FINTRAC disseminated the findings of the 2025 NRA Report prior to its publication through the Advisory Committee on Money Laundering and Terrorist Financing (ACMLTF) NRA working group. Following the publication of the 2023 and 2025 NRA Reports, Finance Canada and FINTRAC also met with reporting entities to promote a strong understanding of these risks. In addition to the dissemination of NRA Reports, FINTRAC enhances awareness of ML/TF risks through proactive

communication and outreach. This includes the regular publication of operational briefs, guidance, bulletins, and ML/TF indicators that provide reporting entities with vital information on risks and mitigation strategies.

230. FINTRAC undertook over 110 engagement activities over the review period to promote risk and compliance awareness, comprising outreach activities with FIs and VASP, industry associations, provincial and federal regulators, and other stakeholders. These included virtual and in-person meetings, presentations, conferences, training sessions. Other examples include communication with the banking sector through the Canadian Bankers Association; monthly meetings and ad hoc meetings on technical discussions of FINTRAC Reporting Working Group, and the Cassels Brock Small and Medium Sized Bank Forum; banks forum hosted by FINTRAC in 2023 and 2024; webinars / virtual meetings targeting credit unions in 2022 and 2024; FINTRAC's active participations in various events organised by CIRO and other industry associations of securities sectors as speakers.

3.3. FI and VASP understanding of existing and evolving ML/TF risks

231. Larger FIs have a strong understanding of ML/TF risks due to their maturity and resources, which allow them to invest in comprehensive risk identification frameworks. In contrast, smaller or entities subject to more nascent regulation, such as VASPs may lack the resources or experience to adequately understand their ML/TF risks and show varied levels of risk understanding.

232. Among different types of FIs, banks generally perform well in assessing risks relating to business lines, geographies, and products and services. CU/CPs generally conduct risk assessment, but the depth of risk understanding is not uniform across the sector. Factors such as the diversity of services provided, organization size, and resource sophistication impact their risk awareness. The size of a CU/CPs does not always correlate with their understanding of their ML/TF risk exposure. Larger CU/CPs often have more resources to manage their ML/TF risk while some smaller to medium-sized CU/CPs possess a strong understanding of their client profiles and associated risks, but they may underestimate the resources needed to implement a robust risk assessment framework.

233. For the securities sector, many entities still self-assess as exhibiting a lower vulnerability to ML/TF abuse than FINTRAC's assessment suggests. For the life insurance sector, larger life insurance companies typically have more advanced compliance programs to support better risk assessment. Smaller companies, brokers, and agents show less maturity but are improving in their understanding of risks, especially regarding the exploitation of new technologies for ML/TF. For MSBs, the larger and more established traditional MSB subsectors have mature compliance programs and a better understanding of their ML/TF risks.

Table 3.2. Risk Assessment deficiencies for FIs and VASPs – 2020-2025

	Compliant: obligation was met in full compliance with the PCMLTFA.	Partially compliant: while the obligation is documented, it is either not applied, has been only partially implemented, or has quality issues.	Deficient: the obligation has not been documented and is assessed as not existing.
Bank	64%	36%	0%
CU/CP	70%	27%	3%
Securities	44%	46%	10%
Life insurance	83%	0%	17%
Trust and loan	0%	100%	0%
MSB (no VC)	43%	48%	9%
VASP	50%	34%	16%

Source: Canada

234. The FIs and VASPs met during the onsite visit have established AML/CFT programmes based on the requirements of PCMLTFA, including policies and procedures to conduct regular institutional ML/TF risk assessment based on their customer profile, products and services. All demonstrated understanding of the ML/TF vulnerabilities of their sectors set out in the NRA, this being stronger amongst FIs which were part of international financial groups, while variations were noted in other FIs regarding depth of ML/TF threat and vulnerability understanding, and in sophistication of control systems to target higher risk areas. DSIBs, including one met during the onsite, have the capability to better manage evolving risks with use of analytics tools and proactively identify suspicious criminal networks providing high-value STRs to FINTRAC which discloses intelligence to LEAs.

235. Some securities firms, VASPs and smaller MSBs met during the onsite visit demonstrated a more limited understanding of ML/TF risks associated with their business models and may have underestimated their vulnerabilities as related to geographical risks, risks associated with digital onboarding service or payment to third parties from wealth management accounts. These observations are generally consistent with FINTRAC's own assessments with respect to VASPs, securities firms and small MSBs. Given the high ML/TF risks and materiality in terms of transaction volume in particular for MSB and VASP sectors, inadequate understanding of ML/TF risks impair the abilities of the sectors to manage rapidly evolving risks.

3.4. FI and VASP understanding and compliance with AML/CFT obligations and mitigating measures

3.4.1. CDD, record-keeping, BO information, ongoing monitoring

236. FIs and VASPs in general demonstrate a good awareness and understanding with respect to CDD, record keeping requirements, BO information and ongoing monitoring and this was supported through the FIs and VASPs met during the onsite visit. Most FIs are compliant with the CDD requirements, and largely compliant with record keeping obligations associated with, among others, special measures applied to high-risk customers, high-risk countries identified by the FATF, beneficial ownership; and correspondent banking requirements. FINTRAC does not maintain any analysis specific to the compliance of FIs and VASPs with the obligations in relation to wire transfer and virtual asset transfer rules and new technologies.

237. FIs and VASPs assign risk ratings to their customers based on factors such as business nature / occupation, connections to high-risk jurisdictions, onboarding channels and other relevant indicators. The frequency of customer profile reviews is determined by the assigned risk rating, with high-risk customers

reviewed at least annually. FIs with international operations may leverage their groups to gather CDD information for foreign customers but still conduct CDD measures themselves. Similarly, where a referral is made through a mortgage broker, FIs conduct CDD themselves rather than relying on the brokers. While FIs and VASPs largely complied with verification of identity as a core obligation, only a low portion of MSB (65%) and VASPs (54%) fully complied with the record keeping requirement which is another core obligation. Quite a substantial portion of entities in these sectors are assessed as "partially compliant" (i.e. the record keeping obligation is not fully met, for example, the processes are not applied or have been only partially implemented or have quality issues) or "deficient" (i.e. the record keeping obligation has not been documented and is assessed as not existing).

238. For legal persons or legal arrangements, FIs and VASPs identify any beneficial owners by obtaining the ownership structure from the customer, and where applicable, accessing the governmental registers of corporate beneficial ownership data to verify their identities. FINTRAC assesses beneficial ownership obligations as part a reporting entity's compliance program and has not found any significant issue in the last five years.

239. Ongoing monitoring obligations are generally well understood and effectively implemented, with some minor exceptions, especially among smaller MSBs and VASPs, due to limited resources or manual processes. Larger and more sophisticated entities, such as banks, deploy automated monitoring systems although room for improvement was noted in some banks in the application of appropriate enhanced due diligence measures as part of ongoing monitoring of high-risk clients, and for which FINTRAC has taken supervisory follow-up actions. Other common issues identified in FINTRAC examinations include undefined monitoring frequency, alert backlogs, and failure to adjust client risk ratings based on new information.

Table 3.3. Compliance levels per obligations – Verifying identity (2020-2025)

	Compliant: obligation was met in full compliance with the PCMLTFA.	Partially compliant: the full obligation was not met.	Deficient: the obligation has not been documented and is assessed as not existing.
Bank	98%	2%	0%
CU/CP	98%	0%	2%
Securities	98%	1%	1%
Life insurance	100%	0%	0%
Trust and loan	100%	0%	0%
MSB (no VC)	98%	0%	2%
VASP	95%	0%	5%

Source: Canada

Table 3.4. Compliance levels per obligations – Record keeping (2020-2025)

	Compliant: obligation was met in full compliance with the PCMLTFA.	Partially compliant: the full obligation was not met.	Deficient: the obligation has not been documented and is assessed as not existing.
Bank	82%	18%	0%
CU/CP	87%	10%	3%
Securities	83%	13%	3%
Life insurance	100%	0%	0%
Trust and loan	100%	0%	0%
MSB (no VC)	65%	33%	2%
VASP	54%	38%	8%

Source: Canada

3.4.2. Enhanced or specific measures

Table 3.5 Compliance levels per obligations – Special measures (2020-2025)

	Compliant: obligation was met in full compliance with the PCMLTFA.	Partially compliant: the full obligation was not met.	Deficient: the obligation has not been documented and is assessed as not existing.
Bank	90%	10%	0%
CU/CP	92%	8%	0%
Securities	99%	1%	0%
Life insurance	100%	0%	0%
Trust and loan	100%	0%	0%
MSB (no VC)	97%	2%	1%
VASP	94%	5%	1%

Source: Canada

240. FIs and VASPs have a good understanding of the requirements for politically exposed persons (PEP), both foreign and domestic, under the PCMLTFA and have implemented systems and controls that address both identification and the application of enhanced measures. They primarily identify PEPs through CDD supported by checks against commercial databases. EDD measures include establishing source of funds and source of wealth and obtaining the necessary senior management approval. FIs and VASPs generally have very strong compliance with the requirements relating to PEPs and Heads of international organisations (HIO). A few exceptions to this understanding and compliance could be found in MSBs and VASPs which had omitted verification of domestic PEPs and HIOs.

241. FIs with cross-border correspondent banking relationships demonstrated a good understanding of the higher ML/TF risks and the need, for enhanced AML/CFT requirements and control programmes specific for the business line, with dedicated specialist teams assigned to manage the risk assessment and on-going monitoring of the relationships. FINTRAC assessments found in general high levels of compliance with correspondent banking requirements. There was a decreasing risk appetite for the sector, with some banks indicating they had terminated almost half of all correspondent banking relationships in recent years.

242. Risks and requirements regarding the use of new technologies also appear to be generally understood, with FIs and VASPs establishing their own internal risk assessment procedures and approval policies. Any use of technology or launch of new products which give rise to ML/TF risks requires endorsement from the AML Compliance function before being approved by senior management. Reporting entities must take into account the risk of new technologies on an ongoing basis and apply mitigating measures if the risk of ML/TF is high. FINTRAC evaluates how FIs and VASPs manage ML/TF risks associated with new technologies, including digital onboarding. Many VASPs leverage technology for compliance. FINTRAC monitors compliance with new technology obligations through risk assessments of reporting entity compliance programmes, which include provision of information on any new technologies being developed or implemented and how these have been assessed. This ensures that innovation is aligned with AML/CFT obligations and that emerging risks are appropriately mitigated. While FINTRAC does not maintain specific analysis to the compliance of FIs and VASPs with this obligation, common deficiencies noted were primarily on the failure to document the risk assessments.

243. FIs, MSBs and VASPs exhibit a good understanding of their payment transparency obligations, and put in place controls to ensure completeness of originator/beneficiary details in the wire transfers and VA transfers. FINTRAC, as part of its broader mandate, evaluates wire transfer rules compliance and VA transfer rules with assessments of electronic funds transfer (EFT) reporting requirements and large virtual currency transactions reports. FINTRAC does not maintain analysis specific to the compliance of FIs and VASPs with the payment transparency obligations.

244. FIs and VASPs put in place policies and procedures for managing customer relationships from high-risk jurisdictions identified by FATF, including the application of EDD and enhanced measures for customer transactions involving high risk countries including those identified by the FATF. Canada has Ministerial Directives on the Democratic People's Republic of Korea (DPRK), Iran, and Russia requiring enhanced measures on all transactions and customer relationships involving these jurisdictions and these appear to be generally well understood, with some deficiencies identified in compliance with the requirements mostly in CU/CP sectors attributed to their domestic nature of business activities. It was observed that there is a gradual increase in the level of deficiency for FIs, MSBs and VASPs since FY2022/23 mainly attributed to the onboarding of new MSB sub-sectors and recent updates to Ministerial Directives. The deficiencies are mainly relating to inadequate policies and procedures of a small number of MSBs for complying the Ministerial Directives such as establishing procedures to stay informed of newly issued directives and their potential applicability to the business' operations.

Table 3.6.a. FIs and VASPs – Compliance with Ministerial Directives

	Compliant: obligation was met in full compliance with the PCMLTFA.	Partially compliant: the full obligation was not met.	Deficient: the obligation has not been documented and is assessed as not existing.
2020-21	100%	0%	0%
2021-22	98%	2%	0%
2022-23	97%	1%	2%
2023-24	97%	0%	3%
2024-25	93%	0%	7%

Table 3.6b. FIs and VASPs – Compliance with Ministerial Directives (breakdown by sectors)

	Compliant: obligation was met in full compliance with the PCMLTFA.	Partially compliant: the full obligation was not met.	Deficient: the obligation has not been documented and is assessed as not existing.
Bank	100%	0%	0%
CU/CP	100%	8%	0%
Life insurance	100%	1%	0%
Securities	100%	0%	0%
Trust and loan	100%	0%	0%
MSB (no VC)	97%	1%	2%
VASP	95%	1%	4%

Source: Canada

3.4.3. AML/CFT reporting obligations, tipping off

245. FIs and VASPs met during the onsite visit demonstrated good understanding on their reporting obligations and established internal policies and procedures for investigation and filing STR, and measures to prevent "tipping off" in practice. They generally leverage automated systems to monitor suspicious transactions and activities, and monitoring scenarios are designed depending on ML/TF vulnerabilities associated with the business segment (for example, scenario for detecting early repayment behaviour for lending business; common transaction pattern of money mules for retail banking segment, etc). There are prescribed timelines for filing STRs once suspicion is established.

Table 3.7. Number of STRs by sectors

Sector	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25	Total
Banks	361 705	443 880	393 450	431 709	365 999	1 996 743
CUs/CPs	29 791	35 647	53 414	64 737	43 167	226 756
Securities Dealers	864	3 944**	963	1 578	2 245	9 594
Life Insurance	493	617	591	781	639	3 121
Trusts and Loan companies	4 262	4 063	4 983	3 832	5 240	22 380
MSBs (including VASPs)	68 560	92 120	97 534	117 290	149 438	524 942
Total	465 675	580 271	550 935	619 927	566 728	2 783 536

Note:
*About 15% drop year-on-year is attributed to FINTRAC's implementation of second-generation (Gen2) reporting forms for STR. Please refer to IO6 chapter for details
**The significant increase of STRs in 2021-22 from the securities dealers came from a single entity (one entity filed over 3 100 STRs) which remediated unreported STR in the past years identified through its own internal quality assurance reviews.
Source: Canada

246. Banks and MSBs (including VASP) submitted about 72% and 19% of all STRs respectively on average in the past 5 years, while reporting from other FI sectors is comparatively low.

247. Compliance with reporting obligations has been a significant supervisory focus for FINTRAC, and shortcomings in quality, volume and timeliness of STR filings have been identified frequently during onsite examinations, with a large percentage of VASPs (31%), banks (27%), and credit unions (19%) being assessed as "deficient" in their STR reporting. FINTRAC also noted that some VASPs have created organisation-enforced transaction limits to circumvent compliance obligations.

Table 3.8. FIs and VASPs – Compliance levels per obligation: reporting STR (2020-2025)

	Compliant: obligation was met in full compliance with the PCMLTFA.	Partially compliant: the full obligation was not met.	Deficient: the obligation is assessed as not existing.
Bank	59%	14%	27%
CU/CP	77%	4%	19%
Securities	98%	0%	2%
Life insurance	83%	17%	0%
Trust and loan*	Not available	Not available	Not available
MSB (no VC)	87%	4%	12%
VASP	69%	0%	31%

Note: STR reporting obligations were not scoped into the examinations
Source: Canada

3.4.4. Internal controls, procedures and audit to ensure compliance

248. FIs and VASPs generally put in place AML/CFT control policies and procedures to address compliance with the PCMLTFA and Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations (PCMLTFR) requirements and FINTRAC's sector specific guidelines. Implementation effectiveness of these policies and procedures is tested regularly by their AML/CFT compliance functions and internal audit functions, the findings from which are required to be reported to the board / board delegated committees for some of these FIs.

249. It is also mandated under the PCMLTFR31 that a reporting entity should appoint a compliance officer who is responsible for implementing the AML/CFT compliance programme; and that a reporting entity should conduct a review on the effectiveness of its AML/CFT compliance programme once every 2 years. These reviews are conducted by internal or external auditors, or by the entity itself if they do not have an auditor32. A very high portion of FIs and VASP have an auditor internal or external to comply with the PCMLTFA. In practice, only small institutions would perform this review internally from a person that is not an auditor. The findings of the review must be reported to the senior management of the reporting entity. If the reporting entity is selected for onsite examination or scoping in for risk questionnaire exercise, the review findings will be submitted to FINTRAC for review.

250. Common deficiencies observed in the past 5 years are gaps in compliance policies and procedures and implementation effectiveness, and inadequate scope and depth of assurance testing programmes and documentation. These are mainly found in life insurance, securities, MSB and VASP sectors, in particular small firms which lack sophistication in internal control frameworks and compliance awareness. FINTRAC observes stable and sustained compliance with very few cases of deficiencies, though small decrease in compliance is noted in recent years, likely attributable to new sectors being onboarded as a subset of MSBs due to the expansion of the PCMLTFA framework (e.g. crowdfunding platforms, armoured cars).

[31] Sections 156

[32] The review should be conducted by someone who is knowledgeable of the AML/CFT regulatory requirements and is not directly involved in your compliance program activities. Please refer to FINTRAC's compliance programme requirements on fintrac-canafe.canada.ca/guidance-directives/compliance-conformite/Guide4/4-eng#s7

Table 3.9. Compliance levels per obligations – Policies and Procedures (2020-2025)

	Compliant: obligation was met in full compliance with the PCMLTFA.	Partially compliant: the full obligation was not met.	Deficient: the obligation has not been documented and is assessed as not existing.
Bank	37%	63%	0%
CU/CP	37%	58%	5%
Securities	15%	84%	1%
Life insurance	25%	75%	0%
Trust and loan	0%	100%	0%
MSB (no VC)	17%	76%	7%
VASP	22%	67%	10%

Source: Canada

Table 3.10. Compliance levels per obligations – Two-Year Review (2020-2025)

	Compliant: obligation was met in full compliance with the PCMLTFA.	Partially compliant: the full obligation was not met.	Deficient: the obligation has not been documented and is assessed as not existing.
Bank	86%	14%	0%
CU/CP	93%	7%	0%
Securities	67%	21%	12%
Life insurance	83%	0%	17%
Trust and loan	50%	50%	0%
MSB (no VC)	71%	20%	8%
VASP	88%	0%	12%

Source: Canada

251. All domestic systemically important banks (DSIBs) operate under group-wide AML/CFT frameworks that cover subsidiaries and business lines (e.g., trusts, securities, life insurance). Most small and medium-sized banks in Canada operate under comparatively simple corporate structures, the few exceptions being where the parent company is a foreign entity. Most of the DSIBs centralise key control processes including customer risk assessment, screening and transaction monitoring in the group operating hubs to ensure consistency and effective implementation of the Group's standard. Group oversight over AML/CFT compliance functions of major subsidiaries is exercised through different means, including direct functional reporting line to Group compliance, and representatives in regional risk management committee.

3.4.5. Legal or regulatory impediments to implementing AML/CFT obligations and mitigating measures

252. There are no identified legal or regulatory requirements impeding implementation of AML/CFT obligations and mitigating measures in Canada.

3.5. Supervisors risk-based monitoring or supervising compliance by FIs and VASPs

253. FINTRAC's supervisory framework relies on close working relationships with OSFI, CIRO and provincial supervisory authorities which facilitate its AML/CFT supervision of FIs. FINTRAC has established 11 MOUs with supervisory authorities across the country with responsibilities for the CUs, trusts and loans, life insurance and securities sectors which cover all provinces presenting the highest risks based on the

population and the volume of transactions. FINTRAC supervises compliance with the PCMLTFA, while OSFI's prudential oversight ensures that FRFIs have the governance, integrity, and risk management framework for effective implementation of control measures under various risk disciplines which include, among others, ML/TF risks. FINTRAC has regular meetings with OSFI to exchange views on emerging risks, supervisory assessment on sector-specific risks and individual FRFIs with supervisory concerns. FINTRAC provided a case example to demonstrate the usefulness of information sharing between FINTRAC, OSFI and a Canadian law enforcement agency concerning suspicion of ML and predicate offences related to an FI, which led to FINTRAC's identification of significant compliance gaps and eventually imposition of AMP on the FI. FINTRAC also provided another case example to demonstrate its collaboration with CIRO through joint examination on a large securities dealer engaging VA dealings. FINTRAC shares its examination reports on provincially regulated FIs with the relevant provincially supervisory authorities, while CIRO and provincial supervisory authorities share with FINTRAC their examination findings and any issues with AML/CFT implications. Case examples illustrated how FINTRAC's supervisory actions / assessment on FIs had been triggered on information shared by a provincial securities regulator and OSFI through supervisory information sharing arrangements.

254. FINTRAC applies four categories of supervisory activities to monitor compliance by FIs and VASPs: (1) on-site examinations, including both full-scope and target-scope examinations; (2) desk-based assessment on submissions required by FINTRAC on selected FIs and VASPs (i.e. risk questionnaire and self-assessment; validation of MSB/VASP registration) and on STR submissions through score cards (which is a tool specifically for assessing completeness of data contained in STR, timeliness and volume of STR submissions) ; (3) ongoing supervisory engagements including regular monitoring meetings with and outreach to FIs and VASPs; and (4) specifically for the banking sector, FINTRAC holds quarterly monitoring meetings with DSIBs and annual meetings with non-DSIB banks. These deliver customised information to these banks about specific topics, ML/TF typologies and trends within the banking sector, as well as updating ML/TF risk profiles, and following up on any outstanding compliance issues and progress of remedial actions to address examination findings, gathering FIU reporting metrics (e.g. number of STRs, aging analysis of outstanding internal investigation and outstanding periodic reviews of high-risk customers etc). Given the topics covered, FINTRAC considers these a form of supervisory oversight. In the engagement with banks in the past 12 months, topics such as AML/CFT program oversight, ML/TF risk exposure, status of AML/CFT controls, action plans, policies and procedures have been covered in the regular meeting with banks.

255. FINTRAC develops an annual operational plan to guide different types of supervisory activities across supervised sectors which is refined on in the middle of the year taking into consideration updated information from ongoing supervision, emerging risks and trends based on intelligence from different sources including but not limited to those from the Tactical and Strategic Intelligence Unit and open sources. An Annual Risk Assessment / Risk Outlook is prepared which provides a high-level plan and description of key risks by sector and a sectoral risk rating for each sector, the number of FIs and VASPs classified in different categories and non-reporters flagged as potentially high risk for each sector by the SRM for the purpose of annual planning exercise.

256. While the Risk Outlook provides a high-level assessment of risks at the sectoral level and the number of entities classified in different risk categories for each sector, FINTRAC was unable to demonstrate how this understanding is converted into fully risk-based activities. The annual operational plans reviewed for banks, MSBs and VASPs, and other FIs (including credit unions, and loan and trust companies) contained the resource level of supervisory teams, and high-level descriptions of various factors considered (e.g. guiding documents to identify risk and to guide FINTRAC's monitoring and examination activities including the NRA, sector's risk outlook, external factors, etc). However, FINTRAC is unable to demonstrate how supervisory planning, both in terms of year-to-year priorities as well as

intensity and scope for individual FIs and VASPs is driven by risk assessment results at both the sectoral and institutional levels.

257. For example, in the annual operational plans for:

- **MSB**: MSBs assessed as "high risk" or "very high risk" were selected for full scope examinations but some "high risk" or "very high risks" MSBs were not selected due to strong compliance maturity and low residual risk in recent examinations. However, there was no analysis or record of the residual risks of individual MSBs, or a clear methodology by which the strength of compliance maturity is determined to support that these MSBs could be exempted from full scope examinations.
- **Banks:** There was also no documentation outlining the criteria for selecting banks subject to thematic reviews/deep dive assessments, or low intensity activities (e.g. score card, risk questionnaires). FINTRAC could only provide high-level principles of the selection criteria and is unable to demonstrate that the selection is based on the risk assessment results.

258. FINTRAC's supervisory efforts and intensity may not be proportionate to the sectoral risk level. A high-level review on the supervisory activities conducted from FY2020/2021 to FY2024/2025 found that coverage of supervisory activities (in terms of number of on-site examinations, desk based reviews and ongoing supervisory engagements) for VASP sector and securities sector, which are assessed as very high risk and high risk respectively, is comparable to or even lower than the insurance sector which is assessed as high risk in the 2023 NRA; and medium risk in NRA 2025.

Table 3.11. FINTRAC Supervisory activities by sectors from FY2020/21 to FY2024/25

	Sector					
	Banks	CU/CP	Securities	Life insurance	MSB	VASP
NRA vulnerability rating*	H to VH	H	H	M	M to H	VH
Examinations *(Coverage)***	40 (50%)	60 (32%)	119 (4%)	4 (5%)	260 (18%)	213 (16%)
Desk-based reviews						
Score Cards	31	1	0	0	6	0
Questionnaires	67	25	24	25	0	0
Validations of MSB/VASP registration****	n/a	n/a	n/a	n/a	327	313
Sub-total – desk-based reviews *(Coverage)*	98 (123%)	26 (14%)	24 (1%)	25 (30%)	333 (23%)	313 (23%)
Total - examinations and desk-based reviews *(Coverage)*	138 (173%)	86 (46%)	143 (5%)	29 (35%)	593 (42%)	526 (39%)
Others – event driven review Voluntary self-declarations of non-compliance (VSDONC)	214 (268%)	523 (281%)	14 (1%)	5 (6%)	260 (18%)	44 (3%)
Ongoing supervisory engagements						
Meetings	535 (669%)	125 (67%)	19 (1%)	13 (15%)	113 (8%)	3 (0.2%)

Source: Canada

* VH: very high risk; H: high risk; M: medium risk; L: low risk according to NRA 2025

** Coverage is compiled by dividing the number of activities by the number of entities within the sector

*** DSIBs' business lines of securities dealing accounting for nearly 90% of securities assets under management of the securities sector.

**** total number of validations of MSB and VASP registration for FY2024/25 is 640. While Canada is unable to provide the breakdown of reviews by MSB and VASP, the number shown is estimated by apportioning the total number of reviews to each sector by population.

259. DSIBs, MSBs and VASPs are assessed as very high-risk sectors but are not sufficiently prioritised. Based on annual operational plans and discussions during the onsite visit, the actual period between examinations conducted by FINTRAC on a DSIB during the review period was six years. This is not sufficiently frequent and not commensurate with the DSIB's very high-risk profile and significance in terms of customer base, transaction volume and high level of integration with other sectors including the securities sector and trust and loan sector, as their business lines of securities dealings and trust and loan activities contributed nearly 90% of these sectors. In one case example presented by FINTRAC, the scope of an on-site examination on a DSIB mainly focused on the progress made in addressing major control issues identified in the previous onsite examinations conducted six years previously, and repeated findings were identified in some of these non-remediated control areas. This supports the AT's view that the gap between two examinations is too long to facilitate timely testing of effectiveness of controls subject to remediation and identification of any outstanding non-remediated issues. The intensity of other AML/CFT supervisory activities are considered insufficient for DSIBs which are complex and assessed as very high risk. They include (1) quarterly monitoring meetings where FINTRAC delivers customised information tracks progress and monitors status of remediation of examination findings, and gets updates of ML/TF risk profiles, AML/CFT control programme and outstanding compliance issues based on the information submissions by DSIBs. Issues of supervisory concerns identified in the monitoring meetings may trigger supervisory follow-up, e.g. examination. A compliance monitoring meeting is regarded as one type of

ongoing supervisory engagements or system for monitoring[33] changes of risks and control environment; (2) score card, assessment scope of which is confined only to timeliness and quality of STRs and is not sufficient for assessing the AML/CFT systems of control of a DSIB; and (3) risk questionnaire which collects ML/TF risk profile information, and is regarded as one type of "system for monitoring" changes of risk profile. Regarding group-wide supervision of DSIBs, no examination / desk-based reviews were conducted by FINTRAC on major banking subsidiaries of DSIBs operating outside Canada.

260. Prudential supervision conducted by OSFI covers assessment of overall risk to the financial viability of an FRFI (including DSIBs), which takes into account, among other things, risk governance and regulatory compliance management, wherein they integrate consideration of AML/CFT controls as a sub-component. OSFI does not undertake AML/CFT operational supervision and its primary focus of assessment remains on enterprise-wide risk governance and regulatory compliance of an FRFI. In its role as the prudential regulator of FRFIs, OSFI complements FINTRAC's AML supervision. For example, by using its supervisory tools to follow-up on issues which have implications for FRFI's risk governance and regulatory compliance when these are identified through FINTRAC supervision. In practice, OSFI and FINTRAC have a coherent and co-operative approach to responding to issues which involve the mandates of both regulators. OSFI provided examples of risk governance or regulatory compliance issues identified in its supervisory activities of FRFIs which are related to AML/CFT in the past 5 years. These include findings with direct relevance to AML/CFT (e.g. board and senior management reporting and oversight of AML, resources of AML compliance functions, integrity and operational incidents which are relevant to AML, timeliness of response to third-party or FINTRAC's AML reviews, etc), and findings on general risk controls which are also relevant to AML/CFT (e.g., ownership and accountability, risk culture etc).

261. Analysis of supervisory activities by risk categories of FIs and VASPs in the past five years was not provided for this evaluation. Based on Table 3.11, FINTRAC conducted examinations of on average 10% of non-DSIB banks annually, and fewer than 4% of MSBs and VASPs annually, which irrespective of the ongoing surveillance outlined below implies an overly long period between examinations not commensurate with the high to very high-risk profile of the sectors. Validation of registration is one of the major supervisory activities for MSBs and VASPs. However, it is not considered adequate to facilitate supervisory assessment the MSBs' or VASP's control effectiveness as its purpose is to verify whether a newly registered MSB is in operation, or any entity is offering MSB services without registration with FINTRAC, and therefore the assessment scope is narrow.

262. As a combined FIU and supervisor, FINTRAC demonstrated strong capacity in terms of strategic intelligence, research and analytics and does maximise its leverage to monitor emerging risks on an ongoing basis and inform FINTRAC's assessment of FIs' and VASPs' effectiveness in meeting the STR obligations, with specific actionable assessments of anomalies in FIs / VASPs reporting, and/or by tracing known illicit financial flows back to specific reporting entities. As mentioned in the previous paragraph, intelligence from the Tactical and Strategic Intelligence Unit is one of the sources to facilitate FINTRAC to formulate or refine its annual operational plans, and it forms part of the ongoing surveillance process.

263. Onsite examinations on FIs and VASPs generally cover assessment of compliance with the requirements under the PCMLTFA with respect to policies and procedures, and testing of sample cases (in particular those relating to STR and monetary threshold reporting). Sample findings letters made available to the AT for onsite examinations of two DSIBs, a non-DSIB bank, a VASP and securities firm contain deficiencies identified but most of them do not provide specific recommendations to address the deficiencies or their root causes, even in cases where significant deficiencies in multiple control areas are identified which may indicate potential system-wide issues (e.g. inadequate governance and oversight, insufficient expertise and resources, limitation in system capabilities, etc).

[33] Referred in FATF's Guidance on Risk-based Supervision issued in March 2021.

264. For DSIBs, FINTRAC full scope examinations focus on their compliance with the PCMLTFA requirements, with a frequency of around once every six years on average. Normally, FINTRAC completes a full scope examination on a DSIB in 12 months. The examination is conducted in phases covering different key control areas, and a findings letter is issued at the end of each phase, with a final findings letter issued at end of the examination summarising all issues identified in each phase. Sample testing on a large number of transactions submitted through STR and monetary threshold reports are conducted to assess the DSIB's ability to identify suspicious transactions and/or customer relationships for filing STRs, and implementing its AML/CFT control policies including CDD and EDD measures where applicable. Given the scale and complexity of a DSIB's operations and its very high vulnerability to ML/TF, the supervisory assessment is not sufficiently risk focused targeting specific high-risk areas (e.g. business lines, products and services) with reference to the relevant threats and vulnerabilities in the NRA assessment as well as emerging risks, and assessing effectiveness of controls to mitigate the risks. A risk-based examination programme would help shorten the time span of an examination to support more timely supervisory feedback to DSIBs on their control effectiveness.

265. A sample targeted examination on a non-DSIB bank was reviewed. The examination focuses on a few key control areas and the processes last for about 7 months. Sample review is conducted to test the effectiveness of the relevant controls, with deficiencies identified in each sample case are covered in detail in the findings letter. Some high-level recommendations / guidance are provided to address deficiencies noted in individual sample cases. Supervision could be improved by providing analysis of root cause(s) of the deficiencies (e.g. governance and oversight) and specific guidance to address the causes.

266. For VASPs, FINTRAC examinations typically involve document gathering and review leading up to one day of examination fieldwork which is for interviews and then followed by further work finalizing results. Sample testing on transactions and CDD profile is also performed, as well as blockchain analysis. FINTRAC also performs off-site monitoring, leveraging blockchain analytics as part of its supervisory toolkit through which it monitors compliance with the travel rule and monetary threshold reporting requirements, and detects potentially high risks transactions (e.g. those connected with darknet market). Reviews on policies and sample documentation are largely done in the pre-onsite stage. Examination scope covers control designs, policies and procedures, and timeliness and quality of STR and monetary threshold reports. Given the VASP sector is a relatively new sector assessed as having very high ML/TF vulnerabilities and less mature risk management systems, supervision could be improved by providing more specific recommendations and guidance to address the deficiencies in their control design and implementation effectiveness.

267. For securities firms, FINTRAC collects policies and procedures and relevant documents, conducts offsite review and sample testing on CDD profile and transactions which take about 2.5 months and after completing the review, 1-2 hours exit interviews are held with the firm. No recommendation / specific guidance is provided to address the findings identified, in particular those repeated findings found in previous onsite examinations.

268. For MSB (with no VA activity), the AT was not provided with copies of the examination documentation for review until the F2F.34

269. FINTRAC has adopted a sector-specific supervision model since 2023[35]. There are four units under the Operations Division responsible for supervising AML controls of FIs, VASPs and DNFBP sectors. 67 full-time employees are AML supervisors for the FI and VASP sectors, and they are under the Financial Institutions Unit, MSB Unit and Financial Entities Unit which focus on the supervision of banks, MSBs (including VASPs) and other FIs (including CU/CP, securities, trust and loan companies) respectively. In

[34] The sample documentation was provided in the face-to-face meeting and the AT is unable to incorporate its assessment in the report.

[35] Prior to 2023, supervision of FIs and VASPs are managed by national office in Ottawa, regional offices in Toronto, Montreal and Vancouver.

addition to supervising the AML/CFT controls of FIs and VASPs, the AML supervisors are also responsible for policy interpretation, outreaching activities, and enforcement activities. They generally possess adequate experience and appropriate qualifications to discharge their duties. Some of them have legal and investigative backgrounds, and professional qualification in AML/CFT.

270. Resources in the Supervision sector have been increased by approximately 10% since 2021 when FINTRAC assumed the overall responsibility for AML/CFT supervision of FRFIs and VASPs. The Operations Division was restructured to adopt a portfolio management approach in 2021, starting with Canada's DSIBs, and extending to all other banks in 2023.

271. Despite the increase in headcount since 2021, resources of the AML supervisory teams dedicated for FIs and VASPs are not commensurate with the increase in supervisory responsibilities assumed in 2021. This was particularly apparent in the supervision of banks and MSBs (including VASPs) based on the observations on the overly long period between FINTRAC examinations of DSIBs and other high-risk sectors including MSB and VASP.

Table 3.12. Division of the responsibilities with the number of supervisory staff in respective units

Units	Reporting entities under purview	No. of staff dedicated to AML/CFT supervision
Financial institutions	Banks	22, comprising 1 manager 3 team leaders 18 supervisors
Financial Entities	CU/CP, Securities firms Trust and loans companies Mortgage sectors	23, comprising 1 manager 3 team leaders 19 supervisors
MSB	MSB VASP	23, comprising 1 manager 3 team leaders 19 supervisors

Source: Canada

3.6. Impact of monitoring, supervision, outreach, remedial actions and effective, proportionate and dissuasive sanctions on FI and VASP compliance

3.6.1. Remedial actions and effective, proportionate and dissuasive sanctions

272. Following an examination, FINTRAC communicates with an FI or VASP any findings and necessary corrective measures through an exit interview and a findings letter and whether any follow-up actions are required. Findings letters made available for this assessment contained deficiencies noted and not all of them provide specific recommendations / guidance. Minor deficiencies are typically addressed through general guidance in the examination report, with no further action required. When significant or numerous deficiencies are found, FINTRAC may initiate follow-up measures, such as requiring an action plan detailing the corrective measures the entity will implement along with specified timelines to complete the remedial measures or conducting a follow-up examination. These decisions are based on factors including the entity's size, sector-specific risks, and the materiality of the deficiencies. In cases of serious or repeated non-compliance, FINTRAC may pursue enforcement actions, including administrative monetary penalties

(AMP) or making non-compliance disclosures (NCD) to law enforcement to ensure compliance and uphold the integrity of Canada's financial system.

273. Over the review period, 59% of examinations were concluded as no follow-up actions required. Among the remainder, 33% were identified for follow-up - including follow-up examinations (21%), submissions of action plans (10%), compliance monitoring meetings (2%); data integrity monitoring of monetary threshold reports (1%); and 8% were identified for enforcement actions including AMP (6%), NCD (1%) and MSB / VASP registration revocation (1%). Where an entity is required to submit an action plan, FINTRAC monitors progress of the action plans and closure of the issues must be supported by documentation or evidence submitted by the entity to demonstrate corrective actions have been completed. For action plans involving more serious deficiencies or FRFI such as banks, FINTRAC applies enhanced monitoring and each action item is assessed for remediation before closure. Action plans are also standing agenda items in FINTRAC's regular monitoring meetings with banks. Remediations are also be reviewed through follow-up examinations by FINTRAC for 21% of the examinations conducted in the review period.

274. The measures adopted by FINTRAC to bring about prompt remedial actions to address non-compliance and to prevent recurrence are confined to action plan monitoring through compliance monitoring meetings and regular submissions from FIs and VASPs; and enforcement actions (i.e. AMP, NCD or revocation of MSB and VASP). FINTRAC does not have the power under the PCMLTFA to compel remediation of non-compliance[36], remove incompetent senior management of FIs and VASPs, to impose directions or restrictions. It has to rely on OSFI and provincial supervisory authorities which have powers to do so for FRFIs and provincially regulated FIs respectively in cases where non-compliance with PCMLTFA poses serious concerns about the FIs' financial soundness, integrity or security. OSFI and FINTRAC presented case studies to demonstrate both information sharing and effectiveness of joint supervisory actions to address issues where PCMLTFA non-compliance poses prudential concerns such as risk governance. The cases involved significant OSFI supervisory action related to senior personnel/investors, restricted business activities and downgrading supervisory ratings of the FRFI concerned. Despite this, the range of measures adopted by FINTRAC to tackle non-compliance of different levels of severity is limited. Cases indicate that progress can be very slow in addressing some long-outstanding control issues. This reinforces the AT's view in this aspect.

Table 3.13. Examination outcomes for FIs and VASPs (FY2020/21 to FY2024-25)

Sector	Year					Sub-total
	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	
Enforcement activity: consider an AMP						
Banks	2	3	3	1	2	11
CU/CPs	2	0	0	1	4	7
Securities	0	0	1	2	1	4
Life Insurance	0	0	0	0	0	0
Trust and Loans	0	0	0	0	0	0
MSBs	0	4	2	3	4	13
VASPs	0	0	1	1	4	6
Enforcement activity: consider an NCD						
MSBs	0	1	1	3	0	4
VASPs	0	0	0	2	1	3

[36] Canada passed legislative changes to PCMLTFA on 26 March 2026, which include, among others, granting the power for FINTRAC to compel the reporting entities subject to AMP to enter into a compliance agreement to remediate the violations.

Enforcement activity: consider revocation						
VASPs	0	0	0	0	6	6
Follow-up activity: Follow-up examination						
Banks	0	0	0	0	0	0
CU/CPs	2	4	2	3	4	15
Securities	4	4	13	4	1	26
Life Insurance	0	0	0	0	0	0
Trust and Loans	0	0	0	0	0	0
MSBs	13	14	23	13	11	74
VASPs	1	3	4	5	20	33
Follow-up activity: Action plan submission						
Banks	0	8	6	1	5	20
CU/CPs	0	0	0	0	0	0
Securities	3	8	6	1	0	18
Life Insurance	0	1	0	0	0	1
Trust and Loans	0	0	0	0	0	0
MSBs	3	8	4	3	5	23
VASPs	0	0	1	3	1	5
Follow-up activity: Compliance Monitoring Meetings						
Banks	0	1	1	0	0	2
CU/CPs	0	2	1	1	0	4
Securities	2	0	0	0	0	2
Life Insurance	0	0	0	0	0	0
Trust and Loans	0	0	0	0	0	0
MSBs	1	0	2	0	0	3
VASPs	0	0	0	0	0	0
Follow-up activity: Data integrity monitoring						
MSBs	0	1	4	0	0	5
VASPs	0	0	0	1	0	1
Concluded no further action required						
Banks	0	1	1	0	3	5
CU/CPs	7	4	4	14	5	34
Securities	16	22	18	12	1	69
Life Insurance	0	0	1	2	0	3
Trust and Loans	0	0	0	0	0	0
MSBs	30	51	38	11	11	141
VASPs	2	7	8	4	138	159

Source: Canada

275. FINTRAC has increasingly made use of enforcement actions against FIs and VASPs for non-compliance in recent years. The number of AMPs issued has nearly doubled between FY2023/2024 and FY2024/2025, from 8 to 15, and continued to increase in the first half of FY2025/26. The dollar amount of AMPs has also significantly increased with record amounts issued in FY2023/24 (CAD 25.6 million) and FY2024/25 (CAD 23.5 million). Most of the AMPs are issued to banks, MSBs and VASPs over the last five years, and the average bank penalty is significantly higher than average penalties for all non-bank sectors combined (CAD 3 350 164 vs CAD 349 217). Once an AMP[37] is imposed, FINTRAC must make public the name of the reporting entity, the nature of the violation, and the amount of the penalty. AMPs would cause reputational damage to the entities concerned and will provide a deterrent effect. While the AMP is only one of the options to address non-compliance, use of enforcement actions is still limited in scope taking

[37] Canada passed legislative changes to PCMLTFA on 26 March 2026, which include, among others, increasing the size of AMPs which FINTRAC is empowered to impose, with the maximum increased by 40 times.

into account the size of the FI and the VASP sectors, compliance of FIs and VASP with core obligations, depth of the supervisory assessment of system effectiveness and also the outcomes of using other remediation actions (refer to the section on impact of outreach, monitoring, supervision, remedial action and sanctions). The majority of cases where AMP imposed on FIs and VASPs related to the failure to file STR and /or monetary threshold reports and there were not many violations relating to the FIs and VASPs' compliance programmes and control effectiveness. Although total sum of the penalties for non-compliance has increased, it is not sufficiently dissuasive and proportionate for large FIs and VASPs. This may be attributable to the fact that the purpose of the AMP is to encourage compliance and not to "punish" (non-punitive)[38].

Table 3.14. Number and amount of AMP imposed on FIs, MSBs and VASPs (FY 2020-21 to FY 2024-25)

	FY 2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25	Total (amount in CAD)
Banks	-	2	1	3	1	7 (23 451 150)
CU/CP	-	2	-	-	1	3 (602 910)
Securities	-	-	-	-	4	4 (115 500)
MSBs	2	1	4	2	7	16 (2 265 855)
VASPs	-	-	-	2	1	3 (25 587 000)
Total	2	5	5	7	14	33 (52 022 415)

Source: Canada

276. FINTRAC has the legislative authority to disclose information about non-compliance of reporting entities to law enforcement when it suspects on reasonable grounds that the information would be relevant to investigating or prosecuting criminal non-compliance offences under the PCMLTFA. FINTRAC makes Non-Compliance Disclosures (NCD) when it suspects the non-compliance is criminal in nature (e.g. wilful and deliberate, or linked to other suspected criminal offences such as money laundering). Between FY2018/2019 to FY2024/2025 (7 years), a total of 69 NCDs relevant to MSBs (including VASPs) were provided to LEAs, with 19 NCD (about 27%) initiated by FINTRAC's supervisory activities. In the same period, there were a total of 69 convictions of PCMLTFA offences, however the number that were initiated by NCDs is not systematically tracked. Among them, many are related to contraventions with MSB registration requirements and there are 16 conviction cases relating to violations of PCMLTFA requirements on preventive measures.

Table 3.15. Number of NCDs from 2020-21 to 2024-25

Grouped Activity Sector	2020-21	2021-22	2022-23	2023-24	2024-25	Total
MSB (all MSBs)	8	7*	9	13*	32*	69
DNFBPs	1	-	1	1	1	4
Total	9	7	10	14	33	73

* Five of these NCDs involve an MSB and entities in DNFBP sectors, in the same NCD.

Source: Canada

[38] Administrative monetary penalties policy on fintrac-canafe.canada.ca/pen/2-eng

Table 3.16. PCMLTFA prosecution outcomes relevant to preventive measures (FY2018-19 to FY2024/25)

PCMLTFA	Number of Outcomes
Section 74	
Section 11.1 Contravention – Registration requirement	10
Section 6 Contravention – Record Keeping	5
Section 6.1 Contravention – Verifying identity	6
Section 75(1)	
Failure to report suspicious transactions	5

Source: Canada

Impact of outreach, monitoring, supervision, remedial action and sanctions

277. FINTRAC's supervision and assessment activities include quarterly meetings with D-SIBs and annual meetings with small-to-medium banks. FINTRAC also maintains a two-way communication approach with the MSB sector. Sector specific guidance is provided through FINTRAC's website and dedicated call centre to help businesses comply with the PCMLTFA and associated Regulations. Guidance includes information on legislative updates, risk assessment, STR quality, and know-your-client practices, such as client identification and record-keeping. Reporting entities can stay informed of changes by subscribing to FINTRAC's alerts and consulting the latest guidance at FINTRAC's website. Score Cards are deployed by FINTRAC as one of its supervisory activities to evaluate the performance of FIs and VASPs with respect to the timeliness and quality of STR and threshold reporting. FIs and VASPs met during the onsite visit are generally satisfied with the outreach of and guidance provided by AML supervisory authorities.

278. FINTRAC provides feedback to industry through an outreach and assistance program for reporting entities. This includes participating in conferences, seminars, presentations and other events providing feedback on compliance with AML/CFT legislation. Training sessions are conducted at various industry conferences and forums, such as the Banking Forums and Canadian MSB association which cover topics such as identifying red flags for ML and implementing effective compliance programs. Despite these efforts, there is limited information demonstrating that overall compliance improved over the review period for most sectors, especially for banks and MSBs. Over the assessment period, significant or numerous deficiencies were found in 41% of on-site examinations on FIs and VASPs for which consideration of enforcement actions (8%), or intense follow-up supervisory actions including follow-up examinations (21%) and close monitoring of action plans (12%) were warranted. Among 57 follow-up examinations conducted in the review period, nearly half (47%) were assessed as partially remediated with varying level of deficiencies. The overall improvement rate for sectors which are assessed as very high/high risks (i.e. banks, MSB and VASP) is less than satisfactory (ranging from 25% to 50%), although FINTRAC provided some case examples supporting that supervision, outreach and monitoring of remedial actions have demonstrated a positive impact on compliance by the targeted FIs and VASPs. The current level of AMP under the PCMLTFA is also insufficient to provide a dissuasive effect of increasing compliance by large reporting entities. Canada has introduced a bill to Parliament that would increase PCMLTFA penalties and address this issue, however the bill had not passed at the time of the onsite visit[39].

[39] The legislative amendments to introduce a higher AMP framework was passed in late March 2026.

4 Non-financial sector supervision and preventive measures

The relevant Immediate Outcomes considered and assessed in this chapter is IO.4.[40] The Recommendations relevant for the assessment of effectiveness under this chapter are R.22, 23, 28, 34 and 35 and elements of R.1, 29 and 40.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) DNFBPs, with the exception of DPMS, have market entry controls that require them to be licensed or registered by provincial or territorial regulators. Their licensing or registration processes have some mechanisms to prevent criminals from owning or controlling DNFBPs, including through "fit-and-proper" requirements. The absence of federal or provincial/territorial licensing or registration regime, or other controls to prevent criminals and their associates from owning or controlling a DPMS remains an outstanding issue since the last MER in 2016.

b) While FINTRAC has a good understanding of DNFBPs' sectoral risks, its understanding of entities' institutional risk needs improvement. Canada has designed the Supervision Risk Model (SRM) to strengthen FINTRAC's ability to identify and respond to ML/TF risks across all reporting entity sectors. DNFBPs for which insufficient data is available to apply all 11 risk indicators included in the SRM are classified as "non-reporters". With the exception of casinos, DNFBP sectors are predominantly composed of such non-reporters, many of which are small-scale entities. Consequently, only a small proportion of DNFBPs are assessed under the SRM as "reporters" and assigned a quantified risk score. Among non-reporters, only a limited number of entities are identified as "potentially high risk," based on a narrow set of available indicators, including third-party STR references, geographic exposure to human-trafficking risks, and links to jurisdictions listed by the FATF. The other entities (96.4%) remain at "no-flag", and their entity-level risk is not adequately assessed. FINTRAC has indicated that it uses a variety of tools to maintain an up-to-date understanding of ML/TF risks of DNFBPs beyond the SRM, including FINTRAC reviews operational and strategic intelligence information, analysis of transaction reporting data, information provided by provincial regulators and/or business associations,

[40] When assessing effectiveness under Immediate Outcomes 4, assessors should take into consideration the risk, context and materiality of the country being assessed. Assessors should clearly explain these factors in Chapter One of the mutual evaluation report under the heading of DNFBPs, as required in the instructions under that heading in the Methodology.

public data, and past compliance assessments. However, FINTRAC was not able to demonstrate how this additional information is systematically incorporated into institutional risk assessments or used to inform supervisory prioritisation.

c) FINTRAC is not the AML/CFT supervisor nor competent supervisory authority for lawyers, as they are not subject to the PCMLTFA further to a 2015 Supreme Court of Canada decision. Since then, Law Societies have supervised lawyers' compliance with certain AML/CFT controls. The Government of Canada-FLSC joint working group was launched in 2019 to explore issues related to the ML/TF risks arising in the practice of law, and to strengthen information sharing between the FLSC and the Government of Canada. The federal AML/CFT Regime assesses the sectoral vulnerability of the legal profession in the NRA, however not all law societies perform their own sectoral risk assessments, and their understanding of risk is still evolving.

d) DNFBPs' level of understanding of ML/TF risks and application of AML/CFT obligations varies between sectors, with the most robust approach in the casino sector, whereas DPMS and real estate professionals have a less comprehensive understanding, especially regarding politically exposed persons (PEPs) requirements and transactions involving high-risk jurisdictions. While casinos submit a significant number of STRs, reporting across other DNFBP sectors is low and not fully aligned with the sectoral risks, especially for DPMS and real estate professionals.

e) Although lawyers demonstrate a good understanding of their professional obligations, which in practice has a positive impact on financial crime prevention, their understanding of ML/TF risks remains limited. This is particularly the case with respect to risks specific to their own business models and to evolving risks and emerging trends. Lawyers generally apply rule-based mitigating measures that cover the basic elements of their obligations; however, these measures are not risk-based and do not extend to enhanced requirements relating to politically exposed persons (PEPs) and high-risk jurisdictions, the establishment and maintenance of a comprehensive compliance programme or internal policies, controls and procedures, ongoing monitoring, suspicious transaction reporting, or the assessment of risks associated with new or emerging technologies. Law societies do not collect data or statistics on compliance with AML/CFT requirements, and Canada was unable to demonstrate that lawyers effectively and sufficiently implement AML/CFT measures in line with the FATF Standards.

f) Supervisory activities conducted by FINTRAC on DNFBP sectors include examinations and risk questionnaires. Over the review period, only 366 (less than 3%) of all DNFBPs were examined, with supervision focused on the largest and highest risk entities identified in each sector. The relatively low number of examinations for DPMS and real estate professionals, when compared against the size of these sectors, leaves a significant number of entities unexamined, despite these two sectors being identified as material and high inherently vulnerable in the NRA. Risk questionnaires are useful tools to identify reporting entities' ML/TF risks and implementation of mitigating measures. FINTRAC continues to broaden the coverage of examinations and risk questionnaires to increase compliance of DNFBPs, particularly for Real Estate and DPMS. The number of enforcement actions is limited relative to the supervisory population.

g) Law Societies apply supervision through a range of different tools, including audits and investigations. Law Society audits are largely focused on trust account rules instead of AML/CFT. Canada provided case studies where law societies imposed a range of sanctions (including reprimands, fines, suspensions, and disbarment) on lawyers for professional misconduct, including for breaches of AML/CFT rules. Considering the number of lawyers, the number of audits, especially targeted to AML/CFT obligations is limited, and the sanctions imposed in several cases did not appear proportionate and dissuasive. The RCMP has concluded agreements with certain law societies to clarify the framework for sharing information relevant to investigations involving lawyers. While Canada provided evidence of referrals made by some

law societies to law enforcement, referrals cannot be regarded as adequately addressing the deficiencies in law societies' imposition of sanctions for AML/CFT breaches.

Key Recommended Actions (KRAs)

a) Canada should enhance the effectiveness of AML/CFT risk-based supervision of DNFBPs by improving the risk model used as a basis for supervision to more effectively differentiate between the ML/TF risk profiles of different types of DNFBPs, and between their activities, to support more targeted risk-based supervision. This should include enhancing the assessment and understanding of entity-level risks in the absence of sufficient STR or transaction reporting and ensure that a solid understanding of risk clearly informs prioritisation of supervisory activities.

b) Canada should make effective use of proportionate and dissuasive sanctions across all DNFBP sectors where appropriate, including increasing the number and monetary value of sanctions applied. In the case of legal professionals, this should also include making referrals to law enforcement authorities where warranted.

c) Canada should take the necessary measures to prevent criminals and their associates from being the beneficial owners or holding a management function in the DPMS sector (see R.28) and consider a licensing or registration regime, or other controls for DPMS.

Other Recommended Actions

Canada should:

a) Intensify FINTRAC's efforts on DPMS and real estate agents in order to improve their understanding of existing and evolving sectoral and institutional ML/TF risks, and apply commensurate risk-based preventive measures, including complying with suspicious transaction reporting obligations.

b) Strengthen through legislation the AML/CFT framework over legal professionals, further aligning lawyers' AML/CFT obligations with FATF standards, and formally designate an AML/CFT supervisor(s) and a separate competent authority for the supervisor(s).

c) Develop a comprehensive framework for evaluating sectoral and each lawyer's individual risk assessments and further promote measures to enhance lawyers' understanding of ML/TF risks, including those tailored to their own business models or evolving risks, in co-ordination with the FLSC, law societies, FINTRAC and other relevant authorities as necessary, and collect data and statistics on lawyers' compliance with their AML/CFT obligations.

Overall Conclusions on IO.4

Canada has strengthened its AML/CFT regime for DNFBPs since the last MER. Based on a good high-level understanding of DNFBPs' sectoral risks, FINTRAC develops an annual operational plan to guide its various supervisory activities. Provincial and territorial regulators maintain licensing regimes for DNFBPs, with the exception of DPMS.

While FINTRAC has a good understanding of DNFBPs' sectoral risks, its understanding of individual entities' risks needs improvement, especially in the DPMS and real estate sectors. The DNFBP sectors other than casinos are largely composed of entities that are not assigned a risk rating based on the available data ("non-reporters" in the SRM) and only a limited number of entities are assessed as "potentially high risk" based on a narrow set of available indicators, including third-party STR references, geographic exposure to human-trafficking risks, and links to jurisdictions listed by the FATF. The majority of entities (96.4%) remain at "no-flag" which means that they are not assessed at the institutional level. FINTRAC's risk understanding of these entities, that are deemed less material, is based on the NRA sectoral assessment. FINTRAC has indicated that it uses a variety of tools to maintain an up-to-date understanding of ML/TF risks of DNFBPs beyond the SRM, including FINTRAC reviews operational and strategic intelligence information, analysis of transaction reporting data, information provided by provincial regulators and/or business associations, public data, and past compliance assessments. However, FINTRAC was not able to demonstrate how this additional information is systematically incorporated into institutional risk assessments or used to inform supervisory prioritisation.

Although FINTRAC has sustained continuous outreach activities, DNFBP's understanding and compliance with preventive controls varies by sector and should be further developed, especially in DPMS and real estate professionals, which are assessed as highly inherently vulnerable- in Canada's recent NRA, whereas Casinos show good understanding of risks and implement strong AML/CFT measures. The number of suspicious transaction reports across DNFBP sectors other than casinos is relatively low and not aligned with the sectoral risks. The absence of licensing, registration or other controls for DPMS, as noted in the 2016 MER, has still not been resolved. The number of enforcement actions is limited, and the positive impact of monitoring and supervision on DNFBPs' compliance could be further improved.

FINTRAC is not the AML/CFT supervisor nor competent supervisory authority of lawyers, as they are not subject to the PCMLTFA further to a 2015 Supreme Court of Canada decision. The legal sector has sought to develop an AML/CFT framework consistent with FATF Standards, in compliance with their self-defined rules and regulations. Since 2015, the FLSC and Law Societies have introduced and expanded law society AML/CFT rules, including CDD, ongoing monitoring and record-keeping requirements. While Law Societies have made some positive progress in monitoring the application of AML/CFT measures by their members, many areas for improvement remain. Lawyers in Canada are not formally regulated or supervised in respect of many key FATF requirements, including enhanced measures regarding PEPs and high-risk jurisdictions; new technologies; STRs; and the establishment and implementation of AML/CFT policies, controls and procedures. There is no formal lawyers' sector risk assessment undertaken by all law societies, and as a result, lawyers' understanding of ML/TF risks is insufficient, and risk-based supervision and sanctions are ineffective. Further efforts are needed, in co-operation with FINTRAC and other relevant authorities as appropriate.

Canada is rated as having a Moderate level of effectiveness for IO.4.

Immediate Outcome 4

279. Canada has taken steps to strengthen its AML/CFT/CPF framework since its 2016 MER. Most notably this includes enhancing DNFBPs' understanding and application of basic AML/CFT obligations such as verification of the BO information, and law societies' development of AML/CFT rules and regulations.

280. For the assessment of the implementation of preventative measures and supervision for DNFBPs, casinos, DPMS, real estate and lawyers are identified as most material, and most heavily weighted, in line with the 2025 National Risk Assessment rating these sectors as highly inherently vulnerable. Lawyers have been excluded from the PCMLTFA since the Supreme Court decision in 2015 and are analysed separately from other DNFBPs. Taking into account that the 2025 NRA assessed them as posing a medium level of inherent vulnerability- accountants and BC notaries were weighted moderately important due to lower vulnerability of anonymity through direct communication with clients and lack of professional secrecy protections, in addition to the sector's comparatively simple structure, smaller relative size and low geographic reach with respect to BC notaries. Considering that federally and provincially regulated trust companies are regulated under Canada's PCMLTFA framework and more than 80% of company service providers (CSPs) in Canada are lawyers and accountants (see R28, c. 28.4b), and that the remaining CSPs are not separately recognised nor regulated as a business category in Canada, these CSPs were weighted lower and not analyse independently.

281. In 2015, a Supreme Court of Canada decision declared certain PCMLTFA obligations in respect of lawyers to be unconstitutional. As such, PCMLTFA provisions are inoperative in respect of lawyers, and they are not subject to supervision by FINTRAC. Canada has not formally designated an AML/CFT supervisor nor a competent authority (within the meaning of the FATF Standards) to supervise lawyers or oversee the self-regulatory bodies for AML/CFT. Under provincial and territorial statutes, provincial and territorial law societies are responsible for the self-regulation of lawyers in the public interest. The Law Societies impose basic AML/CFT rules and related professional and ethical duties on lawyers and supervise and monitor lawyers' compliance with these requirements (See R.22 and R.28).

4.1. Licensing, registration and controls for DNFBPs preventing criminals and associates from entering the market

For DNFBP sectors (other than lawyers)

282. In Canada, most DNFBPs have market entry controls that require them to be licensed or registered by provincial or territorial regulators. During the licensing or registration process, whether applicants are related to criminals is assessed through "fit and proper" requirements. Their practice varies by relevant regulators: some require criminal record checks for all applicants, others only when reasonable suspicion exists, and still others rely on self-declaration subject to committee review. The lack of a coherent and consistent licensing or registration regime for DPMS at the federal provincial and territorial level means no effective Canada-wide controls are applied for applicants to prevent criminals and their associates from entering this sector, although some municipalities have licensing regimes for DPMS that include criminal record check requirements.

283. Provincial/territorial authorities detect and address DNFBP's breaches of licensing and registration requirements through monitoring each professional's compliance with their code of conduct or other relevant regulations. Over the review period, supervisory authorities have taken actions against DNFBPs' breaches of registration requirements, resulting in disciplinary actions. No disciplinary actions have been taken against DPMS at the federal or provincial level, since they are not subject to registration/licensing requirements except in a couple municipalities.

Casinos

284. As of 1 April 2025, Canada has 19 casinos as reporting entities under the PCMLTFA. This population has decreased slightly since the last MER but remains stable. To operate legally, casinos must be officially licensed through their respective provincial or territorial regulators. Several provincial regulators operate their own online gaming platforms to support oversight, including Ontario Lottery Gaming Corporation (OLG.ca) for Ontario resident and PlayNow.com operated by the British Columbia Lottery Corporation (BCLC) for residents of British Columbia. In addition to OLG.ca, Ontario also established iGaming Ontario (iGO), which oversees a regulated market that permits private operators to offer online gaming services to Ontario players.

285. Regulatory bodies require casinos to submit application forms and conduct background/due diligence (financial and business information) checks before administering a license. Regulators also conduct "fit and proper" procedures for workers, including senior managers and directors, which typically include a licensing or registration prerequisite for those seeking employment within the gaming sector. For example, BCLC's Gaming Policy and Enforcement Branch (GPEB) controls licensing and registration as the provincial gaming regulator. For organizations and individuals involved in the commercial gaming industry in British Columbia, GPEB issues corporate registration, senior official (ownership), senior employee (executive team) and gaming worker registrations.

286. Regulatory authorities enforce protocols for the identification and management of improper conduct, which include conducting internal reviews. Provincial and territorial regulators can also issue penalties to encourage adherence to regulations among licensees, permit recipients, sanctioned retailers, and gaming personnel. For example, in Ontario, its regulator the Alcohol and Gaming Commission of Ontario (AGCO) has issued three warning letters (in 2023) and issued three orders of monetary penalty (one in 2022 (CAD 147 712,50), one in 2023 (CAD 55 000) and one in 2024 (still in the disciplinary process)) related to AML administrative shortcomings since 2020.

Dealers in Precious Metals and Stones (DPMS)

287. Based on open-source search, outreach activities and risk questionnaires, Canada estimates that there are approximately 3 000 DPMS that perform the triggering activities that make them subject to the PCMLTFA. The exact number is unknown due to the lack of licensing or registration regime at the federal or provincial/territorial levels.

288. There are no licensing or registration regime for DPMS in Canada at the federal or provincial/territorial levels. Although some municipalities independently issue licences to DPMS, no federal/provincial/territorial controls are applied for applicants to prevent criminals and their associates from entering the DPMS sector. This is of particular concern since the DPMS sector is assessed as highly inherently vulnerable in Canada's national risk assessment and the 4th round MER included a Recommended Action to consider introducing a licensing or registration regime, or other controls for DPMS. It may also limit FINTRAC's ability to assess and monitor the PF risk of some entities in DPMS sector, and their effective implementation of PF-TFS obligations (See 11.6.2. for further details).

289. The Canadian Jewellers Association (CJA), the national industry association for DPMS, has a Code of Ethics and Standards and Conduct. However, as an industry association, membership is voluntary and the CJA does not have any disciplinary authority over its members.

Real estate

290. As of 1 April 2025, Canada has 7 742 real estate brokerages as reporting entities under the PCMLTFA. This number represents less than half of the entities mentioned in the last MER, because the last MER included agents working with brokerages, examined under the brokerages and not as an entity on

their own. Licensing and certification requirements in the Canadian real estate sector are set by provincial and territorial regulators.

291. Provincial and territorial regulatory bodies mandate that applicants either submit a criminal background check or provide consent for one to be obtained during the process of applying for a license. For example, in Québec, the Certification Department at the *Organisme d'autoréglementation du courtage immobilier du Québec* (OACIQ) analyses each license application thoroughly, including a criminal record checks and other criteria established by current regulations.

292. Breaches of real estate legislation and rules are monitored through customer complaints to the provincial or territorial real estate regulator. It is notable that the process depends on customer complaints. Provincial and territorial legislations and regulations may cover the licensing/registration requirements, general conduct of professionals, and disciplinary proceedings. Complaints of misconduct are investigated by professional bodies to verify the scope of authority in the offence, whether a penalty is appropriate, and if so, to deliver a proportionate outcome in line with the severity of the offence. Table 4.1 shows data from the four most populous provinces on breaches of licensing requirements by revocation/suspension of licenses and penalties.

Table 4.1. Number of real estate licenses denied, revoked or suspended and penalties issued in Ontario, Québec, British Columbia and Alberta (2020-2025)

		Total licenses issued new/renewed	Licenses Denied/ Withdrawn/ Refused	Licenses Revoked/ Suspended	Number of Penalties Issued	Total Value (in CAD)
2020-2021	Ontario	44 484	6	4	75	529 000
	Québec	1 802	3	99	88	230 000
	British Columbia	Not available	-	12	Not available	Not available
	Alberta	15 035	6	1	208	274 128
2021-2022	Ontario	51 824	7	10	88	738 500
	Québec	2 189	8	128	157	500 500
	British Columbia	Not available	-	8	48	195 750
	Alberta	17 074	6	12	208	274 128
2022-2023	Ontario	54 080	7	7	129	1 267 500
	Québec	2 294	10	100	114	344 000
	British Columbia	Not available	-	4	48	654 581
	Alberta	18 461	9	1	51	505 900
2023-2024	Ontario	53 674	12	6	89	1 052 700
	Québec	1 784	13	128	69	380 000
	British Columbia	20 171	-	6	74	1 313 171
	Alberta	20 327	3	4	45	257 120
2024-2025	Ontario	51 300	6	13	69	834 500
	Québec	1 629	3	199	107	552 500
	British Columbia	19 347	-	10	145	1 692 250
	Alberta	6 429	3	5	41	387 855

Source: Canada

Accountants

293. FINTRAC estimates the number of accountants and accounting firms that are subject to the PCMLTFA (i.e. conducting activities that fall under the scope of the FATF Standards) at less than 1 000. In

the previous MER, the number was estimated at 3 829. This change is the result of FINTRAC's identification of accountants subject to the PCMLTFA for a more accurate estimate.

294. The professional certification and regulation of accountants is conducted at the provincial and territorial level through Chartered Professional Accountant (CPA) bodies. Provincial or territorial regulators ask applicants to disclose previous criminal convictions or bankruptcy to prevent criminals from becoming certified accountants. For example, under the Professional Code of Québec, candidates and members must notify CPA Québec within 10 days when they are subject to certain judicial or disciplinary decisions, including being found guilty of a criminal offence or an offence under a tax act, a securities act, or an AML/CFT act in Canada or abroad. They must also answer questions regarding their criminal/penal record once a year. Additionally, CPA Québec conducts targeted and random background checks.

295. Accountants must comply with Codes of Conduct and Regulations set by provincial and territorial bodies. A breach of these rules may result in disciplinary measures by the CPA body. Professional bodies conduct investigations against members when complaints of breaching professional conduct (including the relevant CPA code of conduct/ethics or CPA Act) are filed. It is notable that the process depends on third party complaints. Complaints are generally reviewed and assessed by an intake team, with more serious and unresolved complaints falling under CPA jurisdiction sent to a disciplinary committee. If grounds exist for disciplinary action, penalties can be imposed in line with the severity of offences. This includes financial sanctions, public announcements, notices to provincial and territorial bodies, suspension or revocation of registration, or a combination of penalties.

BC notaries

296. There are 293 BC notaries or notary firms identified by FINTRAC as reporting entities under the PCMLTFA. This population has slightly decreased since the last MER but remains stable. The Society of Notaries Public of British Columbia (SNPBC) is the regulatory body that oversees activities and memberships (licences) of all BC notaries. Members must demonstrate their "good standing" with the SNPBC to qualify for licenses, which is supported by criminal record checks. Only members may legally and beneficially own the voting shares of a notary corporation or serve as directors of the corporation. The SNPBC has the authority to investigate, make findings of fact, and take action against members of its society who engage in criminal wrongdoing or facilitate criminal activity. SNPBC conducts criminal background checks on those applying to the Notary Education Program (NEP) and verifies identification through a third-party resource. Where there is evidence of criminal activity, the SNPBC may reprimand, fine, terminate or seek a significant suspension of the member's license.

For Lawyers

297. Canada estimates there are 136 000 lawyers and 4 200 Québec notaries active in the country. The practice of law in any jurisdiction in Canada is limited to only individuals with a valid license from one of the fourteen law societies.

298. The Law Societies determine the requirements for admission to the legal profession and are responsible for all elements of licensing. This includes the required educational components, licensing examinations, articling or other experiential training programs, and requirements related to "good character". Applicants must generally self-report any conduct or circumstances that may raise issues about their character, including prior convictions of criminal offences. These components are mainly consistent across law societies. A Canadian police clearance (i.e., a criminal record check) and/or reference letters may be required. If there are any concerns, the Law Society will investigate and, if needed, order a hearing.

299. There have been multiple instances, where a lawyer has had their license either suspended or revoked (disbarred) by a Law Society for professional misconduct that relates to breaches of Law Society AML/CFT rules and/or related duties (see Table 4.2).

Table 4.2. Suspension and revocation of lawyers' licenses (2017- April 2025, not limited to AML/CFT)

	Estimated number of law firms	Individual members	Suspension of individual lawyers' licenses	Revocation of individual lawyers' licenses
Law Society of Ontario	14 090 law firms	65 590 (lawyers)	486	231
Barreau du Québec	3 908	31 000	272	25
Chambre des notaires du Québec	828	3 900	119	4
Law Society of British Columbia	4 000	18 000 (approx..)	98	64
Law Society of Alberta	2 700	12 000	57	22

Source: Canada

Law Societies are empowered by their enabling statutes to regulate the legal profession and protect the public from harm caused by the unauthorized practice of law. Their powers include investigations; cease-and-desist orders; fines and penalties; public warnings; and injunctions. Courts play a critical role in enforcing the law societies' mandates and addressing unauthorized practice. Their powers include injunctions, criminal prosecutions and civil remedies. Below are some examples of instances where a law society took measures for the unauthorized practice of law.

Box 4.1. Cases for detecting unauthorized practice of law in Ontario

The Law Society of Ontario has been involved in a number of cases where it took measures to stop someone from the unauthorized practice of law. Some examples over the 2020 to 2025 period include the following:

- *Law Society of Ontario v. Helia Bayegan and HMB Canadian Immigration Firm Corp.* **(2024):** The court issued an injunction preventing the respondents from holding themselves out as lawyers or legal service providers, or from engaging in any activities that constitute the practice of law. The respondents were ordered to pay restitution to individuals who had been harmed by their unauthorized practice, ensuring that affected parties were compensated for any financial losses.
- *Law Society of Ontario v Jonhattan Da Rosa, c.o.b. as AXE Consulting Group* **(2023)**: The respondent, Da Rosa, was prohibited from engaging in the practice of law or providing legal services in Ontario unless properly licensed by the Law Society of Ontario. The court issued an injunction preventing Da Rosa from holding themselves out as a lawyer or legal service provider, or from engaging in any activities that constitute the practice of law.

Law Societies also take the necessary measures to prevent criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function in a law firm, through ownership and management restrictions described in R28, c.28.4b. The restrictions ensure that only licensed legal professionals have control of law firms.

4.2. Supervisors identifying, understanding and promoting DNFBP understanding of ML/TF risks

4.2.1. Identifying and maintaining an understanding of the ML/TF risks in the different sectors and types of DNFBPs and of individual DNFBPs over time

For DNFBP sectors (other than lawyers)

300. FINTRAC has a good understanding of DNFBPs' sectoral risks. Under the national risk assessment in 2025, Casinos, DPMS, Real Estate and Lawyers are assessed as highly inherently vulnerable, reflecting the risk and context of Canada.

301. FINTRAC's sectoral risk understanding is grounded in Canada's National Risk Assessment (NRA). This foundation is enhanced through ongoing refinement of FINTRAC's risk assessment methodology, which uses both quantitative and qualitative inputs, including the integration of strategic research and intelligence, publicly available information, and transactional data analysis. The transition from a regional structure to a sector-specific supervision model has deeply and thoroughly enhanced FINTRAC's understanding of each sector.

302. To deepen its understanding of sectoral risks, FINTRAC engages regularly with industry associations, domestic and international regulators, and other regime partners. For newly regulated sectors and others with evolving risk dynamics, FINTRAC works closely with the Department of Finance Canada and other regime partners to build a comprehensive risk profile.

303. FINTRAC uses a variety of tools to maintain an up-to-date understanding of ML/TF risks of DNFBPs. This includes operational and strategic intelligence information from FINTRAC's FIU side, analysis of transaction reporting data, information provided by provincial regulators and/or business associations, public data, past compliance assessments, and the Supervision Risk Model (SRM). FINTRAC uses the SRM which comprises 11 indicators, based on reports received from the entity concerned, to assign a risk score across a spectrum of Very High, High, Medium, or Low Risk for entities with sufficient transaction reporting data (i.e., entities that submitted STR or monetary threshold reports in the past three years). Given casinos' high volume of STR and transaction reporting, the SRM is able to differentiate and assign risk scores to all 19 entities in the casino sector. Since 2024-25, this risk understanding of casinos has been further complemented with the use of risk questionnaire assessments and regular monitoring meetings.

304. However, FINTRAC's understanding of individual entities' risks needs significant enhancement. For DNFBPs where insufficient transaction reporting data exists to support the SRM's application of all 11 indicators, these entities are categorized as "non-reporters" under FINTRAC's SRM development methodology, which many DNFBPs apart from casinos fall into. Among these non-reporters, a limited number of entities are assessed as "potentially high risk", based on available model indicators (third-party STR references, geographic exposure to human trafficking risk, and exposure to jurisdictions on FATF lists). The other entities (96.4%) remain categorised as "no-flag", and no entity level risk assessment is performed on them. Hence, it cannot be considered that their risks have adequately been assessed.

305. For example, only 210 out of 7 742 (6%) of all reporting entities in the real estate sector have sufficient transaction reporting data to be assigned a risk score under the SRM, and of these, 176 are scored as low risk, although the real estate sector is assessed as highly inherently vulnerable in NRA. 15 entities are flagged as "potentially high risk", and more than 97% (7 500) remain "no-flag". Similarly, out of approximately 3 000 DPMS identified by FINTRAC, only 62 have sufficient transaction reporting data to be assigned a risk score under the SRM (8 medium and 54 low), while the remaining, 4 are flagged as "potentially high risk" and over 97% (around 2 900) are "no-flag".

306. Beyond the SRM, FINTRAC conducts multiple complementary analyses to understand the risk profiles across the DNFBP sectors and to identify individual high-risk entities to be subject to heightened assessment. However, it remains unclear how analyses and risk assessments are conducted, and how these assessments are incorporated into risk-based prioritisation of supervisory activities for the vast majority of DNFBPs.

Table 4.3. Breakdown of SRM Risk Score

Sector	Vulnerability Rating (NRA 2025)	Number of Reporting Entities (as of Apr.1, 2025)	Number of Reporters				Number of Non-reporters	
			Very High	High	Medium	Low	Potentially high risk	No-flag
Casinos	High	19	1	5	4	10	-	-
DPMS	High	3 000	-	-	8	54	4	2,934 (97.8%)
Real Estate	High	7 742	-	-	19	176	15	7,532 (97.3%)
Accountants	Medium	1 000	-	-	1	1	116	882 (88.2%)
BC Notaries	Medium	293	-	-	-	19	-	274 (93.5%)
Sub-total		12,054	1	5	32	260	135	11 622 (96.4%)

Source: Canada

For the legal profession

307. Canada's federal AML/CFT Regime assessed the inherent ML/TF vulnerabilities of legal professionals in the NRA, concluding that lawyers and Québec notaries pose a high vulnerability. Neither provincial/territorial law societies nor their umbrella organization, the Federation of Law Societies of Canada (FLSC), have carried out a formal sector-level risk assessment of lawyers. Although the FLSC issued risk assessment guidance and case studies and risk advisories for particular risk domains such as real estate, shell corporations, private lending, trusts and litigation, and certain law societies have issued similar guidance, they do not constitute a holistic sector-level risk assessment. Most law societies collect data on lawyers' practicing areas posing high ML/TF risks through annual reporting requirements, practice declarations, as well as through their compliance audits and inspections and maintain statistics on the proportion of lawyers engaged in specific fields. However, Law Societies do not have a comprehensive framework for evaluating individual lawyers' ML/TF risks, and the AML/CFT regulation of the legal sector needs considerable improvements. Some Law Societies, including in British Columbia, have started sectoral and individual risk assessments, but the FLSC/Law Societies' understanding of lawyers' risk is still evolving.

308. The Government of Canada-FLSC joint working group was launched in 2019 to explore issues related to the ML/TF risks arising in the practice of law, and to strengthen information sharing between the FLSC and the Government of Canada. The working group includes representatives from Finance Canada, Justice Canada, the FLSC and select Law Societies, with regular participation from FINTRAC and the RCMP. It meets on a quarterly basis.

4.2.2. Promoting DNFBP understanding of ML/TF risks and AML/CFT obligations

For DNFBP sectors (other than lawyers)

309. FINTRAC, in co-operation with provincial/territorial regulators and national industry associations, engages in activities to promote reporting entities' understanding of ML/TF risks and AML/CFT obligations.

310. FINTRAC's outreach activities include virtual and in-person meetings, presentations, conferences, training sessions, and other exchanges of information, all aimed at strengthening compliance and risk awareness across the regime. FINTRAC also diffuses information through a mailing list providing additional information about new publications, guidelines, and changes to reporting mechanisms or requirements.

FINTRAC also proactively contacts new reporting entities to educate them about their compliance responsibilities. In addition, FINTRAC consults with industry on a number of issues, including new and revised guidance, reporting forms, and the implementation of regulatory amendments. Engagement with industry has been further strengthened through the accessibility of virtual outreach and consultation activities.

311. FINTRAC has delivered some real estate–focused initiatives designed to strengthen sector understanding of ML/TF risks by hosting the National Real Estate Virtual Forum with dedicated sessions on PCMLTFA obligations, delivering targeted presentations to *Québec's Organisme d'autoréglementation du courtage immobilier* (OACIQ) and British Columbia Real Estate Association. In October 2024, FINTRAC's Supervision sector presented at the British Columbia Real Estate Association Managing Brokers' Conference on sector specific ML risks, suspicion thresholds and clarified any misconceptions regarding STRs.

312. With respect to certain emerging risks, FINTRAC issues special bulletins and operational alerts to enhance risk awareness. Since 2024, FINTRAC has issued special bulletins or operational alerts regarding: online gambling; sanctions evasion; legal profession; tax evasion; underground banking and counter proliferation sanctions.

313. Nevertheless, there is still room for improvement regarding outreach. During the on-site visit, multiple entities expressed their views on the necessity of more detailed sector-specific guidance (see 4.3). Greater outreach regarding the importance and procedures of STRs will help raise awareness and increase filings in DNFBPs sectors, especially in the real estate and DPMS sectors (see 4.4.3).

For the legal profession

314. FINTRAC presented the *Special Bulletin on the use of the Legal Profession in Money Laundering and Sanctions Evasion*[41] to the FLSC with the intention of helping the legal sector identify and assess ML/TF activities and sanctions evasions risks and apply the controls and measures to mitigate those risks. The FLSC, as law societies' national umbrella organization, has published ML/TF risk advisories for the legal profession in five core areas: real estate, shell corporations, trusts, private lending, and litigation. The FLSC has also published risk assessment case studies for the legal profession, designed to assist lawyers in identifying and responding to red flags, with a focus on high-risk areas including: the misuse of trust accounts; real estate and other financial transactions; and the creation of corporations and trusts. In 2022, the FLSC published "Canadian Sanctions Related to Russia Belarus: Implications for the Profession." In 2023, the FLSC launched its online learning program, "Anti-Money Laundering/Terrorist Financing in the Canadian Legal Profession". The program, is divided into five modules, focused on: (i) understanding the problem of ML/TF; (ii) assessing and managing money laundering risks; (iii) CDD requirements; (iv) proper use of trust accounts; and (v) cash transactions. All provincial/territorial law societies also issue guidance and provide online training courses to enhance lawyers' understanding of ML/TF risks and AML/CFT obligations. For example, the Law Society of British Columbia launched a webinar on AML/CFT measures in 2020, and in 2025, a Law Society of British Columbia Practice Advisor presented to the British Columbia Legal Management Association on AML/CFT obligations and best practices. In May 2025, the Law Society of British Columbia's governing body approved a recommendation to implement mandatory AML/CFT training for all lawyers, extending beyond the scope of training recommended in the 2022 Cullen Commission Final Report[42].

[41] Special Bulletin on the use of the legal profession in money laundering and sanctions evasion

[42] See e.g., Commission of Inquiry into Money Laundering in British Columbia – Final Report, June 2022, Recommendations 53 to 65.

4.3. DNFBP understanding of existing and evolving ML/TF risks

For DNFBP sectors (other than lawyers)

315. The results of the National Risk Assessment have been spread through DNFBP sectors. Nevertheless, the level of understanding among each reporting entity regarding ML/TF risks they face varies between sectors.

Casinos

316. In the interviews conducted in the on-site visit, casinos demonstrated a strong understanding of ML/TF risks. In addition to recognizing risks aligned with their business characteristics such as customer base and business model, casinos also showed awareness of evolving risks, including online gaming and cryptocurrency. With respect to online gaming, casinos have enhanced their understanding of the ML/TF risks faced and the corresponding mitigation measures by co-operating with provincial regulators specialized in online gaming, such as iGaming Ontario (IGO). This understanding is further reinforced by the results of FINTRAC's supervisory assessments, revealing that the majority of casinos assessed from 2020-2025 were fully compliant with their PCMLTFA obligation to conduct risk assessments (see Table 4.4).

DPMS

317. DPMS still face challenges in their understanding of ML/TF risks. This is evidenced by the results of FINTRAC's supervisory assessments from 2020-2025 where only 23% of assessed DPMS were "compliant" with the PCMLTFA obligation to conduct risk assessments, 52% were "partially compliant", and 25% were "deficient", including entities that did not have their risk assessment at all (see Table 4.4.). These compliance results raise concerns about DPMS' understanding of ML/TF risks faced by their business activities. The main ML/TF risks highlighted in the NRA have been spread among the DPMS sector, although more time is required to build awareness around new and evolving risks, such as those related to new technologies including online trading or cryptocurrency. Continued outreach efforts in collaboration with national industry associations such as Canadian Jewellers Association (CJA) are expected to promote a deeper understanding of ML/TF risks.

Real Estate

318. Awareness of ML risks in the real estate sector has increased, in part due to the Cullen Commission report in British Columbia, which outlined key industry vulnerabilities. However, FINTRAC's review of past supervisory activities has found that, although risk assessments are commonly developed, they are often incomplete and not effectively implemented in practice. Only 41% of real estate agents were compliant with their institutional risk assessment obligations, 41% were partially compliant and 18% were deficient, including entities that did not have their risk assessment at all (See Table 4.4.). In addition to further outreach and engagement by the Canadian Real Estate Association (CREA), it is also worth considering more tailored and sector-specific guidance by FINTRAC.

Accountants

319. FINTRAC's examinations of the accounting sector over the review period reveal that accountants generally have a good understanding of ML/TF risks. This is evidenced by the high compliance rates – 58% of assessed accountants were "compliant" with risk assessment obligations, although the sector needs to implement risk assessments for all members, as 25% of accountants still have not conducted their own risk assessments (See Table 4.4.).

BC notaries

320. The majority of BC Notaries demonstrate a good understanding of risks, having developed and implemented risk assessments to manage their day-to-day business activities. This proficiency can be

explained by high compliance rates - 64% of assessed BC notaries were "compliant" with risk assessment obligations, and only 6% of BC notaries were assessed as "deficient" (See Table 4.4.).

Table 4.4. Supervisory findings of Risk Assessment deficiencies for DNFBP Sectors – 2020-2025

	"Compliant": obligation was met in full compliance with the PCMLTFA.	"Partially compliant": while the obligation is documented, it is either not applied, has been only partially implemented, or has quality issues.	"Deficient": the obligation has not been documented and is assessed as not existing.
Casinos	63%	19%	19%
DPMS	23%	52%	25%
Real estate	41%	41%	18%
Accountants	58%	17%	25%
BC notaries	64%	30%	6%

Source: FINTRAC

Note: Not all sectors are subject to an annual risk assessment review by FINTRAC. The timing and selection of these reviews are determined based on specific requirements and the focus of targeted sectors.

For the legal profession

321. Unlike the PCMLTFA requirements for other DNFBPs, rules of provincial/territorial law societies do not oblige lawyers to conduct ML/TF risk assessments. The FLSC has issued guidance regarding ML/TF risk assessment for lawyers, yet progress in risk assessment implementation remains limited. Risks in certain activities such as the operation of trust account, which the FLSC and provincial/territorial Law Societies identify as high-risk, are recognized. While lawyers are aware of information on ML/TF risks provided by the FLSC and law societies passively, they do not appear to proactively identify and understand ML/TF risks tailored to their own business model or evolving risks.

4.4. DNFBP understanding and compliance with AML/CFT obligations and mitigating measures

4.4.1. CDD, record-keeping, BO information, ongoing monitoring

For DNFBP sectors (other than lawyers)

322. Based on the results of the examinations, the majority of DNFBPs demonstrate an overall understanding of their obligations of CDD, record-keeping and BO information, and are required to comply with mitigation measures under the PCMLTFA. However, the degree of compliance varies depending on the sector and the nature of the obligations.

Casinos

323. Casinos display a strong understanding of their ML/TF obligations, as demonstrated in FINTRAC assessment results for 2020-2025 when no casinos were assessed as deficient with verifying identity and record keeping (see Tables 4.5. and 4.6). Casinos typically exhibit robust measures in conducting CDD and maintaining meticulous record-keeping practices. They effectively utilize their internal client risk monitoring systems, which include comprehensive reviews for clients deemed high-risk. Many casinos included information on ML/TF indicators and scenarios common to the casino sector within their policies and procedures. Casinos should continue to build awareness and implement processes so that changes in a client's risk profile trigger appropriate and proportional ongoing monitoring as required by the PCMLTFA.

DPMS

324. The DPMS sector demonstrates a moderate understanding of CDD obligations for verifying identity and record keeping, particularly in identifying clients and in obtaining the origin of funds for large cash transactions over CAD 10 000 as required by the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations (PCMLTFR). Between 2020-2025, 3% of assessed DPMS (1.8% of the total number of reporting DPMS as of 1 April 2025) were deficient in their obligation to verify identity, and none were deficient in regard to record keeping (see Tables 4.5 and 4.6). However, the DPMS sector should improve ongoing monitoring of existing business relationships to detect potential structuring of transactions and other suspicious indicators.

Real estate

325. Overall, the real estate sector displays a moderate understanding and compliance with CDD obligations. Based on FINTRAC's supervisory data 3.4% of the total number of reporting real estate entities had been subject to examination as of 1 April 2025, although the majority of the assessed real estate entities were "compliant" with obligations to verify identity, most of them were "partially compliant" with record keeping obligations (see Tables 4.5 and 4.6). Further improvements are expected, particularly through the broader dissemination of templates by national industrial associations such as Canadian Real Estate Association (CREA). Additionally, common deficiencies cited in sanctions issued by FINTRAC stem from brokerages not fully understanding how to conduct ongoing monitoring on their business relationships and applying effective controls or enhanced measures when their transactions involve higher risk clients or transactions (e.g., those involving third parties).

Accountants

326. Overall, this sector demonstrates moderate compliance with obligations, as 27% of assessed entities were "deficient" with obligations to verify identity and 14% were "deficient" in record keeping, per FINTRAC data (see Tables 4.5 and 4.6). FINTRAC has observed that there is room for improvement in the policies and procedures concerning the verification of beneficial ownership and PEPs, and that some accountants need to enhance their record-keeping practices to meet the amended legislation and regulations, especially in verifying identities for transactions over CAD 3 000.

BC notaries

327. BC Notaries generally understand their compliance obligations well, especially verifying client identity and documenting beneficial ownership information. FINTRAC observed that, although many notaries conduct ongoing monitoring and larger corporations use client management software, they do not detail the steps on how it is conducted in their policies and procedures. A common deficiency in record keeping note by FINTRAC within the BC Notaries sector is the recording of non-descriptive occupations (e.g. "manager" or "supervisor").

Table 4.5. Supervisory findings of Compliance levels per obligations – Verifying Identity (2020-2025)

	Total number of examinations conducted (2020-2025) and percentage in relation to the total DNFBP population as per table 4.14.	"Compliant": obligation was met in full compliance with the PCMLTFA.	"Partially compliant": the full obligation was not met.	"Deficient": the obligation has not been documented and is assessed as not existing.
Casinos	17 (89.4%)	89%	11%	0%
DPMS	54 (1.8%)	82%	16%	3%
Real estate	266 (3.4%)	71%	7%	22%
Accountants	8 (0.8%)	55%	18%	27%
BC notaries	21 (7.1%)	94%	3%	3%

Source: FINTRAC

Table 4.6. Supervisory findings of Compliance levels per obligations – Record Keeping (2020-2025)

	Total number of examinations conducted (2020-2025) and percentage in relation to the total DNFBP population as per table 4.14.	"Compliant": obligation was met in full compliance with the PCMLTFA.	"Partially compliant": the full obligation was not met.	"Deficient": the obligation has not been documented and is assessed as not existing.
Casinos	17 (89.4%)	64%	36%	0%
DPMS	54 (1.8%)	66%	34%	0%
Real estate	266 (3.4%)	16%	81%	3%
Accountants	8 (0.8%)	29%	57%	14%
BC notaries	21 (7.1%)	14%	86%	0%

Source: FINTRAC

For the legal profession

328. All law societies have rules, by-laws or codes of conduct regarding CDD, record-keeping and BO information (Also see R.22.1 and R.22.2). During the interviews in the on-site visit, lawyers seemed to have a sound understanding of law societies' rules and to implement them properly. There are no legally binding rules or regulations specified to ongoing monitoring from AML/CFT perspectives, although lawyers are required to assess and monitor whether there is a risk that the lawyer may be aiding or encouraging fraud or other illegal conduct, and the FLSC has issued guidance on monitoring obligations. While sanctions by law societies have been imposed in cases of obligation breaches, law societies do not gather specific data or statistics to understand trends on lawyers' overall level of compliance.

4.4.2. Enhanced or specific measures

For DNFBP sectors (other than lawyers)

329. Based on the results of the examinations, DNFBPs demonstrate near universal compliance with the application of special measures when high risk is identified (See Table 4.7). However, efforts in respect of policies and procedures governing PEPs differ across sectors, which FINTRAC assesses under general policies and procedures (See Table 4.10).

Casinos

330. Casinos are proactive in implementing policies for enhanced due diligence, including for PEPs. Larger casinos often use third-party services to verify clients against sanctions lists, particularly concerning high-risk jurisdictions. Regarding new technologies such as online gaming, casinos regularly update their risk assessments and take mitigation measures to address risks in collaboration with relevant regulatory authorities.

DPMS

331. DPMS businesses are exposed to high-risk clients such as PEPs and transactions involving high-risk jurisdictions. According to FINTRAC assessments based on the examinations, most DPMS businesses demonstrate an understanding of the obligations related to PEP clients and transactions involving high-risk jurisdictions and generally implement measures to mitigate these risks. FINTRAC observed that some DPMS lack understanding of PEP obligations, including the inclusion of family members or close associates, and application of enhanced due diligence measures.

Real estate

332. The real estate sector may deal with high-risk clients including PEPs and foreign investors from high-risk jurisdictions. While FINTRAC has observed a growing awareness among brokerages of the increased risks associated with transactions involving PEPs/HIOs, high-risk countries, and involvement of unidentified third parties, further implementation efforts are required for PEP policies and procedures. Although updated forms now include PEP/HIO checks, most brokerages lack measures for verifying the source of funds for PEPs. There is still inadequate implementation of enhanced or specific measures. For example, most brokerages lack measures for verifying the source of funds for higher-risk clients or transactions.

Accountants

333. Although the majority of Canadian firms operate primarily within the domestic market, larger firms which have international operations or connections may have exposure to high-risk jurisdictions or PEPs. According to FINTRAC assessments, all assessed accountant entities were compliant with obligations to implement special measures for high-risk clients (see Table 4.7).

BC notaries

334. Their exposure to high-risk clients and transactions is relatively low due to the size of this sector, and due to their services being confined to the jurisdiction of British Columbia. Although there are some deficiencies in policy, procedures and risk assessments, documentation and accessibility of information on high-risk clients and transactions are generally well-maintained within the sector.

Table 4.7. Supervisory findings of Compliance levels per obligations – Special Measures (2020-2025)

	Total number of examinations conducted (2020-2025) and percentage in relation to the total DNFBP population as per table 4.14.	"Compliant": obligation was met in full compliance with the PCMLTFA.	"Partially compliant": the full obligation was not met.	"Deficient": the obligation has not been documented and is assessed as not existing.
Casinos	17 (89.4%)	86%	5%	9%
DPMS	54 (1.8%)	91%	3%	6%
Real estate	266 (3.4%)	98%	1%	1%
Accountants	8 (0.8%)	100%	0%	0%
BC notaries	21 (7.1%)	97%	0%	3%

Source: FINTRAC

For the legal profession

335. During the interviews in the on-site visit, lawyers demonstrated an understanding of the obligations related to PEPs and high-risk jurisdictions, as well as the necessity of implementing enhanced measures in light of those risks. However, considering that lawyers and law firms in Canada are not subject to PEP or enhanced due diligence (EDD) requirements and there are no statistics regarding enhanced measures, Canada did not demonstrate evidence that lawyers effectively implement mitigating measures for PEPs, new technologies or high-risk countries. The FLSC and certain law societies have issued guidance to assist the legal profession in managing and mitigating higher ML/TF risks, including guidance in relation to PEPs/HIOs and in client matters involving higher country risks as well as limited guidance on new technologies. Additional steps are necessary to promote understanding of the importance of enhanced measures and ensure their implementation, further promoting such guidance developed by the FLSC and law societies.

4.4.3. AML/CFT reporting obligations, tipping off

For DNFBP sectors (other than lawyers)

336. The volume of suspicious transaction reports (STR) filed with FINTRAC varies depending on several factors, including COVID-19 and format changes. First, the COVID-19 pandemic led to a significant drop in reporting in 2020–21, primarily due to reduced activity in the casino sector, with volumes rebounding since 2022–23. Second, the transition to second-generation (Gen 2) reporting completed in 2024, introduced changes to reporting forms that also affected report volumes, because the new format asks entities to consolidate multiple, relevant transactions into one report.

337. DNFBPs (except casinos) submit a lower-than-expected volume of STRs despite the vulnerability of the sector, which limits FINTRAC's access to DNFBP transactional behaviour (See 6.1. for further details). The number of LPEPRs submitted by DNFBPs is also limited (See 10.2 for further details).

Casinos

338. Casinos continue to account for more than 90% of the total of DNFBPs' AML/CFT suspicious transaction reports. During the pandemic, as the brick-and-mortar casinos were closed, the casino sector experienced a noticeable decline in their STRs. However, 2022-23 marked a significant turnaround, with report volumes rebounding to levels comparable to those seen in the pre-pandemic period. Casinos have strong compliance with reporting obligations (See Table 4.8).

DPMS

339. Although the DPMS sector experienced a notable increase in STR filing in 2024-25 compared to previous years (See Table 4.8.), the number of STRs remains at a low level considering the high ML/TF risks in this sector. Continued FINTRAC engagement and operationalization by industry would help further increase STR volume in line with the sector's high-risk profile.

Real estate

340. The real estate sector is traditionally characterized by low reporting volumes. Although FINTRAC's outreach to the sector has resulted in STR reporting doubling from 2020-21 to 2022-23 (See Table 4.8.), the number of STRs continues to be at a low level considering the high risk of this sector. Continued FINTRAC engagement and operationalization by industry would help further increase STR volume in line with the sector's high-risk profile.

Accountants

341. The volume of STRs submitted by accountants is low and does not fully align with their vulnerability level (See Table 4.8). Continued awareness-raising activities by FINTRAC and provincial/territorial CPA bodies may help increase STR volume in line with the NRA risk profile.

BC notaries

342. The number of STRs from BC Notaries is also low but consistent with their small population and risk profile (See Table 4.8). The sector is frequently reminded during examinations that STRs must be reported as soon as practicable.

343. Reporting entities generally have strong measures to prohibit their staff from tipping off. FINTRAC verifies during its examinations whether provisions to prevent tipping off are included in DNFBPs' internal policies, controls and as part of their internal training content as required. To date, FINTRAC has not found any cases of reporting entities tipping off people that may have been the subject to an STR, as this obligation is well understood by reporting entities.

Table 4.8. Number of STRs Filed by DNFBPs

	Number of Reporting Entities (as of 1 Apr. 2025)	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Casinos	19	2 091	5 138	9 427	10 780	6 169	33 605
DPMS	3 000	176	174	197	167	375	1 089
Real Estate	7 742	126	256	280	247	190	1 099
Accountants	1 000	1	2	4	3	0	10
BC Notaries	293	10	12	15	13	7	57
Total	12 054	2 404	5 582	9 923	11 210	6 741	35 860
(Casinos' share of the total)	(0.16%)	(86.98%)	(92.05%)	(95.00%)	(96.16%)	(91.51%)	(93.71%)

Source: Canada

For the legal profession

344. Lawyers in Canada are exempted from requirements to file suspicious transaction reports when they are providing legal services (PCMLTFA s. 10.1).

4.4.4. Internal controls, procedures and audit to ensure compliance

For DNFBP sectors (other than lawyers)

345. During the interviews in the on-site visit, examples were observed in several sectors where sanction screening and system-driven transaction monitoring were conducted. For example, casinos described quality assurance processes by second line of defence and conducted internal audit by third line of defence. The content and level of detail of the internal control applied vary according to the scale and business model of DNFBPs. Regarding policies and procedures, deficiencies have been identified by FINTRAC in all DNFBP sectors, including casinos with robust AML/CFT regimes.

Compliance officer

346. FINTRAC assesses reporting entities' compliance with the requirements to appoint a compliance officer who is responsible for implementing their compliance program. The compliance rate in DPMS and real estate sectors is lower than in other sectors, and there remains room for improvement. Establishing an independent compliance officer is necessary to further strengthen AML/CFT controls including detecting of unusual activities and reporting of STRs.

Table 4.9. Supervisory findings of Compliance levels per obligations – Compliance Officer (2020-2025)

	Total number of examinations conducted (2020-2025) and percentage in relation to the total DNFBP population as per table 4.14.	"Compliant": obligation was met in full compliance with the PCMLTFA.	"Partially compliant": the full obligation was not met.	"Deficient": the obligation has not been documented and is assessed as not existing.
Casinos	17 (89.4%)	91%	0%	9%
DPMS	54 (1.8%)	76%	10%	14%
Real estate	266 (3.4%)	82%	12%	6%
Accountants	8 (0.8%)	100%	0%	0%
BC notaries	21 (7.1%)	95%	5%	0%

Source: FINTRAC

Policies and procedures

347. Larger entities are sophisticated in terms of their understanding and compliance with their obligations. The majority of small to mid-sized DNFBP entities are compliant or partially compliant in meeting their obligations. The most common deficiencies observed by FINTRAC include some incomplete compliance policies and procedures, which means that the reporting entity missed certain elements in its documents applicable to its operations and regulatory obligations, or did not fully apply its documented compliance program in practice.

Table 4.10. Supervisory findings of Compliance levels per obligations – Policies and Procedures (2020-2025)

	Total number of examinations conducted (2020-2025) and percentage in relation to the total DNFBP population as per table 4.14.	"Compliant": obligation was met in full compliance with the PCMLTFA.	"Partially complaint": the full obligation was not met.	"Deficient": the obligation has not been documented and is assessed as not existing.
Casinos	17 (89.4%)	13%	81%	6%
DPMS	54 (1.8%)	13%	69%	19%
Real estate	266 (3.4%)	16%	72%	12%
Accountants	8 (0.8%)	0%	100%	0%
BC notaries	21 (7.1%)	14%	81%	5%

Source: FINTRAC

Training program and two-year review

348. Over the past five years, FINTRAC has observed an increase among DNFBPs in their understanding and execution of ongoing compliance training programs and two-year review, as required by the PCMLTFA and its regulations. Overall, entities have become better at creating and implementing plans to deliver consistent training and have a documented strategy for periodic effectiveness reviews of their compliance programs, reassessed every two years. In 2024-2025, FINTRAC utilized a risk questionnaire in the casino sector to proactively assess casinos' self-reported compliance with training programs and two-year reviews, in order to inform its risk-based supervision of the sector. This resulted in a larger number of casino examinations in 2024-25 that uncovered deficiencies in these areas. Through further utilization of risk questionnaires, more sophisticated risk-based supervision can be conducted.

Table 4.11. Supervisory Findings of Compliance levels per obligations – Training Program (2020-2025)

	Total number of examinations conducted (2020-2025) and percentage in relation to the total DNFBP population as per table 4.14.	"Compliant": obligation was met in full compliance with the PCMLTFA.	"Partially compliant": the full obligation was not met.	"Deficient": the obligation has not been documented and is assessed as not existing.
Casinos	17 (89.4%)	64%	27%	9%
DPMS	54 (1.8%)	51%	33%	15%
Real estate	266 (3.4%)	53%	34%	13%
Accountants	8 (0.8%)	57%	29%	14%
BC notaries	21 (7.1%)	64%	27%	9%

Source: FINTRAC

Table 4.12. Supervisory Findings of Compliance levels per obligations – Two-Year Review (2020-2025)[43]

	Total number of examinations conducted (2020-2025) and percentage in relation to the total DNFBP population as per table 4.14.	"Compliant": obligation was met in full compliance with the PCMLTFA.	"Partially compliant": the full obligation was not met.	"Deficient": the obligation has not been documented and is assessed as not existing.
Casinos	17 (89.4%)	79%	7%	14%
DPMS	54 (1.8%)	55%	21%	23%
Real estate	266 (3.4%)	56%	18%	26%
Accountants	8 (0.8%)	80%	0%	20%
BC notaries	21 (7.1%)	59%	12%	29%

Source: FINTRAC

For the legal profession

349. Some examples were presented in which lawyers performed sanctions screening during on-boarding, and suspicious requests were examined by internal committees of law firms. The FLSC has also issued non-binding risk assessment guidance regarding AML/CFT internal controls and compliance programs. However, lawyers are not subject to any formal requirements in respect of the establishment and implementation of AML/CFT compliance programs by law societies' rules or regulations. As such, Canada did not demonstrate evidence that lawyers effectively implement internal controls to ensure compliance with AML/CFT obligations.

4.4.5. Legal or regulatory impediments to implementing AML/CFT obligations and mitigating measures

350. There are no major legal or regulatory requirements that impede the implementation of AML/CFT obligations and mitigation measures, both for DNFBP sectors, other than lawyers. In a 2015 decision in *Canada (Attorney General) v. Federation of Law Societies of Canada*, the Supreme Court of Canada held that the PCMLTFA's client identification and verification, record-keeping and search and seizure provisions, which then applied to lawyers, infringed Sections 7 and 8 of the Charter by providing inadequate safeguards for solicitor-client privilege and interfering with a lawyer's duty of commitment to their client's cause. Lawyers and law firms were thus excluded from the operation of those provisions, which represents a gap in Canada's current AML/CFT framework.

4.5. Supervisors risk-based monitoring or supervising compliance by DNFBPs

For DNFBP sectors (other than lawyers)

351. Each year, FINTRAC develops an annual operational plan to guide its various supervisory activities. This plan is informed by FINTRAC's risk model, public data, past compliance assessments, transaction reports, Intelligence Notices provided from its Tactical and Strategic Intelligence unit, and information from regulatory partners, risk questionnaires, and non-compliance reports (See c.28.5). FINTRAC's supervisory activities have varying intensity and are selected on the basis of risks observed. There are generally three types of supervisory activities: on-site examinations; desk-based assessments of submissions (i.e. risk questionnaire and self-assessment); and ongoing supervisory engagements, including monitoring meetings and outreach.

[43] Source: FINTRAC's supervisory data.

352. For further improvement of risk-based supervision frameworks, it is necessary to conduct entity-level risk assessment properly. Apart from casinos, FINTRAC has conducted supervisory assessment activities for fewer than 10% of all entities in the past five years. In addition, supervisory coverage of DPMS and real estate is substantially lower than casinos, all of which are assessed as high-risk, whereas coverage of lower risk sector (i.e. BC notaries) is higher than DPMS and real estate (see Table 4.13).

Table 4.13. Assessment Activities and SRM Risk Scores

	Number of Reporting Entities (as of 1 Apr. 2025)	Assessment Activities (Past 5 yrs)	Number of Reporters				Number of Non-reporters	
			Very High	High	Medium	Low	Potentially high risk	No-flag
Casinos	19	154(811%)	1	5	4	10	-	-
DPMS	3 000	168(6%)	-	-	8	54	4	2 934 (97.8%)
Real Estate	7 742	440(6%)	-	-	19	176	15	7 532 (97.3%)
Accountants	1 000	110(11%)	-	-	1	1	116	882 (88.2%)
BC Notaries	293	21(7%)	-	-	-	19	-	274 (93.5%)
Sub-total	12 054	893(7%)	1	5	32	260	135	11 622 (96.4%)

Source: Canada

353. FINTRAC is unable to articulate how annual operational plan for supervisory activities is developed based on the above risk assessment results; or provide the analysis of supervisory activities by risk categories of DNFBPs in the past 5 years. Canada explains that the SRM is only one tool used by FINTRAC to assess the risk of individual DNFBPs, however it has not been able to sufficiently demonstrate how other factors are taken into account in the risk assessment and supervisory prioritisation process in practice. Given the high number of 'no-flag' entities, the accuracy and significance of the risk categorization under the SRM is minimal for DNFBPs.

354. FINTRAC employs a range of different supervisory tools, including examinations, monitoring meetings, risk questionnaires and Voluntary Self-Declaration of Non-Compliance (VSDONC), which may apply when a reporting entity discovers non-compliance issues in reporting, client identification, record keeping, or other aspects of their compliance program during periodically review, ongoing risk assessment, or quality control activities. FINTRAC maintains a regular examination cycle for casinos. On the other hand, DNFBPs subject to examination represent only 0.56% of the total number of entities subject to examination in the year 2024-2025 (67 out of 12 054). While FINTRAC conducts other supervisory activities to supplement examinations, the low supervisory coverage of examinations for DPMS and real estate professionals relative to their large population raises concern that not all high-risk entities within those sectors are subject to in-depth assessment (see Table 4.14).

Table 4.14. AML/CFT Examinations of DNFBPs Conducted by FINTRAC

	Number of Reporting Entities (as of 1 Apr. 2025,)	2020-21	2021-22	2022-23	2023-24	2024-25	Total (percentage in relation to the total DNFBP as of 1 April 2025)
Casinos	19	4	0	6	2	5	17 (89.4%)
DPMS	3 000	3	10	8	8	25	54 (1.8%)
Real Estate	7 742	53	96	71	15	31	266 (3.4%)
Accountants	1 000	0	0	0	5	3	8 (0.8%)
BC Notaries	293	1	5	7	5	3	21 (7.1%)
Total	12 054	61	111	92	35	67	366 (3.0%)

Source: Canada

355. In 2023, FINTRAC launched an assessment tool called the risk questionnaire, intended to gather detailed information on reporting entities including their business model, risk exposure, and compliance measures. During the interviews in the on-site visit, positive feedback was received that risk questionnaires are a useful tool for reporting entities in properly identifying ML/TF risks and implementing mitigation measures proportionate to those risks. As noted in the DPMS section below, there remains room for further improvement in the selection of target entities who need to complete risk questionnaires. Increasing the coverage of examinations and risk questionnaires in higher risk areas, would further support a risk-based supervision.

Casinos

356. From 2020 to 2024, FINTRAC conducted examinations on a cyclical basis for all brick-and-mortar casinos, with a frequency of two to five years. This schedule was based on variables such as casino size, compliance history, and ML/TF risk levels, to ensure continuous risk oversight. In the past five years, 68% of the casino sector was examined. Beginning in 2024–25, FINTRAC further strengthened its risk-based approach, including risk questionnaires, monitoring meetings, targeted reviews, and full scope examinations of both bricks-and-mortar casinos and online gaming. Furthermore, in 2023-24, FINTRAC adopted a portfolio approach in supervising the casino sector similar to the banking sector. Under the revised framework, FINTRAC assigns a dedicated supervision officer to each casino to offer compliance assistance, relay the agency's expectations and updates, and monitor any operational or regulatory changes. Five of the largest casinos have quarterly meetings, the three remaining large casinos have biannual meetings, and the remaining eleven small and medium-sized casinos meet annually. This approach has been well-received for improving communication and compliance.

Table 4.15. Supervisory Assessment and Monitoring Activities for Casinos in 2020-2025

Assessment and monitoring activities	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Examinations	4	-	6	2	5	17
Meetings (Monitoring and Action Plan)	-	-	-	1	-	1
Questionnaires	-	-	-	-	18	18
VSDONCs	8	22	29	31	28	118
Totals	12	22	35	34	51	154

Source: Canada

DPMS

357. Over the past five years, FINTRAC conducted 54 examinations of DPMS, focusing on the largest and highest-risk entities, including follow-up examinations where deficiencies had been previously identified. These entities were deemed high-risk due to their significant market share, broad geographic reach, and status as luxury dealers of high-value products. Of the 54 examinations, 25 examinations resulted in follow-up supervisory activities, with 10 resulting in enforcement action, including four Notices of Violation issued, totalling CAD 594 974 (USD 434 881). Targeted questionnaires for the DPMS sector were launched in 2024-25, with 95 questionnaires administered. FINTRAC selected reporting entities based on the following risk factors: geographic risk exposure, product and service risk, adverse media results, and third party STRs indicating known criminal associates. From 95 questionnaires administered, FINTRAC received a completed response from 74 entities, 13 entities were unresponsive, and 9 were deemed not covered (i.e. did not perform triggering activities). Based on these results, a number of entities were selected for action plan meetings to ensure that FINTRAC monitored the DPMS' implementation of their compliance programs. Other DPMS entities that exhibited higher risk based on the results of the questionnaires were selected for comprehensive examinations. As noted above, further coverage of examinations and risk questionnaires would enhance FINTRAC's risk-based supervision, considering the risk and context in the sector.

Table 4.16. Supervisory Assessment and Monitoring Activities for DPMS in 2020-2025

Assessment and monitoring activities	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Examinations	3	10	8	8	25	54
Meetings (Monitoring and Action Plan)	-	-	-	-	8	8
Questionnaires	-	-	-	-	95	95
VSDONCs	1	1	4	2	3	11
Totals	4	11	12	10	131	168

Source: Canada

Real estate

358. FINTRAC's strategy in the real estate sector involves targeted examinations across various sub segments, including new brokerages, developers, and the luxury and commercial markets. Additionally, FINTRAC conducts follow-up examinations to confirm that previously identified deficiencies are addressed. Over the past five years, of the 266 examinations conducted, 23 were considered for enforcement activities, 128 were considered for follow up activity and 114 required no further action. FINTRAC administered 71 risk questionnaires in 2023-24 and 97 in 2024-25. To address the gaps identified, FINTRAC provided reporting entities with outcome letters detailing the gaps and collaborated with them to ensure these were addressed. The responses were assessed using a standardized risk rubric, leading to targeted supervisory actions. During the fiscal year 2023-24, FINTRAC introduced monitoring meetings as a follow-up assessment activity with major brokerages. FINTRAC held 10 meetings with large real estate brokerages, to increase the reporting of STRs and promote best practices. FINTRAC should continue such activities considering the low volume of STRs, in collaboration with CREA for additional outreach as necessary.

Table 4.17. Supervisory Assessment and Monitoring Activities for Real estate in 2020-2025

Assessment and monitoring activities	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Examinations	53	96	71	15	31	266
Meetings (Monitoring and Action Plan)	-	-	-	10	1	11
Questionnaires	-	-	-	71	97	168
VSDONCs	1	5	6	1	2	15
Totals	54	101	77	97	131	460

Source: Canada

Accountants

359. The number of examinations against accountants is low, although in part this reflects their relatively small number subject to the PCMLTFA (estimated at 1 000). FINTRAC has started risk questionnaires, improving its understanding of sector risks, uncovering compliance gaps, and identifying additional firms. From the 95 questionnaires administered in 2024-25, FINTRAC pinpointed common deficiencies such as the absence of a compliance officer, inadequate training, and missing obligations in policies and procedures. In some cases, policies and procedures for the firm were present, but lacked obligations like PEP and HIO determinations, risk assessment of new technologies, and large cash transaction and large virtual cash transaction reporting requirements. Based on these findings, five were selected for follow-up examinations and seven for action plan monitoring.

Table 4.18. Supervisory Assessment and Monitoring Activities for Accountants in 2020-2025

Assessment and monitoring activities	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Examinations	-	-	-	5	3	8
Meetings (Monitoring and Action Plan)	-	-	-	-	3	3
Questionnaires	-	-	-	-	95	95
VSDONCs	-	1	1	-	2	4
Totals	0	1	1	5	103	110

Source: Canada

BC notaries

360. The BC notary sector has low member turnover and few new entrants annually. Over the past five years, FINTRAC conducted 15 full examinations, three targeted exams and three follow-ups, finding most entities compliant. Of the 15 full examinations, nine were fully compliant and six had some deficiencies flagged for future supervision. Of the three follow-ups, two entities continued to show issues, indicating that some do not fully address deficiencies or encounter new compliance challenges. FINTRAC schedules follow-ups based on the severity of deficiencies and the risk profile of both the sector and the entity.

Table 4.19. Supervisory Assessment and Monitoring Activities for BC notaries in 2020-2025

Assessment and monitoring activities	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Examinations	1	5	7	5	3	21
Meetings (Monitoring and Action Plan)	-	-	-	-	-	0
Questionnaires	-	-	-	-	-	0
VSDONCs	-	-	-	-	-	0
Totals	1	5	7	5	3	21

Source: Canada

For the legal profession

361. Law societies use a range of different tools, including audits and investigations, to ensure that their members respect AML/CFT rules. While these tools have helped advancing lawyers' implementation of AML/CFT measures, they are still largely rule-based and lack a risk-based approach. Law societies conduct audits reviews of lawyers or law firms' financial records, books and accounts as well as the handling of client file matters. Audits also examine compliance with AML/CFT rules and regulations, such as CDD, BO inquiries and record-keeping. The importance of fulfilling obligations appears to be well embedded among lawyers in certain provinces, such as British Columbia, where between 2020 and 2025, referrals arising from the Law Society audits accounted for approximately 75% of all new AML/CTF investigation files and some audit referrals for AML/CTF obligations have resulted in revocations. In contrast, regarding areas such as enhanced due diligence, which are not prescribed by rules and regulations but are instead addressed only through non-binding guidance, implementation among lawyers appears inconsistent (Also see 10.5 and 11.6.2. for TF/PF monitoring and compliance). Both law societies and lawyers remain largely focused on rule-based measures, and lack of risk-based approaches is a deficiency, including building on risk awareness both by law societies and by lawyers. In addition to risk assessments by law societies or the FLSC, Canada should further promote the implementation of a risk-based approach by ensuring that designated supervisory authorities, which may be self-regulated bodies such as law societies, can share the results of examinations with individual lawyers, have lawyers do their own ML/TF risk assessments, which is different from lawyers' general obligation to assess whether there is a risk that the lawyer may be aiding or encouraging fraud or other illegal conduct, and implement commensurate mitigation measures. During the interviews in the on-site visit, differences were noted across provinces regarding the preparedness and the progress of sectoral and entity level risk assessment. Law societies should share initiatives and best practices from different provinces in appropriate forums such as the FLSC to effectively strengthen the legal sector's approach to AML/CFT.

362. Law societies' audits of firms follow to some extent a risk-based approach, for example by focusing on trust accounts, which are typically regarded as high-risk. Law societies should further enhance their risk-based approach and conduct more comprehensive supervisory risk assessments. Considering the volume of members, the number of audits, especially targeted to AML/CFT obligations, is limited. It is positively noted that some law societies have made efforts to select entities targeted for review following a risk-based approach. For example, Ontario selects entities based on firm size, area of practice, new sole practice or other factors, and British Columbia audits all law firms at least once every six years, with firms practicing in higher-risk areas audited at least once every four years. To further enhance alignment and compliance with the FATF Standards, each law society should conduct its own risk assessment at the starting point of risk-based approach and then develop and refine supervisory approaches based on the assessment. Canada should also consider measures to monitor the effectiveness of law societies' risk-based supervision, including enhancing transparency through detailed disclosure in annual reports and introducing independent review of law societies' risk-based supervision by third parties.

Table 4.20. Estimated Number of Annual Law Society Audits (2019-2024)

	Estimated number of law firms	Estimated Number of Audits Performed Annually
Law Society of Ontario	14 090 law firms	1 200
Barreau du Québec	3 908	681 (as in March 2025) (All trust accounts are audited once every 5 years)
Chambre des notaires du Québec	828	551 (for the year ending 31 March 2024)
Law Society of British Columbia	4 000	585
Law Society of Alberta	2 700	150-200

Source: Canada

4.6. Impact of monitoring, supervision, outreach, remedial actions and effective, proportionate and dissuasive sanctions on DNFBP compliance

For DNFBP sectors (other than lawyers)

363. FINTRAC has several measures for remedial actions, including issuance of supervisory letters following compliance assessments or examinations, along with action plans where necessary. Twenty requests for action plans were issued in the past five years, and FINTRAC monitors the completion of action plan items to ensure improvements are implemented. For more severe cases of non-compliance, FINTRAC may apply sanctions, including administrative monetary penalties (AMPs) and non-compliance disclosures to law enforcement agencies. Although casinos have maintained strong levels of compliance across the reporting period thanks to FINTRAC's significant activities in this sector, further work needs to be done to have a strong impact on the compliance of the Real Estate and DPMS sectors.

364. Administrative Monetary Penalties (AMPs): After a FINTRAC supervision officer conducts an examination or finds evidence of non-compliance, FINTRAC assesses the extent of the entity's non-compliance against the severity/harm done (i.e. consequence) and reviews the entity's overall compliance history. The amount of the AMP varies based on the severity of the violation. At the time of the evaluation, AMPs were up to CAD 100 000 (USD 73 092) for a person and CAD 500 000 (USD 365 462) for a reporting entity. Each individual violation can be subject to its own AMP and there is no cumulative penalty limit. When AMPs are imposed, the amount is considered proportionate. However, the number of AMPs is limited, and the positive impact of monitoring and supervision on DNFBPs' compliance is not clearly demonstrated.

365. Once an administrative monetary penalty is imposed, FINTRAC must make public the name of the reporting entity, the nature of the violation or default, and the amount of the penalty. AMPs can cause financial strain for reporting entities, as well as reputational damage, given the public naming after the penalty is imposed. The public naming aspect of penalties provides an additional deterrence effect in addition to the penalty amount. However, in some cases, AMPs are published several months after being issued; for dissuasive effect in similar cases by other entities, it is important that AMPs be disclosed promptly.

366. Between 2020 and 2025, FINTRAC has issued 31 Notices of Violation for DNFBPs, which included one for accountants, two for casinos, five for DPMS, and 23 for real estate, for a total of CAD 5 236 388. This aligns with higher risk DNFBP sectors subject to the majority of compliance assessments. The Notice of Violation itself concerns various violations of the PCMLTFA and regulations, with the most frequent being

compliance programs violations and violations for record keeping. It also included violations for failure to file an STR, which is one of the most serious violations and has high penalties associated with it. Proactive examinations, followed by appropriate sanctions, when warranted, and dissemination of STR obligations by public naming, should be carried out as part of awareness raising efforts across the entire sector.

Table 4.21. Number/Total Dollar Value of Penalty Issued onto DNFBPs

	Number of Reporting Entities (as of 1 Apr. 2025)	2020-21		2021-22		2022-23		2023-24		2024-25		Total	
		N	CAD	N	CAD	N	CAD	N	CAD	N	CAD	N	CAD
Casinos	19	0	0	0	0	0	0	0	0	2	1 275 000	2	1 275 000
DPMS	3 000	2	272 910	1	222 750	1	99 314	0	0	1	264 000	5	858 974
Real Estate	7 742	5	538 230	8	1 517 176	0	0	5	549 533	5	423 225	23	3 028 164
Accountants	1 000	0	0	0	0	0	0	0	0	1	74 250	1	74 250
BC Notaries	293	0	0	0	0	0	0	0	0	0	0	0	0
Total	12 054	7	811 140	9	1 739 926	1	99 314	5	549 533	9	2 036 475	31	5 236 388

Source: Canada

Non-Compliance Disclosures (NCDs)

Box 4.2. Case study – Behaviour Change Following an Administrative Monetary Penalty (AMP) in the Real Estate Sector

This case study illustrates how an AMP issued in the real estate sector led to the rectification of non-compliance and meaningful behavioral change.

FINTRAC had imposed AMPs on two of three brokerages in British Columbia linked through the same managing broker or corporate ownership. One AMP was imposed for CAD 149 886 in April 2022, and the second AMP was imposed for CAD 275 385 in July 2022. Subsequently, FINTRAC conducted a follow-up examination on the third brokerage and found that the real estate brokerage had implemented significant improvements to its compliance program. The follow-up examination, which assessed all applicable regulatory requirements, was conducted on-site in 2024. It marked a turning point in the reporting entity's compliance approach.

During this assessment, the compliance officer demonstrated a robust understanding of AML requirements and FINTRAC's mandate. The reporting entity also presented a revised risk assessment, rectifying the incomplete version from 2022. The compliance officer had a strong understanding of the brokerage's AML requirements and FINTRAC obligations, the policies and procedures were complete, agent interviews demonstrated that the ongoing training program and plan was effective, and the two-year review was completed by an external auditor, with its full scope documented. FINTRAC reviewed over 50 records and only two had record keeping errors: one for inadequate occupation, and one missing PEP form. The findings letter from the 2024 examination was flagged as "no further activity required," as the reporting entity made significant improvements and no major deficiencies were identified.

The reporting entity improved its compliance program due to FINTRAC's interventions, which included the AMP applied to other related brokerages. This third brokerage expressed how FINTRAC's previous examinations, including those on the other two brokerages, clarified the criteria for reporting STRs, in addition to their AML/CFT obligations. This resulted in significant improvements to their compliance program and knowledge of AML/CFT.

367. FINTRAC has the legislative authority to disclose information about non-compliance of reporting entities to law enforcement when it suspects on reasonable grounds that the information would be relevant to investigating or prosecuting criminal non-compliance offences under the PCMLTFA. Since 2020, FINTRAC has disclosed nine non-compliance disclosures to law enforcement on DNFBPs.

Enforcement by Other Regulators

368. Regulatory bodies other than FINTRAC have the authority to independently impose sanctions or disqualify reporting entities through self-regulatory frameworks, based on violations of their respective legislation and regulations. These actions may include panel decisions and a range of punitive measures, such as disciplinary actions and monetary penalties. FINTRAC actively collaborates with other regulatory bodies to ensure it leverages all relevant remedial powers to enforce compliance. For example:

- In the casino sector, the *Alcohol and Gaming Commission of Ontario (AGCO)*, the Ontario provincial regulator, has intervened to penalize casino operators for failure to meet requirements that have a nexus to AML.
- The *British Columbia Financial Services Authority (BCFSA)* has issued professional misconduct penalties to British Columbia real estate brokers and agents for failure to comply with PCMLTFA obligations, such as failure to report suspicious transactions, amongst other violations.

- The *Organisme d'autoréglementation du courtage immobilier du Québec* (OACIQ), the real estate regulator in Québec, requires all its registrants to provide information about the presence of a compliance program and shares its results with FINTRAC.

369. FINTRAC undertakes outreach activities to promote understanding of risk and obligations. FINTRAC's restructuring from geographic to sector focus in 2023 has contributed to strengthening outreach by each sector and enhancing co-operation with reporting entities and relevant industrial associations (Also see 4.2.2).

For the legal profession

370. Law societies have a wide variety of sanction options, including reprimands, fines, restrictions or conditions on practice, and revocation of license (disbarment). The grounds for sanctions are not limited to violation of AML/CFT rules but also include, among other things, improper use of trust account or involvement in fraudulent activities.

371. Canada provided case studies where law societies imposed a range of sanctions (including fines, suspensions, restrictions and conditions on practice, and disbarment) on lawyers for professional misconduct or conduct unbecoming, including for breach of AML/CFT rules. The majority of sanctions imposed against legal professionals for AML/CFT related conduct are suspensions or license revocations. Law societies do not maintain statistics related to sanctions for breaches of AML/CFT rules (See Table. 4.2).

372. In all law societies, disciplinary hearings are generally open to the public and disciplinary decisions, including notices of suspension and disbarment are publicly disclosed. This publicity is intended to have a dissuasive effect (see R.28, c. 28.4c)). Certain law societies, particularly in British Columbia, Ontario, Québec and Alberta, have more cases than others in relation to breaches of AML/CFT rules, in line with the general higher number of members. However, the sanctions imposed in several cases did not appear proportionate and dissuasive in relation to such breaches (e.g. suspensions for a few weeks or months, and fines in the order of thousands or tens of thousands). Disbarment was typically ordered in cases where lawyers not only breached AML/CFT rules but also aided or engaged in dishonesty, crime or fraud (e.g., misappropriation of client funds), contrary to rules of professional conduct. Considering the number of lawyers and their high vulnerability to ML/TF risks, the regional variations, relatively low monetary value of fines and limited duration of suspensions for breach of AML/CFT obligations as a whole, law society sanctions are not proportionate nor dissuasive and are not sufficient to ensure effective implementation of obligations by lawyers (see Table 4.2).

373. Where there are reasonable grounds to believe that a lawyer has committed a criminal offence, most (but not all) statutes governing law societies include mechanisms to authorize the law society to refer the matter to law enforcement and other competent authorities, subject to exceptions or safeguards for information covered by solicitor-client privilege, professional secrecy and/or confidentiality. For example, since 2021, the Law Society of Ontario has made 46 referrals to law enforcement, and the Law Society of British Columbia has made five referrals to law enforcement. The basis for these referrals includes misappropriation of client funds, AML concerns, and interference in the administration of justice. During an investigation, the Law Society of British Columbia also encourages complainants and witnesses to report to law enforcement if they have concerns in respect of a lawyer's suspected criminal conduct.

374. Certain law societies such as British Columbia, Ontario, Manitoba and Saskatchewan have concluded information sharing agreements with other regulators and law enforcement, such as the RCMP, to support investigations into professional misconduct or conduct unbecoming of a lawyer. Other law societies are working to finalize similar agreements with the RCMP. These information sharing agreements and initiatives are aligned with the objectives of the Government of Canada-FLSC joint working group and with the spirit of enhanced collaboration between law societies and law enforcement, recommended in the Cullen Commission's Final Report. These information sharing agreements help strengthen Canada's ability

to enforce lawyers' compliance and could result in more cases of law enforcement sanctions over time. Nevertheless, these agreements do not clarify the process for sharing of information from law societies to the RCMP and it is not yet clear whether they may lead to more referrals to law enforcement. Further, Canada has not provided evidence that law societies' referrals and information sharing with LEAs have resulted in criminal prosecutions and sanctions in relation to money laundering.

375. Law Societies and the FLSC undertake a broad range of outreach activities and issue guidance to promote risk understanding and obligations across lawyers. These outreach initiatives have improved lawyers' comprehension of AML/CFT obligations; however, lawyers' risk awareness and flexible mitigation measures commensurate to the risks they assessed still have room for improvement. To advance from rule-based to risk-based approach, more effective ways of outreach should be considered, using FINTRAC and other relevant authorities' outreach as references when needed (Also see 4.2.2).

5 Transparency and beneficial ownership

The relevant Immediate Outcome considered and assessed in this chapter is IO.5. The Recommendations relevant for the assessment of effectiveness under this chapter are R.24-25 and elements of R.1, 10, 22, 37 and 40.[44]

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Canadian authorities have a good understanding of the ML/TF risks attached to both legal persons and arrangements, but this could be deepened, as the national risk assessment lacks detail on specific ways in which different legal vehicles may be misused and does not specifically assess the different risks which may apply to foreign legal arrangements.

b) Canada has risk-based mitigating measures in place to prevent the misuse of legal persons and arrangements, which include: obligations at the federal level and in almost all provinces and territories for private companies to obtain and record BO information; BO disclosure requirements on public corporations under securities laws and regulations in all provinces and territories; the establishment of central registers of corporate BO data by the federal government and in Québec; a Land Owner Transparency Register in BC; requirements for trustees of express trusts to file income tax returns which must include BO data; obligations on all REs to collect BO data as part of CDD, which is reported to FINTRAC where ML, TF or sanctions evasion is suspected; and prohibitions on bearer shares.

c) For BO information, Canada adopts a multi-pronged approach for competent authorities to obtain adequate, accurate and current BO information of legal persons in a timely manner. BO data is generally sought from central registries where these have been established, reporting entities and from other government sources such as FINTRAC rather than from corporations themselves. Access to information from REs via production orders and from FINTRAC via disclosures may not be timely as outlined under IOs 7 and 6. While BO data can be sought directly from corporations, a material gap exists in this regard in Alberta, as the only province where BO record-keeping obligations have not been introduced but where approximately 10% of Canadian incorporations occur. Canada has not demonstrated the degree to which

[44] The availability of accurate and up-to-date basic and beneficial ownership information is also assessed by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. In some cases, the findings may differ due to differences in the FATF and Global Forum's respective methodologies, objectives and scope of the standards.

corporations are complying with record-keeping obligations in other provinces and territories where central government registers are not yet established. This is particularly concerning with regards to Ontario, as 38% of Canadian incorporations take place there.

d) Authorities can access Government registers of BO data where these have been established (currently at the federal level and in Québec) – covering 30% of Canadian corporations. Authorities' access to these registers is timely and data is utilised in investigations. In addition, timely access to data on foreign corporations operating in Canada varies depending on what provincial obligations apply. However, these represent less than 1% of all corporations operating in Canada. Verification measures are in place but could be enhanced as they currently focus on, for example, entities declaring no beneficial owners.

e) Canada relies heavily on its tax framework for access to basic and BO information on express trusts and *fiducies*. Information held by trustees/equivalents and REs can be obtained by LEAs via production orders under the Criminal Code. The obligation to file this as part of annual income tax returns creates an obligation for it to be recorded by trustees, in addition to the need to do so to fulfil their fiduciary duties, including their duty to account. However, the tax data may not be up to date due to its being provided as part of annual tax returns, with no obligation to update trust BO filings upon a material change, apart from in certain specific circumstances.

f) CRA and Revenu Québec have timely access to the BO data on trusts which is filed with them, which includes residence of trustees. Both CRA and Revenu Québec have mechanisms to share information with LEAs in certain circumstances, both proactively and with judicial authorizations for certain purposes. Canada has provided case studies where LEAs secured timely access to trust BO information held by Canadian tax authorities through such disclosures, although this could be improved. FINTRAC can receive trusts' BO data held by tax authorities through the VIR mechanism.

g) The competent authorities which notably have less timely access to BO data on trusts are provincial civil forfeiture authorities. Currently the mechanisms for their access to CRA data are via LEAs but this is not an optimal situation to ensure timely access. Québec's civil forfeiture office can access BO data held by Revenu Québec through the Attorney General for specified purposes, subject to a data sharing agreement being put in place but currently have no mechanisms to access BO data held by the CRA.

h) Corporate registers have achieved good compliance rates with a non-aggressive approach. CRA has applied penalties in relation to trust reporting obligations which in total amount to millions more than levied prior to these obligations, which have contributed to greater compliance.

i) Administrative sanctions mainly focused on corporate dissolutions, and no criminal sanctions, were applied to natural persons for inaccuracy of information and failure to comply with corporate basic and BO information requirements over the review period. Overall, the sanctions applied over the review period are considered to be effective, proportionate and dissuasive to some extent.

Key Recommended Actions (KRAs)

a) Canada should continue to progress the implementation of a pan-Canadian corporate BO framework to ensure aligned BO obligations, including central BO registry or alternative mechanisms, are implemented and dissuasive and proportionate sanctions for non-compliance are applied, across all provinces and territories, with a priority on Ontario and Alberta.

Canada should implement additional verification measures to ensure accuracy of corporate basic and BO information, on a risk-sensitive basis, which should include enhanced information sharing between the different sources of BO information across its multi-pronged system (i.e. corporate registries and FINTRAC) to further facilitate cross-checking.

Canada should facilitate timely and streamlined access by competent authorities to BO data on trusts and *fiducies* held by tax authorities.

Other Recommended Actions

a) Canada should deepen its understanding of ML/TF risks of different types of legal persons and arrangements beyond the broad categories of corporations and express trusts currently covered in the NRA, and in particular the specific risks applying to foreign legal arrangements with sufficient links to Canada.

b) Canada should ensure timely access for authorities to BO data on foreign corporations operating in all provinces and territories, as per current requirements in Québec.

c) Canada should enhance the availability of updated BO data on trusts and *fiducies* held through Canada's multi-pronged framework for trust beneficial ownership transparency.

Overall Conclusions on IO.5

Canada has taken significant steps since the last Mutual Evaluation to address potential misuse of legal persons and arrangements. These include the introduction of BO record keeping obligations for corporations at the federal level and in almost all provinces and territories, and requirements for BO data on trusts to be filed with Canadian tax authorities on an annual basis. FINTRAC supervises reporting entities for compliance with requirements to collect and hold BO data as part of their CDD obligations. FINTRAC also receives STRs with BO information, which it supplements with analysis of corporate registries and other information. There is good private sector understanding of obligations but compliance with BO record-keeping obligations was demonstrated in jurisdictions where central filing with BO registries applies, but not shown in other jurisdictions.

Competent authorities have timely access to basic corporate data in all jurisdictions where corporations can be formed, while the timeliness of access to BO data varies depending on (i) whether central registry filing obligations apply in relation to corporate data (currently covering 30% of Canadian corporations) and (ii) in relation to data on trusts, on what access is permitted to taxpayer data. Verification efforts are undertaken but could be enhanced in relation to the corporate BO registries. Canadian authorities have applied various sanctions, including administrative dissolutions for corporations, AMPs for non-compliance with BO requirements under the PCMLTFA and penalties for trustees' non-compliance with the enhanced trust reporting requirements. Given the scale of use of both legal persons and arrangements in Canada and the very high inherent vulnerability assigned to both in Canada's NRA, most weight is granted to the issues of timely access to corporate BO data while also weighing heavily the accuracy of data on corporate BO registers.

Canada is rated as having a Moderate level of effectiveness for IO.5.

Immediate Outcome 5

376. Canada has put in place a number of significant measures since 2016 to prevent the misuse of legal persons and arrangements and to better align its framework with the revised FATF standards. These include:

- requirements for corporations created at the federal level, and in almost all provinces and territories, to record information on their beneficial owners, to keep it current and to make it available to competent authorities upon request;
- obligations on all reporting entities to obtain BO information as part of their customer due diligence processes;
- increased and updated guidance available to businesses and REs on determining beneficial ownership in simple and complex cases, an updated STR reporting form that assists in capturing more beneficial ownership information, and enhancements to FINTRAC's ability to disclose BO information to other competent authorities;
- the establishment of governmental registers of corporate BO data at the federal level and in Québec;
- and obligations for trustees and fiduciaries to file information on BO as part of annual income tax returns at the federal level and in Québec.

- BC has also established a Land Owner Transparency Register (LOTR) with obligations to file details on the beneficial owners of land interests (including land owned or controlled through relevant corporations, trusts and partnerships).
- Authorities have strengthened their capacity and tools to identify beneficial ownership through these multiple sources through training and improved data analysis tools.

377. While there are good levels of compliance with the obligations to file and keep records of BO data on legal persons to Federal and Québec BO registries, other provinces and territories have not yet established BO registries or alternative mechanisms. Authorities do not gather data on levels of compliance with BO record-keeping obligations for corporations in the other provinces where central filing does not yet apply. REs demonstrated a good understanding of, and compliance with, their obligations to collect BO data (See IO.3). There are also high levels of compliance with the obligations to file BO data on trusts with CRA and Revenu Québec, however, this information may not be up to date as required by the standards due to its being filed as part of annual tax returns. Tax authorities are able to proactively seek information when required based on risk during their compliance activities. Sanctions which have been applied have been proportionate and dissuasive to some extent.

378. Canada is the home of a high volume of company formation, both at federal and even more so at the provincial level. Formation of private corporations is relatively simple, which is a part of pro-enterprise policies, but is also acknowledged in the National Risk Assessment as creating vulnerabilities for their misuse. The following table demonstrates the scale of company formation:

Table 5.1. Number of for-profit corporations

Type of Legal Person	Central BO Register	2019	2020	2021	2022	2023	2024
For profit business corporations (public and private)- Federal	Yes	367 940	422 911	504 132	570 884	599 448	626 631
Ontario	No	1 257 330	1 308 181	1 384 604	1 449 190	1 513 964	1 576 644
Québec	Yes	425 509	446 986	472 510	496 135	513 124	537 897
BC	No	453 105	479 133	524 693	555 575	575 427	586 000
Alberta	No	426 571	448 916	441 663	452 555	481 692	495 557

Source: Canada

379. Other legal persons which may be formed include co-operatives, boards of trade and non-profit organisations. Of these, non-profits are assessed in the NRA (for ML and TF) in more detail than co-operatives and boards of trade. Nonetheless, all are subject to requirements to file at least basic information with federal or provincial authorities. As a complement to the public-facing NRA, separate analysis has been developed by FINTRAC to advise federal and provincial corporation authorities on the risks of potential misuse of corporations under their jurisdiction.

380. As a common law jurisdiction, there is also widespread use of express trusts in Canada for various purposes, while civil law trusts (*fiducies*) may be created in Québec. As in other jurisdictions where historically there has been no overarching requirement for express trusts to be registered with government authorities, it is difficult to determine the precise number of trusts in existence. However, the number registered with CRA was significant prior to the introduction of BO obligations and has increased by over 30% since the introduction of the obligation to file BO information as part of income tax returns for tax years ending on or after December 31, 2023.

Table 5.2. Enhanced trust reporting rules: effect on income tax (T3) return and BO information filing

				2023		2024
A. Total T3 returns assessed - all trust Types, most recent assessment				417 550		360 420
F. Trusts with filed T3 return and BenO information required and filed				233 520		175 400
H. Total beneficial ownership reportable entities submitted:				4 821 060		6 814 190
Number of T3 returns assessed by taxation year[1]	2019	2020	2021	2022	2023	2024
Total Trust Returns Assessed	304 530	307 230	323 230	326 630	417 550	360 420

Source: Canada

Table 5.3. Number of trusts registered with Revenu Québec – 2019-2023

Registrations per calendar year	2019	2020	2021	2022	2023*
Trusts registered	216 219	230 537	247 705	271 729	293 916
Annual increase in trust registrations		6.6%	7.4%	9.7%	8.2%

* Provisional figure

Source: Canada

Table 5.4. Number of Trusts registered with the CRA - 2019 – 2024

Registrations per calendar year	2019	2020	2021	2022	2023	2024*
Trusts registered	595 984	615 944	649 538	688 497	750 400	840 031
Annual increase in trust registrations		3.3%	5.5%	6.0%	9.0%	11.9%

* Provisional figure

Source: Canada

5.1. Identifying, assessing and understanding ML/TF risks of legal persons and arrangements

381. Canada demonstrates a good understanding of the inherent ML/TF risks associated with legal persons and arrangements, both those originating in Canada and those having sufficient links with it. The main assessment of legal persons and arrangements is contained within the 2025 national risk assessment. The national risk assessment is structured around inherent threats and vulnerabilities rather than arriving at residual risk ratings for different legal vehicles. The 2025 NRA was led by the Department of Finance Canada, co-chaired by FINTRAC, developed through collaboration with LEAs and supervisors and involved consultations with federal departments and provincial and territorial governments, as well as the private sector. This included corporate law experts from different Canadian jurisdictions. The federal-provincial territorial working group on BO contributed expertise on legal persons and arrangements created in their respective jurisdictions. The NRA also built on public consultations which were conducted by federal, provincial and territorial governments on the ML/TF risks associated with complex corporate ownership to inform the implementation of BO registries. The assessment drew on a range of qualitative and quantitative information including FINTRAC intelligence and supervisory findings, PSPC procurement and supplier-

integrity data, RCMP investigative and intelligence reporting, broader Government of Canada intelligence assessments, targeted public and private research and consultations with academics, industry and civil society.

382. Corporations are assessed as holding 'very high' levels of inherent vulnerability. This is partly based on their ease of formation and the fact that this can be done from anywhere in the world and without the need for professional intermediaries. However, public corporations are assessed as being less vulnerable than private corporations due to existing disclosure obligations under provincial and territorial securities regulations and stock exchange rules. These effectively require disclosure of those owning 10% or more of such corporations.

383. Other forms of legal persons, such as co-operatives and boards of trade, are assessed as having low levels of vulnerability for ML and TF due to their ownership structures, governance and purposes.

384. Express trusts are also assessed as holding 'very high' levels of vulnerability. This is based upon their potential complexity, making ultimate beneficial ownership difficult to determine, and providing options for them to have a global reach.

385. The national risk assessment does not make a clear distinction between the assessment of the risks of legal arrangements which are governed under Canadian law and those which are administered in Canada, essentially treating these as one category (See R.25). It does refer to foreign legal arrangements having sufficient links with Canada but, other than in the case of offshore asset protection trusts where the vulnerabilities are described as 'heightened', does not distinctly assess the risks of these arrangements, rather stating that the same vulnerabilities apply to all, whether originating in Canada or elsewhere. Therefore, while Canada has a good understanding of the vulnerabilities inherent to express trusts, it has not clearly assessed how risks may differ between foreign trusts with sufficient links to Canada and those administered or originating in Canada.

386. Authorities demonstrated a good understanding of the risk of different legal vehicles being used for different purposes. Authorities have mainly seen trusts used for tax avoidance or evasion rather than ML or TF. Most legal vehicles used for ML/TF have been corporations.

387. Based on the CRA's audit experience, domestic trusts mostly use a province or territory of Canada as their source of law, for the formation, administration and interpretation of the trust and for the legal forum, unless the domestic settlor is attempting to establish a trust with tax residency in another country. The "source of law" is normally noted in the trust deed as the settlor's choice of governing law. Typically, trust deeds for foreign trusts mention the foreign jurisdiction in which the trust seeks to establish tax residency as the settlor's choice of governing law.

388. The NRA assigns vulnerability ratings based on joint assessments of the ML and TF vulnerabilities of different legal persons and arrangements, rather than making distinct assessments for TF and ML, given a high degree of common vulnerabilities that can be exploited for both purposes.

5.2. Mitigating measures preventing misuse of legal persons and arrangements

389. Canada has introduced several significant mitigating measures to prevent the misuse of legal persons and arrangements since its 2016 MER. These have been driven both by changes to the FATF standards and by the findings of risk assessments.

Obligations for private corporations to obtain and record information on their beneficial ownership

390. Federal, provincial and territorial finance ministers affirmed in 2017, and again in 2019, their commitment to work towards transparency of beneficial ownership. Stemming from this, all provinces and territories, apart from Alberta (11.7% of Canadian corporations), NWT and Nunavut (with Yukon, 0.2% of

Canadian corporations) have introduced obligations for private corporations to obtain and record information on their beneficial ownership. Québec did not introduce record-keeping requirements but instead requires BO reporting to the REQ. This has been a significant change, but despite that private sector representatives generally have a good awareness of their obligations in this regard and there does not seem to have been any significant resistance to implementing these new obligations.

391. As only private corporations at the federal level and in Québec are required to file BO information to government registers, it is not known to what extent private corporations in other provinces and territories are complying with their obligations to record BO information. Authorities do not collect this information, which is a particular concern with regard to Ontario, where obligations were introduced in 2023, and where 38% of Canadian incorporations take place. Ontario incorporates more corporations than Québec and the federal level combined, therefore making Ontario significant materially, particularly given the high vulnerability assigned to corporations in the national risk assessment. In 2025, Ontario announced its commitment to establish a beneficial ownership registry, aligned with the federal government, and is actively working towards implementation in 2027. In the interim, FIs and DNFBPs across Canada subject to the PCMLTFA demonstrate generally high levels of compliance with obligations to obtain and verify BO information, although with some specific sectoral deficiencies. These obligations provide a certain degree of mitigation, although they do not substitute for the requirement to establish a comprehensive BO register or equivalent alternative mechanism.

392. The absence of BO record-keeping obligations in Alberta, one of the materially significant provinces, creates a vulnerability, as 11.7% of all Canadian incorporations take place there. However, this is mitigated to some degree by the requirement to include information on the five largest shareholders in the basic information provided to Alberta's corporate register. That basic information is also provided in bulk to FINTRAC under an MOU, which enables FINTRAC to systematically integrate the data in its analytical processes and detect anomalies in corporate information reported to REs through CDD and to FINTRAC via STRs as well as through the MSB registration process.

Requirement for foreign legal persons to register with provinces and to record BO information

393. Foreign legal persons seeking to conduct business in Canada are obliged to register with the provinces in which they intend to conduct business and relevant provincial regulations also apply to them. Foreign corporations represent less than 1% of corporations operating in Canada. In 2025 there were 9 817 foreign private corporations registered in Ontario, 3 381 in Québec, and 1,694 in Alberta. Most provinces and territories have the legislative authority to collect BO information at the time of registration by a foreign corporation. However, foreign corporations are subject to provincial obligations regarding BO reporting only in Québec and under BC's LOTR. Federal obligations do not apply in this regard. The obligation to file BO data centrally applies in Québec and, in relation to land ownership or interest, in BC. Therefore, outside of those provinces, incorporation authorities have limited visibility on the BO of foreign corporations operating in their respective jurisdictions.

Requirement for reporting entities under the PCMLTFA to obtain BO information as part of their CDD processes

394. Reporting entities under the PCMLTFA have obligations to obtain and keep up to date BO information as part of their CDD processes. Since Canada's 2016 MER, this obligation was extended beyond financial entities and securities dealers to all reporting entities.45 The private sector demonstrated a good understanding of these obligations with several stating definitively that they will not engage in business with anyone whose BO information is not provided. As part of its supervisory activities, FINTRAC examines

[45] The scope of reporting entity sectors under the PCMLTFA has expanded to a variety of new sectors since 2016, including factoring companies, financing and leasing companies, cheque cashing businesses, white label ATM acquirers, businesses involved in the mortgage lending process, armoured car companies, and businesses offering crowdfunding platform services (see IO1 for more details).

whether REs are fulfilling their obligations in this regard. Six of the administrative monetary penalties imposed on REs during the relevant period were for non-compliance with BO requirements.

Requirement for Canadian federal corporations and Québec corporations to file their BO data with central registers

395. Corporations Canada (CC) established a register of BO information, or 'Individuals with Significant Control' (ISCs) for corporations formed at the federal level in January 2024. This means that approximately 16% of Canadian corporations are required to file their BO data with this central register. As of the onsite visit, 98% of those had complied with these obligations. The majority of corporations filing are small to medium enterprises and therefore predominantly (96%) record only one or two BOs.

396. The first province to establish a similar register is Québec, with the Registre des Entreprises du Québec (REQ), in March 2023. Not only must corporations formed in Québec file BO data with this register but so must trusts/fiducies operating a commercial enterprise in Québec. As of the onsite approximately 70% of corporations required to file BO data had done so, including 100% of those which were formed after introduction of the obligations. REQ has taken a gradual approach to enforcing compliance, with letters of non-disclosure issuing in May 2025 to improve on the current 70% compliance rate. As of July 2024, no new corporation can register to operate in Québec without providing BO data.

397. Ontario and BC have both committed to establishing central registers of BO data and are working towards this.

Disclosure obligations under provincial securities and stock exchange regulations for public corporations

398. Public corporations are already subject to robust disclosure obligations under provincial and territorial securities regulations and stock exchange rules. These requirements are broadly aligned across Canada and effectively require transparency regarding those owning 10% or more of publicly traded corporations. Administrative monetary penalties and late fees for late 'insider reports' are tools used by Canadian securities regulators to deter and promote compliance among insiders. Data provided indicates that while administrative sanctions are regularly applied for late filings of insider reports, these are not clearly proportionate or dissuasive. While the proportion of late insider reports relative to total insider reports filed with a given securities regulator is generally low, additional efforts could be made to enhance compliance. The proportionality, effectiveness and dissuasiveness of sanctions for other contraventions of provincial and territorial securities laws, which can result in significant fines and/or imprisonment, are outside the scope of this assessment.

Legal arrangements: requirements to file BO information in annual tax income returns

399. The key mitigating measure introduced in relation to transparency of legal arrangements has been the introduction of enhanced trust reporting requirements for trustees of express trusts and their civil law equivalents, to file information on the BO of their legal arrangements as part of annual income tax returns with the Canada Revenue Agency and, where applicable, Revenu Québec. These obligations were introduced for tax years ending on or after 31 December 2023 and apply to express trusts that are factually resident in Canada, deemed resident in Canada, or those not resident in Canada with a sufficient link to Canada. There are similar obligations for trusts resident in Québec, deemed resident in Québec or linked to a Québec contributor. The enhanced trust reporting requirements have significantly increased the number of trusts required to file trust income tax returns in Canada, as they can apply even if the trust has no income tax payable. For the CRA, this has led to an increase of over 30% in the number of express trusts for which annual income tax filings have been made, with similar although slightly lower increases for Revenu Québec. It has also created legislative requirements for trustees to obtain and hold this information to fulfil this obligation. There are some limited exemptions to these obligations for 'listed trusts' (i.e. specifically listed in the Income Tax Act as being exempt), which are deemed to hold lower ML/TF risks. The temporary relief from filing for bare trusts, to allow for legislative changes providing greater clarity on

requirements, has been ended as of the onsite visit. Legislation in progress proposes to legislatively exempt bare trusts for the 2024 and 2025 taxation years and to provide for filing obligations for certain bare trusts starting with the 2026 taxation year. Therefore, data is not yet available on how many bare trusts may be required to file but whose information is currently not filed with CRA.

Land Owner Transparency Registry: requirement to file BO data of corporations, trusts or partnerships purchasing real estate

400. BC introduced a Land Owner Transparency Registry in 2020 to address tax evasion and criminals using the real estate sector in that province to launder illicit funds. This requires the filing of BO data of corporations, trusts or partnerships purchasing real estate or having an ownership or other interest in land prior to 30 November 2020 when the regime came into force. While not a requirement of the FATF standards, this is a positive measure introduced to address the specific targeting of the BC real estate sector as a means of laundering money. Information must be filed by a legal professional, which assists with accuracy. As of 31 December 2025, the registry had approximately 1 010 000 records, most of which are basic transparency declarations, which must accompany any application to register an interest in land. At least 167 000 of these are the more detailed transparency reports which must be filed by reporting entities in cases where the owner registered on the title is a trustee of a relevant trust, a relevant corporation or a relevant partnership. A transparency report lists all individuals who are "interest holders" – that is, those individuals with a significant interest, as defined in the legislation. Over 40 000 audits have been conducted by the registry to verify this data, and the enforcement officer has taken over 8 000 remedial actions, including sending letters, to verify information.

Prohibition of bearer shares

401. The use of bearer shares has effectively been prohibited by the introduction of legal requirements at all federal, provincial and territorial levels for shares to be issued in registered form. Corporate registries do not have information on the number of bearer shares converted to registered form because such transactions would occur between the corporation and the bearer shareholder. Canada believes the numbers to be low since bearer shares did not historically have a significant presence in Canada.

Requirements to declare conflicts of interest and certain nominee arrangements

402. The use of nominee directors and shareholders is addressed by the obligations of the Canada Business Corporations Act (CBCA) at federal level. These include requirements to declare conflicts of interest and fiduciary duties to act in the best interests of the corporation. These obligations are reflected in equivalent provincial and territorial legislation. Québec introduced in 2019 explicit legislative requirements for nominee arrangements (*contrats de prête-nom*) to be declared as part of tax returns. This led to approximately 10 000 such declarations in 2020 and between 1 500-3 000 further declarations each subsequent year. There are no other explicit requirements for nominee arrangements to be declared. In other Canadian provinces and territories, nominee arrangements might qualify as bare trusts subject to the enhanced trust reporting rules, depending on the facts and circumstances. However, corporate BO record-keeping obligations as outlined above, also effectively require nominators to be declared by virtue of being individuals with significant control. Furthermore, in all jurisdictions, proxyholders (who may act similarly to nominees) are required to disclose their proxies, which must be in writing and signed by the appointing shareholder.

5.3. Legal persons: Timely access to adequate, accurate and current basic and beneficial ownership information

403. Competent authorities have timely access to the information held in the registers of BO data operated by Corporations Canada and by REQ in Québec. For timely access via other prongs of Canada's

multi-pronged approach, the BO record-keeping obligations introduced for legal persons in most provinces and territories mean data can be accessed by competent authorities and also support REs to meet CDD obligations under the PCMLTFA. However, data is not available on levels of compliance with the BO obligations in provinces where central registries have not yet been established. In addition, case studies provided by Canada show that LEAs primarily use the corporate and beneficial ownership registries, records held by reporting entities, and disclosures from FINTRAC rather than going directly to legal persons to seek their BO data.

404. The registries show good levels of compliance with the filing obligations, although this is better for the federal registry than Québec's. While REQ performs some a priori and a posteriori verifications, the federal registry firstly verifies the identity of the filers (who may not be a BO) and then verifies the accuracy of the BO information provided on a risk/audit basis that uses AI and other analytical tools to cross-reference data and detect anomalies and other data integrity issues. Corporations are flagged for follow up if BO data appears fictitious, if a corporation claims to not have any ISC or where corroborating data identifies an issue. As of January 2026, 10 512 letters had been issued for different failings and data provided indicates that these had led to greater compliance in a slight majority of cases.

405. REs have a good understanding of their obligations to gather BO data as part of the CDD process and authorities can access this through disclosures from FINTRAC or using production orders. For access from other government agencies, while CRA holds data on the totality of judicial orders and/or requests from law enforcement, a breakdown of this data to obtain figures specific to BO was not available. While FINTRAC does not hold specific data on how frequently LEAs seek BO data from FINTRAC, in 2024-2025, 47% of FINTRAC's reactive disclosures (i.e. as a result of a VIR from a LEA) included information on a legal entity.

5.3.1. Basic information

406. Basic information on corporations is held by all federal, provincial and territorial authorities responsible for incorporation and is available to any member of the public.

407. Basic information on other forms of legal persons, including co-operatives, boards of trade and non-profit organisations, is held by respective federal and provincial authorities under various applicable legislation and is available to the public and competent authorities via the corporate registries in each of the federal/provincial and territorial jurisdictions.

5.3.2. Beneficial ownership information

408. Canada follows a multi-pronged approach to ensure that the BO of a private corporation can be determined by competent authorities in a timely manner. Beneficial ownership information on corporations is available to competent authorities from four main sources: (1) corporations themselves, (2) government registers where these have been established (currently at the federal level and in Québec), (3) reporting entities who have obtained BO data as part of their CDD processes and (4) proactive and reactive disclosures from FINTRAC and other government agencies.

Information held by legal persons

409. At a federal level, since June 2019, private corporations are required to prepare and maintain their own adequate, accurate and up-to-date information on individuals with significant control (ISC) over the corporation. There are similar requirements at a provincial level (except for Alberta) for corporations to

hold (or, in Québec, declare to the REQ) information on their ISCs at a provincial level[46], covering over 88% of corporations in Canada. While Québec collects data on compliance with BO disclosure requirements, authorities in other jurisdictions in Canada do not collect information on compliance with these record-keeping obligations (although at federal level, the level of compliance with record-keeping requirements can be inferred from the level of filing of BO information with the federal registry). This is a particular concern regarding Ontario as it is where 38% of Canadian corporations are formed. Authorities cannot fully demonstrate to what degree corporations in the provinces without central BO registries, notably Ontario and BC, are complying with the requirements to record BO information.

410. Where BO record-keeping obligations have been introduced, they generally also require this information to be provided to investigative bodies by corporations upon request. Case studies provided by Canadian authorities demonstrated the value and use of the federal and Québec registries, RE CDD data obtained via FINTRAC disclosures and production orders and CRA and RQ data rather than seeking BO data from legal persons themselves.

Registries

411. Since 2024, federal corporations governed by the *Canada Business Corporations Act* (CBCA) are required to file information on their individuals with significant control (ISC) with the federal registry operated by Corporations Canada. As of November 2025, the information held in the CBCA registry covers 94% of federal corporations, which in turn constitute 16% of all Canadian corporations.

412. The BO filing obligations which have been introduced for legal persons are generally consistent in the requirements for the information to be kept accurate and up to date. To ensure accuracy of its ISC register, CC verifies the identity of the filer (separate to information on BO) and then takes a risk-based approach to BO information verification. The focus of its verification efforts so far has been on those corporations declaring that they have no ISCs, where this conflicts with other data available to CC. CC uses various tools, including large language models, to determine which filings require closer scrutiny. The ISC register can also be cross-referenced with CRA data to verify accuracy. As of January 2026, 10 512 verification activities had been undertaken, with six staff members dedicated to Compliance/Integrity and Transparency.

413. As of 1 October 2025, REs have been required to report discrepancies discovered on CC's register to Corporations Canada within 30 days, as a further means of ensuring accuracy. CC shares the reports with FINTRAC. This reflects Canada's multi-pronged approach to supporting the integrity of the registry. However, the introduction of this obligation was too recent for its effectiveness to be assessed.

414. FINTRAC has ingested the data on CC's ISC register, and on Alberta's corporate register, in bulk and so has comprehensive access to this for its analysis function to identify BO relationships through the nature of patterns, transactions and entity-level information, among others. Work is underway to allow FINTRAC to similarly ingest the data available in the corporate registries of other provinces and territories. It is important to note however that the provincial corporate registries contain information on legal, as opposed to beneficial, ownership and so the information is not equivalent to that held on the federal ISC register or Québec's REQ. CC's public register receives on average 600 000 visits per month. CC does not track which of these are authorities, businesses conducting CDD or members of the public. Since CC started collecting BO data, it has received eleven requests from LEAs for non-public BO data and this information can be provided within one day. LEAs also consult the registry for public information.

415. Québec was the first province to establish a similar beneficial ownership registry, where obligations for domestic and foreign corporations include transmitting to the *Registraire des entreprises* information

[46] Ontario, Québec, Saskatchewan, Nova Scotia, since 2023; New Brunswick, since 2022; British Columbia (BC *Business Corporations Act*, for Companies (including limited companies, community contribution companies, benefit companies and unlimited liability companies)), Manitoba, Prince Edward Island, since 2020; Federal, Newfoundland and Labrador, since 2019.

on the ultimate beneficiaries in order to make their identity public. This registry accounts for approximately 13 % of the total population of Canadian corporations.

416. The REQ in Québec verifies on a risk basis BO information provided to it upon filing. Like CC, a focus is placed on those companies claiming not to have any BOs or to be exempt from the requirements. After an enterprise is created or registered, any declaration filed electronically must be made using the company's ClicSÉQUR (i.e. the Québec government authentication system) authentication code to ensure that the person filing the declaration is authorized to do so by the company. The REQ has chosen to take a non-aggressive approach to ensuring compliance, including by issuing non-disclosure notices in May 2025 to corporations known not to have filed BO data. It had 70% compliance at the time of the onsite and authorities stated they were aiming to reach 85% by March 2026. Both above registers require information to be updated within reasonable timeframes upon there being a material change.

417. While REQ similarly does not track LEA use of the register, it receives general disclosure orders from law enforcement at least once per month and approximately five requests per month for non-public data held by the register without a general disclosure order. This is in addition to the general access provided to those agencies using the Office of the Investigator tool, which removes the need for specific access requests to be made and therefore further assists in providing timely access. The *Sûreté du Québec* has nearly 250 police officers who have access to this tool, which allows for searches beyond those permitted to the public, e.g. by name, by field of activity and others. The RCMP is currently engaging with REQ to access this tool also.

418. The obligations on foreign businesses (including corporations and trusts) to file BO data currently explicitly only apply in Québec as it is the only established provincial BO register. They apply in BC in relation to real estate ownership where relevant corporations, including foreign corporations, that have a registered ownership or similar interest in land, must centrally file transparency reports containing beneficial ownership information with the Land Title and Survey Authority. Foreign beneficial owners of land must be disclosed in transparency reports, which are partially available to the public and fully available to competent authorities. Therefore, the ability of competent authorities to access BO, as opposed to basic, information on foreign corporations varies across the provinces.

419. LEAs have demonstrated the utility of the central registers, both for comparison of data with that obtained elsewhere and for obtaining data without having to seek it from corporations themselves. The RCMP indicated that BO data was used in at least 2 452 cases between 2019 and 2025, although this was not broken down between legal persons and arrangements.

Reporting entities

420. Financial entities, DNFPBs and dealers in virtual currency (since 2014) and foreign money services businesses (since 2021) are required to obtain and verify beneficial ownership information for clients that are legal persons. Information gathered as part of CDD can be provided to LEAs by reporting entities via production orders and to FINTRAC via STRs. Over the review period, data was not recorded on how many requests for beneficial ownership details LEAs have made from reporting entities. In addition, and as outlined under IO7, access to such information via production orders may not be timely

421. REs interviewed during the onsite demonstrated a good understanding of their obligations to collect BO data as part of CDD. A view expressed by several was that they would not engage in business with a company whose BO data could not be provided. As part of its supervisory activities, FINTRAC examines whether REs are fulfilling their obligations in this regard. During the review period, FINTRAC issued six AMPs for violations of PCMLTFA requirements that include breaches of non-compliance with BO requirements.

Other sources

422. In 2017, the PCMLTFA was amended to expand the scope of information FINTRAC discloses to law enforcement and other competent authorities to include beneficial ownership details. In practice, LEAs have obtained FINTRAC data on beneficial ownership details on 2 233 entities over the period 2023/24-2024/25. The Canada Revenue Agency (CRA) collects corporate tax filings, financial records and shareholder information which support BO identification for tax enforcement and compliance. Since January 2024 the CRA can share information on shareholders and affiliations with the Director of Corporations Canada for the purpose of verifying and validating the BO information required to be filed with Corporations Canada. In practice Corporations Canada used CRA bulk data to confirm beneficial ownership details on 44 215 entities over the review period to verify accuracy of their claims that they do not have any ISCs.

Box 5.1. Case study of timely access

In this stolen vehicle export and criminal proceeds laundering case, the *Sûreté du Québec*'s (SQ) Bureau of Investigation Partnership conducted an investigation targeting a company that rented container spaces on cargo ships to Europe. This company then offered its spaces to people who wanted to send a container to Europe. The investigation revealed that several of the containers sent through this company contained stolen vehicles. The SQ's bureau of criminal asset recovery was called in to assist due to the highly lucrative nature of this investigation. Checks at the REQ allowed the bureau of criminal asset recovery to discover that the company in question belonged to the suspect's spouse, and that he had transferred his rights to her some time before declaring bankruptcy, a few years earlier. During this same period, he also transferred all ownership rights to his luxurious residence to his spouse. Bank disclosure orders were subsequently obtained against the company, the suspect, and his spouse, in addition to obtaining their income declarations from Revenu Québec. Analysis of the evidence obtained demonstrated that money laundering had taken place and that part of the proceeds had been used to pay for the residence. A search of the residence also resulted in the seizure of more than CAD 615 000 in cash. Civil proceedings were initiated to obtain the confiscation of the money and the suspect's residence. An application to initiate proceedings was obtained in July 2025, Investigators are awaiting further proceedings

Source: Sureté du Québec

5.4. Legal arrangements: Timely access to adequate, accurate and current basic and beneficial ownership information[47]

423. Competent authorities' timely access to information on legal arrangements is more complicated than that on legal persons. While they can access this information from trustees, FIs/DNFBPs and FINTRAC disclosures and corporate / landowner transparency registries, the information provided by Canada primarily related to accessing this information via tax authorities. Trustees of most express trusts are required to file BO data as part of tax returns with CRA and Revenu Québec. Figures provided indicate that there have been good levels of compliance with these requirements. Verification of data is undertaken on a risk-sensitive basis. While thousands of trusts are audited on this basis by CRA, specific criteria used for risk assessments tied to inaccuracies of BO information could not be separated from overall taxation

[47] See the Methodology for Recommendation 25 regarding beneficial ownership information for legal arrangements.

adjustments. The information may not always be up to date due to its being filed as part of annual returns, with limited options for filers for updating. Tax authorities can use other available information tools and registries to access up-to-date information. Revenu Québec conducts verification of the information provided based on a number of criteria, including income, its nature and source, and distributions made. Various sources allow for this validation, including information in the Revenu Québec systems, REQ information, property tax roll information and other real estate websites, and CRA information.

424. Canadian tax authorities can disclose trust BO data from tax return filings, as well as any updated information from the tax return filings of the specific reportable entities, to LEAs pursuant to judicial authorizations to support law enforcement investigations or disruption activities in relation to designated offences and associated money laundering / proceeds of crime activity, where the judge is satisfied that certain conditions are met. BO data can also be provided to LEAs by CRA or Revenu Québec proactively where there are reasonable grounds to believe that: (i) the information will afford evidence of specified serious offences, including money laundering (at the federal level), or (ii) a person has committed or is about to commit a criminal offence under Québec tax legislation and the information is necessary for the investigation relating to that offence (in Québec). Revenu Québec has received twenty production orders from LEAs since the new requirements applied, but there were no similar statistics for CRA to determine frequency and timeliness of access in practice. Authorities reported information is generally timely and provided case studies where the RCMP and the *Sûreté du Québec* accessed taxpayer information, including trust BO information, in a timely manner to support successful criminal investigations. However, outside of those LEAs timely access is more uneven and could be improved, as outlined under IO7.

425. FINTRAC receives legal arrangements' BO data from CRA through the VIR mechanism (see IO.6), as this data is not available in either the CRA charities database or the federal BO and corporate registries, as outlined under IO6, responses to VIRs in non-urgent cases may not be timely. FINTRAC also receives BO data when included in STRs from REs that must obtain BO information as part of their CDD. Provincial civil forfeiture authorities can generally only access CRA data via referrals from LEAs and cannot receive proactive disclosures from CRA. In Québec, the civil forfeiture authority is authorized to access provincial taxpayer information from Revenu Québec through the Attorney General, for certain purposes related to the administration of Québec's civil forfeiture statute, but subject to an information-sharing agreement which has not yet been concluded. Discussions are currently underway between the Québec Attorney General and Revenu Québec to conclude an information sharing agreement, which is required before such disclosure can occur. However, outside of those LEAs timely access is more uneven and could be improved, as outlined under IO7.

426. As with legal persons, competent authorities can access information on legal arrangements from four main sources – (1) trustees and fiduciaries, (2) revenue authorities holding BO data as part of tax returns (3) REs who have obtained the information as part of their CDD and FINTRAC when such information has been provided in STRs; and (4) corporate / landowner transparency registries.

Trustees and fiduciaries

427. Information held by trustees or equivalents can be obtained by LEAs via production orders and search warrants under the Criminal Code. Data was not available on how many requests LEAs made to access information held by trustees/equivalents over the review period but Canada has provided case studies where LEAs obtained such information from trustees in practice The obligations to file BO data (outlined below under revenue authorities' data) creates a legislative requirement for trustees to obtain and record this information.

428. Canada views trustees' fiduciary obligations as highly relevant in this regard also, in that it is necessary for a trustee to know the identity of the beneficial owners in order to properly fulfil the terms of the trust and their fiduciary obligations as a trustee, including their duty to account.

Revenue authorities

429. The tax system was chosen as the mechanism for creating BO filing obligations on trusts due to the links between tax offences and misuse of trusts, as well as the federal/provincial organisation of taxation in Canada. CRA administers and collects all federal taxes. It also administers and collects all provincial and territorial personal income taxes and trust income taxes for all provinces and territories with the exception of Québec, where these are administered and collected by Revenu Québec.

430. The obligation on trustees is to file BO data as part of annual trust tax returns and to ensure that the information provided be adequate and accurate. Information to be filed is on 'reportable entities' of a trust, which aligns with the FATF definition of the beneficial owners of a trust. The obligations apply to trusts which are factually or deemed resident in Canada, either because the trust is centrally managed or controlled in Canada or because there is a resident contributor or resident beneficiary under subsection 94(1) of the federal Income Tax Act. BO information must be filed even if the trust has no income tax payable. Foreign trusts are subject to the obligations where there is a sufficient link with Canada, such as if it has tax payable. In addition, the CRA receives basic and BO information on certain non-resident trusts through foreign reporting forms. Some of these trusts, but not all, are deemed resident under subsection 94(3 of the federal ITA) and therefore are required to file T3 returns with trust BO information. The same obligations exist under Québec tax legislation (ss. 593 and 595 of the Québec Taxation Act).

431. Verification efforts are undertaken in relation to the data filed by both CRA and Revenu Québec. Both do so using a risk-based approach. CRA's audit process involves both individual taxpayers and 'Economic Entities', the process for which has been in place for over ten years, and which may include indicators of entities which have no filing history with CRA. Linkages are made using various information sources, including but not limited to BO filings. CRA has implemented a specific audit program for trusts' tax returns which has audited thousands of returns and identified errors in some filings. While these audits are focused on tax compliance, they consider accuracy of BO data as a matter of course. Transaction data which is required to be filed in relation to foreign trusts can also be used to identify non-resident trusts that are deemed resident under the federal Income Tax Act.

432. CRA's access to CC's ISC register provides another tool for cross-referencing and verification. Revenu Québec may also request access to non-public data held by REQ (the Québec Enterprise Register). Monthly bulk data exchanges are carried out between Revenu Québec and the Québec Enterprise Register; requests are also made during file verification or selection processes. CRA and Revenu Québec have an Information Exchange Agreement which allows them to also exchange income tax information. CRA's Criminal Investigation Division regularly accesses Corporation Canada's registry as part of its investigative activities, including those at workload stage (whether they proceed to full scale or not). This is a standard tool used in every investigation.

433. Trustees may submit an adjustment request if they identify that inaccurate information has been filed. However, as the data is provided as part of annual tax returns, it may not always be up to date if there is a change in beneficial ownership. There is no requirement to update the information held by CRA or Revenu Québec upon a change in BO outside of the annual trust tax filing cycle other than in certain specific circumstances. CRA allows information on reportable entities to a trust to be updated at any time.

434. There is also no obligation on trustees to file information on the BO of parties to trusts which are themselves legal persons or arrangements. This information can be obtained by CRA/Revenu Québec via corporations' and trusts' own tax returns, securities filings such as insider reporting (where applicable) or corporate/landowner transparency BO data, where this is filed.

435. As with other jurisdictions where trusts may not previously have had any other requirement to register with government, it is difficult to determine what proportion of total relevant trusts in existence are in compliance with the obligations. However, figures provided by Canada demonstrate an increase by

over one third in the total number of trusts filing information each year since the introduction of the enhanced trust filing obligations. They also demonstrate high rates of BO data filing from trusts already known to CRA, indicating a high degree of compliance with the new obligations.

436. CRA and Revenu Québec have immediate and direct access to the BO data on trusts which they hold. This is relevant to their investigative roles in relation to tax offences, as those are the offences in which misuse of trusts has been mostly seen.

437. Due to its status as taxpayer information and consequent restrictions on its sharing, access is more restricted than to data held by government registers on legal persons. At the federal level, the Income Tax Act and the Excise Tax Act both permit CRA to share information with LEAs where they have reasonable grounds to believe it will afford evidence of specified serious offences, including ML. Under Section 462.48 of the Criminal Code, tax records may be disclosed under a judicial order for investigations into designated offences. This has occurred in the context of joint forces operations (JFO) between the CRA and law enforcement.

438. Taxpayer data is generally provided to LEAs in 30 days or less as this is the standard timeline in judicial authorisations. Access can be provided in less time when a request is urgent. CRA's liaison officers with LEAs provide a mechanism for notifying urgency and prioritising requests accordingly. The use of JFOs and the practice of embedding CRA officers within RCMP-led integrated teams (such as the Integrated Money Laundering Investigation Teams (IMLITs) accelerates the ability for CRA to disclose time-sensitive information to law enforcement counterparts within a 'taskforce' structure.

439. In Québec the Tax Administration Act contains similar provisions allowing Revenu Québec to share tax information with LEAs upon a judicial order if the judge is satisfied that there is reasonable cause to believe that the information may serve to prevent or repress a serious offence, among other circumstances. The utility of the various registers is acknowledged by Canada as an improvement on previously having to trace ownership through multiple layers or rely on third parties. Over the review period, 20 requests were received by Revenu Québec.

440. The competent authorities which have less timely access to BO data on trusts are provincial civil forfeiture authorities. Currently the mechanisms for their access to CRA information are via referrals from LEAs, i.e. where LEAs already have BO data held by tax authorities, gathered during their criminal investigations, they are able to provide it to civil forfeiture authorities. However, this is not an optimal situation for timely access. In Québec, the civil forfeiture authority is authorized to access provincial taxpayer information from Revenu Québec through the Attorney General. Discussions are currently underway between the Québec Attorney General and Revenu Québec to conclude an information sharing agreement, which is required before such disclosure can occur.

441. It is relevant, however, that authorities have not seen trusts misused in many cases of ML/TF. Where they have been misused it has mainly been for the purpose of tax avoidance and, to a lesser extent, tax evasion or other tax offences. CRA makes use of a wide range of tools to analyse the data to which it has access in order to identify connections and chains of ownership. If elements of tax evasion or fraud are identified, the file is considered for referral to criminal investigation, CRA criminal investigations include a mandatory assessment of potential ML charges and asset recovery opportunities at the commencement of, and throughout, all investigations.

442. The data filed with CRA and Revenu Québec includes the residence and tax identification number of trustees or equivalents and all other reportable entities to a trust (e.g. settlors, beneficiaries and control persons such as protectors) and so this is among data which may be obtained by LEAs.

Reporting entities and FINTRAC

443. Information on assets held or managed by FIs and DNFBPS on behalf of legal arrangements, as well as names of beneficiaries, settlors, and trustee, may be obtained by LEAs via production orders or from tax authorities, if held by them, via Section 462.48 of the Criminal Code or Section 69.0.0.12 of the Québec Tax Administration Act. REs are likewise required to obtain and verify BO information when the client is a legal arrangement, such as a trust. Competent authorities can also access information on trusts and other legal arrangements where this is part of FINTRAC disclosures, as FINTRAC's analysis of corporate registry data and the beneficial ownership information contained in STRs enables the detection of anomalies in ownership and control.

444. Competent authorities can access basic information on other service providers to trusts and legal arrangements either via production orders, if the information is held by trustees or via requests for taxpayer information, if it is among the data filed with tax authorities. The data regarding the number of requests over the review period is not available.

Corporate and landowner transparency registries

445. Canadian competent authorities can also access adequate, accurate and up-to-date trust BO information through corporate and landowner transparency registries. LEAs frequently leverage the trust BO information included in Québec's corporate BO transparency register, which covers trusts operating a commercial enterprise, to support successful criminal investigations, as illustrated by the case study in Box 5.2. Additionally, where a trust is an ISC to a corporation subject to corporate BO transparency requirements at the federal level or in Québec, competent authorities can access information on the trust through the corporation's disclosures to the federal and Québec corporate BO registers.

Box 5.2. Case study of timely access

In a recent case study, investigators were able to obtain information regarding the trust by conducting a query on the online Registre des Entreprises du Québec. The results were instant and investigators received a copy of the trust constitution from the CRA. in a 241(9.5) Income Tax Act disclosure) trust disclosure forms were also provided by the different banks in response to production orders. Finally, official copies of the constitution of the trust were obtained during the execution of the search warrants at the beneficiaries and fiduciaries residences. This documentation obtained at the different stages of the investigation allowed investigator to obtain restraint orders of the trusts assets to prevent liquidation, pending charges.

Source: RCMP

5.5. Effectiveness, proportionality and dissuasiveness of sanctions

446. Administrative sanctions mainly focused on corporate dissolutions, and no criminal sanctions, were applied to natural persons for inaccuracy of information and failure to comply with corporate basic and BO information requirements over the review period. These were proportionate and dissuasive to some extent. New federal and Québec BO registries are demonstrating greater, proportionate use of administrative sanctions.

447. FINTRAC has issued six administrative monetary penalties for a total of CAD 1 181 335 since 2021 in cases which included failures relating to BO obligations. Penalties ranged from CAD 41 085 for violations

related to adequate policies pertaining to BO information and other less serious violations, to CAD 544 500 for failure to keep up to date BO information on high-risk clients.

448. In relation to the obligations to file BO information on corporations, CC and REQ have taken the approach of sending non-compliance letters to corporations which have not yet filed information. At the time of the onsite visit, CC had achieved 94% compliance with filing obligations and REQ has achieved 70 % compliance. As of December 2025, Corporations Canada had conducted 10 512 follow ups with corporations that had yet to file their ISC information. The REQ conducted 2 350 follow ups in 2024 and 34 392 in 2025.

449. No sanctions have been applied for failures by corporations to record BO information in cases where central filing does not yet apply, e.g. Ontario. This stems from the fact that in provinces where central filing does not yet apply, meaning all apart from Québec, authorities do not conduct checks or collect data on whether corporations are meeting their obligations to record and keep up-to-date accurate BO information.

450. Data provided for CRA shows significant increases in the usage of financial penalties since introduction of the enhanced trust reporting requirements. These do not indicate that penalties applied are greater but do clearly show that penalties have been applied in relation to several thousand more trusts for reporting failures, with a consequent greater total monetary amount of penalties, amounting to several million CAD more. The application of late- and non-filing penalties decreased by 44% from the 2023 tax year to the 2024 tax year, demonstrating the effectiveness of penalties in increasing compliance.

451. Canada considers that the fiduciary duties of trustees under common law, and the equivalent obligations under the Civil Code of Québec, are relevant. While there is sufficient case law to demonstrate that the Canadian courts do sanction trustees who have breached those duties, cases are not yet available to demonstrate that any trustees have been sanctioned by the courts specifically for failing to obtain or record BO information, as required to satisfy the enhanced trust reporting rules. This is understandable given the recency of the rules (which entered into force for tax years ending on or after 31December 2023) and the time it takes for such matters to reach the courts. Case law was provided to demonstrate that trustees have been sanctioned by the courts for the failure to comply with tax filing obligations. Additionally, Canadian tax authorities have provided data on sanctions applied to trusts due to late-filing or failure to file trust beneficial ownership information required by the enhanced trust reporting rules.

452. Canada demonstrated that FINTRAC in its activity as supervisor has detected six failings across FI and DNFPB sectors relating to both basic and BO information., including where identification and verification of legal persons and BOs are checked during the broader scope of AML/CFT examinations. Sanctions have been applied in each of these six cases.

Table 5.5. Remedial actions and sanctions imposed for breaches of basic and BO information

Type of remedial actions and sanctions	Amount of sanctions imposed (CAD)					
	2020	2021	2022	2023	2024	2025
FINTRAC						
Monetary penalty (amount in CAD)	0	175 000	0	0	156 750	849 585
Corporations Canada						
Remedial action	N/A	N/A	N/A	18	23	38
Warning letter	40 641	92 996	215 256	219 548	285 646	104 884*
Striking off	4 142**	327**	13 835	56 603	56 150	48 459
Monetary penalty (amount in CAD)	0	0	0	0	0	0
Warning Letter						
CRA	*Confidential but reviewed by the assessment team.*					
Remedial action						
Monetary penalty (amount in CAD)						
Warning Letter						
REQ						
Remedial action	N/A	N/A	N/A	N/A	2 350	34 392
Striking off	N/A	N/A	N/A	N/A	569	1 572
Monetary penalty (amount in CAD)	N/A	N/A	N/A	N/A	0	0
Warning Letter	N/A	N/A	N/A	N/A	2 350	34 392
Revenu Québec	Confidential But reviewed By the assessment team	N/A	N/A	N/A	N/A	N/A

Source: Canada, * Confidential but reviewed by the assessment team.

6 Financial intelligence

The relevant Immediate Outcomes considered and assessed in this chapter is IO.6. The Recommendations relevant for the assessment of effectiveness under this chapter are R.29-32 and elements of R.1, 2, 4, 8, 9, 15, 34, and 40.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) FINTRAC has access to a wide range of reporting, data and other information: STRs; international fund transfers, cross border transactions; large cash and virtual currency threshold transaction reports; casino disbursement reports; open source databases; domestic counterpart holdings (police database, CRA public charities database, federal and provincial corporate and beneficial ownership registries, land registries) and public private partnership (PPP) to produce its high quality financial intelligence. FINTRAC's authority to request additional or missing information from REs is limited to where a report has already been filed. This limitation is largely mitigated in practice through its access to extensive reporting databases, and effective co-operation with LEAs.

b) LEAs (RCMP, provisional and municipal police) and other key competent authorities (CRA, CBSA, CSIS) have a wide range of access to financial information and intelligence in support of ML and TF investigations. They can only access FINTRAC financial intelligence through their proactive disclosures and the voluntary information record (VIR) mechanism. Information is through secure electronic means. The VIR mechanism is well-established; however, it is subject to long response times in non-urgent cases. This affects the timely access and use of financial intelligence in ML and TF investigations.

c) LEAs use of alternative proactive intelligence gathering techniques can facilitate timelier access to financial information on account ownership and enables more targeted and efficient use of other information gathering powers for their investigations. The RCMP, through its specialised units and teams (such as serious organised crime (SOC) units and integrated money laundering investigative teams (IMLITs)), develop their own financial intelligence to a large extent for the purposes of evidence, case development and to trace criminal proceeds. CRA, CSIS and CBSA develop financial intelligence to a large extent in support of their own investigations.

d) The majority of STRs are reported by FIs, which is consistent with the size and ML/TF risk of the sector. In contrast, STR reporting across all entities in the DNFBP sector (except casinos), report lower-than-expected volumes of STRs given their vulnerability and role in higher risk financial activities. Although FINTRAC receives a substantial volume of STRs related to DNFBP activity through third party reporting by D-SIBs, this limits direct insight into DNFBP transactional

behaviour. Lawyers are not subject to STR reporting requirements obligations, which leaves a gap in coverage of financial activity. This limits access to DNFBP related transactional information, reducing FINTRAC's depth and breadth of financial intelligence available on DNFBP transactional behaviours.

e) FINTRAC produces and disseminates both high quality operational and strategic intelligence, with many products related to high-risk predicate offences such as fraud and drug trafficking. Case studies demonstrate that these products are actively used to inform ML and TF investigations, enhancing the development of evidence on entities of interest, identifying assets and tracing criminal proceeds. FINTRAC's strategic intelligence products have been shown to have a high impact, leading to significant changes of approach by both public and private sector partners. FINTRAC's participation in the joint operational intelligence cell (JOIC) and its collaboration with public private partnerships such as the Integrated Money Laundering Intelligence Partnership (IMLIP) are examples of how financial intelligence is being operationalised for ML and TF investigations.

Recommended Actions

a) Canada should improve timeliness of disclosures in response to VIRs (particularly non-urgent VIRs), e.g. by creating gateways to enable key LEA counterparts' direct access to a (machine and human) searchable disclosure repository, so that simple requests for information can be handled on a self-service basis thereby enhancing the proactive use of FINTRAC's operational intelligence.

b) Canada should enhance strategic intelligence reporting on the DNFBP sector highlighting transactional activity and trends to improve the volume and quality of reporting by DNFBPs.

Overall Conclusions on IO.6

FINTRAC has access to a broad range of reporting and data to complete its analytical function. The majority of reporting from REs is from FIs, which is reflective of Canada's ML/TF risk and the sector's size. The DNFBP sector (except casinos) is reporting a significantly smaller amount, which is not in line with the sector's assessed risk. A gap in reporting from the DNFBP sector contributes to a lack of visibility and access to DNFBP transactional behaviour, which is exploited by criminals, particularly by PMLs. There are shortcomings in timely access to additional reporting from REs.

LEAs and competent authorities have a broad range of access to financial information through their own intelligence collection and FINTRAC disclosures. The VIR mechanism works for both requesting and sharing information with FINTRAC. Whilst well established, requests for information through this mechanism experience long response times which impacts the usability of the financial intelligence in ML and TF investigations. In urgent cases agencies collaborate to ensure disclosure occurs in a timely fashion.

FINTRAC develops high-quality operational intelligence products predominantly on the high-risk threats of drugs and fraud. Intelligence products are driven by requests from competent authorities, resulting in a large number of reactive disclosures. It is less frequent for disclosures to generate new investigations. FINTRAC manages resources on disclosures to maintain a balance of reporting on high threats. Financial intelligence is disseminated through the VIR mechanism and as required in operational mechanisms such as Integrated Money Laundering Investigative Teams (IMLITs) and public private partnerships (PPPs). These mechanisms and case studies have demonstrated the operational utility in high threat predicate offence investigations. The RCMP also uses the alternative proactive intelligence gathering techniques mechanism which allows them to develop their own financial intelligence to a large extent. This also helps to mitigate the impact of response delays in the VIR mechanism. This financial intelligence is predominantly focused on gathering information that can be used as evidence, and on initial identification of entities and their assets. The CBSA, CRA and CSIS develop their own financial intelligence to a large extent

FINTRAC produces strategic intelligence products which are in line with intelligence priorities and Canada's risk profile. It has disseminated 91 strategic intelligence products, covering a range of types of intelligence reports. The volume and relevance of these products have influenced strategies and policy development reflecting strong impact on Canada's understanding and response to ML/TF risks.

Domestic co-operation is a strength of Canada's AML/CFT regime. Many arrangements exist at both the national level and operational level to facilitate the sharing of financial information and intelligence. FINTRAC's contribution in the Joint Operational Intelligence Cell (JOIC) demonstrates how financial intelligence feeds into prioritised risks, such as organised crime and drug trafficking targets at the national level. The operational level arrangements such as IMLITs allow for the facilitation of intelligence sharing in targeted areas or for specific operations. These public sector arrangements are further strengthened by incorporating financial intelligence from the PPPs framework.

Feedback received from competent authorities on disclosures is generally positive and reinforces the utility of FINTRAC disclosures in developing evidence and investigations, and tracing criminal proceeds and instrumentalities.

Canada is rated as having a Substantial level of effectiveness for IO.6.

Immediate Outcome 6

6.1. Timely access to relevant, accurate and up-to-date information

6.1.1. By the FIU

453. Canada's FIU, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), operates under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). FINTRAC is staffed by approximately 500 people, with approximately 104 staff dedicated to intelligence analysis. The intelligence function is responsible for producing and disclosing timely and actionable financial intelligence to LEAs, competent authorities and foreign FIU counterparts.

454. FINTRAC has access to a wide range of reporting types from REs, including several forms of threshold-based reporting (transactions above CAD 10 000 or multiple transactions with a cumulative total of CAD 10 000, within 24hrs). Types of reports submitted include:

- Large Cash Transaction Reports (LCTRs)

- Electronic Funds Transfers Reports (EFTRs) (international transactions with a Canadian nexus (funds incoming or outgoing))
- Suspicious Transaction Reports (STRs) (no monetary threshold)
- Casino Disbursement Reports (CDRs)
- Large Virtual Currency Transaction Reports (LVCTRs)
- Listed Persons and Entities Property Reports (LPEPRs) (no monetary threshold)

455. FINTRAC receives batches of Cross-Border Currency Reports (CBCRs) monthly and Cross-Boder Seizure Reports (CBSRs) batches approximately every 5 days from the CBSA. Upon receipt, FINTRAC automatically ingests these reports into its database and is available for immediate analytical use.

456. The patterns of reporting in LVCTR, CBCR and CBSRs, and LPEPRs are in line with Canada's financial environment (including the general increase in use of virtual currency, restricted travel during COVID-19 and introduction of new LPEPR requirements) (see Table 6.1).

Table 6.1. Types and Number of Reports Received by FINTRAC per fiscal year

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Total
EFTR	23 507 176	25 065 370	27 315 564	41 587 294	61 170 154	178 645 558
LCTR	6 069 896	7 220 383	8 041 942	6 203 220	2 898 347	30 433 788
STR	468 079	585 853	560 858	631 137	573 469	2 819 396
CDR	29 043	153 195	273 785	292 350	263 568	1 011 941
LVCTR	N/A	60 361	94 790	86 405	137 105	378 661
CBCR	12 832	12 628	23 530	35 322	7 872	92 184
CBSR	217	0	155	3 645	2 398	6 415
LPEPR	10	21	14	10	38	93
Total	30 087 253	33 097 811	36 310 638	48 839 383	65 052 951	213 388 036

Source: Canada

457. Significant amendments to the PCMLTFA in 2021 and 2024 have increased FINTRAC's capability to capture transactions linked to sanctions-related property (LPEPRs); introduced LVCTR requirements; enhanced REs' abilities to share information with each other for the purposes of ML, TF and sanctions evasion; and integrated Canada Border Services Agency (CBSA) customs reporting and declarations into Canada's AML/ATF regime.

458. In 2024, FINTRAC transitioned to a database application programming interface (API) for RE transaction reporting to aid with ingestion of large volumes of data and facilitate integration with FINTRAC's analytical database. A webform is still maintained for use by smaller scale reporting entities. This system allows up to 5 000 transactions to be in a report (both attempted and completed transactions).

459. Since June 2020, STRs are required to be submitted as soon as practicable after a suspicion is formed (previously they were to be submitted within 30 days) and are generally submitted promptly. Canada has emphasised the importance of timely submissions of STRs through this legislative amendment; however, some REs continue to take extended periods to report STRs in practice. This is particularly the case where multiple transactions are involved, with delays of three weeks or more observed in some cases. These negatively contribute to the timeliness of STR reporting, impacting the FIU's and competent authorities' ability to detect and respond to ML/TF activities in a timely manner.

460. During the period under review, FIs and VASPs submitted 2 783 536 STRs and DNFBPs submitted 35 860 STRs. Notably, excluding casinos, the broader DNFBP sectors accounted for only 2 255 STRs (see IO.3 and IO.4 for a detailed breakdown of each sector). The large majority of STRs are reported by FIs,

predominantly the large D-SIBs, which is reflective of the size of the sector. There has been a general increase in the volume of reporting of STRs. The quality of information disclosed is good with the STR format quite detailed and user friendly, noting the transition to database API. The volume of reporting from D-SIBS reflects their dominant role in Canada's financial sector and is consistent with their risk profile. D-SIBs are full-service financial groups offering banking, insurance, and securities products (among others). The aggregated reporting numbers for banks also includes STRs which relate to insurance or securities related business conducted within the same group.

461. DNFBPs (except casinos) submit a lower-than-expected volume of STRs despite the vulnerability of the sector (see IO.4 for further analysis). The level of reporting from regulated DNFBPs in Canada (less than 1% of the total approx. 2.8 million STRs reported) is low, even relative to a reasonable expectation, given their role and risk environment. FINTRAC receives a notable number of STRs (approximately 589 000) through third party reporting, namely D-SIBs, related to DNFBPs. Although such third-party reporting and some strategic intelligence related to DNFBPs helps FINTRAC's access to DNFBP transactional behaviour, a lack of direct reporting from DNFBPs does limit visibility of their behaviours. Limited direct reporting from DNFBPs constrains FINTRAC from proactively engaging those REs to obtain additional information without submitted reports.

462. Lawyers are not subject to STR reporting requirements under the PCMLTFA (see IO4). FINTRAC reports that 76 025 STRs submitted by REs in other sectors, include links with legal sector activity. Third party reporting and some strategic intelligence is providing some limited coverage of the sector despite its non-reporting status.

463. Overall, whilst a broad range of transaction reporting is captured by FINTRAC, these information sources are heavily reliant on D-SIBs and other FI reporting to generate financial intelligence. There is less access to data and information on DNFBP sector trends and illicit activity due to low numbers in STR reporting and limited coverage of non-reporting legal sector.

464. FINTRAC also has access to police databases, the CRA public charities database, private/commercially developed databases, and is also ingesting data from Canada's federal BO and corporate registries (including Alberta's corporate registry). FINTRAC also receives information and intelligence holdings from LEAs and other competent authorities through Voluntary Information Records (VIRs).[48] These are both a channel for agencies to provide information to FINTRAC, and a channel to request information from FINTRAC (frequently a single VIR will combine both a request and provision of information). FINTRAC receives a majority of VIRs from RCMP which is commensurate with their role as the national LEA (see Table 6.2). Other agencies submitting VIRs include Federal Government agencies such as Department of National Defence; and provincial government entities such as securities regulators and Revenu Québec. FINTRAC can receive legal arrangements BO data from CRA through the VIR mechanism (see IO.5). This additional information, increases FINTRAC's understanding of LEA priorities where financial intelligence can play a vital role.

[48] VIRs are for both requesting information from FINTRAC and sharing information that might be of intelligence value to FINTRAC (such as suspicions of ML, TF, sanctions evasion or threats to national security. VIRs are submitted through a smart PDF template, that at a minimum require sending agency/ organisation name and selection of the suspicion type (ML, TF or national security). They are approximately 8 pages long with fields covering subject, identifiers, information related to previous investigations/disclosures, category of offence, judicial authorisations, asset information and financial details. This form ensures consistency of information for ease of integration into FINTRAC's database.

Table 6.2. Number of VIRs Received by FINTRAC, 2020-2025

	2020-21	2021-22	2022-23	2023-24	2024-25	Grand Total
RCMP	661	602	633	714	788	3 398
Provincial Police	232	221	319	323	348	1 443
Municipal Police	572	522	573	651	626	2 944
CBSA	237	249	257	302	263	1 308
CSIS	165	137	160	130	87	679
CRA	28	18	15	25	29	115
Other	379	467	679	298	329	2 152
Grand Total	2 274	2 216	2 636	2 443	2 470	12 039

Source: Canada

465. Under PCMLTFA amendments (s54(1.1)), FINTRAC has the authority to go back to a reporting entity for additional or missing information in relation to a submitted report. The act does not allow for FINTRAC to proactively request additional information from a RE if no report has been submitted. This is a prima facie limitation on FINTRAC's ability to gather the supplementary information necessary to support its analysis. In practice FINTRAC can draw information from its databases which captures a wide range of reports (including LCTRs and EFTRs) and use another filed report to seek additional information. In addition, co-operation with LEAs, who do have the necessary powers, can proactively request additional information from REs in relation to an investigation. There are several cases where proactive information shared by FINTRAC or LEAs has alerted REs to the risks of a particular activity or entity. Subsequently, this has prompted them to submit additional STRs relating to the person of interest. While these mechanisms can largely fill the gap in access to information, they do involve additional steps to obtain information and take longer.

466. Public private partnerships (PPPs) are used as a mechanism to increase access to quality information and enhance co-operation between LEAs, FIs and FINTRAC. The first PPP was established in 2016 and since then six PPPs have been created on some high-risk threats[49] and global crime types of interest. The PPP on the illegal wildlife trade is a low-risk threat in Canada's NRA but is of significant importance regionally and globally. Data and Intelligence from PPPs can open up access to previously unreported and unknown activity, subsequently informing risk assessments and typologies. Private-to-private information sharing arrangements between REs were only introduced under the 2024 PCMLTFA amendments but were not operational at the time of the onsite visit.

6.1.2. By other competent authorities

467. LEAs and other competent authorities have access to financial reports, data and other information directly from FINTRAC through the PPP mechanism and through their respective production related powers and databases. In addition to the CBSA's reporting to FINTRAC, the CBSA reports proceeds of crime seizures, in line with reporting thresholds, directly to RCMP. This is separate to CBSA reporting to FINTRAC.

[49] PPP thematics include human trafficking (2016), Romance fraud (2017), Fentanyl trafficking (2018), ML through underground banking (2019), online child exploitation (2020), illegal cannabis activities (2022) and illegal wildlife trade (2023).

Together these ensure access to a broad range of relevant and up-to-date information. Timely access to FINTRAC information is hindered by delays in FINTRAC's response to VIRs.

468. LEA and competent authorities' access financial intelligence through FINTRAC proactive disclosures or through FINTRAC's responses to VIRs (reactive disclosures). The majority of FINTRAC disclosures to law enforcement are reactive, in response to VIRs. Proactive disclosures, and the quality of information disseminated, are considered in the next section below. This section focuses on the authorities' ability to request information from FINTRAC via the VIR framework, and to access additional information directly or through PPP mechanism.

469. VIRs are the mechanism for LEAs to request information from FINTRAC (or share information with) to support their investigations or intelligence collection. VIRs are submitted through a standard template which enables FINTRAC to understand the nature and relevance of the request to prioritise the response appropriately. This formal mechanism is further supported by informal co-ordination with the main competent authorities who submit VIRs. The RCMP submits the majority of VIRs, which reflects their national role and their responsibility to conduct financial inquiries into all predicate offence investigations. Most inquiries seek further information to support ongoing investigations, such as records of financial activity by a person of interest or analysis of other persons transacting with them. It is routine for RCMP to submit one or more VIRs during any investigation into serious proceeds generating crime.

470. FINTRAC triages and prioritises VIRs for response based on the seriousness and urgency of the request. FINTRAC is not obligated to respond to every VIR; however, is required to share designated information to the respective competent authority where thresholds are met. All VIRs are triaged and stored in FINTRAC's database for searchability and continued intelligence development.

471. FINTRAC can quickly disseminate VIR reactive disclosures when assessed as urgent. Approximately 40% of VIRs assessed as urgent resulted in a FINTRAC disclosure in less than 10 days. The remaining 60% of urgent requests take between 11-30 plus days to process, averaging approximately 27 days. LEAs and competent authorities can specify a required timeframe for urgent VIRs. FINTRAC work with the LEAs to manage the level of urgency.

472. The average timeframe for FINTRAC reactive disclosures to a VIR submitted by LEAs is 65 days. While disclosure timeframes have shortened during the period under review (from 80 days to 65 days), these disclosures are not considered timely. These delays have potential further impacts on the investigation of ML and the forfeiture of assets. Slower financial investigations can lag behind the non-financial elements of a case. Non-timely access to financial intelligence or information can impede on investigations, affording criminals the opportunity to further hide or dissipate assets before they can be traced. Overall, FINTRAC is not responding to general VIRs in a timely manner.

473. LEAs have means to directly access financial information through alternative proactive intelligence gathering techniques to aid in the targeting of production orders. These are used to obtain information through channels that enable its use as evidence. The techniques also partially mitigate the effect of the delays in FINTRAC's response to VIRs, as well as the limitations on FINTRAC powers to request additional information.

474. Alternative proactive intelligence gathering techniques have been developed to rapidly provide information to LEAs as to whether a person of interest has dealings with a given FI. Upon receipt of this information, LEAs will apply for a judicially authorised production order requiring the relevant FI to produce information on the individual's account activity, CDD and beneficial ownership information, and transaction records. LEAs can structure the production order to allow for more time sensitive information to be responded to first and then subsequent information to follow. Information obtained through a production order is admissible as evidence. Therefore, such orders are routinely used to request information which is already available in the form of (non-admissible) intelligence.

475. As discussed above, the PPP mechanism allows LEAs access to financial intelligence in addition to the VIR mechanism and production powers. The Integrated money laundering intelligence partnership (IMLIP) is another mechanism that can facilitate access to information and intelligence (in addition to sharing information and intelligence) on money laundering and organised crime between LEAs and the six largest banks (DSIBs).50 The IMLIP was announced in February 2025. As it becomes operational, IMLIP will focus on streamlining the exchange of information between the RCMP and DSIBs to ensure timelier access. This will help manage timeliness concerns on VIR responses. IMLIP will be complimented by private-to-private sharing arrangement to enhance the relevancy, accuracy and timeliness of financial intelligence information and intelligence.

476. Key competent authorities, the CRA Criminal Investigations Program (CRA-CIP), Canadian Security Intelligence Service (CSIS) and the Canadian Border Services Agency (CBSA) have access to a wide range of financial information from other government agencies' databases, participation in joint agency arrangements, open-source information and classified materials (accessed via secure means). CRA-CIP sources information specific to tax crimes through Canadian Police Information Centre (CIPC) system, government registries and Passport Canada.

477. CBSA's role of customs and immigration administration and enforcement has expanded to include detecting and disrupting border related illicit financial flows (ML, TF and sanctions) occurring through the movement of people, goods, currency and monetary instruments. CBSA receives CBSRs and CBCRs, and shares this information with FINTRAC and sometimes with RCMP (where certain reporting thresholds are met). CBSA's Border Financial Crime Centre is responsible for the collection, analysis and production of tactical, strategic and operational intelligence related to border and trade based financial crimes; and has access to a range of internal and external sources of information. This includes intelligence pertaining to travellers (customs information), traders and goods, proprietary goods shipping data and certain CRA taxpayer information. See Box 6.1 for an example of competent authorities' access to a broad range of information in support of its TBML responsibilities.

[50] Bank of Montreal (BMO), Canadian Imperial Bank of Commerce (CIBC), Royal Bank of Canada, Scotiabank, TD Bank, and National Bank of Canada.

Box 6.1. Case Study – Enhancing the CBSA's Capabilities to Combat Trade-Based Financial Crime

As part of Canada's 2021 Amendments to the PCMLTFA, new legislation was introduced (in 2024) providing CBSA with legal authority to obtain a much broader range of data from entities involved in international trade (PCMLTFA, Part 2.1 Reporting of Goods). This includes importers, exporters, customs brokers, freight forwarders, and other actors across the supply chain. These entities are now required to provide accurate customs declarations, answer CBSA inquiries, supply supporting documents, and maintain records for AML/CFT purposes.

The amended authorities also allow CBSA to receive and operationalise FINTRAC disclosures relating to suspicious trade activity, and to compel declarations linked to suspicious fund transfers when physical goods movements are unclear.

The accompanying Reporting of Goods Regulations (effective April 2025) further enable the CBSA to:

- Compel previously inaccessible trade-related information, including documents capable of confirming the legitimacy of goods movements.
- Identify discrepancies between financial and physical flows, such as phantom shipments, through proactive use of customs, trade, and financial intelligence.
- Apply enforcement tools, including seizures and administrative penalties, which incentivise accurate reporting and support the development of high-quality intelligence.

A newly established Trade Transparency Unit (TTU) (since 2025) within its Border Financial Crime Centre, will integrate customs, trade, and financial data to generate proactive intelligence leads on TBML/TF typologies.

These amendments have significantly strengthened the CBSA's ability to access, use, and share information relevant to detecting and disrupting trade-based money laundering, terrorist financing, and sanctions evasion with LEA, FINTRAC and foreign counterparts.

6.2. Production and dissemination of financial intelligence

6.2.1. Production of financial intelligence

478. FINTRAC is to a very large extent supporting the operational needs of competent authorities through the provision of operational and strategic intelligence products.

479. FINTRAC's operational team is made up of two money laundering units and one terrorist financing unit (totalling three managers, ten team leaders and 54 analysts). The strategic intelligence team is made up of 13 staff who focus on ML, TF, national security, data science, beneficial ownership and sanctions. Operational intelligence products are disseminated through the VIR mechanism and through proactive STR dissemination. Strategic intelligence products are disseminated through encrypted emails and secure channels. Some products, such as operational alerts, special bulletins, indicators papers and trend analysis are for public consumption. This helps inform REs which subsequently improves the quality of reporting FINTRAC receives.

480. Operational intelligence products are developed proactively or reactively, prioritising information captured in FINTRAC's database, VIR mechanism, open-source reporting and/or third-party intelligence reports. Information is first prioritised by critical urgency (threat to life or national security) and immediately

triaged, then analysed and disseminated to the relevant competent authority. The prioritisation reflects operational priorities, informed by the NRA and the broader Government of Canada intelligence priorities. Prioritisation is managed by the Intel Intake Team. Once information is prioritised it is assigned to an intelligence analyst to research and analyse for product development (where reporting thresholds are met). The product is reviewed and approved through line management (team leader, manager and deputy director) before being disseminated to competent authorities by the dissemination team (4 staff).

481. For STRs, once a report is ingested, it is then filtered by FINTRAC's system using keywords and tagged priorities (such as indicators and PPPs). The system automatically sends a daily report with the priority STRs to the Team Leader or PPP lead for their respective team's actioning. All other STRs are reviewed by an STR review analyst, who is a member of the intake team, in line with FINTRAC prioritisation method and resources. During the period under review, approximately 13% of total STRs received were included in a proactive or a reactive disclosure to LEAs and competent authorities.

482. Strategic intelligence is developed by the strategic intelligence, research and analytics (SIRA) unit. This unit has developed a total of 91 strategic intelligence products during the period under review (2020-2025) covering high and medium threats (including professional ML, ML and organised crime, human trafficking) (see Table 6.3). Strategic financial intelligence products include financial intelligence reports and perspectives, 'placemats', and background and predicate assessments (covering TF, ML transactional behaviour, online gambling, human trafficking, proceeds of narcotics and virtual currency activity). Research Reports and environmental scans provide descriptive analysis (including trend analysis) and updates on specific thematics associated illicit financial activity (e.g. COVID-19 and trend analysis of ML and TF). Public facing reports include operational alerts (e.g. Tax evasion in Real Estate and ML and illicit synthetic opioids), sectoral and geographical advisories, operational briefs and special bulletins (financial activity and suspected sanctions evasion). The focus of these products is in line with Canada's risk profile and they remain dynamic to meet consumer needs and inform national intelligence priorities.

483. FINTRAC's strategic intelligence products are a significant input to Canada's understanding of ML/TF risks and have demonstrable influence on national strategies and policies. They can be attributable to an increase on private sector understanding of risk and risk mitigation practises. A Special Bulletin (2024) on the use of the legal profession in money laundering and sanctions evasion, focused on the risks of ML through legal professionals' pooled trust accounts. It has contributed to the awareness and understanding of ML, TF and sanctions evasion risks among law societies and legal professionals.

Table 6.3. FINTRAC strategic intelligence products, 2020-2025

Products	2020-21	2021-22	2022-23	2023-24	2024-25	TOTAL
Strategic Financial Intelligence Products*	6	8	11	18	18	61
Research Reports and Environmental Scans**	5	-	7	1	1	14
Public Facing Reports***	2	3	4	3	4	16
TOTAL	13	11	22	22	23	91

Source: Canada

6.2.2. Dissemination of financial intelligence

484. During the period under review, FINTRAC has disseminated 10 127 financial intelligence disclosures to domestic LEA and competent authorities (see Table 6.4). Of those disclosures, 70% were reactive and

30% were proactive. In addition to these domestic disclosures, FINTRAC has also disseminated intelligence disclosures and STRs to foreign counterparts (see Table 6.5 for FINTRAC disclosures as a whole51). FINTRAC can also make disclosure packages which include multiple reports and can be disseminated to more than one competent authority[52] (noting information sensitivities and need-to-know principle).53 The majority of disclosures are sent to the RCMP and to provincial and municipal LEAs (approximately 74%), followed by CBSA (approximately 11%) and then CRA and CSIS (approximate combined total 9%). These agencies are the key agencies for financial intelligence and disclosures are aligned with their respective authorities on ML/TF and predicate offences. FINTRAC disseminates financial intelligence in support of ongoing investigations.

Table 6.4. FINTRAC Disclosures disseminated to domestic partners, 2020-2025]

Disclosure fiscal year	Proactive	Reactive	Total
2020-2021	551	1 323	1 874
2021-2022	817	1 255	2 072
2022-2023	519	1 382	1 901
2023-2024	307	1 325	1 632
2024-2025	878	1 770	2 648
Total	3 072	7 055	10 127

Source: Canada

Table 6.5. FINTRAC disclosures including STRs to foreign FIU counterparts, 2020-2025

Fiscal Period	Disclosures	STRs/STRAs Disclosed
2020-2021	2 046	49 678
2021-2022	2 292	70 838
2022-2023	2 085	86 092
2023-2024	1 783	84 299
2024-2025	2 730	111 149
Total	10 936	402 056

Source: Canada

485. The STR disclosures made by FINTRAC are mostly consistent with Canada's risk profile, with approximately 60% associated with high-threat predicate offences. FINTRAC has disseminated 15 065 STRs related to counterfeiting and piracy during 2024-2025, which are categorised as low-threat predicate offences. Similarly, STR disseminations on robbery and theft (28 241, approximately 21%) exceed comparative disseminations, which are not commensurate with the threat levels identified in the NRA. The average timeframe for FINTRAC to disseminate an urgent STR is approximately 12 days and 34 days for non-urgent STRs. To meet time sensitive urgent needs of competent authorities, FINTRAC has the flexibility

[51] Of the total disclosures, 1 320 were disseminated to foreign FIUs

[52] Disclosure recipients of FINTRAC financial intelligence are RCMP, municipal and provincial police services, CSIS, CRA, CBSA, Communications Security Establishment, the Department of National Defence, provincial securities regulators, the Office of the Superintendent of Financial Institutions (OSFI), Immigration, Refugees and Citizenship Canada (IRCC), Revenue Québec, the Competition Bureau, the Minister of Foreign Affairs, Environment and Climate Change Canada (ECCC), the Department of Fisheries and Oceans (DFO), and provincial and territorial civil asset forfeiture offices.

[53] Disclosure packages significantly increase the total number of FINTRAC disclosures to 28 242 as more than one competent authority can receive the same disclosure. The total number of unique disclosure packages disseminated to domestic counterparts is 10 127.

to disclose just the STR within hours, with additional analysis and financial intelligence followed up in subsequent STR disclosures.

486. FINTRAC disclosures are broadly in line with Canada's risk profile, with a majority being associated with predicate offences of drug trafficking and fraud (see Table 6.6). This also aligns with the main recipient of FINTRAC disclosures, RCMP, who have responsibility for investigating these crime types.

Table 6.6. FINTRAC disclosures by offence type 2020-2025

Fiscal Year	Disclosure count	Related Offences	Predicate Offences
2020-2021	2 046	ML: 1 812 TF: 146 ML, TF, *Other: 88	Fraud: 35% Drugs: 34% Tax Evasion: 9% Customs and Excise: 8% Immigration and Refugee Prot Act: 5%
2021-2022	2 292	ML: 1 937 TF: 191 ML, TF, *Other: 164	Drugs: 33% Fraud: 23% HS/HT: 15% Tax Evasion: 10% Customs and Excise: 8%
2022-2023	2 085	ML: 1 797 TF: 111 ML, TF, *Other: 177	Drugs: 31% Fraud: 25% Crimes Against Persons: 13% HS/HT: 12% Tax Evasion: 11%
2023-2024	1 783	ML: 1 571 TF: 90 ML, TF, *Other: 122	Drugs: 23% Fraud: 20% Tax Evasion: 10% Customs/Excise: 7% Crimes Against Persons (also including HT): 7% Immigration and Refugee Protection Act offences (also including HT and HS): 7%
2024-2025	2 730	ML: 2 317 TF: 166 ML, TF, *Other: 247	Drugs: 20% Fraud: 25% Crimes Against Persons: 16% Immigration and Refugee Protection Act offences: 6% Customs and Excise: 11% Tax Evasion: 12%

Source: Canada

Note: "Other" refers to threat to the security of Canada.

487. During the period under review, FINTRAC has disseminated 704 TF disclosures. FINTRAC can prioritise TF related matters as urgent, disseminating TF financial intelligence within 5-24 hours (See IO.9, Box 9.4). They can also expedite a disclosure when and if new information becomes available that increases the priority. Proactive TF disclosures are informed by assessing STRs, open-source intelligence and publicly available information. TF disclosures are timely and meet the operational needs of competent authorities.

6.2.3. FIU financial intelligence supporting needs of competent authorities

488. As previously mentioned, key agencies in receipt of FINTRAC financial intelligence are primarily the RCMP, followed by other law enforcement authorities, CBSA, CRA and CSIS, which is reflective of their VIRs sent to FINTRAC (see core issue 6.1). A total of 12 039 VIRs were sent to FINTRAC from LEAs and competent authorities. FINTRAC's proactive and reactive disclosures contributed to 1 469 major investigations (see

Box 6.2). Financial intelligence is used across a spectrum of investigations relating to ML and predicate offences including drug trafficking, fraud, tax crimes and TBML.

Box 6.2. Ontario Provincial Police – Major Fraud Investigation

In 2018, the Ontario Provincial Police – Serious Fraud Office (OPP-SFO) received information from nine Canadian police agencies regarding an elaborate Ponzi scheme involving point-of-sale debit terminals. The suspect had operated the scheme between 2012 and 2017 before fleeing the country with significant assets.

Subsequently, a multi-agency effort was established involving FINTRAC, CBSA, the Forensic Accounting Management Group, CRA, RCMP, foreign law enforcement partners, and Interpol. FINTRAC provided reactive financial intelligence disclosures that supported OPP-SFO's operational needs by identifying financial accounts, transaction patterns, and movements of funds connected to the suspect. Leveraging FINTRAC's financial intelligence, LEAs identified bank accounts held by the suspect at all six major Canadian banks and corroborated witness statements describing wire transfers to a foreign jurisdiction. Additional investigative steps included the use of cloud-based survey tools to efficiently contact victims and gather structured witness information. LEAs were able to trace and seize approximately USD 4 million in illicit assets located abroad.

In September 2020, the suspect located abroad was arrested, and deported to Canada. He was charged and convicted of fraud over CAD 5 000 and ML. He received a seven-year custodial sentence, along with a Restitution Order, enabling seized Canadian assets to be distributed to victims. The suspect's wife and business partner were also arrested and convicted in a foreign jurisdiction and forfeited approximately USD 4 million.

489. To ensure FINTRAC financial intelligence is supporting the needs of competent authorities, FINTRAC can tailor their products for ease of use and understanding. At a minimum, the disclosure presents a high-level overview of the flow of suspicious funds, linkages between entities, and any relevant ML, TF or sanctions evasions indicators. FINTRAC does also informally meet with LEAs and competent authorities as a follow up to ensure a clear understanding of the designated information and to discuss opportunities to improve disclosures. This is intended to improve usability of FINTRAC disclosures and increase uptake by LEAs and competent authorities. Financial intelligence disclosures are of high quality.

490. FINTRAC has received feedback on 1 118 disclosures from LEAs and competent authorities (out of a total of 10 127 disclosures). Proactive disclosures contributed to 89.8% of investigations, which attributes FINTRAC's ongoing analysis of reporting to be complimentary to reactive disclosures. Approximately 64.6% of proactive disclosures identified additional entities of interest or previously unknown entities. Proactive disclosures are informative to investigations. Reactive disclosures, requested through the VIR mechanism, contributed to approximately 98.4% of investigations.

491. Overall, 10% of proactive and reactive disclosures, triggered a new investigation. Disclosures have predominantly been used in ongoing investigations resulting in new information on known and unknown subjects, and corroborating information. Disclosures support LEA and competent authorities in evidence development and initial tracing; however, feedback indicates less utility of disclosures in generating new investigations.

492. A high percentage (approximately 81.9%) of reactive disclosures in response to VIRs corroborated information already known to the requesting LEA. FINTRAC's full capability (providing financial intelligence expertise and high value financial analysis on suspicious activity) is not being sought to the full extent through the VIR mechanism. Competent authorities could benefit from having direct or self-service access

to a financial intelligence disclosure repository that allows for fact checking in support of their investigations. This approach could reduce the number of incoming VIRs by eliminating simple database queries, and free up FINTRAC resources to focus on higher value-added analysis. This is in comparison to reactive disclosures that could be addressed by competent authorities themselves through streamlined access to financial intelligence reporting repository.

6.2.4. Other competent authorities producing financial intelligence (where relevant)

493. Outside of FINTRAC disclosures, LEAs have access to other data sources to produce financial intelligence in support of their investigations, as noted above (particularly through alternative proactive intelligence gathering techniques and production orders). The RCMP develops its own financial intelligence to a large extent on ML, TF and predicate offences. It does this through its specialised units and teams (such as the serious organised crime (SOC) units and integrated money laundering investigative teams (IMLIT) leveraging off of expertise from other departments and agencies, production orders and search warrants, and police intelligence.

494. CBSA and CRA also develop their own financial intelligence to a large extent. CBSA's Border Financial Crime Centre produces intelligence to identify cross-border movements of trade based illicit financial flows (ML/TF and sanctions) such as TBML activity. It has expanded its capability to document trade fraud threats and make appropriate recommendations regarding the need for enforcement by the CBSA, the RCMP or other regulatory bodies. During the period under review, CBSA has produced 27 strategic intelligence products and 71 strategic intelligence assessments on trade based financial crime (see IO7 for further details). CBSA triangulates STR and financial transaction reporting (received from FINTRAC) with its own data. It can further use intelligence from CRA information to validate suspicious activity.

495. CRA-CIP is responsible for developing financial intelligence related to tax crimes, with the criminal intelligence section responsible for analytical assessments on new leads. It collects and analyses external and internal data to identify new workloads and enhance existing leads and referrals by identifying patterns and schemes of criminal activity. They also support investigations in regional offices by analysing and providing a mix of CRA data and intelligence that adds value to cases at both the workload and investigation stages. During the period under review, the criminal intelligence section has produced 19 strategic intelligence reports and over 2,100 tactical intelligence assessments.

496. CSIS can use its own intelligence holdings to develop financial intelligence and does so to a large extent. CSIS' financial intelligence is fused with further financial information, predominantly from FINTRAC, to enhance their intelligence reporting. A CSIS intelligence report on TF was developed using information from FINTRAC to further develop the intelligence picture of virtual currency use in a counter terrorism investigation.

6.3. Co-operation and exchange of information/financial intelligence

6.3.1. Co-operation and exchange

497. Domestic co-operation mechanisms are a key strength of Canada's AML/CFT regime. FINTRAC operates independently from LEAs and national-security bodies (as it is not an investigative body), while maintaining strong relationships to ensure its financial intelligence remains responsive to operational needs.

498. FINTRAC engages widely with provincial and federal partners through many arrangements. For example, the Criminal Intelligence Service Ontario (CISO) (organised crime focus); the Counter-Illicit Finance Alliance of British Columbia (CIFA-BC); RCMP specialized units (IMLITs, provincial SOC units, Integrated Market Enforcement Team in Calgary and the National Child Exploitation Co-ordination Centre); Criminal Intelligence Service of Manitoba; Ontario Association of Chiefs of Police; Canadian Association of Chiefs of Police; the Sûreté du Québec Asset Forfeiture Unit: Revenu Québec; and numerous CBSA and CRA teams across Canada. FINTRAC's participation in national co-ordination bodies, including Canadian Integrated Response to Organised Crime (CIROC) and the Joint Operational Intelligence Cell (JOIC), ensures that financial intelligence contributes to priority investigations targeting organized crime and illegal drug trafficking.

499. FINTRAC contributes directly to the broader intelligence community through regular participation in domestic security briefings, interdepartmental forums, international exchanges, and responses to ad hoc requests for ML/TF and sanctions evasion expertise. FINTRAC has engaged in significant intelligence sharing and co-ordination activities, participating in hundreds of operational meetings, workshops, working groups and training sessions with municipal, provincial and federal agencies. The RCMP and FINTRAC actively collaborate in training aimed at ensuring a broad understanding of best practices of the processes surrounding disclosure of financial intelligence. In 2024, at the request of CRA, FINTRAC created a joint training initiative specifically on the topic of International Co-operation where the Department of Justice and FINTRAC shared international information exchange mechanisms including the role of the Egmont Group. FINTRAC and CBSA have also worked to provide training across both organizations on their respective roles and mandates and have co-delivered briefings, outreach and awareness sessions to key domestic and international partners.

500. Canada's PPPs have become a central feature of its AML/CFT framework, demonstrating successful collaboration between FINTRAC, reporting entities and LEAs on high-priority ML/TF threats.

6.3.2. Security and confidentiality

501. Canada has a strong privacy and security framework governing protection and confidentiality of financial intelligence. FINTRAC's building is protected, secure and restricted to staff only. Physical access into its premises is subject to strict security protocols.

502. The PCMLTFA clearly defines what information shall be disclosed and sets out specific thresholds that must be met before FINTRAC is authorized to disclose it. FINTRAC has policies and procedures in place regarding the use of secure mechanisms to receive voluntary information and disseminate disclosures, which are also in accordance with the Government of Canada's security requirements. Only designated personnel within FINTRAC's Operational Integration and Support Team are able to send disclosures to recipients (domestic and international) via FINTRAC's secure channels.

503. Measures are in place for Office of the Privacy Commissioner to conduct biennial audit of FINTRAC's privacy protection measures, focusing on FINTRAC's policies and procedures related to administrative, physical, and information technology security controls to protect information from unauthorized use and disclosure.

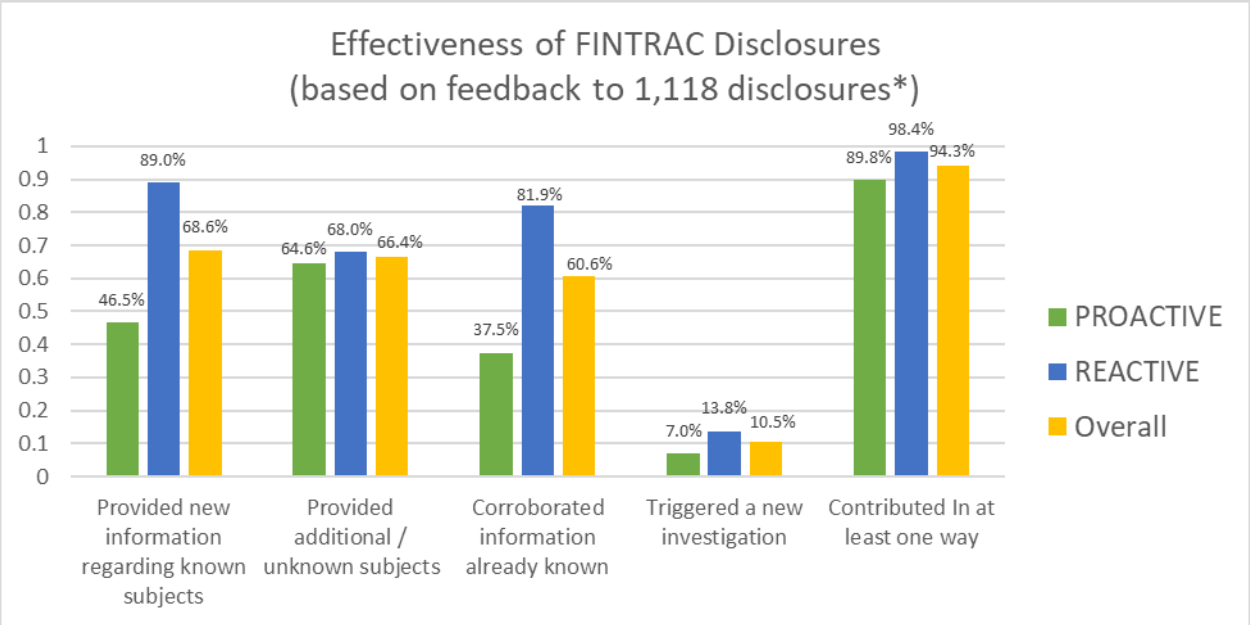
6.4. Using information/financial intelligence

6.4.1. Using information / financial intelligence for investigations and developing evidence

504. Canada's key competent authorities use financial intelligence and other relevant information to a large extent to investigate ML, associated predicate offences and TF. Canadian LEAs conduct financial inquiries when investigating predicate offences and RCMP case samples demonstrate high utilisation rates for financial intelligence (94% of investigations into ML or 'possession' offences utilised FINTRAC disclosures). Information obtained in FINTRAC disclosures (transactional reporting and STRs), production orders and search warrants allows LEAs to develop initial investigations. This is particularly relevant to developing the identities of the persons of interest and identifying the financial criminal activity. See core issue 7.1 for further details on LEAs regular conduct of parallel financial investigations at the initial phases of ML, predicate offence and TF related investigations.

505. During 2020-2025, FINTRAC has received feedback on 1 118 disclosures to competent authorities (out of a total of 10 127 disclosures). Approximately 94% of the feedback found the financial intelligence and information valuable, and/or actionable (See Table 6.7 below). This feedback is positive (consistent with section 6.2.3). FINTRAC's feedback mechanism can be strengthened to ensure constructive feedback is systematically used to improve areas of deficiency (such as timeliness of disseminations).

Figure 6.1. Feedback on FINTRAC disclosures to competent authorities



Source: Canada

506. FINTRAC has sought further feedback on 162 disclosures to RCMP, CRA and CSIS between the period of 2020-2024. Enforcement outcomes of these disclosures include 30 charges and 10 convictions. This data contributes to a positive reflection of the use of financial intelligence and information in developing investigations and evidence.

6.4.2. Using information / financial intelligence to assist in identifying and tracing criminal proceeds or instrumentalities

507. FINTRAC's financial intelligence has contributed to the identification and tracing of criminal proceeds and instrumentalities and is used extensively by LEAs in their asset tracing efforts. Alternative proactive intelligence gathering techniques, PPP information sharing and FINTRAC disclosures are the primary tools used to establish production orders to further trace and identify. This information requires active reporting and participation from public and private entities (see Box 6.3). This case study demonstrates how the RCMP uses FINTRAC's financial intelligence to investigate cases that lead to tangible enforcement results, including arrests, convictions, seizures and forfeitures. Following amendments to the PCMLTFA, FINTRAC information can be disclosed (proactively or reactively through a VIR) to provincial CFOs, removing a barrier to CFOs' ability to identify and trace assets. Since 2025, CFOs are now a disclosure recipient and have submitted 16 VIRs. FINTRAC has disclosed 1 proactive disclosure and 5 reactive disclosures with the remaining reactive disclosures still in progress.

Box 6.3. Project Legion: Combatting the Laundering of Proceeds from Illegal Cannabis Activities

Project Legion, a PPP led by TD Bank, was launched in September 2022 to enhance awareness of the harms associated with illicit cannabis activities and strengthen the detection of laundering of the proceeds.

Based on FINTRAC's review of 5 000 STRs received between 2020-21, an Operational Alert Laundering of Proceeds from Illicit Cannabis was disseminated, describing the methods used to launder proceeds of illicit cannabis sales. It provided actionable indicators to help reporting entities identify and submit STRs. Subsequently, 44 105 PPP Legion STRs were reported to FINTRAC.

Cases involving the laundering of illicit cannabis proceeds are often large and complex, with networks spanning multiple jurisdictions. FINTRAC helped investigators link illicit cannabis activity across provinces and disclosed 169 unique STRs to seven LEA via disclosure packages. These reports involved 163 individuals, over 90 accounts, and more than CAD 53 million in suspected illicit sales.

7 Money laundering investigations and prosecutions

The relevant Immediate Outcomes considered and assessed in this chapter is IO.7. The Recommendations relevant for the assessment of effectiveness under this chapter are R.3, 30, 31 and elements of R.1, 2, 15, 32, 37, 39 and 40.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Canada identifies and investigates ML (*laundering proceeds of crime* - LPOC, s 462.31; *possession of property obtained by crime* – PPOC, s 354; *trafficking property obtained by crime* – TPOC, s 355.1; and *possession of property obtained by crime for the purposes of trafficking* – PPOCPT, s 355.4) under the Criminal Code to a large extent, and generally in line with its risk profile. The assessment placed the most focus on the outcomes of LPOC investigations and prosecutions as they involve the most significant and complex ML activity and the outcomes in the small number of PPOC cases involving complex, high-value and high-impact conduct. Less focus has been placed on the outcomes of PPOC, TPOC and PPOCPT matters, which are more numerous but generally relate to lower-value, lower-complexity and lower impact cases. Investigations are well co-ordinated between LEAs at all levels with appropriate strategic and operational co-ordination mechanisms in place. LEAs are well resourced to identify and investigate money laundering, with significant resources (financial and human) added during the period under review.

b) ML activity is typically identified by LEAs during financial investigations into proceeds generating offences. Conducted routinely, these investigations are embedded within the case prioritisation process of RCMP-FP, ensuring all major RCMP-FP cases have parallel financial investigations.

c) Proactive disclosures from FINTRAC generate a smaller proportion of ML investigations (8% of a sample of proactive disclosures generated RCMP-FP investigations); however, this is still a sizeable proportion. FINTRAC information was used in 94% of RCMP files involving LPOC or PPOC.

d) LEAs use a broad range of information gathering powers to support investigations, including beneficial ownership information. Production orders (used in 97% of a sample of RCMP-FP cases involving LPOC or PPOC) are well utilised, but there are concerns regarding the timeliness of

responses. Significant efforts have been made to accelerate this over the past year through informal alternative measures used by FIs (namely D-SIBs). Despite this, timeliness of access to information needed to investigate can still be an issue.

e) LPOC offences are prosecuted only to a limited extent, with the majority of ML prosecutions coming from PPOC and TPOC/PPOCPT offences which are prosecuted more frequently.
   - At the prosecution stage, ML (LPOC and PPOC) charges are commonly withdrawn to secure resolution agreements. While securing convictions for predicate offences is an important criminal justice outcome, it is occurring at the expense of convictions for ML.
   - Prosecutors have challenges in proving the elements of the LPOC offence, particularly where laundering has occurred at arm's length to the predicate offending (i.e. third-party money laundering).
   - While there are several notable examples of PPOC prosecutions relating to significant, high value and complex ML activity, PPOC prosecutions often relate to lower-level criminality conduct (reflected in sentencing data), including straightforward self-laundering or simple possession matters (for example, possession of stolen goods). As such, these prosecutions are generally of lower consequence in tackling Canada's most significant ML threats and are given less focus.

f) It is difficult for prosecutors to obtain ML convictions for professional money launderers (PML), particularly for standalone ML. Canada has demonstrated some successes in prosecuting and securing ML convictions for PML; however, these have been limited in number and not in line with PML activity in Canada. PML is a major ML typology in Canada and is identified in almost all large-scale proceeds generating crime in Canada, with varying degrees of sophistication. Canada has implemented several legislative reforms to address these challenges, but they are recent and remain untested.

g) Sentencing for LPOC and PPOC, particularly in the absence of a predicate offence, is inconsistent. While significant sentences have been handed down in major cases, courts frequently impose penalties at the lower end of spectrum for serious ML conduct, resulting in sentences that are not proportionate, dissuasive or effective.

Key Recommended Actions (KRAs)

Canada should:

a) Prioritise the investigation and prosecution of complex professional and standalone ML cases consistent with Canada's ML risks.

b) Strengthen ML prosecution outcomes, particularly convictions for LPOC, including by increasing the priority given to the securing ML convictions when concluding resolution agreements.

Other Recommended Actions

Canada should:

a) Improve data collection and reporting to ensure that Canadian competent authorities have a national comprehensive understanding of all aspects of ML enforcement (including ML and predicate charges, convictions, sentencing, penalties and forfeiture).
b) Formalise the requirement to consider the investigation of ML in investigations of proceeds generating offences consistent with risk in operational and procedural documents for provincial and municipal LEAs.
c) Review the implementation of the sentencing framework for money laundering offences (with a particular emphasis on LPOC) to support the consistent imposition of sentences for ML that are effective, proportionate and dissuasive, while respecting judicial independence.
d) Consistent with Canada's risk profile, pursue ML prosecutions of legal persons in appropriate cases, as well as prosecution of their senior management and directors when involved in the commission of the offence.
e) CRA should expand its implementation of ML investigative techniques to assist with its ML assessments in line with its Money Laundering and Proceeds of Crime Investigation Policy.

Overall Conclusions on IO.7

Canada has an appropriate legal and operational framework to identify and investigate ML. LEAs have increased their focus on 'following the money' during the period under review. ML is primarily identified through parallel financial investigations into predicate offences, which are regularly conducted. Financial intelligence is extensively used in ML investigations and is the basis for LEAs commencing ML investigations in a reasonable percentage of cases. The establishment of specialist integrated ML investigative teams (such as IMLITs) across Canada's most material provinces has increased the capacity of Canadian LEAs to investigate significant and complex ML investigations.

Of the four types of ML offence, the assessment places the most focus on LPOC outcomes, as these investigations and charges typically relate to more serious, sophisticated, and complex ML offending. During the period under review, 3 173 LPOC investigations were conducted by LEAs across Canada, with 1 585 LPOC charges laid. Of the 255 407 police-reported incidents of suspected PPOC/TPOC/PPOCPT during the reporting period 155 875 resulted in charges being laid. LPOC investigations and charges are generally in line with Canada's risk. A significant number of standalone LPOC investigations reflects the high prevalence of third party and PML in Canada. The limited number of ML investigations into tax offences and TBML does not align with Canada's risk profile.

When ML cases reach the prosecution stage, federal and provincial prosecutors focus on the prosecution of the charge with the highest maximum penalty. This occurs at the expense of ML convictions as ML charges are often withdrawn in order to secure a conviction on a predicate offence with a higher maximum penalty (such as drug trafficking or serious fraud offences). This occurs through global resolution agreements, which generally require the accused to accept responsibility for the criminal behaviour, including for stayed or withdrawn charges. Resolution agreements are structurally important for the Canadian criminal justice system and are a valid tool to support broader criminal justice outcomes while remaining consistent with the Charter. While obtaining convictions for predicate offences is an important criminal justice outcome, it is occurring at the expense of ML convictions, despite ML's significant social harms and its role as the key enabler for organised crime in Canada.

More positively, prosecutors (and LEAs) are prioritising cases involving sophisticated PML and have achieved some recent successes. Recent Criminal Code amendments are expected to facilitate these types of ML prosecutions by addressing several practical limitations in Canada's ML offences that have impacted authorities' ability to prosecute this activity during the review period.

Where an offender is convicted of more than one offence, custodial sentences are typically served concurrently. This means the sentence for the offence with the highest imposed penalty typically reflects the global sentence. As such, conviction for ML as well as predicate offences generally would not increase the global sentence imposed. Sentencing for the LPOC or PPOC charge is often at the lower end of the spectrum, particularly in the absence of a predicate offence or where LPOC or PPOC is the most serious offence. There are several case examples where Canada has achieved more dissuasive sentences for LPOC and PPOC in serious cases, but this is not typical, and sentences overall reflect the lower emphasis placed on complex professional and standalone ML.

Canada uses a range of alternative measures where a ML conviction is not feasible with varying effectiveness. Canada has had some success in prosecuting offences under the PCMLTFA, such as operating an unregistered MSB. Civil forfeiture has similarly seen success, and CRA's Illicit Income Audit Program has demonstrated early success in recovering unpaid tax on illicit income.

Canada is rated as having a Moderate level of effectiveness for IO.7.

Immediate Outcome 7

7.1. ML activity identified and investigated

508. Canada identifies and investigates ML to a significant extent. ML is typically identified by LEAs when conducting parallel financial investigations at the initial investigation stage

509. The Criminal Code establishes four different money laundering offences: laundering proceeds of crime (LPOC) (CC s462.31), possess property obtained by crime (PPOC) (CC s354), trafficking in property obtained by crime (TPOC) (CC 355.2), and possess property obtained by crime for the purpose of trafficking (PPOCPT) (CC 355.4).

510. The assessment has placed the most focus to the outcomes achieved in LPOC investigations and prosecutions and has also focused on the outcomes of PPOC cases involving complex, high value, and high impact ML activity. These cases generally involve the most significant and complex ML activity in Canada and results in these matters have the biggest impact in Canada's efforts to combat ML. Less focus has been placed on the outcomes of PPOC offences. While PPOC offences span a range of criminality, they generally relate to lower-level criminality and typically to lower-value self-laundering.

511. LPOC captures the broadest range of laundering typologies, particularly the type of activity associated with high-value, complex, and sophisticated money laundering operations, including by professional money launders (PMLs). Competent authorities' investigations and prosecutions of LPOC are the money laundering cases that target the high-risk money laundering threats and typologies outlined in the NRA. Case studies, interviews with authorities and sentencing data (see core issue 7.3) all clearly demonstrate that LPOC offences reflect the most serious ML cases investigated and prosecuted in Canada.

512. During the period under review, 3 173 LPOC investigations were carried out by LEAs (including RCMP, provincial and municipal police forces) with 1 585 LPOC charges laid. Agency level data shows 1 234

LPOC investigations were conducted by RCMP resulting in 156 charges. The remainder were conducted by Provincial and Municipal police forces.

513. PPOC, with some notable exceptions, generally relates to lower-level criminality, such as straightforward self-laundering or simple possession matters. PPOC is routinely charged by police as a standalone offence or in conjunction with a predicate offence, where a person is found in possession of property they obtained through the commission of a predicate offence, such as suspected stolen property from minor thefts, street-level drug dealing, or low-level fraud schemes. There are examples of PPOC being used in more significant cases resulting in significant penalties (see 7.3). However, PPOC cases are typically of lower significance in Canada's ML landscape. As such, less focus was put on PPOC outcomes, except for case studies demonstrating serious ML activity that was investigated and subject to prosecution for PPOC.

514. During the period under review, 244 225 instances of PPOC were reported to Canadian LEAs, resulting in charges being laid in 155 875 instances.

515. The Supreme Court of Canada cases of R v Jordan [2016] 1 SCR 631 and R v Stinchcombe [1991] 3 SCR 326 clarify the scope of constitutionally-protected rights and shape how criminal offences, including ML, are investigated and prosecuted (see Box 7.1). To remain consistent with these principles, Canadian LEAs have adapted their approach to ML investigations. Further detailed analysis on their impacts at prosecution can be found in core issue 7.2.

Box 7.1. *R v Stinchcombe; R v Jordan*

R v Stinchcombe This Supreme Court of Canada decision clarified that the prosecution has a duty to provide the defence with all relevant, non-privileged information in its possession. This disclosure requirement is an important part of ensuring a fair trial for the defendant. An investigation into various kinds of offences, including financial crimes, may involve significant amounts of data or documentation. Depending on the circumstances of the case, it can require investigators and prosecutors to review, manage and disclose vast amounts of information, even if it is not intended to be used as evidence.

R v Jordan This Supreme Court of Canada decision established presumptive time limits — from the charge to the actual or anticipated end of trial — beyond which delay is presumed to be unreasonable, unless exceptional circumstances justify it. The decision recognized that delay has a negative impact on the accused, victims of crime, and society's interest in seeing that justice is done. In superior courts, the presumptive time limit is 30 months once charges are laid while in provincial courts, the presumptive time limit is 18 months. These timelines are presumptive, rather than fixed, and may be extended in certain circumstances, including where cases are particularly complex or due to events beyond the controls of the prosecution (such as delays from the defence).[54]

516. Practice since Jordan is for LEAs to investigate ML components of cases at the initial investigation stage, which runs in parallel to the predicate offence investigation. Investigators liaise closely with prosecutors to ensure an appropriate strategy is applied to remain within the Jordan timelines.

517. To remain within these timeframes, LEAs explained that they focus their investigation on a narrower number of priority targets (typically individuals that are controllers or can be most clearly linked to the offending) rather than targeting the broader criminal enterprise. This approach balances securing outcomes against these targets with Charter-protected rights, but can lead to more limited ML prosecution and restraint and forfeiture outcomes (see IO.8).

[54] Legislation was introduced in December 2025 in the Canadian Parliament (Protecting Victims Act), intended to address some of the practical challenges associated with complying with Jordan timeframes. This legislation was not in force at the conclusion of the Onsite visit.

518. ML is identified, and investigations are conducted generally in line with Canada's risk profile. There are fewer investigations into tax offences and TBML. In LPOC cases where ML can be associated with a predicate offence, drug related offences and fraud are the primary predicate offences identified. These offences account for almost 50% of all LPOC cases, with the bulk of remaining offences identified as standalone LPOC (see Table 7.1).

Table 7.1. LEA reported ML incidents and associated offences (2019-2024)

Breakdown	LPOC	PPOC/PPT/TPOC
Standalone money laundering	1 389	115 574
Drug related offences	959	25 336
Fraud	567	20 166
Firearms Violations	207	11 455
Theft	102	52 070
Tax Evasion and Excise Act	11	74
Illegal Gambling	7	13
Immigration and Refugee Protection Act	4	12
Customs Act	2	6
Other proceeds generating crimes (all other UCR violations not listed above)	184	30 701
TOTAL	3 432	255 407

Source: Canada

519. The large proportion of standalone ML is reflective of criminal activity by PMLs in Canada. Competent authorities are identifying this activity in almost all large-scale proceeds generating crime in Canada. While less prevalent in medium/smaller scale activity, it remains present. PML in Canada occurs with differing levels of sophistication, ranging from standalone operators engaging in unsophisticated cash mule activity to sophisticated use of underground MSBs and professional facilitators. Its prevalence and exploitation of multiple sectors have resulted in increased prioritisation by LEAs. While investigators are identifying standalone and PML LEAs face challenges in obtaining sufficient evidence to charge and proceed with prosecution as perpetrators remain at arm's length from the predicate offending. These challenges are demonstrated in detail below.

520. Investigations are well co-ordinated between municipal and provincial LEAs, the RCMP, and relevant federal agencies with appropriate strategic and operational mechanisms in place to facilitate co-ordination. National co-ordination across jurisdictions is directed through the Canadian Integrated Response to Organised Crime (CIROC) (see core issue 1.5) and operational co-ordination occurs through several mechanisms, notably the use of integrated teams such as the Integrated ML Investigative Teams (IMLITs) and joint taskforce operations. Joint force operations occur on an ad hoc basis, as well as through established mechanisms such as the Combined Forces Special Enforcement Units (CFSEUs) in BC, the Greater Toronto Area (GTA) and Montreal. These bring together seconded officers from RCMP, CBSA, provincial police (in GTA and Montreal) and municipal police to work on specific criminal activity.

521. Police officers across Canada's LEAs are trained to 'follow the money' (an investigative principle, tracing financial transactions to identify and reveal illicit activity), with specific training provided to financial investigators, with engagement from key partner agencies (FINTRAC, CRA, CBSA, and the Forensic Accounting Management Group (FAMG). This training supports the dedicated structures.

522. Frontline police and police investigators across Canada use clear procedures to ensure cases with financial elements are referred to these specialist financial investigators for parallel financial investigations, often following initial financial inquiries to identify financial elements.

523. RCMP-FP IMLITs in BC, Alberta, Ontario and Québec are new resources, established in 2020, to improve ML identification and investigation. The four IMLITs are comprised of embedded dedicated specialist police financial investigators, civilian specialists, FAMG's forensic accounting investigators, and criminal tax investigators from CRA to identify and investigate complex money laundering, particularly PML linked to organised crime.

524. Conducting parallel financial investigations at the initial investigation stage is largely built into LEAs' investigation processes for matters involving financial elements. For an RCMP-FP investigation to be prioritised ('tiered'), the operational plan must clearly demonstrate that a parallel financial investigation will be conducted. In determining whether to prioritise the matter, RCMP HQ's prioritisation committee considers the ML threat posed by the target and the extent to which their criminality threatens Canada's economic integrity.

525. This is a robust process and is appropriate given matters investigated by RCMP-FP are typically of greater severity, complexity and scale. With the exception of the Ontario Provincial Police, provincial and municipal LEAs do not all have such formalised processes.

526. Parallel financial investigations and agency referrals are the primary mechanisms for commencing ML investigations. This is supplemented by the effective use of financial intelligence by LEAs. In a small random sample of RCMP-FP cases where ML activity was identified, 8% of these were initiated from FINTRAC proactive disclosures (see IO.6). RCMP and other competent authorities also make extensive use of financial intelligence throughout investigations. Using the same random sample, FINTRAC information was used in 94% of RCMP-FP cases involving ML or a possession offence.

527. LEAs and competent authorities with investigative mandates across Canada are peace officers or public officers for the purposes of the CC and have access to a broad range of information gathering powers. Numerous case studies demonstrate that LEAs generally make efficient and effective use of these measures (see Box 7.2). Case studies also showed that judicial authorisations are generally able to be obtained expeditiously in urgent matters.

Box 7.2. BC gaming investigation case study

Between 2019-2021, the Combined Forces Special Enforcement Unit (CFSEU) of BC investigated suspected money laundering, loan sharking, extortion and involvement in organised crime linked to cash facilitation for gamblers at casinos in BC. This investigation was initiated after a referral from the BC Lottery Corporation, which identified an initial suspected cash facilitator linked to money laundering, loan sharking, and organized crime. A wide variety of investigative tools was used including physical surveillance, undercover operations, financial intelligence from FINTRAC (including STRs), bank record analysis, digital communications review, and covert monitoring.

Investigators uncovered conduct consistent with ML, including the use of large amounts of unsourced cash in casinos, illicit cash for chip exchanges, loan sharking at criminal interest rates, and the use of an instant messenger application and informal value transfer systems to move funds domestically and internationally. Investigators gathered evidence showing that the suspect facilitated cash loans and converted bulk cash into bank drafts or cheques.

Investigators obtained 24 omnibus applications for 60 production orders (bank records, business records, depository receipts), 42 tracking warrants (phones and vehicles), 14 transmission data recorder warrants, 6 On Party Consents, 8 search warrants for residences and mobile phones and a number of general warrants. In undertaking this complex investigation, investigators consulted with the provincial prosecution service to ensure their proper execution without jeopardising the eventual prosecution.

During the course of the investigation, LEAs identified a new potential suspect and were able to conduct an undercover (UC) operation during which that suspect laundered CAD 480 000 of bulk cash for UC operators, which was presented as the proceeds of crime. The suspect was charged with a standalone count of ML for the transactions involving UC operators, pleaded Guilty, and was sentenced to 18 months in jail in November 2025.

Source: Canada

528. Production orders are the most used tool, and LEAs regularly seek these in relation to accounts held with FIs identified through FINTRAC disclosures, or through the execution of search warrants. Production orders were used in 97% of cases in a random sample of RCMP-FP cases. While they are used extensively, production orders have had issues with timeliness, with the most significant improvements occurring in late 2025. For the bulk of the period under review, responses were typically provided within a 30-day timeframe (in some cases up to 90 days) limiting their effectiveness particularly in the most urgent matters.[55]

529. Since February 2025, the IMLIP (see IO.6) has driven significant efforts at the policy and operation levels to accelerate the timeliness of production orders, leading to average response timeframes for production orders relating to D-SIBs and other IMLIP participants of approximately seven (7) days. Improved use of informal channels enabled by IMLIP has led to faster responses (in under 24 hours) in some urgent cases. Alternative proactive information gathering techniques allow more targeted production orders with more timely responses (see IO.6).

[55] The 30-day timeframe is due to an interpretation, largely by the D-SIBs, of s 487.0193 (1) and (2) which provide that a person has 30 days to seek review, revocation or variation of a production order

530. Although significant work remains to increase timeliness, these initial efforts are a promising start. Canada is also pursuing legislative amendments to enhance timeliness of responses to production orders.[56]

531. Improved access to BO information (see IO.5) has enhanced LEAs' ability to identify and investigate the beneficial owners of legal persons involved in ML activity. Legal persons are at significant risk of exploitation for ML in Canada. LEAs have not observed the same misuse of trusts and fiducies for ML and can access information on their beneficiaries where required. Efficient access to tax information can present a challenge to LEAs which need to rely on proactive disclosures from CRA (RQ in Québec) or obtain a court order to seek access. This is a key challenge provincial LEAs face when progressing ML and financial investigations. Despite this, it is somewhat mitigated by clear and well-established communication channels between LEAs and CRA. Given the importance of tax information in understanding the full financial picture, ensuring early and efficient access to this information would better support LEAs in their investigations.

532. Strong operational co-ordination and dedicated LEA structures, coupled with use of financial intelligence and investigative tools has led to ML being charged to a significant extent. Table 7.2 demonstrates the extent to which ML and PPOC is charged, and includes all ML activity, including standalone and matters with associated predicate charges. Of the 1 617 reported incidents of LPOC that were cleared during the period under review, 1 585 resulted in charges. Of these, 32 charges were declined by the prosecutor. For PPOC, the 160 250 cleared PPOC incidents led to 155 875 charges being laid.

Table 7.2. Police-reported incidents involving an MLO, by clearance status, Canada, 2019-2024

Breakdown of ML Cleared activity	LPOC	PPOC/TPOC/PPOCPT	All
Cleared	1 617	160 250	161 867
Cleared by Charge (includes charges recommended)	1 585	155 875	157 460
Charges recommended but declined by Crown	32	4 375	4 407
Not Cleared	1 479	67 219	68 698
Cleared otherwise	77	16 756	16 833
Total Incidents	3 173	244 225	247 398

Source: Canada

533. Note: 'Cleared' incidents are where the investigative phase has concluded. Where an incident is 'cleared by charge' this refers to a charge being laid and reflects the handover of the matter from the investigative phase to the prosecution phase. Investigations may remain ongoing to the prosecution of a matter cleared by charge. Where a matter is cleared without charge (including where charges were recommended but declined by the crown) it means that the investigation phase has concluded without the matter proceeding to prosecution on the LPOC or PPOC/TPOC/PPOCPT charge. 'Not cleared' includes incidents that are open/still under investigation, have insufficient evidence to proceed, and the victim or complainant declines to proceed (no suspect identified). 'Cleared otherwise' includes use of departmental discretion, victim requested no further action taken (suspect identified), diversionary program/mental health facility, suspect involved in other incidents, incident cleared by another agency, death of the suspect, among others.

534. LEAs face challenges in building cases sufficient to lay charges of LPOC in standalone ML and PML cases. Approximately 87 standalone LPOC charges have been laid in the period under review out of 1 389 possible instances of LPOC activity reported to LEAs. The bulk of these were not cleared due to insufficient

[56] Some legislative amendments are too recent to properly determine their impact on effectiveness or have entered into force after the onsite.

evidence (see Table 7.3). This reflects the challenges competent authorities face in building cases with sufficient evidence to charge LPOC in the absence of a predicate offence, given the need to demonstrate reasonable prospect of conviction in order to prosecute (a fundamental principle of prosecutions within Canada).

Table 7.3. Police-reported incidents involving a single money laundering or possession of proceeds of crime violation, by clearance status, Canada, 2019-2024 (standalone ML)

Breakdown of ML Cleared activity	LPOC	PPOC/PPT/TPOC	All
Cleared by Charge/Charges Recommended	87	43 857	43 944
Not Cleared	1 256	59 705	60 961
Cleared otherwise	46	9 363	9 409
Total Incidents	1 389	112 925	114 314

Source: Canada

CRA-CIP

535. CRA-CIP traces financial transactions using a "follow the money" approach to develop evidence and trace proceeds of crime related to tax offences, such as tax evasion. CRA criminal investigators are provided with training on core skills for financial investigations (methods of proving income, search and seizure skills, judicial authorisations etc). This approach supports the investigative process by uncovering the nature and scope of the suspected tax crime and identifies assets that may be subject to seizure and forfeiture. The CRA-CIP uses tax information, financial records (including those disclosed through FINTRAC VIRs), and open-source intelligence to identify possible assets for seizure and forfeiture.

Table 7.4. CRA-CIP enforcement outcomes

CRA-CIP Cases	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
CRA criminal investigations	252	236	205	183	175	200
Cases with ML charges	2	1	0	5	0	0
Cases with ML convictions	0	0	0	1	2	0

Source: CRA-CIP

536. To date, this approach has been taken to support CRA-CIP's primary focus on charging and securing convictions for tax evasions and tax offences, with comparatively limited focus placed on investigating ML (see Table 7.4). As of 21 November 2025, per its revised Money Laundering and Proceeds of Crime Investigation Policy, CRA now requires that every CRA criminal investigation includes a mandatory assessment of potential ML charges and asset recovery opportunities at the commencement of, and throughout, all investigations.

537. This recent adoption represents a major shift in CRA-CIP's approach to investigating money laundering and is a positive development to support increased prioritisation of ML investigations. CRA's revised investigation policy has been supplemented by a dedicated ML Case Development Guide that has been circulated to its investigators. An ML specific training course is in development.

CBSA

538. CBSA does not have a mandate to carry out criminal investigations of ML directly. It works extensively with the RCMP, provincial and municipal police, FINTRAC and other competent authorities in Canada and abroad where it identifies and enforces potential non-compliance with the Customs Act or PCMLTFA (Parts 2 and 2.1) at the border. CBSA's BFCC leads CBSA's capability to detect, deter and disrupt border-related movements of illicit financial flows, including trade based financial crime. The BFCC is well

resourced and has expanded during the period under review. (see Box 6.1 in IO.6 for further details on BFCC capability) The BFCC refers suspected customs offences to CBSA criminal investigators and ML activity to LEAs (RCMP, provincial/municipal police as relevant), security intelligence agencies, or other competent authorities in Canada and abroad as appropriate.

539. During the period under review, the BFCC's Trade Based Money Laundering Centre of Expertise developed 71 Tactical Intelligence Assessments identifying potential trade based financial crime. This resulted in CBSA investigators opening 40 criminal investigations for trade fraud offences under the Customs Act. A total of 11 matters involving suspected ML were referred to RCMP for criminal investigation with 29 matters referred to foreign law enforcement.

540. Additionally, CBSA officers are central to the operation of Canada's Integrated Border Enforcement Teams (IBETs) and RCMPs' various Border Integrity Units. These structures co-locate CBSA officers and investigators with RCMP officers enabling the streamlined referral of suspected criminal activity detected at the border, including ML, to RCMP for investigation (see Box 7.3).

Box 7.3. Case study – cross-border ML investigations

In 2023, CBSA officers seized 300 kg of methamphetamine concealed in a commercial truck entering Canada, triggering an immediate referral to the RCMP's Border Integrity Unit. This referral initiated a joint investigation into an organized crime network involved in large-scale importation and trafficking of methamphetamine and cocaine. A parallel financial investigation uncovered drug proceeds used to pay the suspects' living expenses and purchase vehicles (in cash). These proceeds moved through structured deposits, nominee accounts, forged identities, shell companies, and international transfers using MSBs, currency exchanges, and cryptocurrency.

Co-location of CBSA and RCMP officers, and access to regime partners (including FAMG analysts) facilitated the timely investigation. Investigators traced the flow of illicit proceeds and identified broader criminal conduct through the use of bank records, FINTRAC financial intelligence, production orders, surveillance and digital forensics. LEAs later intercepted 120 kg of cocaine and executed search warrants that uncovered additional drugs, forged documents, and evidence of ML activity.

Two individuals were charged. The spouse pleaded guilty to laundering proceeds of crime and received a two-year conditional sentence. The primary accused pleaded guilty to five offences, including importation, trafficking, conspiracy, and ML, and received a 16-year sentence. Approximately CAD 50 000 in offence-related property was forfeited.

7.2. Prosecuting and convicting different types of ML activity

541. Case studies demonstrate that ML is prosecuted to some extent. During the assessment period, there were 70 LPOC convictions in relation to 58 persons, and 12,960 guilty verdicts on PPOC/TPOC and PPOCPT charges in relation to 9 924 persons.

542. Prosecutors are adept at navigating the *R v Jordan* timeframes and have applied several strategies to ensure prosecutions are conducted and concluded within a reasonable time. This includes severing the ML prosecution from any predicate offence and proceeding with it separately. Where trial in a superior court would be appropriate, steps are to be taken to bring the charges to that court on an expedited basis. The strategies are functioning as there has not been a notable increase in the number of criminal proceedings stayed (for ML or associated predicate offences) during the period under review.

Prioritisation of predicate convictions

543. Canada's criminal justice system utilises resolution agreements (such as plea bargains) to ensure its efficient functioning, which is the result of many criminal matters. Extensive use of resolution agreements is a legitimate tool to facilitate efficient criminal justice outcomes in a manner consistent with Canada's fundamental principles of domestic law.

544. Canada's various prosecution services have guidelines for prosecutors. These guidelines provide that charges with lower maximum penalties may be dropped to secure a conviction on the charge with the highest maximum penalty through a resolution agreement. For example, where an accused facing serious drug charges is ready to accept a significant custodial sentence for those charges, prosecutors may elect to withdraw the ML charge rather than using finite judicial resources to conduct a trial on all charges. Global resolution agreements may require that the accused accept responsibility for broader factual elements of their criminal activity, which may include accepting responsibility for the facts relating to ML activity. The accused's willingness to concede forfeiture of the proceeds of crime is also a relevant consideration.

545. Major predicate offences such as drug trafficking and fraud carry higher maximum penalties (up to life imprisonment and 14 years, respectively) than LPOC or PPOC offences (10 years). Resolution agreements would typically withdraw the LPOC or PPOC element to secure the predicate conviction. Tables 7.5 and 7.6 below demonstrate this trend, showing when cases reach the prosecution stage, ML charges are commonly withdrawn to secure resolution agreements.

Table 7.5. Adult criminal courts, money laundering offences (MLO) cases (considering all charges in a case) by type of decision, Canada, 2019-2024

Decision Type	All MLOs – all charges (including predicates)					
	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Guilty	8 642	5 603	5 596	5 799	6 608	32 248
Acquitted	98	70	27	35	41	271
Stay of proceeding	1 445	1 225	1 255	1 197	1 264	6 386
Withdrawn/Dismissed/ Discharged	3 040	2 654	3 125	3 106	3 662	15 587
Other decisions	60	44	35	48	49	236
Total	13 285	9 596	10 038	10 185	11 624	54 728

Source: Canada

Note: Tables 7.6 through 7.11 do not include cases from Québec in 2021-22 onward and certain courts in Ontario

Table 7.6. Adult criminal courts, money laundering offences (MLO) cases (only considering MLO charges) by type of decision, Canada, 2019-2024

Decision Type	All MLOs (only MLO charge)					
	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Guilty	3 599	2 409	2 195	2 235	2 592	13 030
Acquitted	159	98	28	39	55	379
Stay of proceeding	2 797	2 233	1 989	1 961	1 977	10 957
Withdrawn/Dismissed/ Discharged	6 640	4 785	5 782	5 879	6 934	30 020
Other decisions	90	71	44	71	66	342
Total	13 285	9 596	10 038	10 185	11 624	54 728

Source: Canada

546. Tables 7.5 and 7.6 both report the total number of cases with at least one LPOC or PPOC/TPOC/PPOCPT charge. Table 7.5 provides the outcome in relation to all charges (including predicate offence charges) and shows that out of 54 728 cases concluded over the period, nearly 59% ended in

findings of guilt on at least one charge. Where only the outcome on the LPOC or PPOC charge (Table 7.6) is considered, charges are withdrawn or stayed in 75% of cases.

547. This trend becomes clearer when each of the MLOs is separated out:

Table 7.7. Adult criminal courts, PPOC by type of decision, Canada, 2019-2024

Decision Type	PPOC (all charges including predicates)					
	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Guilty	8 266	357	5 364	5 527	6 387	30 901
Acquitted	93	68	27	32	38	258
Stay of proceeding	1 385	1 151	1 199	1 144	1 220	6 099
Withdrawn/Dismissed/ Discharged	2 904	2 554	2 970	2 990	3 525	14 943
Other decisions	51	33	32	41	40	197
Total	12 699	9 163	9 592	9 734	11 210	52 398
Decision Type	PPOC (only PPOC charge)					
	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Guilty	3,446	2,305	2,096	2,117	2,492	12,456
Acquitted	152	96	27	36	52	363
Stay of proceeding	2,698	2,133	1,920	1,894	1,919	10,564
Withdrawn/Dismissed/ Discharged	6,325	4,573	5,509	5,636	6,698	28,741
Other decisions	78	56	40	51	49	274
Total	12,699	9,163	9,592	9,734	11,210	52,398

Source: Canada

Table 7.8. Adult criminal courts, TPOC by type of decision, Canada, 2019-2024

Decision Type	TPOC (all charges, including predicates)					
	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Guilty	334	206	178	247	205	1 170
Acquitted	5	-	1	2	4	12
Stay of proceeding	43	52	41	38	26	200
Withdrawn/Dismissed/ Discharged	97	70	103	92	120	482
Other decisions	5	7	2	5	5	24
Total	484	335	325	384	360	1 888
Decision Type	TPOC (only TPOC charge)					
	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Guilty	121	76	77	96	83	453
Acquitted	7	-	1	1	4	13
Stay of proceeding	71	84	54	74	45	328
Withdrawn/Dismissed/ Discharged	274	165	189	200	220	1 048
Other decisions	11	10	4	13	8	46
Total	484	335	325	384	360	1 888

Source: Canada

Table 7.9. Adult criminal courts, PPOCPT by type of decision, Canada, 2019-2024

Decision Type	PPOCPT (all charges, including predicates)					
	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Guilty	97	87	74	94	83	435
Acquitted	1	1	1	1	1	5
Stay of proceeding	11	23	11	16	22	83
Withdrawn/Dismissed/ Discharged	50	30	43	33	66	222
Other decisions	1	3	2	1	1	8
Total	160	144	131	145	173	753
Decision Type	PPOCPT (only PPOCPT charge)					
	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Guilty	31	23	21	25	24	124
Acquitted	2	1	0	0	0	5
Stay of proceeding	26	36	14	20	20	123
Withdrawn/Dismissed/ Discharged	99	81	94	95	115	484
Other decisions	2	3	2	5	5	17
Total	160	144	131	145	173	753

Source: Canada

548. For PPOC (Table 7.7), 59% of cases ended in a finding of guilt on either the PPOC charge or the predicate charge. Looking only at the decision on the PPOC charge, 24% of PPOC charges result in a guilty decision and the PPOC charge is withdrawn/dismissed/discharged or stayed in 75% of cases. For PPOC, this high withdrawal rate is understandable, as the offence is often charged as an adjunct to predicate offences such as theft or when charged on a standalone basis, typically involves low level criminal conduct (possession or self-laundering) where prosecution may not be in the public interest and diversionary measures may be appropriate. During the assessment period, 9 461 persons were convicted of a charge of PPOC.

549. For TPOC (Table 7.8) a similar trend emerges with 62% of cases ended in a finding of guilt on either the TPOC charge or the predicate charge, and only 24% of TPOC charges resulting in a guilty decision. Given the more serious nature of TPOC, it is a concern that the TPOC charge is being withdrawn in 73% of cases. 364 persons were convicted of TPOC Similarly for PPOCPT (Table 7.9), 58% of cases led to a finding of guilt on either the PPOCPT charge or the predicate charge. Where only the PPOCPT charge is considered, only 16% of charges result in conviction.99 persons were convicted of PPOCPT.

550. For LPOC, the conviction rate is lower, which is a concern given the already modest number of charges (see Table 7.10).

Table 7.10. Adult criminal courts, LPOC by type of decision, Canada, 2019-2024

Decision Type	LPOC (all charges, including predicates)					
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Guilty	77	62	59	75	56	329
Acquitted	1	1	0	1	1	4
Stay of proceeding	13	17	25	23	17	95
Withdrawn/Dismissed/Discharged	42	44	77	46	52	261
Other decisions	3	4	1	2	4	14
Total	136	128	162	147	130	703

Decision Type	LPOC (only LPOC charge)					
	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Guilty	14	20	11	14	11	70
Acquitted	1	1	-	2	1	5
Stay of proceeding	24	29	25	22	18	118
Withdrawn/Dismissed/ Discharged	93	73	125	102	95	488
Other decisions	4	5	1	7	5	22
Total	136	128	162	147	130	703

Source: Canada

Note: Tables 7.5 through 7.10 do not include cases from Québec in 2021-22 onward and certain courts in Ontario

551. In LPOC cases, 47% of all cases resulted in a finding of guilt on either the LPOC charge or the predicate charge. However, only 10% of LPOC charges resulted in a guilty decision and the LPOC charge was withdrawn/dismissed/discharged or stayed in 86% of cases.

552. Ultimately, this resulted in 70 LPOC convictions in relation to 58 individuals. While acknowledging Canada's approach prioritises predicate offences for resolution agreements, the lower conviction rate for LPOC can also be attributed to the relative difficulty of proving LPOC. These cases represent the most significant, sophisticated and complex ML activity that is investigated and prosecuted in Canada.

553. From these tables in approaching the prosecution of ML, Canada is prioritising securing a conviction on the predicate offence at the expense of securing an ML conviction. Prosecutors withdraw ML charges at a high rate to secure resolution agreements for a predicate offence with a higher maximum penalty.

554. While ML is viewed as serious, obtaining a conviction for ML is seen as having a less dissuasive impact in deterring offending than convictions for serious and visible predicate offences such as illicit drugs and fraud. This is reflected in prosecutors' approaches to securing resolution agreements and reflects a system that prioritises convictions on the charge with the highest maximum penalty, yet places ML below several of the key predicate offence types in Canada. This is despite ML being the key enabler for organised crime in Canada and reinforces the findings in IO.1 that the Canadian system lacks a strong appreciation of social and economic harms caused by ML.

Standalone and Professional ML

555. Resolution agreements do not fully explain the challenges Canada experiences in prosecuting ML, particularly in the absence of a predicate offence (particularly for LPOC). Of the 54 728 cases completed that included at least one LPOC or PPOC/TPOC/PPOCPT charge (set out in the tables above), 5 269 were 'standalone' cases (See table 7.11).

556. While data was not available to break this down by MLO, by extrapolating the data from table 7.3, potentially up to 87 of these include standalone LPOC charges (though a number of these are likely to be

ongoing and therefore not reflected in the table below (Table 7.11)), potentially in combination with PPOC/TPOC/PPOCPT offences.

Table 7.11. Adult Criminal Courts, Money Laundering Offence (MLO) Standalone Cases by Type of Decision, 2019-2024

Decision Type	Fiscal Year					
	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Guilty	291	140	105	118	147	801
Acquitted	18	15	3	1	2	39
Stay of Proceeding	281	216	220	198	176	1 091
Withdrawn/Dismissed/ Discharged	579	540	683	616	882	3 300
Other	8	8	6	8	8	38
Total	1 177	919	1,017	941	1 215	5 269

Source: Canada

557. The assessment acknowledges limitations in this dataset. A single standalone ML charge may not reflect standalone money laundering activity. Conversely, a number of charges may represent standalone PML with a number of other charges unrelated to the Professional ML offence (unrelated predicates, administration of justice charges). Despite these limitations the dataset is important, given the need to understand Canada's efforts to investigate and prosecute standalone and professional ML.

558. As these are standalone cases, resolution agreements do not explain why charges were withdrawn/dismissed/discharged or stayed at a rate of 83%. Data is not available solely on the outcome of standalone ML charges.

559. These challenges are particularly prominent in the prosecution of sophisticated Professional ML. During the assessment period only a small number of cases involving Professional ML were prosecuted resulting in convictions for ML. (see Box 7.4).

Box 7.4. Case Studies – Professional Money Laundering

Québec PML matter

In 2020, the RCMP's Integrated Proceeds of Crime unit in Montreal launched an investigation into a professional money laundering network following an assistance request from a foreign LEA. The case involved sophisticated international movement of drug proceeds through shell companies and cross-border cash transfers. Working with the foreign LEA, RCMP conducted a covert cash pickup of USD 560 000 in Montreal destined for a Colombian cocaine exporter.

Using production orders, financial intelligence from FINTRAC, forensic accounting support from FAMG, and tax information from CRA, investigators traced more than CAD 18 million laundered in under a year. In July 2021, RCMP executed search warrants and arrested four suspects. Three individuals were charged with laundering the proceeds of crime without being charged with a predicate offence, reinforcing Canada's prioritisation of standalone and professional ML prosecutions. All three pled guilty and received prison sentences of 30–36 months. Seizures included cash, prohibited firearms, and bookkeeping records.

R v Ste Marie

In 2016, several individuals operating a financial services business, Groupe Ste-Marie, were convicted of professional money laundering, conspiracy to launder proceeds of crime, and gangsterism. The group provided services including credit recovery, currency conversion, and the creation of offshore bank accounts in Mauritius. They used these services to help members of the Hells Angels Trois-Rivières chapter move funds offshore and later repatriate them for use in Canada.

The court found that the accused were wilfully blind to the criminal origin of the funds and knowingly provided laundering services to individuals involved in drug trafficking and ML. The convictions were based on extensive electronic surveillance, documentary evidence, multiple financial transactions across various accounts, the creation of shell companies, and statements made to undercover officers. Importantly, the prosecution did not need to prove the precise criminal origin of the funds, only that the accused were wilfully blind and believed they were dealing with proceeds of crime.

The Québec Court of Appeal upheld the convictions, and the Supreme Court of Canada confirmed them in 2022, finding no breach of trial-delay rights. Sentences ranged from 42 to 72 months.

560. The cases above show Canada has demonstrated some success against Professional ML activity. It is modest in the context of Professional ML's presence in a significant portion of proceeds generating crime, particularly large-scale and sophisticated activity. Interviews with competent authorities showed that significant resources are being invested into securing recent high-priority convictions, and that addressing Professional ML is both an investigatory and prosecution priority. Competent authorities also had clear awareness of the challenges associated with prosecuting Professional ML, and standalone ML in the absence of a predicate offence.

561. These challenges arise from the practical application of elements of Canada's ML offence provisions when applied to the typologies employed by sophisticated PML groups. Notably, the need to prove knowledge or belief of a particular offence (though the offence itself does not need to be proven beyond reasonable doubt) has prevented them from being used to effectively prosecute Professional ML.

562. Building on prosecutors' experiences, Justice Canada has developed several amendments to the Criminal Code to address these challenges. These amendments have entered into force in recent years. Except for the new *mens rea* of recklessness, these amendments are only relevant where the accused is not

charged with a predicate offence. They are responsive to the Canadian context and are a positive step demonstrating Canada's commitment to strengthening its effectiveness in prosecuting ML in line with its risk. These are recent amendments and their impact is yet to be tested in cases or by the courts.

563. Despite recent successes of LEAs and prosecutors in high profile PML cases, outcomes are generally modest against standalone and PML activity. Major improvements are required in this respect.

Legal persons

564. Legal persons and arrangements are rarely prosecuted for ML in Canada (see Table 7.12 below). This is particularly the case for corporate ownership structures including shell companies. Investigators and prosecutors prioritise the prosecution of the natural persons behind these structures where possible, aided by access to beneficial ownership information (see IO 5). While at high risk of exploitation for ML, competent authorities consider the disruptive and deterrent effect of prosecuting the controlling natural person to be greater than prosecuting the legal entity directly. For shell companies, this is a reasonable approach given the more significant disruptive impact of prosecuting the controlling natural persons, rather than a replaceable shell company which can be better disrupted through administrative action, such as deregistering. Canada has had some success in prosecuting gatekeepers (including lawyers, accountants and real estate professionals) for ML but have focussed on the individual actor rather than the firm or company. For other legal persons beyond shell companies however, prosecutions for ML can have a significant impact, and the lack of these does not correspond to Canada's risk profile. Prosecution of reporting entities for facilitating ML is limited and authorities respond to serious breaches of the PCMLTFA with civil measures rather than prosecutions for ML (see IOs 3 and 4). Competent authorities pursue action to forfeit the relevant legal persons (and their assets) as instrumentalities of crime to a more limited extent, missing opportunities to further disrupt criminal infrastructure and further deter the use of legitimate companies to commingle criminal proceeds. As noted above, Canada's shortcomings in prosecuting ML generally impact the effectiveness of this strategy. A similar approach is taken for trusts, which do not present as great an ML risk.

Table 7.12. MLO cases involving legal persons

Accused	Fiscal Year					
	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Company	2	0	4	0	0	6

Source: Canada

In addition to statistics in Table 7.13, Canada provided an example of a corporation being actively prosecuted for ML during the period under review. Canada has prosecuted and convicted individuals in connection with corporations implicated in illicit activities (R v Ste Marie, SNC Lavalin), as well as corporations themselves for predicate offences (but not ML).

Table 7.13. Number of corporations convicted in cases investigated by CRA-CIP

Entity	2020	2021	2022	2023	2024	2025	Grand Total
Number of Corporations Convicted	3	9	4	13		1	30
Criminal Code - Fraud	-	4	2	2	-	-	8
Excise Tax Act	1	2	2	11	-	1	17
Income Tax Act	2	4	-	-	-	2	8
Total Charges Convicted	3	10	4	13	0	3	33

Source: Canada

7.3. Effectiveness, proportionality and dissuasiveness of sanctions

565. Under the CC, the maximum custodial sentence for LPOC and PPOC is 10 years imprisonment. For LPOC, this is elevated to 14 years where the conduct is for the benefit or at the direction of a criminal organisation. TPOC and PPOCPT also carry penalties of up to 14 years. The maximum penalty for LPOC and PPOC is lower than high-risk proceeds generating offences (such as drug trafficking and serious fraud offences, which carry maximum custodial sentences of life and 14 years imprisonment respectively). It is similar to the maximum penalty for terrorism financing and is greater than most corruption offences.

566. Sanctions are applicable to legal persons convicted of offences. In lieu of a sentence of imprisonment a monetary fine can be ordered. There is no ceiling for fines applicable to legal persons under the CC, though certain offences may set out a maximum fine for the specific offence. However, given the limited number of legal persons prosecuted for ML during the assessment period, it is difficult to determine whether the penalties applied in practice are proportionate and dissuasive.

567. Where an offender is convicted of more than one offence, sentences are typically ordered concurrently under Canada's sentencing principles, with the head sentence reflecting the sentence for the charge with the highest imposed penalty. On that basis, a conviction on a drug trafficking charge (which attracts a higher maximum sentence than ML) will generally result in the same custodial sentence as if an ML charge was also pursued in tandem.

568. The maximum sentences for LPOC and PPOC are proportionate and dissuasive on paper; however, appear uneven in practice. Sentences imposed where conviction is achieved for the predicate offence alongside ML, or through a resolution agreement, generally appear proportionate and dissuasive. In contrast, cases where a conviction is achieved for LPOC or PPOC in the absence of a predicate offence conviction, or where it is the most serious offence convicted; the sentences imposed in practice are often at the lower end of the spectrum and are commonly not proportionate, dissuasive or effective.

569. For PPOC/TPOC/PPOCPT convictions (where that offence was the most serious), custodial sentences were imposed in 55% of cases with probationary non-custodial sentences comprising most other sentences. Fines were imposed in 7% of cases. This breakdown reflects the nature of PPOC charges, which generally relate to lower level conduct—including straightforward self-laundering or simple possession matters resulting in non-custodial or probationary and conditional sentences served in the community or reasonably short custodial terms—with a smaller number of more complex and serious cases resulting in more significant custodial sentences. This is in comparison to more significant custodial sentences for LPOC.

570. Tables 7.14 and 7.15 provide breakdowns on the number and duration of custodial sentences imposed for each MLO. The greatest focus was placed on the outcomes for LPOC. These tables subtract time served in pre-trial custody, which is a data limitation.

571. Table 7.14 also shows that in cases where any MLO is the most serious offence, the average custodial sentence is 61 days and the average fine is CAD 763. Looking only at LPOC, in cases where LPOC was the most serious offence, custodial sentences were imposed in 25 of 68 cases, with an average custodial sentence of 402 days (see Table 7.14) and an average fine (from three cases) of CAD11 557. Conditional and probationary sentences (equivalent to suspended sentences) accounted for a further 35 cases. In 22% of these (five (5) cases) the length of the custodial sentences exceeded two years, with the majority (64%) of custodial sentences for ML receiving sentences under one (1) year (see Table 7.15).

Table 7.14. Number of custodial sentences for MLO cases (most serious offence)

Fiscal year	Offence	Number	Mean
Total – 2019/20 – 2023/24	Total	2 010	61
	s.354(1) - PPOC	1 835	54
	s.355.2 - TPOC	121	89
	s.355.4 - PPOCPT	31	119
	s.462.31 - LPOC	23	402

Source: Canada

Table 7.15. Length of custodial sentences for MLO cases (most serious offence)

Length of custody	s.354(1) (PPOC)	s.355.2 (TPOC)	s.355.4 (PPOCPT)	s.462.31 (ML)
	Total – 2019-2023	Total – 2019-2023	Total – 2019-2023	Total – 2019-2023
	%	%	%	%
1-30 days (1 month or less)	61	49	39	4
31-90 days (>1 month to 3 months)	24	26	32	13
91-180 days (>3 months to 6 months)	10	13	16	17
181-365 days (>6 months to 12 months)	4	9	3	30
366-729 days) (>12 months to <24 months)	1	1	6	13
>24 months	1	2	3	22

Source: Canada

572. These datasets only reflect sentences imposed where MLOs are the most serious offence. This data is limited as it does not reflect instances where ML was charged alongside serious predicate offence conduct (for example drug and fraud offending), which comprised the bulk of Canada's case studies. However, the high rate of withdrawal of ML charges in such matters limits the impact of this qualification. The penalties imposed for the ML component of that offending are typically at the lower end of the spectrum. By excluding these cases, it becomes clear that the penalties imposed for standalone ML, where a conviction can be obtained, are low.

573. Furthermore, this data does not consider time served in remand awaiting trial or sentencing. Canada provided examples where this substantially reduced the reported sentence:

- Accused X was sentenced to 30 months, minus a credit of 467 days of preventative custody, for a remainder of 445 days.
- Accused Y was sentenced to 4 years, 6 months and 22 days, minus a credit of 4 years, 6 months and 21 days, for a remainder of 1 day.

574. The AT recognises that in the most serious ML cases, bail is more likely to be refused. Given the strong presumption toward granting bail under Canada's sentencing principles, the AT also recognises that the impact of this is somewhat mitigated.

575. Sentencing for LPOC and PPOC is often at the lower end of the spectrum. Particularly in the absence of a predicate offence or where LPOC or PPOC is the most serious offence. There are several case examples where Canada has achieved more dissuasive sentences for LPOC and PPOC in the most serious cases, but this is uneven (see Box 7.5).

Box 7.5. Sample of sanctions imposed in significant LPOC and PPOC cases

At the upper end of the spectrum, Canada has demonstrated that significant custodial sentences have been imposed in serious cases:

- **PML Case A**, the head of the Toronto organisation received a 9-year sentence for LPOC.
- **Organised Crime Case A**, lead to the primary offender in an extensive drug trafficking operation being sentenced to 9 years for PPOC.
- **R v Skinner**, the architect of a CAD 2.37 million investment fraud was convicted of and sentenced to 8 years imprisonment for LPOC (in addition to a restitution order).
- **R v Holden**, resulted in an 8-year sentence for LPOC as part of a 12-year global sentence for fraud (alongside a sizeable fine in lieu of forfeiture and restitution order)
- **R v Eid**, the offender was convicted of ten commercial fraud offences and LPOC and was sentenced to a 7-year concurrent sentence for the LPOC element.

However, convictions for serious ML activity are also often at the lower end of the spectrum

- **PML Case A** the head of the Montreal organisation and their associate was sentenced to 5 years and 3 years imprisonment respectively, despite the significant criminality observed (in contrast to the head of the Toronto organisation for similar conduct).
- **Organised Crime Case A**, the associate of the primary offender was sentenced to 1 year for PPOC
- **PML Case B** two individuals convicted of LPOC linked to laundering of in excess of CAD 18 million were sentenced to 30 to 36 months imprisonment.
- **PML Case C**, two individuals pled guilty to LPOC and PPOC related to underground banking and the laundering of proceeds of illicit drugs, fraud and illegal gaming, and were sentenced to imprisonment for two years less a day.
- **PML Case D**, investigators uncovered a professional money laundering operation valued at over CAD 2.7 million resulting in the controller convicted of PPOC and sentenced to a 2-year conditional sentence order

576. Based on Canada's sentencing data in the tables above, combined with Box 7.6, the sentencing picture in Canada for ML can appear uneven. The penalties applied, particularly for cases where ML is the most serious offence, may not be proportionate or dissuasive in practice. A review of the implementation of the sentencing framework would support the consistent imposition of sentences for ML that are effective, proportionate and dissuasive.

7.4. Use of alternative measures

577. Where ML is not prosecuted, Canada pursues alternative criminal justice approaches with a reasonable, and increasing, level of effectiveness. Canada's approach primarily focusses on obtaining convictions for the predicate offence as a disruption technique. Per 7.2, the AT recognises the broader

criminal justice merits of this approach. Competent authorities reflect that this achieves the most beneficial criminal justice outcome consistent with resourcing demands; however, it is occurring at the expense of ML convictions.

Prosecutions under PCMLTFA

578. In addition to pursuing prosecutions under the CC for ML, Canada prosecutes several offences under the PCMLTFA. These offences, which relate to non-compliance with Canadian AML/ATF obligations, can be pursued in parallel with LPOC or PPOC offences, or on their own. PCMLTFA offences play an important role in addressing underlying activities that enable ML such as bulk cash smuggling and unregistered MSBs. There have been successful prosecutions under the PCMLTFA to target PML, particularly against criminal ML facilitators that might otherwise escape prosecution due to the challenges in demonstrating knowledge around the illicit source of funds.

579. Prosecutions under PCMLTFA primarily arise from potential unregistered MSB activities identified through predicate investigations and FINTRAC referrals on identification of suspected non-compliance. PCMLTFA prosecutions may also result from bulk cash seizures (see core issue 8.7 for detailed analysis). LEAs investigate individuals and businesses operating outside the requirements of the PCMLTFA, including unregistered MSBs. Several case studies demonstrate effective investigative and prosecution of unregistered MSB operations.

580. During the period under review, PPSC prosecuted 84 cases with PCMLTFA charges laid under multiple provisions of the PCMLTFA (including sections 11.1, 12(1), 12(4), 36(1), 6, 6.1 and 75(1). There were 68 cases with outcomes during the period. Of these, 25 resulted in convictions. Charges were withdrawn or stayed in a further 27. These included two cases with convictions for failures to declare a suspicious transaction (subs 75(1)), four for breaches of registration requirements (s 11.1), eight for failure to report the import/export of currency/monetary instruments (subsection 12(1)), four convictions for contraventions of the PCMLTFA Regulations (s 74) and three for failure to answer and comply with the request of an officer (subs 12(4)). Convictions under the PCMLTFA can result in terms of imprisonment of up to five years and a fine of up to CAD 2 million.

CRA and RQ

581. In cases where the CRA-CIP cannot pursue or obtain a criminal conviction for ML, it still pursues the predicate tax offence. In situations where it is not possible to obtain convictions for either the predicate tax crime or for ML, CRA-CIP may refer the case to its Illicit Income Audit Program (IIAP). See Table 7.16 for the total amount assessed and collected through the IIAP's lifetime.

Table 7.16. CRA-IIAP assessments raised and collected

Fiscal Year	Number of CRA-IIAP Assessments	Amount Assessed (CAD)	Amount Collected (CAD)
2020-21	1	23 875	23 875
2021-22	5	363 200	260 672
2022-23	34	21 176 541	5 096 932

2023-24	84	53 011 674	2 260 636
2024-25	103	69 577 530	2 689 895

Source: Canada

Note: The difference between "assessed amounts" and "collected amounts" reflects the high rate of objections, during which the CRA cannot collect, and the legal processes required to enforce payment in complex illicit income cases. Collections tied to legal actions are often recorded only once proceedings conclude. In cases where there is a more imminent threat of financial loss, the CRA can take legal action to accelerate debt recovery. When this approach is applied, the CRA recovers nearly 50% of amounts owing within 18-24 months.

582. The effectiveness of IIAP's approach in targeting PML has been demonstrated in practice. A tax evasion investigation revealed that the defendant was operating a money laundering network, from which he earned significant illicit gains that were unreported on his income tax returns. This resulted in a tax debt of millions for the defendant, in addition to criminal fines and jail sentences. Near the conclusion of the court proceeding, the CRA-CIP referred the case to the CRA-IIAP to apply civil measures to assess and collect the tax debt (see Table 7.17). All the tax debt was successfully collected, shortly after receiving the referral from the CRA-CIP in 2022.

583. Like CRA, RQ also has specialised teams dedicated to conducting civil audit activities targeting individuals and entities that derive income from illicit activities. This approach is an effective alternative measure providing a deterrent effect even where criminal prosecution is not possible.

Table 7.17. Tax recovery from criminal activity (RQ) (CAD millions)

Fiscal Year	Tax Assessment	Assessed	Tax Recovered
2019-20	23.4	5.5	5.6
2020-21	0.0	5.1	0.5
2021-22	-0.2	5.3	0.6
2022-23	9.6	4.5	9.9
2023-24	10.8	n/a	8.0
2024-2025 (1 April – 31 December)	7.0	-1.2	8.9

Source: Canada

CBSA

584. While CBSA does not criminally investigate ML, since 2024 it has significantly increased its regulatory capabilities and capacity to detect and mitigate the risk of border related movements of illicit financial flows.

585. In 2024, the establishment of the Border Financial Crime Centre (BFCC) focused CBSA resources towards the disruption of Canada's most significant border-related risks, such as trade fraud and TBML. The BFCC facilitates production and sharing of intelligence on border-related and trade-based financial crime, supports CBSA criminal investigations under the Customs Act, and refers matters to other LEAs and regulatory bodies to combat ML (and TF and sanctions evasion) in addition to predicate crime investigations (see Box 7.6).

586. CBSA has been forward leaning during the period under review. The BFCC has proactively worked together with Finance Canada and other regime partners to introduce amendments to the PCMLTFA to enhance its response to border related and traded-based financial crime (see IO 6). This approach complements and expands on traditional criminal investigative and prosecution efforts better enabling CBSA to disrupt trade-based threats that would be otherwise difficult to prosecute.

587. These powers are only recently in force; however, interviews with CBSA demonstrated that these new powers are being implemented in initial investigations. The AT recognises this novel alternative

approach to trade-based ML (and TF and sanctions evasion). Threat disruption demonstrates Canada's proactiveness and commitment to addressing this complex and high-risk threat.

Box 7.6. Case study: CBSA regulatory action

The CBSA's tactical intelligence efforts identified the exploitation of border processes by threat actors using commercial importations of banknotes to launder the proceeds of crime in Canada, and from there, into the financial systems of foreign jurisdictions. The volume and value of these shipments was assessed by the Agency to pose a significant threat to the integrity of the Canadian financial system.

Several examinations of banknote shipments were conducted by officers with guidance from the Border Financial Crime Centre. The Border Financial Crime Centre conducted a tactical assessment and made referrals to law enforcement, and FINTRAC's Supervision Sector (for probable non-compliance with the PCMLTFA). An administrative penalty was made on a financial institution.

Forfeiture

588. Civil forfeiture frameworks are in place in all material provinces in Canada. These are being used to varying extents with some provinces (BC, Alberta, Saskatchewan and Manitoba) applying more proactive and effective strategies. While this is discussed in greater depth in IO 8, civil asset recovery action is a strength of Canada's system. Canada shared several case studies (discussed further in Box 8.12) where civil forfeiture enabled the recovery of assets where criminal charges were not pursued or were not successful. This demonstrates its potential effectiveness as an alternative approach where a prosecution for ML or a predicate offence is either not sought or is not possible.

589. In limited circumstances, courts have ordered forfeiture under CC s. 490(9) despite an acquittal for a predicate offence. This has occurred where the court determined, beyond a reasonable doubt, that the property was not lawfully possessed by the person from whom it was seized, such as in the case of proceeds of crime (e.g. R v Breton, 2023 ONSC 5429).

8 Asset recovery

The relevant Immediate Outcomes considered and assessed in this chapter is IO.8. The Recommendations relevant for the assessment of effectiveness under this chapter are R.1, 4, 32 and elements of R.15, 30, 31, 37, 38 and 40.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Canada has increased its prioritisation of asset recovery and uses dedicated resourcing and structures effectively, including a full range of investigative powers. There is an increasingly mature culture of asset tracing and recovery as a core policing function among LEAs. Competent authorities identify and trace criminal property to some extent.

b) Canada uses a variety of approaches to seize, restrain and forfeit assets, to varying degrees of effectiveness. All levels of police (RCMP, provincial and municipal police), tax authorities, provincial/territorial civil forfeiture offices, and prosecutors are involved in asset recovery. LEA structures generally support asset recovery investigations. LEAs co-ordinate at the strategic and operational levels, utilising dedicated resources and specialised units for asset recovery.

c) An increased focus on parallel financial investigations (see IO.7) and good use of financial intelligence supports early identification of criminal benefits. Dedicated units with specialist financial expertise also contribute tracing and identification; however, timeframes set in the Supreme Court of Canada Jordan case can narrow the amount and value assets traced.

d) In the most complex asset recovery cases, FAMG is frequently and effectively engaged to provide forensic asset tracing analysis to determine the source and use of funds in acquiring criminal property. FAMG's capability is a force multiplier for Canada's LEAs and forms a fundamental part of Canada's approach to identifying assets in support of forfeiture.

e) Competent authorities focus on seizing criminal property during searches, with restraint used less frequently, and primarily used for financial accounts and real estate of the target. Approaches to seizure of cryptocurrency are sophisticated. During the review period, LEAs in Canada seized and restrained over CAD 1 billion.

f) Competent authorities do not consistently restrain criminal property when it's intermingled with legitimate property. Restraint orders are often not pursued when criminal property is not within a person's legal ownership (but within their effective control) where matters are pursued under the CC. This limits Canada's ability to secure property for confiscation and is a driver behind the modest forfeiture figures under the CC framework.

g) Canada is confiscating criminal property to some extent under the CC framework with a total of CAD 333 million forfeited. CAD 199 million in criminal property was forfeited through provincial/territorial civil forfeiture.

h) Property of Corresponding Value (PoCV) is confiscated to a very limited extent through the use of fines in lieu of forfeiture and is not subject to provisional measures. Since 2019, a minimum of CAD 7.58 million was recovered through fines in lieu of forfeiture. Fines in lieu of forfeiture cannot be directly enforced against PoCV and mechanisms to incentivise or enforce payment are only available once the fine is in default and have not been used.

i) Provincial/territorial civil forfeiture is a strength of the Canadian system, particularly in BC, Alberta, Manitoba and Saskatchewan, which proactively use civil forfeiture as the primary method of recovering criminal property. Other material provinces that take a more conservative approach to civil forfeiture are achieving fewer forfeiture results.

j) Victim compensation from confiscated property is occurring to some extent. Under the CC, payments to victims by offenders for losses related to crime is primarily achieved through restitution orders. These are commonly not satisfied, particularly for medium-higher values, and victims may be required to commence civil proceedings to enforce unpaid orders or seek assistance through relevant provincial measures. Ontario and Québec are good provincial examples of providing compensation or facilitate restitution for victims, both through direct compensation and community grants. Federally confiscated assets are indirectly made available to victims of crime through grants to support victims' initiatives under the federal government's Victims Fund. Compensation under provincial/territorial civil forfeiture frameworks is occurring to a greater extent.

k) CBSA identifies and seizes non-declared and falsely declared currency and monetary instruments to a large extent. Property suspected of being proceeds of crime or for use in terrorism financing is seized as forfeit also to a large extent. Canada has seized CAD 149 646 217 at the border during the assessment period and forfeited CAD 19 149 879 that was suspected to be proceeds of crime. However, the number of referrals to RCMP for criminal investigation in such cases low.

Key Recommended Actions (KRAs)

a) Canada should prioritise practical expansion of PoCV and value-based tools (including through law reform) including provisional measures to seize and restrain PoCV, and to support confiscation of the full benefit obtained from crime (particularly in high value, high-risk cases.)

Federal, provincial, and territorial governments should co-operate to expand the use of civil forfeiture frameworks across all provinces and territories, and using the convening power of the Federal government, encourage its proactive and consistent use in a way that leverages best practices across provinces and territories, in line with Canada's risks.

Other Recommended Actions

Canada should:

a) Develop or enhance contact points between the CRA and RQ, and LEAs (including municipal LEAs) and provincial/territorial CFOs to enhance competent authorities' ability to access tax information in appropriate cases.

b) Provinces without specialist asset management agencies or functions for pre-forfeiture management of property should establish a specialist asset management function or engage the Seized Property Management Directorate's (SPMD) asset management function to conduct pre-forfeiture management of seized or restrained property.

c) Building on the success of unexplained wealth regimes to recover assets in BC and Manitoba, all provinces and territories should consider, implement and use innovative measures to recover assets linked to crime beyond traditional conviction-based confiscation.

d) Conduct a study on the feasibility of enhancing existing federal non-conviction-based forfeiture tools that could complement existing civil provincial civil forfeiture frameworks, noting constitutional considerations.

e) Consider and implement measures to enhance competent authorities' effectiveness in systematically recovering criminal property commingled with lawfully derived assets, including where held by nominees and straw owners, family members, associates and legitimate businesses.

f) Ensure that the limits and safeguards built into the measures allowing access to seized/restrained property for reasonable legal costs, are used effectively to prevent their abuse.

g) Increase referrals of level 4 seizures of currency and monetary instruments to RCMP to support ML investigations, and

h) Increase the use of criminal penalties under the PCMLTFA for seizures particularly at levels 3 and 4, in appropriate cases.

Overall Conclusions on IO.8

Canada's legal framework for asset recovery is generally robust and is generating measurable results across the system to some extent. Some components, such as the civil forfeiture offices (CFOs), demonstrate comparatively stronger performance, whereas forfeiture under the federal CC framework is more modest. Since 2019, competent authorities have seized or restrained over CAD 1 billion in criminal property, criminally forfeiting CAD 333 million and civilly forfeiting CAD 199 million. At least CAD 7.3 million in PoCV has been recovered through fines in lieu of forfeiture, although outcomes in this area remain limited.

While Canada has generally increased the priority it gives to asset recovery at the policy and operational levels, this has developed unequally across the federal system and material provinces. Recent reviews have highlighted the need for a heightened focus on asset recovery; with a need for improved policy responses.

LEAs generally operate with well-established structures and have access to specialist capabilities, allowing criminal property to be identified and traced to some extent. LEAs generally prioritise identifying and tracing property that is directly owned by the person, such as financial accounts and real estate. This has resulted in more limited restraint and forfeiture of criminal property when it is concealed or intermingled with other property. Case studies demonstrate that LEAs have had some success in targeting this property - particularly for offence related property (instrumentalities) - but it is not a consistent focus and can often be deprioritised.

Canada uses a variety of approaches to asset seizure, restraint and forfeiture, achieving varying degrees of effectiveness, including through conviction based (under the federal CC), non-conviction based (provincial/territorial civil forfeiture) and tax recovery (by CRA and Revenu Québec). Forfeiture of criminal property under the CC framework is occurring to some extent and is bolstered by reasonable confiscation figures under the provincial/territorial civil forfeiture frameworks (particularly those in the western provinces). There is a significant variance in approach to civil forfeiture across material provinces, leading to widely differing effectiveness in forfeiture outcomes. The impact of forfeiture can be diminished by defendants' access to restrained property to meet legal fees, which has been used to delay proceedings and deplete the funds available for eventual forfeiture.

There are major shortcomings in Canada's approach to the confiscation of PoCV. Fines in lieu of forfeiture are of limited effectiveness in recovering PoCV. They cannot be enforced directly against PoCV of the person except in cases of default and where left unpaid, orders in default are difficult to enforce in practice. Authorities have limited visibility over fines in lieu that are in default as case management databases do not distinguish fines in lieu of forfeiture from other fines.

Canada has a strong legal framework for cross-border movements of currency and BNIs and seizes falsely or non-declared currency to a significant extent. Most seized currency is returned following payment of an administrative penalty (level 1-3 violations) where there is no evidence of other criminal activity. Criminal penalties for these violations are also available but are rarely used. Where currency or BNIs involve suspected ML, TF or predicate crime activity (level 4), the property is seized as forfeit. Given these seizures involve suspected criminal activity, the number of referrals to LEAs for criminal investigation is concerning, as they are only occurring to some extent.

Canada is rated as having a Moderate level of effectiveness for IO.8.

Immediate Outcome 8

8.1. Prioritisation of asset recovery as a policy objective and using effective agency structures and co-operation frameworks

590. Canada has increased its strategic and operational prioritisation of asset recovery since its last mutual evaluation. There remains a lack of a national policy prioritising asset recovery. While Canada's constitutional division of powers between the federal and provincial levels partly explains the different approaches to asset recovery between the federation and the provinces, the level of priority given to asset recovery as a policy objective varies across the country and between provinces. This is reflected in the variable development of agency structures to pursue asset recovery across LEAs and other competent authorities at the federal, provincial and territorial levels. The system in place to prioritise asset recovery, while strong in parts, does not stem from a cohesive and consistent national policy approach, ultimately resulting in the recovery of assets to varying degrees.

8.1.1. Prioritising asset recovery as a policy objective

591. At the federal level, Canada's *Anti-Money Laundering and Anti-Terrorist Financing Regime Strategy 2023-2026* sets out Canada's policy priorities for combatting ML and TF. It prioritises increasing operational effectiveness as one of the key pillars for enhancing the effectiveness of the Canadian system. Substantial resourcing and funding have been injected into the Canadian system across successive federal budgets to support this objective. As an outcome four IMLITs have been established with embedded civilian specialists and FAMG's forensic accounting investigators to identify and trace criminal benefit. The announcement in the 2025/26 federal Budget that Canada would establish a dedicated Financial Crimes Agency, with ongoing funding responsibility for investigating complex financial crime and recovering the proceeds, is positive and reinforces this increasing prioritisation.

LEAs

592. This increased prioritisation at the policy level has translated down to the operational level with increased focus on asset identification and tracing by LEAs. LEAs across Canada are to a large extent prioritising asset recovery despite the absence of formal operational policies. Introducing such policies would assist in embedding a consistent approach across the country.

593. RCMP-FP leads Canada's operational approach to financial crime and has the primary responsibility in Canada for combatting transnational and serious organised crime. Asset recovery is embedded as a priority within RCMP-FP's Strategic Plan, flowing through to operational directives. As discussed in IO.7, RCMP tiering has been a useful approach to ensuring potential proceeds of crime are considered at an early stage and in all major proceeds-generating cases. The Ontario Provincial Police (OPP), Sûreté du Québec, and large municipal police services (Toronto Police Service (TPS), Vancouver Police Department (VPD), Service de Police de la Ville de Montréal (SPVM)) have operational policies identifying the confiscation of criminal benefits as an important law enforcement priority.

594. RCMP-FP also provides extensive support to other LEAs on asset recovery, including through training and specialist units (see IO.7). This has enhanced the capacity of LEAs nationally to progress asset recovery cases and is building a cadre of officers that prioritise asset recovery within their organisation. RCMP-FP has developed specific operational structures dedicated to asset recovery (see section 8.1.3). Interviews with RCMP-FP, and provincial and municipal police demonstrated that the heightened focus given to asset recovery is driving a positive asset recovery culture at the officer level. This is particularly evident in some LEAs (including the Vancouver Police Department VPD and the integrated Alberta Law Enforcement Response Team (ALERT) which is Alberta's co-ordinated response to serious and organised crime); however, it remains an area for improvement elsewhere.

595. There is a general positive trend on prioritising asset recovery amongst various LEAs, which demonstrated an improved awareness within frontline policing of the importance of asset recovery. Frontline police are generally aware of, and undergo training to identify, indicators of financially motivated offending and have clear processes in place to refer matters to specialist units within their police service, or to specialised units of the RCMP where necessary.

CRA and CBSA

596. Other competent authorities are prioritising the pursuit of asset recovery as policy objective to a large extent. CRA has increased its focus on asset recovery since 2020 establishing a civil audit and recovery function (the IIAP) to recover liabilities against those who generate revenue from illicit activities without declaring income. This supports the existing asset recovery mandate of CRA-CIP in recovering the proceeds of tax offences. Following its 2025 review of its ML and POC initiatives and the November 2025 publication of a new ML investigation policy and guide (see core issue 7.1), CRA-CIP is positioning its Criminal

Investigations Program to play a more significant asset recovery role. While the results of this remain to be seen, the enhanced priority CRA has given to this issue is good progress.

597. Recognising its role given the risk and prevalence of TBML, CBSA has also increased the priority given to asset recovery within its mandate. Beyond cross-border currency controls, CBSA (together with Finance Canada) has implemented a new framework within the PCMLTFA to enable the seizure as forfeit of falsely or undeclared goods, including over and under-invoiced goods. These were introduced to provide CBSA with additional powers to address potential instances of trade-based illicit financial flows (including money laundering, terrorist financing and sanctions evasion) at the border. They demonstrate CBSA's responsiveness and the priority it affords to seizing goods and funds used in potential cross-border criminal activity (see core issue 7.4 and section 8.5.2 for further detail).

Prosecution services

598. Within the CC asset recovery framework, PPSC and provincial prosecution services share jurisdiction and are responsible (in close co-ordination with investigators) for seeking asset recovery orders.

599. Chapter 3.7 of its Deskbook requires PPSC prosecutors to consider forfeiture of proceeds of crime in all relevant cases. PPSC's policy for asset recovery is set by the Director and Deputy Director of Public Prosecutions and its operationalisation is supported by the HQ Counsel Group through its ML Working Group. Prosecutors routinely consider asset recovery in the context of sentencing and typically may not waive the requirement to seek forfeiture without approval from PPSC management. Similar structures exist within provincial prosecution services. Asset recovery issues have featured in policy roundtables bringing together all prosecution services, demonstrating its prioritisation at the policy level to some extent.

600. Despite the policy outlined above, asset recovery is not a core business for prosecutors. Prosecutors prioritise securing convictions and typically consider asset recovery at the sentencing stage of a prosecution. While it is an independent process from sentencing, seeking asset recovery through the CC is the responsibility of prosecutors and is inherently linked to the progression of, and is viewed consistent with the framing of the criminal case, rather than being prioritised as a separate outcome to disrupt the criminal business model through deprivation of the benefits of crime. There is a degree of involvement by prosecutors in supporting LEAs in the application of provisional measures. However, they are not closely integrated into the process at that stage and are primarily focussed on supporting the criminal prosecution rather than developing a forward-leaning forfeiture strategy with the LEA from the investigation stage.

Civil Forfeiture Offices (CFOs)

601. All material provinces[57] maintain dedicated civil forfeiture offices/authorities (collectively 'CFOs') with some provinces placing a stronger emphasis on civil forfeiture. Provincial CFOs prioritise asset recovery as a policy and operational objective to a very large extent, however the outcomes they achieve varies dependent on the model adopted, the way the province conceptualises the role of civil forfeiture, and its relationship with criminal forfeiture under the CC framework.

602. Of the more material provinces, Ontario and Québec adopt a more conservative policy approach to civil forfeiture. Cases are generally referred to their respective CFOs where a criminal prosecution and forfeiture (with limited exceptions,) is unavailable, unlikely to be successful, or has failed, or in the case of Québec, is less expedient. In contrast, BC and Alberta (as well as Manitoba and Saskatchewan) take more proactive approaches to civil forfeiture, and their co-operation, co-ordination and liaising with LEAs. The CFOs in these provinces seek to restrain and forfeit property through civil proceedings, independent of (but without jeopardising) any related criminal proceedings. These proceedings can support conviction-

[57] Ontario, Québec, British Columbia and Alberta. Civil forfeiture offices also exist in the provinces of Manitoba, Saskatchewan, Nova Scotia, Prince Edward Island, and New Brunswick, and the Territory of Nunavut.

based forfeiture outcomes if the prosecution proceeds, but they also ensure that an independent proceeding to recover criminal property exists even in the absence of prosecution and conviction.

603. Additionally, in BC and Manitoba, civil forfeiture is used as a tool to prevent unjust enrichment. The effectiveness of this approach is clearly reflected in the confiscation results, with BC's approach a strength of the Canadian system.

604. Provincial/territorial civil forfeiture frameworks generally enable the recovery of property located in another province/territory. CFOs have established relationships and referral mechanisms that enable inter-provincial/territorial co-operation to identify, trace, restrain and forfeit criminal property. At the international level (see 8.5.3), CFOs can co-operate informally with foreign partners and have recovered property abroad in small number of cases.

605. Both conviction based and non-convictions (civil) forfeiture frameworks are weighted equally. However, those provinces that are prioritising civil forfeiture are achieving more effective asset recovery outcomes than the federal conviction-based framework and those provinces that take more conservative approaches.

MLA

606. Per IO.2 and at 8.5.3, Canada is only recovering criminal property abroad through MLA in a small number of cases, and at relatively modest values. Supporting forfeiture abroad is one of the objects of the MLACMA and is one of the operational priorities of Canada's Central Authority. However, this generally has not resulted in the forfeiture outcomes expected given Canada's risk and context. While co-operation with the US for asset recovery is prioritised, co-operation with other jurisdictions is not routine, and in some instances not attempted despite evidence of asset flight.

8.1.2. Periodic review of asset recovery regime

607. During the period under review, Canada has shown proactiveness in implementing legislative and administrative reforms to enhance the effective recovery of criminal property, in response to identified challenges. While many of these measures (described below) have only been recently implemented, they point to a positive evolution in the framework.

608. Canada's quinquennial statutory reviews of the PCMLTFA examine the broader effectiveness of the AML/CFT framework, including investigations and prosecutions. While there is no dedicated asset recovery review, recommendations implemented from the PCMLTFA review may indirectly enhance competent authorities' ability to pursue criminal forfeiture in PML cases, e.g. through amendments to the ML offence in 2024 (outlined in core issue 7.2). aim to strengthen the ability of LEAs and prosecutors to secure convictions for PML.

609. Public consultation papers and policy briefs developed by Finance Canada and Public Safety Canada have complemented the PCMLTFA reviews. These papers and briefs are focused on enhancing the operational effectiveness of the criminal forfeiture framework. The Department of Justice has contributed to consultation papers and briefs on the AML/ATF regime in Canada and carried out stakeholder engagement with respect to criminal justice reforms. This has led to the implementation of several positive CC amendments addressing challenges experienced by LEAs in identifying and tracing proceeds of crime:

- clarified that production orders for financial data cover accounts associated with digital currencies;
- introduced a new production order for specified dates and a keep-account open order;
- established a warrant power for the search and seizure of digital assets, and

- simplified aspects of seizure warrants and restraint orders, including repealing the requirement to obtain an undertaking by the Attorney General for costs related to the seizure or restraint of property.

610. While these are recent developments, interviews with LEAs demonstrated their utility in recent cases in identifying and tracing financial flows in support of asset recovery.

611. Reflecting the growing appreciation for the role of provincial CFOs, Canada recently passed further amendments to the PCMLTFA allowing CFOs to be recipients of FINTRAC financial intelligence disclosures.

Cullen Commission

612. The 2022 Final Report of the Cullen Commission, a provincial public inquiry into money laundering in British Columbia, was an important development for asset forfeiture in Canada. The Report made several notable recommendations to the BC government with respect to criminal and civil forfeiture in BC. It has had implications for federal resources and priorities, as well as other provinces and has driven increased focus on asset recovery and the BC framework, nationwide.

613. The genesis for many of Canada's recent efforts to prioritise, modernise, and resource its asset recovery structures flow from the Commission's recommendations. For instance, BC has implemented the most ambitious recommendation—an unexplained wealth order (UWO) regime leveraging the experience of Manitoba, which established the first unexplained wealth scheme in Canada. Both frameworks have been upheld in relevant provincial superior courts, establishing new precedent across Canada.

8.1.3. Effective agency structures and co-operation frameworks

614. LEA structures support asset recovery investigations to a large extent. During the period under review LEAs have increased their resourcing and either created or expanded dedicated financial crime and asset recovery units. RCMP-FP, OPP, *Sûreté du Québec* and major municipal LEAs have dedicated resources and units for financial crime and asset recovery. In many cases, these units combine responsibility for asset recovery with the investigation of specific proceeds generating crimes (i.e. RCMP-FP's IMLITs and SOC sections and OPP's Serious Fraud Office). Others, such as OPP's Provincial Asset Forfeiture Unit (PAFU) and RCMP-FP's Asset Forfeiture Unit in BC are asset recovery specialist units that receive referrals from investigative teams. In the case of the IMLITs, embedded CRA officers support the provision of tax information, which competent authorities use in understanding suspects' financial circumstances.

615. These structures have improved the delivery of specialised asset recovery training to financial investigators and investigators in units targeting high risk predicate offences. This has increased the capacity of LEAs to identify and trace assets, including through improved use of information gathering powers, and is increasingly embedding a culture at the officer level that asset recovery is a core policing function.

616. The priority of these units is to support identification and tracing of criminal property for restraint and forfeiture applications through the CC framework. Notable exceptions to these are the RCMP-FP's asset forfeiture unit in BC. This functions specifically as a gatekeeper for RCMP (both FP and C&IP) investigations in BC for potential asset recovery. It ensures matters are referred to the CFO expeditiously to facilitate identification and tracing of criminal property with greater success.

Co-ordination

617. Strategic co-ordination between these structures occurs through the Canadian Association of Chiefs of Police, and through the Canadian Integrated Response to Organised Crime (CIROC) which helps ensure law enforcement operational initiatives are co-ordinated and aligned with the top threats identified in the NRA.

618. LEAs co-ordinate at the tactical level to a large extent, despite the potential challenges of overlapping jurisdictions of federal, provincial and municipal LEAs. Most commonly, this occurs through Joint Forces Operations (JFOs), which bring together dedicated resources across all levels, and enable enhanced information sharing between agencies. JFOs are common and heavily used tool by Canadian authorities and are established for almost all complex investigations where multiple LEAs or competent authorities are involved. Integrated teams, such as RCMP-FP's IMLITs, are also effectively supporting asset recovery outcomes at the operational level through their co-ordinated efforts to progress cases and trace criminal proceeds in the most significant cases.

619. Canada is effectively utilising these structures to co-ordinate the provision of specific technical expertise in support of asset recovery matters. For example, RCMP's Crypto Tactical Operational Support (CTOS) teams supported RCMP-FP IMLIT investigators during the execution of a warrant to take control of multiple wallets in a major investigation. This resulted in the seizure of a large volume of cryptocurrency. Similarly, OPP's Cyber Operations Section demonstrated effective co-ordination with the OPP PAFU to support an operational outcome.

8.2. Identifying and tracing criminal property and property of corresponding value

620. LEAs and competent authorities are identifying and tracing criminal property to some extent and implement a 'follow the money approach' during parallel financial investigations. Consistent with competent authorities' increased emphasis on conducting financial inquiries in their investigations (see IO7), this is trending upward.

621. Forfeiture of criminal property under the CC framework is the sole approach in the federal jurisdiction and the primary approach in most provinces. In developing the criminal case, investigators will conduct initial analysis to identify and trace potential criminal property. They utilise a broad range of information gathering tools (see IO.7) such as production orders to identify potential targets and financial flows for further investigation.

622. Investigators executing search warrants are trained to identify potential criminal property and seize evidence of source and use of funds (such as receipts and account information) to support further and more detailed analysis. Seized cash is scanned through RCMP's Currency Reading and Tracing System (CRATS) and traced against other cash seizures to build links between targets. From the case studies provided, these initial inquiries to identify potential criminal property are conducted routinely and support the use of more advanced techniques in more complex cases.

623. Cases of greater complexity and volume are typically referred to a dedicated unit (such as OPP's PAFU or TPS' Asset Forfeiture Unit) or an RCMP IMLIT for further analysis. In some provinces, where cases are referred to a CFO, their asset tracing capabilities are used independent of an LEA investigation. In other provinces, results from LEA financial investigations are used by CFOs to support asset tracing.

624. The development of specialist capabilities within these structures has improved Canada's ability to identify and trace criminal benefit, particularly in complex cases. Specialist financial crime and asset recovery teams, such as the PAFU and the IMLITs, employ civilian investigators with specialised expertise to trace property through complex ownership structures. This is aided by improved access to beneficial ownership information. Despite this, many case studies demonstrated asset tracing efforts only prioritising property clearly within the legal ownership of the person, at the expense of more expansive identification and tracing of criminal benefit. With some good exceptions, efforts to pursue assets held by nominees, front persons, or other third parties, including close relatives and associates, were less evident, as the focus appears to be on formal/legal ownership and not structures or transactions intended to conceal ownership.

625. These teams have access to and employ technology and innovative approaches to trace and identify criminal property, and recover proceeds and benefits obtained through cyber-enabled crimes, including scams. Notably, the use of trained cryptocurrency investigators and analysis tools to trace funds on the blockchain has resulted in several successful seizures and confiscations (see Box 8.1).

Box 8.1. Case study – Identification and tracing of criminal property

A ransomware matter involved an Ontario Provincial Police (OPP) investigation into an Ontario-based cybercriminal responsible for ransomware attacks against businesses worldwide. The offender operated through criminal online forums and concealed their identity using remote desktop protocols. Proceeds of crime were channelled into multiple cryptocurrency accounts, requiring specialised digital asset tracing techniques.

Following intelligence from international partners, the OPP conducted an 18-month covert investigation, which included covert entries into the suspect's residence, remote access warrants for digital devices, and continuous monitoring of dark-web activity and cryptocurrency wallets. Officers conducted surveillance of online platforms to track the suspect's movements, transactions, and command and control infrastructure.

During a search of the suspect's residence, police found him actively conducting a ransomware attack and were able to shut down the command-and-control server at the time of arrest. A total of 41 devices and two illegal handguns were seized. Investigators also identified and traced substantial cryptocurrency holdings, which were confiscated for future restitution.

626. In the most complex asset recovery matters, PSPC's FAMG is engaged to provide forensic asset tracing analysis to determine the source and use of funds in acquiring property suspected of being proceeds of crime. FAMG conducts extensive net worth analysis to accurately quantify the benefit obtained through criminal enterprises, in comparison to a person's lawful sources of wealth. This analysis is admissible in courts and is fundamental in obtaining fines in lieu of forfeiture (Canada's mechanism for indirectly confiscating PoCV). The use of FAMG expertise has increased and is a significant force multiplier for Canada's LEAs in relevant cases. It enables competent authorities to identify the scale of criminal benefit and trace proceeds to support restraint and forfeiture. These structures and specialised resources have enhanced Canada's capability to identify and trace criminal property.

627. Despite Canada's efforts to improve identification and tracing of criminal property, competent authorities do not effectively identify and trace PoCV. In the federal jurisdiction, authorities are limited in their capacity to identify and trace PoCV due to the operation of fines-in-lieu of forfeiture.

628. Fines in lieu of forfeiture are not directly enforceable against other property of the person and authorities do not extend the scope of their asset tracing work to PoCV. This mechanism (including approaches to enforce unpaid fines-in-lieu) is detailed in core issues 8.3 and 8.5 below with respect to provisional measures and enforcement of forfeiture. This approach has major shortcomings that undermine the effectiveness of Canada's asset recovery system in achieving the confiscation and permanent deprivation of PoCV.

629. Provincial/territorial civil forfeiture frameworks also do not contain mechanisms to identify or trace PoCV.

Shortcoming – property beyond legal ownership

630. FAMG analysis can uncover the scale of, and in many cases quantify, the benefits obtained through criminal enterprises. Given criminal forfeiture is the primary vehicle for criminal property to be ultimately recovered (except for BC and Manitoba), competent authorities' efforts to trace criminal property tend to prioritise assets clearly within the suspect's legal ownership, to the exclusion of assets that may be beneficially owners or controlled by the suspect but titled to third parties. This is reportedly due to the requirement to prove the property was obtained or derived from the commission of the offence, on a balance of probabilities (general forfeiture at CC s. 462.37(1)), or, that the property is otherwise proceeds of crime beyond a reasonable doubt (a form of extended forfeiture at CC s. 462. 37(2)).

631. In practice, this has limited competent authorities' ability to trace criminal property that is further removed from the suspect's legal ownership but ultimately remains within their effective control (particularly where that property is beneficially owned or controlled by the suspect but held or titled to third parties).

632. In case studies provided, the identification and tracing process focuses primarily to cash tracing, flows of funds (fiat or virtual) and property the purchase of which can be linked to proceeds of crime (such as luxury vehicles or real estate). This was despite FAMG analysis showing substantially greater proceeds being generated or laundered than what was traced and subject to provisional measures. There were no statistics available on instances of asset tracing through more complex structures. FAMG has been involved in several matters that demonstrated advanced asset tracing including through businesses used for trade offsetting and otherwise legitimate business accounts.

633. The approach to asset identification and tracing, and its success, varies between provinces. Cases demonstrate that Ontario and Québec appear to limit their identification and tracing activities to the specific period of criminality under investigation. This is due to these provinces' prioritisation of conviction-based forfeiture under the CC, and requires that assets can be linked to the criminal offence. Other provinces that have prioritised the use of their civil forfeiture frameworks (such as BC and Manitoba) take a more expansive approach to asset tracing across a broader period of suspected criminality, in the absence of a need to link the assets to a specific criminal offence. These provinces are also aided by the lower burden of proof required under civil rules of evidence and procedure. Through this approach, authorities in these provinces are able to avoid some of the challenges of proving ownership and control or dealing with intermingled funds under the CC forfeiture framework, ultimately resulting in more effective identification and tracing of criminal property.

Shortcoming – access to tax information

634. In the context of privacy rights under Canada's fundamental principles of domestic law, the sharing of tax information with law enforcement is subject to stringent conditions (Income Tax Act (ITA) s 241, and Excise Tax Act (ETA) s 295). If not proactively disclosed to an LEA (per ITA subs 241(9.5)), tax information can only be obtained through judicial authorisation (CC s 462.48). Tax information can be obtained when investigating non-tax offences. The practice of embedding CRA officers (such as in the IMLITs) and the use of joint forces operations has streamlined the process for proactive disclosures. Access to this information outside of these structures is less expeditious, though judicial authorisations can typically be obtained quickly. Municipal LEAs in particular can struggle to obtain tax information given their more limited engagement with CRA and the various mechanisms available. Investigators from provincial CFOs are not considered criminal investigators, so have even more limited access to tax information and cannot receive disclosures directly from CRA or obtain judicial authorisations. Typically, they are reliant on tax information being referred by an LEA if discovered during the execution of a search warrant or through civil discovery procedures once proceedings are commenced.

8.3. Freezing and/or seizing criminal property and property of corresponding value

635. Canada has seized and restrained criminal property equating to approximately CAD 1.5 billion (approx. EUR 935 million) (see Table 8.1).

636. When assessed against the criminal benefit estimated to be generated from crime in Canada, the value seized or restrained is modest, which also impacts the availability of property at the forfeiture stage.

Table 8.1. Consolidated seizure and restraint data (CAD)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
RCMP[1]	39 836 241	56 861 364	48 642 433	62 128 935	47 968 532	119 192 035	374 629 540
(SPMD)	62 504 908	44 050 483	77 472 699	121 796 403	90 912 560	32 005 842	375 644 493
Ontario[2]	85 371 336	145 254 969	100 849 142	68 804 108	25 539 967	59 607 001	485 426 523
Québec[3]	10 947 868	7 000 945	26 955 455	40 901 904	43 088 954	29 009 604	157 904 730
Total CC	198 660 353	253 167 761	253 919 729	293 631 350	154 411 613	239 814 482	1 393 605 288
BC Civil Forfeiture Office[4]	4 579 000	4 090 000	9 439 000	7 642 000	70 000 000 (approx.)	12 394 000	108 144 000
Total all	203 239 353	257 257 761	263 358 729	301 273 350	224 411 613	252 208 482	1 501 749 288

Source: Canada

[1] RCMP data does not include vehicles. Assets included in this data includes cash and securities, jewellery, luxury items and electronics

[2] SPMD data includes assets under management, including vehicles, real property, and other high value goods

[3] Ontario data include OPP Provincial Asset Forfeiture Unit (OPP-PAFU) and the Ontario Ministry of the Attorney General. Canada note that as Ontario MAG data includes data received from LEAs, there may be some overlap.

[4] Québec data include Montréal Police, Sûreté du Québec (SQ) and SQ – Municipal Assistance

[5] Only data from the BC civil forfeiture office was available to show value of property under civil preservation orders.

637. This table provides an aggregate figure of the total amount seized/restrained under the CC framework federally and in the two most material provinces (Ontario and Québec) as well as under the BC civil forfeiture framework. Civil forfeiture data was not available for other provinces.

Alignment with risk

638. From the incomplete data provided, it is difficult to determine whether measures fully aligned with Canada's risk. The data provided from SPMD shows that the bulk of seizures come from offences under the Controlled Drug and Substance Act, and ML and possession offences under the CC.

639. Seizures relating to fraud (CC, s 380) are low with only CAD 442 800 of seized property related to fraud managed by SPMD during the period under review.

640. This figure is substantially lower than would be anticipated given Canada's risk profile, noting that this finding is drawn from incomplete data provided by Canada that likely understates the actual seizure amounts. Case studies provided by Canada and interviews with competent authorities demonstrate the use of provisional measures to seize and restrain criminal property derived from or used in other high and medium risk predicate offences (such as fraud, tax evasion, vehicle theft and human trafficking). The use of

provisional measures in relation to trade fraud and TBML appear limited, despite its high risk and prevalence.

Proceeds of Corresponding Value (PoCV)

641. Canada does not seize or restrain PoCV. At the federal level, Canada relies on fines in lieu of forfeiture as its primary tool to recover PoCV. This does not enable competent authorities to obtain provisional measures (such as seizure or restraint) to secure PoCV in advance of a fine in lieu being ordered.

642. As LEAs are unable to secure this property, it provides an opportunity for the person subject to the fine in lieu of forfeiture (or who believes they may become subject to one) to transfer their property out of the jurisdiction or to another person beyond the reach of LEAs. This has consequences on later efforts to enforce fines in lieu of forfeiture that are in default (see core issue 8.5).

643. This approach has major shortcomings that undermine Canada's ability to confiscate and permanently deprive offenders of their criminal benefits when directly traceable criminal property is not available. Fines in lieu of forfeiture cannot be enforced directly against PoCV through provisional measures and mechanisms to enforce payment have not been used. Provincial civil forfeiture frameworks also do not contain mechanisms to identify or trace PoCV.

644. When assessed against the criminal benefit estimated to be generated in several key cases, the value seized or restrained is modest. The lack of a comprehensive and enforceable mechanism to provisionally secure PoCV is key reason for this shortcoming, which ultimately contributes to more limited forfeiture outcomes later in the process.

8.3.1. Active pursuit of provisional measures resulting from financial investigations

645. All LEAs generally pursue provisional measures in their investigation of proceeds generating crime to some extent. Seizure of suspected proceeds of crime and offence related property located during the execution of search warrants is prioritised. Restraint of financial accounts and real property identified through competent authorities' asset tracing is also conducted routinely. Despite this, a lack of asset tracing beyond these property types limits the use of restraint orders. Reliance on seizures during the execution of search warrants may risk seizing only what is immediately available, and the execution of the warrant may allow other criminal property to be subsequently moved once the suspects and/or accomplices are alerted to the investigation.

646. Responsibility for seizing and restraining property suspected of being criminal property is split across the federal, provincial and municipal levels. The division in operational responsibility typically falls to the LEA leading the investigation. In practice, federal authorities typically lead seizure and restraint efforts in relation to Controlled Drugs and Substances Act (CDSA) matters; offences under other federal laws; and CC matters involving federal aspects, with international elements, or involving multiple jurisdictions within Canada. RCMP also leads seizure and restraint in provinces where they provide contract policing, except in large cities with municipal LEAs (particularly Toronto, Montreal, and Vancouver). OPP and Sûreté du Québec have extensive remits in those provinces to pursue the restraint and seizure of criminal property.

647. LEAs generally place the highest focus on seizing property identified while executing a search and seizure warrant. Particularly bulk cash, high value goods (jewellery etc), vehicles as well as any illicit property (such as drugs). Ontario's Ministry of Attorney General is an exception to this, and primarily pursues restraints (noting they are not an LEA, and house the Crown Law office). Canada has significantly enhanced its ability to seize cryptocurrency and investigators receive specialist training to support wallet seizures through the execution of search and seizure warrants, leveraging recent investments in cryptocurrency tracing, such as the establishment of RCMP-FP's Crypto Tactical Operational Support team, which provides

investigators with a specialist capability when responding to matters involving suspected high values of virtual assets.

Criminal restraint

648. Restraint is sought in more limited circumstances typically over accounts held with financial institutions or over real property. Restraining orders are pursued in a more limited way against other types of property.

649. Typically, restraint orders are sought where property is clearly within the person's legal control. This is consistent with competent authorities' approach to tracing criminal property and means that property within the person's effective control but otherwise held at arm's reach is rarely subject to provisional measures. This limits competent authorities' ability to deprive controllers of the benefits of criminal enterprise. Canada has criminal procedures enabling third parties to challenge restraints and exclude property (CC subs 462.34(1), see criterion 4.12) and assets can and have been released when legal challenges are successful. However, there is limited jurisprudence in this space, reflecting a reluctance to pursue provisional measures against assets not nominally held by the defendant. This is a weakness of Canada's approach to asset recovery and can enable asset flight and dissipation, especially for higher risk crime types where the swift movement of proceeds is prevalent (e.g. scams and fraud, cyber-enabled offences).

650. Authorities have faced challenges securing restraint orders over criminal property where it is intermingled with legitimate property. This is particularly problematic where financial accounts or real property are held jointly by the criminal and a person whose equity in the property has been derived from legitimate means. The CC has provisions enabling the exclusion of legitimate interests from restraint or forfeiture orders; to surgically exclude legitimate interests in intermingled property to enable the restraint of the criminal element. These have been used effectively in several cases, particularly with respect to offence-related property. However, their use has also been inconsistent and there are also examples where intermingled property was not pursued, including where criminal property has been intermingled in the accounts of family members not involved in the criminal activity or mixed with accounts of legitimate businesses.

651. In these circumstances, competent authorities did not seek provisional measures and instead had to seek a fine in lieu of forfeiture to the amount linked to crime. This approach can have limited effectiveness against common money laundering typologies, which is compounded by the lack of a mechanism to secure PoCV, allowing proceeds to remain in the control of suspects and decreasing the prospects that assets will be available for forfeiture

652. In particular, this limitation contributes to the limited restraint action taken in respect of business interests and assets, despite the high risk of their misuse. Exploitation of businesses often with legitimate revenue streams as a front for criminal activity is a common typology in Canada, particularly for businesses involved in international trade. As the proceeds of criminal activity become intermingled with legitimate business earnings, competent authorities can be hampered in their ability to seek restraint. Particularly where funds have been spent or used to pay expenses. This then necessitates the use of fines in lieu of forfeiture following a successful conviction.

653. Canada uses provisional measures to some extent when securing revenue generated from criminal property. There are some positive examples of competent authorities restraining condominiums with active rental agreements (the asset-management complexities of which are well managed). Despite this, authorities did not seek restraint of rental payments made prior to the seizure as proceeds generated by the property.

Federal and Provincial use of provisional measures (seizure and restraint)

654. Detailed breakdowns of assets seized/restrained through provisional measures at the Federal level (see Table 8.2) are provided below. These are consistent with Canada's materiality. The comparatively heavy reliance on seizure and a focus on physical currency, vehicles and other movable property, including high value goods is clearly demonstrated.

Table 8.2. SPMD - managed seized/restrained assets, 2019-2024/25 (CAD)

Asset Type	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Cash	30 406 710	18 514 501	16 000 486	19 655 232	20 586 104	15 321 182	120 484 216
Financial Instrument	19 518 832	111 605	11 354 561	232 146	520 651	969 355	32 707 150
Other Property	1 322 077	710 293	26 320 655	1 855 800	371 027	569 040	31 148 891
Real Estate	8 548 000	20 923 500	20 702 000	97 071 001	13 378 000	13 062 002	173 684 503
Vehicle	2 699 289	3 772 084	3 094 995	2 887 257	2 956 877	2 038 975	17 449 478
Vessel	10 000	18 500	0	94 968	1 500	45 287	170 255
Grand Total	62 504 908	44 050 483	77 472 699	121 796 403	90 912 560	32 005 842	375 644 493

Source: Canada

Civil preservation orders

655. In addition to accepting referrals from LEAs on matters where a seizure or CC restraint order over property has been obtained, CFOs may separately apply under their own frameworks for civil restraint or preservation orders (see Box 8.2). This is typically done based on an ex parte application in a superior court. The test for granting civil forfeiture restraint varies depending on the jurisdictions, with an example being that it is reasonable to believe/suspect that property is proceeds or an instrument of unlawful activity. Canada was unable to provide detailed statistics on the amount of property subject to civil restraint or preservation orders for the period under review, with the exception of assets civilly restrained by Sûreté du Québec. Per table 8.3, BC civil forfeiture office civil restrained at least CAD 108 million during the assessment period.

Table 8.3. Sûreté du Québec - assets restrained (civil) (CAD)

Type	2021-22	2022-23	2023-24	2024-25	Total
Civil - Introductory Applications	*1 060 848*	*2 210 532*	*3 155 701*	*3 342 775*	*9 769 856*
Real Estate	836 164	769 676	1 896 946	1 203 106	4 705 892
Cash	222 684	827 886	874 855	1 283 820	3 209 245
Vehicles/Other	2 000	613 000	87 900	455 390	1 158 290
Crypto Assets	-	-	296 000	-	296 000
Bank Accounts	n/a	n/a	n/a	400 459	400 459

Source: Canada

Box 8.2. Case Study: Civil restraint

On November 28, 2022, the Criminal Property Forfeiture (CPF) (Manitoba CFO) was successful in the forfeiture of eight properties, as well as personal property in the form of cash, bank accounts, jewellery, and heavy-duty equipment. Forfeited items had a combined value of more than CAD 2 million.

In the Northern-hemisphere spring of 2021, the Winnipeg Police Service Organized Crime Unit commenced a major drug investigation. This was a wiretap investigation into the illegal drug dealing activities of an individual and her drug trafficking organization, which had been operating for many years in Manitoba. The individual was laundering her proceeds through the casinos in Manitoba.

Prior to take down day/arrest, CPF was brought into the project and was able to restrain the identified real properties and bank accounts just prior to arrests. CPF identified eight properties as both instruments and proceeds of unlawful activity. The cash, jewellery and equipment were identified as proceeds of unlawful activity (drug trafficking and production under the CDSA, conspiracy, ML, tax and other offences).

The CPF partnered with Manitoba Housing to donate the eight residential properties to a non-profit community organization. Once the NPO completes renovations, these properties will be offered to low-income families in Winnipeg. The CPF used some of the proceeds to cover tax arrears, maintain the properties, and demolish and remediate some of the homes.

8.3.2. Expeditious measures

656. Where it is necessary to act expeditiously, Canada's framework for provisional measures can flex quickly to affect seizure or restraint rapidly. Competent authorities showed that alternative informal mechanisms, are used with reasonable effectiveness to freeze accounts and prevent transactions. The Canadian Anti-Fraud Centre has demonstrated success through its relationships with the private sector in preventing the movement of funds obtained through cyber-enabled frauds and scams through similar informal freezes and blocks on transactions. The amounts it has restored to victims is at table 8.11

657. This informal approach occurs in conjunction with formal mechanisms. Competent authorities notify the relevant private sector entity/entities that they are seeking an urgent restraint. The private sector entities can then voluntarily decide to temporarily freeze the account. Where required, competent authorities can seek and obtain restraint orders for accounts within a matter of hours through electronic means with on-call judges available outside of hours. While this approach is primarily available through established relationships with the six major FIs, there are examples of other private sector entities that have affected indirect suspensions in this manner to support expeditious prevention of transactions. While useful for temporarily blocking the movement of funds in advance of restraint, this practice depends on the advance knowledge of the funds by the LEA and is not legally enforceable. Competent authorities were not able to quantify how often this process is used or the amounts secured through this process.

8.4. Managing frozen or seized property to preserve its value

658. While LEAs can manage frozen or seized property, particularly at the initial stage, asset management in Canada is typically conducted by specialist asset management providers.

659. At the federal level, seized and restrained property is managed by PSPC's SPMD. SPMD is well resourced and provides asset management services across Canada, primarily supporting seizures and

restraints affected by federal authorities. SPMD employs more than 50 people across Canada and has seven secure warehouses[58]. SPMD also regularly engages external providers with specialist expertise to conduct inspections; appraise assets' condition and market value, and provide specialist asset care (e.g. vessel maintenance in dry dock). At the time of the onsite visit, SPMD had approximately 17,890 assets under management with an approximate value of CAD 536 million, managed through an electronic inventory system. These span a wide range of property types (see box 8.3). Case studies demonstrate that SPMD is managing assets at the federal level and preserving their value well.

660. SPMD also uses pre-forfeiture sale court orders when needed to preserve asset value, including without the consent of the other party in situations where the property is rapidly depreciating or the cost of managing the property is unreasonable. Court orders can be obtained expeditiously through electronic means where required enabling reasonably timely action, even in the most urgent cases. Where necessary, the Minister of Public Services and Procurement has the power to make an interlocutory sale of perishable or rapidly depreciating property without a court order. Canada reports this is a rare occurrence with one example of its use. It is unclear whether this power has been exercised beyond this circumstance.

661. SPMD manages virtual currency as directed by court orders, including converting it to fiat currency if directed to do so. In the absence of a court order, SPMD manages virtual currency in its initial form and does not speculate on markets without direction. An accused may apply to the court to have SPMD transfer virtual currency into fiat currency to be held in lieu if there are potential volatile market conditions.

Box 8.3. Example of effective SPMD asset management.

A recent case demonstrates strong co-ordination between the SPMD and the Alberta Law Enforcement Response Team (ALERT) during a large-scale stolen property investigation. ALERT uncovered a significant criminal operation involving stolen vehicles, farm machinery, trailers, ATVs, and power tools.

SPMD assumed responsibility for over 145 seized assets, co-ordinating towing, secure storage, and ongoing maintenance. SPMD later managed the disposal of assets through sale, transfer to the Alberta Civil Forfeiture Office, or return to lawful owners.

By taking on comprehensive asset-management duties, SPMD relieved investigators of major operational and logistical burdens, enabling ALERT to maintain focus on complex investigative work.

662. SPMD also provides asset management to provinces and territories upon request, including when provincial authorities are unable to effectively manage the property (due to specific management needs or costs). SPMD has a well-demonstrated track record of co-operation with LEAs and provincial CFOs across Canada (see Box 7.7).

663. In most cases, asset management at the provincial level, particularly pre-forfeiture, is conducted by the relevant provincial and municipal police. The exceptions to this are in BC, Ontario and Québec (since 2024).

664. BC's dedicated asset management office Asset Investment Recovery' (AIR) adopts a similar approach to the SPMD and is considered best practice in Canada for provincial asset management. Assets seized from provincially prosecuted offences are put under the management of AIR, rather than in police custody. This ensures preservation and management by independent asset management specialists and is an important transparency measure. Québec's civil forfeiture office (established in 2024 under the

[58] Situated in Atlantic Canada, Ontario (2), Québec, Saskatchewan, Alberta, and British Columbia

Procureur général du Québec (PGQ)) is responsible for managing and administering seized, restrained and confiscated property in Québec.

665. In Ontario, pre-forfeiture asset management is led by Director Asset Management – Criminal (DAM-Criminal), which is responsible for managing all property under a CC restraint order in Ontario, and for taking custody of property under a management order. Following forfeiture, management of the property becomes the responsibility of the Director Asset Management – Criminal (DAM-Criminal) Restraint and Forfeiture Office (RFO). Case studies provided by the RFO demonstrate its effective management and disposal of forfeited property.

666. Similarly, pre-forfeiture management of seized property in Manitoba, Saskatchewan and Nova Scotia is conducted by the seizing LEA, with property transferred to each province's respective CFO at the point forfeiture is ordered. The Manitoba, Saskatchewan and Nova Scotia CFOs have in-house asset management specialists. Real property subject to preservation orders are either in possession of the CFO or the defendant with the order prescribing conditions on the maintenance of the property. Bank accounts subject to preservation orders remain in the possession of the financial institution.

Post-forfeiture management

667. Post-forfeiture management and disposal of assets is occurring effectively across Canada. of property subject to forfeiture (see core issue 8.5) is occurring effectively. Following the issuance of a forfeiture order and the conclusion of any appeal period, assets not managed by a specialist asset management function or CFO are transferred to the relevant authority (SPMD at the federal level and contracted arrangements in provinces without specialist functions). Asset managers obtain professional appraisals and conduct market value analysis to maximise realised value. Cash and funds (including proceeds from virtual assets, stocks, and securities) are deposited into controlled accounts and subsequently credited to consolidated revenue, or dedicated forfeited asset funds (for example, the SPMD managed Seized Property Proceeds Account) as applicable. Physical and real property is generally disposed of through sales or auctions, with specialist resources engaged where necessary. Proceeds are credited in accordance with the jurisdiction's forfeiture framework.

8.5. Confiscating and enforcing confiscation orders

8.5.1. Criminal property and property of corresponding value located domestically

668. Canada is confiscating criminal property to some extent under the CC framework. Property of corresponding value is confiscated to a very limited extent.

Criminal property

669. During the period under review, Canada reports CAD 332 598 542 (approx. EUR 205 million) as subject to forfeiture under the CC framework by federal and provincial (only data for Ontario and Québec was provided) authorities (see Table 8.9). Forfeiture of criminal property under the CC framework is typically sought by the prosecutor at the point of sentencing. Settlement on forfeiture commonly forms part of resolution agreements. The jurisdiction in which criminal property is forfeited can be determined by the location where a case is prosecuted and by the prosecution service responsible for the criminal case. Criminal property located in another Canadian jurisdiction can be forfeited under an order of a different province or territory. Criminal property located outside of Canada is typically forfeited under the federal jurisdiction (see 8.5.3 for further detail). Under the CC framework, forfeiture by federal authorities comprises approximately 63% of CC forfeiture.

670. The CC framework provides for extended confiscation (subsections 462.37(2.01-2.07)) when an offender is convicted of a criminal organisation offence, a serious offence under the *Controlled Drugs and*

Substances Act, certain *Cannabis Act* offences, or human trafficking. During the period under review, these provisions were used twice in *R v Dematas*, 2020 ONSC 4419 and *R v Nweke*, 2019 ONSC 2299. These cases demonstrate the potential to enhance CC forfeiture. Given its limited use (twice, and not during the last five years), this tool is not being routinely used by competent authorities to deprive and disrupt organised criminal groups.

671. In certain circumstances, defendants may be granted access to seized and restrained property to meet reasonable legal expenses incurred either in defending the relevant criminal charge or contesting forfeiture. The Supreme Court of Canada (SCC) has recognised that these provisions engage Charter rights (*R v Rafilovich* [2019] 3 SCR 838). Interviews with competent authorities demonstrated the detrimental impact this has had on forfeiture outcomes as it enables offenders to finance their legal defence with the alleged proceeds of crime. In challenging seizure and restraining orders defendants may deliberately incur unnecessary or unreasonable legal fees and tie up court and prosecution resources in considering applications with limited merit. Although the right to a defence is protected in the Charter, defendants are able to access restrained funds in bad faith with the objective of frustrating forfeiture or delaying proceedings. While measures in the CC exist to ensure the necessity and reasonableness of access, in some cases this ability has been abused and has resulted in the value available for forfeiture being depleted.

672. Where the criminal property subject to forfeiture has been exhausted, there is precedent for fines in lieu of forfeiture to be ordered, though this approach has the major shortcomings as outlined above.

Table 8.4. Consolidated CC Forfeiture data (CAD)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Federal (SPMD)	34 829 263	24 997 092	47 874 220	27 190 025	40 081 851	33 993 859	208 966 310
Ontario	5 098 337	12 271 948	8 269 586	2 371 744	7 032 693	5 160 670	40 204 979
Québec (DPCP)	11 478 749	6 245 794	6 887 252	14 749 868	16 232 961	19 217 629	74 812 253
CRA (CIP)	-	-	-	3 600 000	5 015 000	-	8 615 000

Source: Canada

673. Case studies show positive forfeiture outcomes (see Box 8.4). Canada has the ability and willingness to pursue forfeiture where convictions are obtained, including in large scale cases, at the federal and provincial levels. Despite positive examples, the approximate CAD 333 million forfeited during period under review represents a limited proportion of the overall proceeds generated from crime in Canada. Even in positive examples (see Box 8.4), amounts successfully forfeited are limited in comparison to the overall criminal benefit obtained and identified in a case.

Box 8.4. Case studies – forfeiture of criminal property in large and complex cases

Federal: PML case

A federal RCMP-led investigation into a sophisticated money laundering network that provided underground money transfer services to organised crime groups operating in drug-exporting countries revealed a network relied on an informal value transfer system (IVTS) with international links to several jurisdictions of risk, enabling the cross-border movement of criminal proceeds while obscuring their origin.

The network used a web of shell companies, third-party facilitators, and multi-jurisdictional financial channels to receive, move, and settle illicit funds. The structure of the IVTS and the network's reliance on business entities to conceal the flow of proceeds posed significant challenges for traditional tracing and identification of assets held by professional money launderers and their associates.

The RCMP pursued a comprehensive financial investigation supported by significant federal level inter-agency co-operation. Officers submitted numerous VIRs to FINTRAC, which provided financial intelligence instrumental in mapping the relationships between shell companies, identifying the financial institutions involved, and tracing the movement of illicit funds. The CRA played a central role in identifying and restraining real property assets linked to the network.

Between May 2016 and February 2019, following co-ordinated arrests, the RCMP seized CAD 2.2 million in illicit drugs (including cannabis, cocaine, hashish, and methamphetamine). Concurrently, investigators restrained CAD 8.7 million in bank accounts and cash, and an additional seven properties valued at approximately CAD 22 million. Notably, CAD 7 million of the forfeited value was obtained directly from the ringleader of the money-laundering network, underscoring the effectiveness of asset tracing and restraint actions against principal targets.

Provincial: International fraud case

A complex, multi-year international investigation led by Ontario's provincial police into a large-scale Ponzi scheme operating between 2012 and 2017 identified a scheme that defrauded more than 500 victims in Canada and abroad before the perpetrator fled to country "G". The investigation required extensive cross-jurisdictional co-operation and resulted in criminal charges in both Canada and country "G".

The perpetrator moved funds across multiple jurisdictions and financial institutions, complicating efforts to trace, restrain, and ultimately recover proceeds. The international dimension of the fraud and the rapid dissipation of funds underscored the need for co-ordinated action across Canadian competent authorities and foreign counterparts, including specialised financial-crime units.

The Ontario Provincial Police (OPP) Serious Fraud Office led the investigation with the support of FINTRAC, CBSA, CRA, FAMG, RCMP, INTERPOL, law-enforcement partners in country "G", and members of the Camden Asset Recovery Inter-Agency Network (CARIN) and the Asset Recovery Interagency Network for the Caribbean (ARIN-CARIB).

Authorities obtained several Restraint Orders, enabling the seizure of approximately CAD 1.5 million in Canada. This was subsequently forfeited and later distributed to victims through a Restitution Order. International partners seized an additional USD 4 million in country "G".

The use of cloud-based survey tools to efficiently collect victim statements enhanced the investigation, while provincial Victim Liaisons ensured real-time communication with victims throughout the process.

INTERPOL co-ordinated the deportation of the suspect to Canada, and foreign police, supported by an RCMP liaison officer, located and arrested the individual in 2020.

In February 2022, the accused pled guilty to fraud over CAD 5 000 and laundering proceeds of crime and received a seven-year custodial sentence. A fine-in-lieu of forfeiture of CAD 26.9 million was imposed, requiring repayment within five years of release; failure to pay may result in an additional prison term of up to seven years.

674. Shortcomings in asset tracing and provisional measures identified in core issues 8.2 and 8.3 materially impact forfeiture results, particularly under the CC framework. These stem, in part, from to the operation of fundamental principles of domestic law and the development of compliant mechanisms. The confluence of these shortcomings was clearly demonstrated in the case below (see Box 8.5).

Box 8.5. Human trafficking investigation

A year-long police investigation into a human-trafficking network operating across a major Canadian city. The investigation revealed a complex financial structure in which proceeds from sexual services were laundered through an extensive network of flow-through bank accounts held in the names of stolen identities, third parties, and family members. Over 130 bank accounts were ultimately linked to the primary suspect. The case resulted in the identification of seven victims and charges against six individuals.

The investigation originated in November 2020 from a referral from the Canadian Centre to End Human Trafficking (CCEHT) and FINTRAC, supported by a proactive disclosure indicating suspicious cash transactions, casino disbursements, and EFTs linked to the network. The police force's proceeds of crime and asset forfeiture unit conducted a parallel financial investigation, using numerous Production Orders (bank and electronic funds transfer records) to map flows across 130+ accounts.

Illicit proceeds (cash and electronic funds transfers) were deposited into accounts controlled centrally by the head of the organisation and moved through accounts of family members and ostensibly legitimate businesses. This commingling of illicit and lawful funds, combined with the use of multiple identity holders across all major financial institutions, materially increased complexity. The head of the organisation also displayed an illicit lifestyle consistent with the proceeds of crime.

Forensic accountants from FAMG reconstructed financial activity to quantify illicit profits and expenditure patterns. In November 2021, police executed 20 search warrants, seizing ~CAD 4 million in cash (plus ~USD 4 000), ~CAD 3 million in illegal cannabis, and 34 firearms with ammunition. Partners included police services across the province, CBSA, FINTRAC, CRA, FAMG, CCEHT.

Substantial tracing (banking/electronic funds transfer records and forensic accounting analysis) was conducted and discovered extensive commingling of legitimate funds and third party/family member control. Prosecutors and other competent authorities opted not to seek restraint of most of the accounts.

Following a plea resolution in which ML charges were withdrawn, the primary suspect consented to criminal forfeiture of approximately CAD 4 000 000 and USD 3 291. A Co-accused consented to approximately CAD 8 000 in additional forfeitures. The forfeiture outcome relied primarily on cash seizures and consent-based forfeiture post-plea; no significant bank account restraints converted to forfeiture, limiting the recovery of potentially larger value proceeds.

The case evidences strong mobilisation of investigative tools (financial intelligence, forensic accounting, multi-agency co-ordination) but shows that asset tracing does not consistently translate into comprehensive restraint and forfeiture in complex ML schemes, and that the presence of intermingling legitimate and criminal property and third-party account control can be a contributing factor that can frustrate restraint and forfeiture. As a result, forfeiture outcomes were materially constrained, relying on seized cash and consent rather than broad recovery across the identified account network.

675. In the case study above, more than CAD 90 million was identified through financial intelligence and FAMG findings as being generated from a human trafficking business over the course of more than a decade. Despite the impressive investigative work by police, the overall forfeiture in this case was limited to approximately CAD 4 million in physical currency located in a safety deposit box. Several factors impacted the scope of the property that could be restrained, ultimately contributing to a more limited forfeiture.

676. Firstly (and most impactful) was the criminal nature of the asset recovery proceedings in this case. To remain within Jordan timeframes for the criminal matter, and within reasonable resourcing requirements, the criminal investigation focused only on the two-year period leading up to execution. During this period, approximately CAD 6 million was generated through the criminal enterprise. The criminal focus of this case limited the scope of what property could potentially be recovered from the outset as evidence collection only focussed on the criminal property amassed during the period of criminality under investigation, which required a higher standard of proof.

677. Secondly, asset tracing identified that the proceeds went through over 130 bank accounts under the effective control of the primary target. These were held in the names of family members and third parties (including businesses) not involved in the criminality (commingling of funds). As described in core issue 8.3, this common concealment tactic was an important factor that frustrated authorities from pursuing restraint of the majority of the accounts, which represented a significant amount of the proceeds generated across the period of criminality, significantly reducing the amount available for forfeiture.

678. Thirdly, much of the proceeds identified were traced as being spent on high value goods and on luxury condominium rentals. These were typically located outside of Canada and in a jurisdiction not amenable to international co-operation, frustrating their recovery. Payments for the rent of luxury condos could not be directly restrained as these had been made to a bona fide third party. A fine in lieu of forfeiture was not sought for amounts spent on these rental payments as they confer a temporary benefit (use of property for a specific period of time) despite their payment with proceeds of crime.

679. Finally, civil forfeiture was not separately sought in relation to these proceedings due to challenges tracing the specific proceeds, which had largely been moved beyond the jurisdiction. As provincial and territorial civil forfeiture frameworks do not have provisions enabling value-based confiscation, they would not have been effective in this case.

PoCV – fines in lieu of forfeiture

680. The CC does not enable direct confiscation of PoCV. Instead, it allows the imposition of a fine in lieu of forfeiture of criminal property. The court may only order a fine in lieu of forfeiture where it is satisfied that forfeiture should be ordered but cannot be ordered due to specific circumstances.59 When issued, the value of the fine is required to be equal to the value of the property that was proceeds of crime, and the Court cannot consider other factors (such as the ability of the offender to pay). Crucially, fines in lieu of forfeiture cannot be proactively enforced against other property of the offender and require the person subject to the fine to make payments. This distinguishes it from other value-based recovery processes and undermines its effectiveness. Other features, such as a lack of provisional measures (see 8.3) further reduce the utility of the model. Through this process, Canada has recovered PoCV to a very limited extent, federally recovering approximately CAD 7.6 million during the period under review (see Table 8.5).

[59] See Criminal Code subs 462.37(3): if the property or any part of or interest in the property (a) cannot be located, (b) has been transferred to a third party, (c) is located outside Canada, (d) has substantially diminished in value or rendered worthless, or has been commingled with other property that cannot be divided without difficulty.

Table 8.5. Federal fines in lieu of forfeiture ordered and recovered

FY	Fine in Lieu of Forfeiture Ordered (CAD)	Fine in Lieu of Forfeiture Recovered (CAD)
2019-2020	1 006 954	407 326
2020-2021	700 426	1 933 659
2021-2022	427 256	268 193
2022-2023	25 752 710	3 425 059
2023-2024	63 446	1 215 215
2024-2025	-	338 670
Gross Total	27 950 792	7 588 121

Source: Canada

681. The data provided on fines in lieu of forfeiture ordered is a minimum number, and is low in the context of Canada. As PPSC's internal case management system does not track fines in lieu of forfeiture separately to other fines ordered in criminal matters, the true value recovered is likely somewhat higher. Nonetheless, there is a gap between fines in lieu of forfeiture ordered by courts and actual enforcement and collection of those amounts.

682. Canada reports that in federal cases where a fine in lieu of forfeiture ordered is over CAD 100 000, only one fine is currently categorised as in default. A lack of data beyond this (including for fines in lieu of forfeiture issued in provincial cases) suggests there are likely gaps in competent authorities' ability to track and monitor the payment of fines in lieu of forfeiture, and that the true number of fines in default are higher. Additional information shared during interviews complements the finding that there are higher levels of default than demonstrated by the data, with some LEAs noting systemic issues in obtaining enforcement of fines in lieu of forfeiture.

683. Competent authorities report that where default on a fine in lieu of forfeiture is identified, it can be challenging to enforce payment in practice. This is despite the requirement for a term of imprisonment (additional to any term for the conviction) to be ordered in the event of default, where the offender has not paid, without a reasonable excuse (for which the onus to demonstrate is on the offender). Subjects of fines in lieu of forfeiture that are unable to pay cannot be subject to imprisonment as this does not meet the requires for a wilful refusal to pay (*R v. Wu*, [2003] 3 SCR 530).

684. While ability to pay cannot be considered by the court when ordering a fine in lieu of forfeiture, it is in practice the crucial determinant for courts where competent authorities apply to enforce the order in the event of default. Canada reports that this is due to the application of Charter considerations by Courts. Canada reports that use of a general production order is gaining increasing judicial recognition (see *R v. Neilsen*, 2024 ACKB 767) as a tool that can be used post-conviction to support rebutting an offender's argument on reasonable excuse, though the extent to which this occurs is unclear. Beyond this, it is unclear the extent to which the court examines broader criminal benefit or property beyond formal ownership in making this assessment.

685. This materially impacts the enforceability of fines in lieu that are in default and opens the potential for people subject to a fine to avoid paying it. For example, where a person has liquidated their property and spent it on expensive services they may have a genuine inability to pay that may result in them avoiding any additional imprisonment while not having to pay the fine amount despite having enjoyed the benefits. In contrast, where a person clearly owns assets that can be liquidated to pay this amount they may opt to do so, but the court cannot compel this. While this constitutes wilful refusal and would likely result in

(additional) imprisonment, this may be an attractive option that allows the person to avoid repaying their criminal benefit.

No other mechanisms to enforce recovery of a fine in lieu of forfeiture upon default have been used during the assessment period. This includes civil recovery through registration as a debt, which while reportedly an available option, has not been used in practice. The limited effectiveness of fines in lieu of forfeiture requires major improvements to enhance Canada's ability to confiscate the benefits of crime.

CRA-CIP

686. The CRA-CIP conducts criminal investigations into significant tax offences, which are then referred to PPSC for prosecution. Since 2022-23, CRA has begun to seek restraint and forfeiture under the CC to some extent (see Table 8.6). These volume of these results is lower than expected given tax evasion is assigned a high threat rating in the NRA, but CRA-CIP's increased focus in this space is promising. To further enhance its focus on asset recovery CRA-CIP has developed and released a new ML and POC investigation policy and case management guidance (see core issue 7.1). This is a positive development, but it is too early to assess its impact.

687. This work is complemented by civil recovery by the CRA's IIAP discussed in section 8.5.2, which has had further success in recovering assets to a greater extent.

Table 8.6. CRA-CIP asset recovery outcomes

Fiscal Year-End	Ongoing Investigations		Investigations where Assets Seized/ Restrained	Value of Assets Seized/ Restrained (CAD)	Investigations where Assets Forfeited (CAD)	Value of Asset Forfeited (CAD)
2020-21	236		0	0	0	0
2021-22	205		0	0	0	0
2022-23	183		2	12 758 000	1	3 600 000
2023-24	175		2	6 650 000	2	5 015 000
2024-25	201		1	3 300 000	0	0

Source: Canada

8.5.2. Civil forfeiture

688. Non-conviction-based forfeiture is available under the CC in a limited number of circumstances, notably where a person charged has died or absconded before the conclusion of proceedings (s 462.38). This has not been used during the period under review.

689. Civil forfeiture is a provincial responsibility under Canada's Constitutional division of powers, under which the provinces have exclusive jurisdiction over administration of property and civil rights. Most provinces (except for Prince Edward Island and Newfoundland and Labrador) and the Territory of Nunavut have implemented civil forfeiture frameworks. Those with such frameworks account for approximately 98% of the Canadian population, and all major cities, as well as the bulk of Canada's exposure to money laundering and serious organised crime. The minor gaps in provincial uptake are not materially impacting effectiveness.

Judicial civil forfeiture

690. Provincial/territorial civil forfeiture is a strength of the Canadian system and has delivered positive forfeiture outcomes, particularly in the provinces where it is prioritised as the key asset forfeiture mechanism (see Table 8.7). Across Canada, provincial/territorial civil forfeiture officers recovered approximately CAD 200 million during the period under review, with increasing trends in its usage across most provinces.

Table 8.7. Consolidated provincial/territorial civil forfeiture (CAD millions)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
British Columbia	16.7	16.0	12.4	14.3	30.2	20.1	109.7
Alberta	3.1	2.3	2.7	6.2	6.6	4.0	24.9
Saskatchewan	1.5	1.6	2.2	2.2	1.3	2.5	11.3
Manitoba	0.7	2.7	11.8	7.0	4.0	6.6	32.8
Ontario	2.3	2.2	n/a	1.7	4.2	1.6	12.0
Québec	0.3	0.3	1.0	1.5	3.0	2.4	8.5
New Brunswick	0.0	0.9	0.4	0.6	0.2	0.1	2.2
Nova Scotia	NIL	NIL	NIL	NIL	0.1	0.0	0.1
Nunavut	NIL	NIL	NIL	0.0	0.0	0.0	0.1
Total	24.6	25.2	30.1	33.0	49.6	37.3	199.8

Source: Canada

691. Use of civil forfeiture frameworks is fragmented. BC, Alberta, Saskatchewan and Manitoba achieve strong results through their proactive approach to civil forfeiture which commonly proceeds in parallel with any criminal proceeding. Ontario and Québec are more conservative with civil forfeiture. In these provinces the criminal prosecution takes primacy and civil forfeiture is only sought where criminal forfeiture is unavailable, unlikely to succeed, is less expedient, or has failed (in the case of Ontario). In Québec, if criminal forfeiture has failed, after a contested hearing or after the prosecutor unsuccessfully sought forfeiture of the property, civil forfeiture is not an option. The difference in approaches across these provinces is well demonstrated through case studies (See box 8.6).

Box 8.6. Case studies illustrating differences in civil forfeiture approach across Canada's material provinces

British Columbia

In December 2023, the BC Civil Forfeiture Office (CFO) secured the largest civil forfeiture in provincial history. A total of CAD 10 million was forfeited in real properties and bank accounts linked to a Canadian MSB alleged to have provided payment processing services to international criminal organizations. These criminal organisations were operating large-scale fraud schemes targeting seniors and other vulnerable victims. The Vancouver Police Department referred the matter to the BC CFO, supported by FINTRAC intelligence. Assets were forfeited as proceeds and instruments of unlawful activity, demonstrating BC's capacity to pursue high-value civil forfeiture actions in complex financial crime cases.

Alberta

An investigation, led by Calgary Police Service, uncovered a sophisticated interprovincial money laundering network linked to illegal online cannabis sales. Drug proceeds were funnelled through shell companies, nominees, and MSBs. Subsequently, they moved through an IVTS style network to accounts across Canada, laundering an estimated CAD 100 million annually. Using financial intelligence, production orders, and multi-jurisdictional co-operation, police traced funds and identified properties and accounts suitable for civil forfeiture. Although criminal charges did not proceed, civil forfeiture actions were successful. Authorities seized three cannabis farms, a mixed-use Vancouver property, and multi-million dollar accounts. This came to an approximate total of property valued at CAD 9 million, plus CAD 86 000 from an Alberta account. Cannabis seizures were valued at CAD 29 million. This case illustrates the effectiveness of civil forfeiture in depriving offenders of significant assets despite challenges in securing criminal convictions.

Manitoba

In November 2022, Manitoba's Criminal Property Forfeiture (CPF) office forfeited eight properties and significant personal property (cash, bank accounts, jewellery, and equipment) worth over CAD 2 million. The investigation, led by Winnipeg Police Service's Organized Crime Unit, targeted a long running drug trafficking network laundering proceeds through Manitoba casinos. CPF joined the operation prior to arrest, enabling the timely restraint of real properties and accounts identified as proceeds or instruments criminal activity. The eight forfeited residential properties were transferred to a non-profit housing organisation for redevelopment and future use by low-income families. This demonstrates Manitoba's effective use of civil forfeiture to both disrupt criminal activity and support community benefit.

Saskatchewan

In 2023, Saskatchewan Civil Forfeiture successfully forfeited **CAD 555 929** following a joint investigation into a high level, interprovincial drug-trafficking network. The work of Saskatoon Police Service, Calgary Police Service, and the RCMP resulted in three separate seizures which formed the basis for unopposed forfeiture applications:

- **CAD 207 820** linked to a courier exchange between suspects;
- **CAD 55 319**, drugs, and paraphernalia seized during searches of residences and vehicles;
- **CAD 292 790** seized in Alberta and returned to Saskatchewan for forfeiture.

These actions show Saskatchewan's ability to efficiently forfeit proceeds of crime even where suspects are not charged or criminal proceedings are ongoing.

Ontario

In 2023, Ontario secured the forfeiture of CAD 438 437 and USD 1 587 after a duffle bag of bundled and vacuum sealed currency was found in a locked hotel locker. The currency exhibited indicators consistent with drug-trafficking proceeds. Forensic testing revealed cocaine residue. The claimant, who had a significant drug related criminal history, provided no credible lawful explanation. The AG reached a settlement for full forfeiture, approved by the Court. This case demonstrates Ontario's ability to use civil forfeiture to disrupt illicit cash-based activity linked to organized crime.

Québec

In 2020-2021, the AGQ and BC CFO pursued parallel forfeiture actions following the death of an individual involved in narcotics production and cryptocurrency. BC forfeited over CAD 2 million from bank accounts, while Québec forfeited a property valued at approximately CAD 400 000.

In 2022, The AGQ forfeited CAD 500 000 linked to the illegal production of cannabis on a farm operated by the owner's family. The property was deemed an instrument of unlawful activity despite the owner's claimed lack of knowledge.

In 2023, the AGQ forfeited CAD 302,405 in cash linked to a drug trafficking network investigated by SPVM. Although the individuals controlling the funds could not be charged, they had no legitimate income to justify possession. The money was found to be proceeds and/or instruments of criminal activity.

These cases collectively demonstrate Québec's effective application of civil forfeiture to disrupt criminal proceeds across drug-trafficking and financially sophisticated cases.

692. BC's civil forfeiture framework is the most mature in Canada and achieves the most significant results. These are driven by BC's proactive approach to civil forfeiture with LEAs referring cases with proceeds elements to the CFO to conduct detailed analysis and tracing, and to seek restraint and forfeiture. This culture has been embedded into LEAs operating in BC (notably VPD and RCMP E Division (comprising both FP and C&IP)) which maintain effective working relationships with the BC CFO that maintain each agency's independence. Under this model, asset recovery proceedings are not tied to any potential criminal proceedings. They can be brought without, before, or in parallel with any criminal process, ensuring that criminal property is secured and recovered at an early stage. This approach is first-in-class for provincial/territorial civil forfeiture in Canada and other provinces, such as Manitoba, are following suit.

693. The strengths of BC's civil forfeiture framework were noted in the Report of the Cullen Commission, which also provided recommendations (see Box 8.2) to further enhance the effectiveness of BC's civil forfeiture framework. Following the Cullen Commission, BC, Manitoba, Saskatchewan and Nova Scotia have introduced unexplained wealth frameworks (see 8.1). The BC Supreme Court recently delivered a decision upholding the constitutional validity of UWOs in BC. Since its implementation, BC courts have issued UWOs in three cases totalling CAD 11.5 million. The Manitoba Court of King's Bench has also issued a UWO under the Manitoba framework for CAD 412 000.

Administrative forfeiture

694. To supplement the civil forfeiture mechanisms, provinces can forfeit property administratively, subject to certain preconditions. Except for Ontario and Alberta, these frameworks prescribe a monetary threshold (typically between CAD 75 000 and CAD 125 000) above which administrative forfeiture cannot be pursued. For forfeiture to be pursued through administrative means, a statutory process must be followed including the notification of any known interest holders. In the event a person claims an interest, administrative forfeiture must be discontinued and judicial civil forfeiture sought if appropriate. It is unclear to what extent this approach is used, although competent authorities with access to it view it as a useful tool to efficiently forfeit lower value assets where forfeiture is unopposed. By requiring persons to oppose the forfeiture, it is also a beneficial tool to identify potential owners for further investigation.

695. In addition to its criminal investigation mandate, CRA-IIAP (see core issue 7.4) utilises civil tax audit measures under the *Income Tax Act* and the *Excise Tax Act* for the for the civil recovery of unpaid tax liabilities suspected of being related to illicit activities. Where it is necessary to act quicky, the CRA-IIAP can request a 'jeopardy order'. If granted by the court, it allows the use of administrative powers available to the CRA, such as garnishments or asset liens, to collect tax debts without delay.

696. As noted above, this is a recently introduced program. It has grown from one assessment in 2020-21 (its first full year of operation) to more than 100 assessments in 2024/25, valued at approximately CAD 83 million. While in its early stages, this model is proving an effective and useful tool in supporting more traditional asset recovery approaches as demonstrated in Table 8.8.

Table 8.8. CRA IIAP assessments raised and collected[1]

Fiscal Year	Number of CRA-IIAP Assessments	Amount Assessed (CAD)	Amount Collected (CAD)
2019-20	0	0	0
2020-21	1	23 875	23 875
2021-22	5	363 200	260 672
2022-23	34	21 176 541	5 096 932
2023-24	84	53 011 674	2 260 636
2024-25	103	69 577 530	2 689 895

Source: Canada

[1] Note, the difference between 'assessed amounts' and 'collected amounts' reflects the high rate of objections, during which the CRA cannot collect amounts due to the legal processes required to enforce payment in complex illicit income cases. Collections tied to legal actions are often recorded only once proceedings conclude. In cases where there is a more imminent threat of financial loss, the CRA can take legal action to accelerate debt recovery. When this approach is applied, the CRA recovers nearly 50% amounts owing within 18-24 months.

697. Revenu Québec uses similar civil audit measures to recover undeclared tax liabilities in Québec (see Table 8.9).

Table 8.9. RQ civil tax assessments and recovery (CAD millions)

Fiscal Year	Tax Assessment	Assessed	Tax Recovered
2019-20	23.4	5.5	5.6
2020-21	0.0	5.1	0.5
2021-22	-0.2	5.3	0.6
2022-23	9.6	4.5	9.9
2023-24	10.8	n/a	8.0
2024-2025 (April 1-December 31)	7.0	-1.2	8.9

Source: Canada

CBSA – seizure of goods as forfeit

698. CBSA's recently adopted seizure as forfeit provisions (PCMLTFA, Part 2.1) for goods crossing the border provide an additional administrative seizure and forfeiture tool. They enable CBSA to respond to the high threat of cross-border commercial movements of illicit financial flows, and the challenges in applying 'traditional' asset recovery measures. The provisions require persons importing or exporting goods across the Canadian border to declare whether the goods are proceeds of crime, or related to ML, TF or sanctions evasions. Failing to do so, or making a false declaration, is a criminal offence (PCMLTFA s 74(1)). The provisions also apply in respect of any financial transaction purporting to pay for goods being imported or exported, but for which no goods have been shipped (i.e. phantom shipping). Goods that a CBSA investigator suspects are proceeds of crime, or related to ML, TF or sanctions evasion may be seized as forfeit (merits review and judicial appeal are available). In the case of phantom financial shipments where no goods exist, the amount paid or the stated value of the 'goods' may be seized as forfeit.

699. This is a novel approach to a challenging TBML typology and CBSA investigators are already working with stakeholders on relevant matters. The seizure as forfeit provisions for goods have yet to be used, as legislation only entered into force in April 2025, but are aimed at supporting CBSA's efforts to address trade fraud, TBML and other cross-border movements of illicit financial flows through the international trade system.

8.5.3. Criminal property and property of corresponding value located abroad

700. Canada uses formal and informal international co-operation mechanisms occasionally to recover criminal property abroad. Following the Ontario Superior Court of Justice decision in Georgiou, Canada can enforce incoming requests to recover PoCV. However, this has not occurred during the assessment period, which is questionable given Canada's context and the extensive outreach that authorities have conducted.

701. MLA has typically been the preferred route for Canadian competent authorities to seek recovery of property abroad. Statistics demonstrate modest volumes of property restrained (CAD 11.3 million) and limited values confiscated (CAD 182 000) through outgoing asset recovery MLA requests. Informal co-operation is increasingly being used as civil forfeiture processes are also increasingly used by the provinces. Formal MLA is generally not available to support non-conviction-based recovery of property located abroad as Canada's MLACMA only supports forfeiture through the CC framework and does not permit registration of foreign non-conviction-based orders, or transmission of provincial civil forfeiture orders to the foreign jurisdiction. In these cases, informal co-operation through provincial CFOs is the only available route. The total value of property recovered by provincial CFOs from incoming foreign requests was CAD 5,283,056.

702. During the assessment period, RCMP engaged on 477 files where it sought assistance through its liaison officer network relating to proceeds generating offences. These were not all specific to asset recovery, though RCMP notes that the majority involved a degree of asset identification. Of these, 10 requests were made to foreign partners to support asset restraint or forfeiture abroad. Mechanisms to support the recovery of criminal property located in the United States are the most mature and utilised resulting in in the recovery of property on both sides of the Canada-US border. This is aligned with Canada's risk and context given the volume of cross-border criminal activity but the co-operation activity related to other would-be partners based on risk and context is less robust. The recovery of property from other countries that represent significant destinations for illicit wealth is more limited. A perception of foreign jurisdictions' lack of willingness to support does dissuade competent authorities from requesting assistance. Case studies demonstrate Canadian assistance to incoming requests has contributed to important seizure outcomes in foreign jurisdictions.

8.6. Returning confiscated property to victims

703. The way in which victims of crime can be compensated through confiscated property differs significantly depending on whether confiscation occurs under the CC framework, or through a provincial/territorial civil forfeiture framework. Across the frameworks restitution to victims and victims compensation through direct and community-based approaches is moderate.

Criminal Code forfeiture

704. Restitution is the primary mechanism in the CC whereby victims may obtain payment from offenders for financial losses associated with the crime. Restitution orders for ML offences occur primarily in cases such as fraud, where there is an identifiable victim who has suffered a financial loss. In other cases, such as drug prosecutions, there may not be identifiable victims, and restitution may not be an appropriate or possible option. The CC requires property of an offender (including property that may satisfy a forfeiture order) be used to satisfy restitution or compensation orders before such property may be used to satisfy a forfeiture order (CC cs462.49(2)). While restitution is commonly ordered, the orders are rarely satisfied (see Table 8.10), particularly in the case of orders exceeding CAD 5 000. Victims may commence civil proceedings to enforce unpaid orders, and some provinces have additional avenues to assist victims in obtaining restitution or to pursue or incentivise offenders for payment. More significant CC forfeiture

outcomes - particularly enforcement of fines in lieu of forfeiture - could make additional funds available to satisfy restitution, in light of the hierarchy of uses for forfeited funds.

Table 8.10. Proportion of restitution orders restored (CAD)

	1 to 499	500 to 999	1 000 to 4 999	5 000 to 9 999	10 000+
Total Reporting Provinces, 2019-20 to 2022-23:	44%	21%	26%	4%	5%

Source: Canada

705. The CC also provides for the return of property forfeited in circumstances (see s 462.42). Such property can only be returned to victims where their loss can be tied to the specific forfeited property or a lawful interest in it. For example, a stolen vehicle registered in the victim's name can be returned to the victim as its lawful owner. Confiscated proceeds of human trafficking held in a bank account cannot be returned directly to the victim in the absence of specific evidence linking a certain amount of proceeds to the victim.

706. Under the CC, property that cannot be directly and specifically linked to a lawful owner is generally forfeited to the crown for disposal. In the case of property forfeited to the federal jurisdiction, the proceeds of disposal are credited to the consolidated revenue fund. The federal government maintains a Victims Fund that provides grants and contributions to support organisations and initiatives that enhance services for victims of crime and improve their access to justice. Recovered proceeds are credited to the Victims Fund through regular budget appropriations from consolidated revenue, and are not directly credited to the Fund. As of May 2025, the Victims Fund totalled CAD 50.3 million.

707. Provincial authorities are providing compensation to victims through forfeited criminal property to a large extent. In Québec, the Directeur des Poursuites Criminelles et Penales (DPCP) has provided approximately CAD 10.8 million in direct compensation and distributed CAD 43.5 million in LEA and community grants. In Ontario, the DAM-Criminal RFO has provided CAD 17.7 million in direct compensation and CAD 4.9 million in grants. These positive examples are complemented by good examples of the Canadian Anti-Fraud Centre (CAFC) and the OPP's Serious Fraud Office returning property to victims (see Table 8.11).

Table 8.11. Restoration by CAFC and OPP SFO (CAD)

Year	CAFC Amount restored to victims	OPP Serious Fraud Office restitution
2019	396 493	
2020	2 887 892	
2021	3 350 000	1 017 703
2022	2 900 000	33 429 548
2023	381 933	-
2024	5 387 626	-
2025	2 046 899	-

Source: Canada

Civil forfeiture compensation

708. Provincial/territorial CFOs provide support for victims to a very large extent. A proportion of the amounts confiscated are provided to the victim through direct compensation payments, and grants for

community initiatives and crime prevention. It is effectively reinvesting criminal property into social measures for the communities harmed by offending. Across the provincial frameworks approximately CAD 52 million have been provided to victims through these mechanisms, as set out in Table 8.12.

Table 8.12. Compensation, restitution and grants through civil forfeiture (CAD)

Restitution Category	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Direct Compensation and restitution	3 790 000	851 900	946 623	328 724	522 000	108 000	6 547 247
Grants for Victim Support Initiatives	18 031 000	15 091 000	9 500 000	11 623 230	10 898 000	18 890 000	29 788 000
Grants for Police Initiatives					4 095 000	11 393 000	15 488 000
Total:	21 821 000	15 942 900	10 446 623	11 951 954	15 515 000	30 391 000	51 823 247

Source: Canada

8.7. Identifying and confiscating falsely or undeclared currency/BNIs or those related to ML/TF or predicate offences

8.7.1. Identifying and seizing non-declared or falsely declared cross border movements of currency and BNI

709. CBSA identifies and seizes non-declared and falsely declared currency to a large extent. During the period under review, CBSA seized CAD 149 646 217 (approx. EUR 92.2 million).

Identification

710. CBSA officers are highly trained in examination techniques and are well resourced with advanced detection tools and technologies deployed across international airports, land border points and seaports to support the administration of Canada's Cross-Border Currency Program Reporting (CBCR). These include specific training on the identification of proceeds of crime and examination skills to detect smuggled currency, as well as the use of imaging technology (see Table 8.13). RCMP's JETWAY course (a training course undertaken by RCMP, CBSA and other LEAs specifically aimed at enhancing the detection of criminal activities in the airport environment) includes a focus on the identification and detection of proceeds of crime including currency.

Table 8.13. CBSA participants in relevant training and qualifications

Training	Participants						
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	TOTAL
Proceeds of Crime	N/A	354	283	398	457	184	1 676
Examination Skills	3 374	1 168	931	1 219	1 561	549	8 802
Roving	148	14	28	109	129	87	515
Essential Awareness of Lookouts	25	281	362	397	471	192	1 728
Officer Authorities	96	51	81	71	54	18	371
Imaging Equipment	404	405	683	1 233	1 705	310	4 740

Source: Canada

711. All travellers and traders entering or exiting Canada are required to declare whether they have currency and/or monetary instruments valued at CAD 10 000 or more. CBSA takes an intelligence-led

approach to the identification of non and falsely declared currency. It leverages intelligence generated by the BFCC, and shared by other competent authorities (RCMP, FINTRAC, CSIS) and international partners (including through the World Customs Organisation and the Border 5). This intelligence is used to conduct targeted inspections of travellers and traders to identify non and falsely declared currency and currency associated with proceeds of crime or other illicit financial flows.

Seizure

712. Section 18 of the PCMLTFA empowers CBSA officers to seize as forfeit any under- or non-reported currency or monetary instruments. When officers determine that there are no grounds to suspect proceeds of crime or terrorist financing, the officer may return the seized property upon payment of an administrative penalty (see section 8.7.3).

713. During the period under review, CBSA conducted 8 259 seizures of under- and non-reported currency or monetary instruments at the border (see Table 8.14). The total amount of funds seized was over CAD 149 million (see Table 8.15).

714. The PCMLTFA establishes four 'levels' of seizure by which seizures are categorised and further action taken, prioritising more serious or habitual violators and potential proceeds, over those who make declaration errors:

- Level One: person made a full disclosure of facts upon discovery of the funds and the funds were not concealed.
- Level Two: person concealed the funds other than by using a false compartment in a conveyance or made a false declaration or has a previous level one seizure.
- Level Three: person concealed the funds in a false compartment in a conveyance or has a previous seizure for any form of concealment or making false declarations.
- Level Four: officer has reasonable grounds to suspect that the currency or monetary instruments are proceeds of crime, or funds for use in TF activities.

Table 8.14. CBSA seizures – cross-border movements of currency and other monetary instruments by level

Fiscal Year	Level 1	Level 2	Level 3	Level 4	Total
2019-20	1 509	193	4	115	1 821
2020-21	495	59	-	65	613
2021-22	664	91	-	63	818
2022-23	903	104	1	76	1 084
2023-24	1 507	94	2	103	1 760
2024-25	1 885	132	2	144	2 163
Total	6 963	673	9	566	8 259

Source: Canada

Table 8.15. Amount of funds seized by the CBSA

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Total currency seized (CAD)	30 590 591	13 272 692	14 559 185	18 590 662	29 859 200	42 773 886	149 646 217

Source: Canada

715. The total amount of currency seized at the border has decreased compared to Canada's previous evaluation which is attributable to COVID-19 travel restrictions, a declining use in cash by travellers, and the uptake of other typologies to move value across borders by criminals (to avoid cross-border currency

controls). As a proportion of falsely and non-reported currency seized, the amounts confiscated (see 8.7.2), and the penalties imposed (see 8.7.3), have increased.

8.7.2. Confiscation of currency or BNI related to ML/TF or predicate offences

716. CBSA confiscates currency and monetary instruments suspected of being proceeds of crime or for use in TF, to a large extent.

717. Where non or falsely reported currency or monetary instruments are seized and the officer has reasonable grounds for suspicion, the funds are seized as forfeit with no terms of release (a 'level four' violation) (see Table 8.16). It is sufficient for the CBSA officer to articulate their reasonable suspicion with reference to suspicious indicators of the currency (such as point of origin and transit location).

Table 8.16. Amount of funds seized as forfeit

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Total currency seized (CAD)	2 595 664	3 098 119	2 249 484	1 496 582	3 626 096	6 083 935	19 149 879

Source: Canada

718. There is no requirement for the CBSA officer to obtain a court order to implement the seizure as forfeit. Where a currency or monetary instruments are seized as forfeit, the person from whom the currency or monetary instruments were seized may seek merits review by the Minister of Public Safety and Emergency Preparedness, through a delegated impartial CBSA official to decide on the appropriateness of the enforcement action. The funds are then returned if no contravention can be proved. Judicial review is also available where merits review is unsuccessful. During the period under review, approximately CAD 4.5 million in funds were returned following successful appeal of the administrative seizure (see Box 8.7).

Box 8.7. Case study – seizure as forfeit

On 2 May 2023, an individual arrived at the CBSA Rainbow Bridge Port of Entry in Niagara Falls, Ontario, and was referred for a secondary examination. During the vehicle inspection, CBSA officers discovered 181 kg of suspected cannabis (valued at approximately CAD 1.34 million) and USD 602 985 (CAD 816 803.48) in undeclared currency concealed within the vehicle.

CBSA officers seized the 181 kg of cannabis as forfeit under the Customs Act and seized the undeclared currency under the PCMLTFA. The RCMP was notified and initiated a criminal investigation. The offender was subsequently charged with possession and importation of cannabis under the Cannabis Act and with possession of proceeds of crime over CAD 5 000 under the CC.

In September 2023, the offender pled guilty to possessing cannabis for the purpose of distribution and possession of proceeds of crime. He was sentenced to 58 days' imprisonment, and USD 562 210, along with related property, was forfeited.

8.7.3. Sanctions

719. CBSA imposes administrative penalties for false and non-reports in all cases of funds seized at levels 1-3. Currency suspected to be proceeds of crime is always seized as forfeit with no penalty offered for release. Criminal penalties under s 74(1) of the PCMLTFA are not sought in practice in relation to anything except level 4 violations. While this is largely in line with Canada's risks, a lack of criminal penalties

even for repeated level 3 seizures may impact the dissuasiveness of the overall cross-border currency declaration framework.

720. Currency and monetary instruments seized at levels 1-3 is returned upon payment of an administrative penalty, a set percentage of the amount of currency based on the level of violation (with each level requiring an increased level of culpability). Failure to pay the prescribed penalty ensures that seized amounts remain forfeited. Canada has increased the administrative penalties available under the PCMLTFA for violations across levels 1-3, as shown in the Table 8.17. These are more proportionally and dissuasively aligned; however, have only been in effect since September 2023. While promising, additional time is needed to assess the effectiveness of these new penalties.

Table 8.17. Administrative penalties by level of violation

Level	Threshold	Amended Penalty Structure (since September 26, 2023)	Previous Penalty Structure
Level 1	Offender who makes a full disclosure of facts upon discovery of the funds, and the funds were not concealed	5% of the undeclared funds, up to a maximum penalty of CAD 2 500	CAD 250
Level 2	Offender who concealed the funds other than by using a false compartment in a conveyance, or made a false declaration, or has a previous seizure (other than for reasons of concealment or making false declarations)	25% of the undeclared funds	CAD 2 500
Level 3	Offender who concealed the funds in a false compartment in a conveyance, or has a previous seizure for any form of concealment or making false declarations	50% of the undeclared funds	CAD 5 000

Source: Canada

721. Although many seizures in 2024/25 occurred at the level 1 threshold, Canada has made a notable increase in the amount of penalties it collected in the same period (see Table 8.18).

Table 8.18. Total administrative penalties collected

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Total penalties collected (CAD)	884 550	266 750	406 750	500 750	1 075 158	2 249 031	5 382 988

Source: Canada

722. While violations under levels 2 and particularly 3 could indicate potential illicit activities, the CBSA does not refer currency seized under levels 2 and 3 to the RCMP for investigation. This is largely proportionate given these seizures are not suspected of being proceeds of crime. However, in the case of repeated level 3 violations - which involve extensive conduct to conceal currency or repeat false declarations - the lack of criminal enforcement either, including under s 74(1) of the PCMLTFA, is surprising and in serious cases may not be proportionate and dissuasive.

723. CBSA reports that following a level 4 seizure, it generally refers the case to the RCMP to conduct a criminal investigation. This can include on criminal charges under s 74(1) of the PCMLTFA or for ML. Between 1 January 2023 and 31 December 2024, CBSA referred approximately 60 level 4 seizure files (totalling over CAD 2 million) to RCMP for investigation, leading to eight PCMLTFA charges and an unspecified number of ongoing investigations. In roughly the same period, CBSA made approximately 247 level 4 seizures totalling approximately CAD 9.6 million. The referral of roughly 24% of level 4 seizures to RCMP is low for the seizure classification, and authorities are missing the opportunity to initiate investigations despite the existence of sufficient red flags to justify seizure as forfeiture on the basis of suspected proceeds of crime. Very few referrals for criminal investigation were made in relation to level 3 seizures, which display clear intent to conceal.

724. As such, the sanctions imposed in practice are not always proportionate to conduct, moderately impacting the framework's dissuasiveness.

9 Terrorist financing investigations and prosecutions

The relevant Immediate Outcomes considered and assessed in this chapter is IO.9 The Recommendations relevant for the assessment of effectiveness under this chapter are R.5, 30, 31 and 39 and elements of R.1, 2, 15, 32, 37 and 40.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Canada has a well-established and well-functioning system to detect and investigate TF, led by the RCMP's Federal Policing National Security (RCMP-FPNS), and facilitated by an effective intelligence/information flow between relevant partners.

b) RCMP-FPNS's Integrated National Security Enforcement Teams (INSETs) and National Security Enforcement Sections (NSESs) charged with investigating TF offences on the ground are well trained in TF and have expert advice on hand.

c) The number of prosecutions of TF cases is low, but this is consistent with the TF threat environment and with the NRA's conclusion that TF in Canada is generally of largely low volume characterised by low value transactions and limited financial flows. Case examples have shown the authorities have the ability to prosecute complex, cross border TF cases if and when they arise. There is a comprehensive array of tools to prevent or deter people from committing TF offences, and consideration of alternative charges if TF can't be evidenced.

d) The sentences imposed for TF offences by courts in Canada may not be sufficiently dissuasive for Canada's evolving threat environment. In this reporting period, there has been one TF sentencing of 6 years consecutive to a terrorism charge, which is an increase in sentence compared to the previous review period. However, this is too small a sample to establish the dissuasiveness of sentencing.

e) Combatting TF is addressed in Canada's National Counter-Terrorism Strategy; however, this strategy is outdated (2011) and is currently under review.

Recommended Actions

Canada should:

a) Advance the implementation of the sentencing framework for TF offences so it is a sufficient deterrent in light of Canada's emerging TF threat landscape.

b) Ensure that the revised Counter-Terrorism Strategy appropriately encompasses Canada's emerging TF threats as identified in the NRA.

c) Ensure that legislative measures enable reporting entities to issue timely responses to law enforcement production orders.

d) Further examine the links between terrorist financing and organized crime identified in the 2025 NRA, to support investigation and prosecution efforts in this area.

Overall Conclusions on IO.9

Overall, Canada demonstrates a strong and well-co-ordinated framework for identifying, investigating, and disrupting terrorist financing (TF), proportionate to its assessed low TF risk. The RCMP-FPNS provides effective central oversight of all national security investigations, ensuring systematic TF review of terrorism-related complaints, supported by specialised TF expertise, prioritisation based on threat, and access to forensic accounting and intelligence capabilities. FINTRAC plays a critical role in TF detection, with TF-related disclosures contributing significantly to identified incidents and active investigations. Canada makes effective use of domestic and international intelligence co-operation, including seamless CSIS-RCMP information sharing under the One Vision framework and robust engagement with foreign partners. While the number of TF prosecutions is limited, this is broadly consistent with Canada's risk profile, and complex cases such as Project Sabin demonstrate Canada's capacity to identify specific financier roles, adapt to evolving methods (including online fundraising and virtual assets), and secure TF-specific convictions with meaningful custodial sentences.

At the same time, some structural and operational limitations affect overall effectiveness. The investigators' access to financial information would be improved through broader and more timely retrieval mechanisms across reporting entities. The current sentencing range for TF offences raises concerns about proportionality and deterrence, particularly given the enabling role of TF in terrorist activity. Canada relies extensively on alternative disruption measures (e.g. listings, peace bonds, immigration actions, regulatory interventions, and threat-reduction measure) which are used effectively and strategically where TF prosecutions are not viable. However, the resolution of TF-related conduct through non-TF charges may reduce the visibility and distinct treatment of TF offending. Overall, Canada achieves a substantial level of effectiveness in countering TF, with strong co-ordination and disruption outcomes, while targeted improvements could further strengthen investigative reach, evidentiary consistency, and the dissuasiveness of sanctions.

Canada is rated as having a Substantial level of effectiveness for IO.9.

Immediate Outcome 9

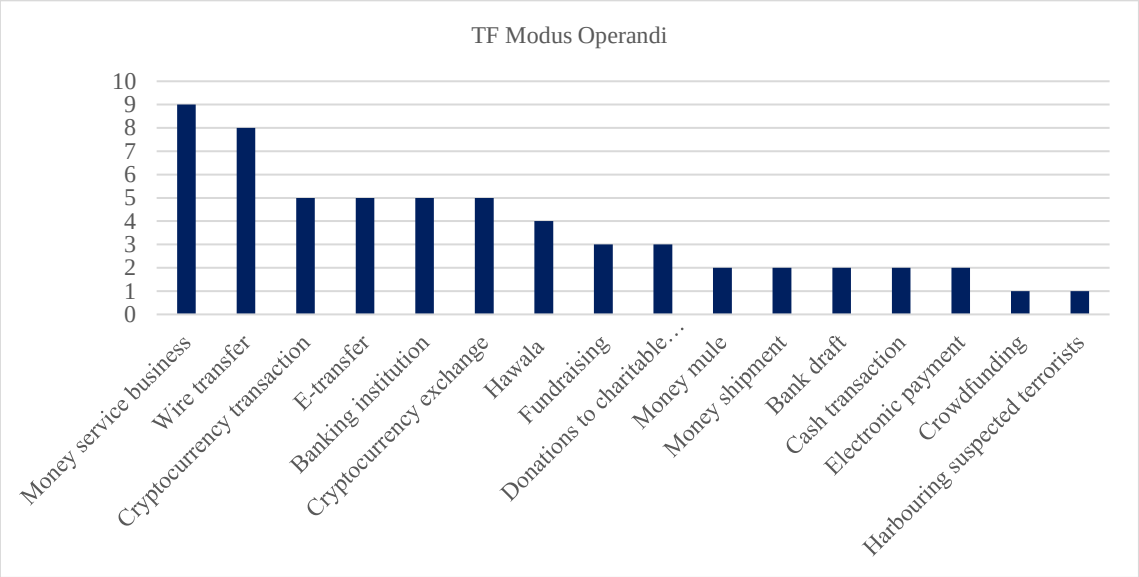
9.1. TF activity identified and investigated

9.1.1. Identification and investigation of TF activity

Canada's TF Threat Environment

725. As set out in the evaluation of IO.1, Canada's National Risk Assessment assesses the overall TF risks to the country as low volume, characterized by low-value transactions and limited financial. At a more granular level, the NRA has identified the main threat actors, and the methods and channels exploited by them. Overall, the authorities have a good understanding of Canada's TF threat environment.

Figure 9.1. TF Modus operandi and their frequency, RCMP active files (2019 – 2024)



Source: RCMP

726. Authorities have established a good operational understanding of the threat by analysis of a number of sources and methods to enable them to identify trends, tactics of specific organisations and new/updated methods used to finance terrorism both domestically and internationally. During this review period the typologies, tools, and modus operandi used to channel funds to finance terrorism in Canada have been identified as chiefly wire transfers and the use of MSBs. (Table 9.1). This understanding informs the actions set out below to identify, investigate, and prosecute terrorist financing activity.

Identification of terrorist financing activity

727. Canada has a well-established system to detect and investigate TF, led by the RCMP – Federal Policing National Security (RCMP-FPNS). All cases which come under national security (i.e. all cases involving terrorism or TF) are reviewed by the RCMP-FPNS where there are two full-time dedicated TF reviewers. These reviewers are TF subject matter experts that have the requisite security clearances and undergo significant training. All complaints that fall under the National Security unit are reviewed by a TF reviewer for s.83 TF related offences of the Criminal Code and their findings documented. This process ensures all terrorism cases are reviewed to establish if TF offences can be identified.

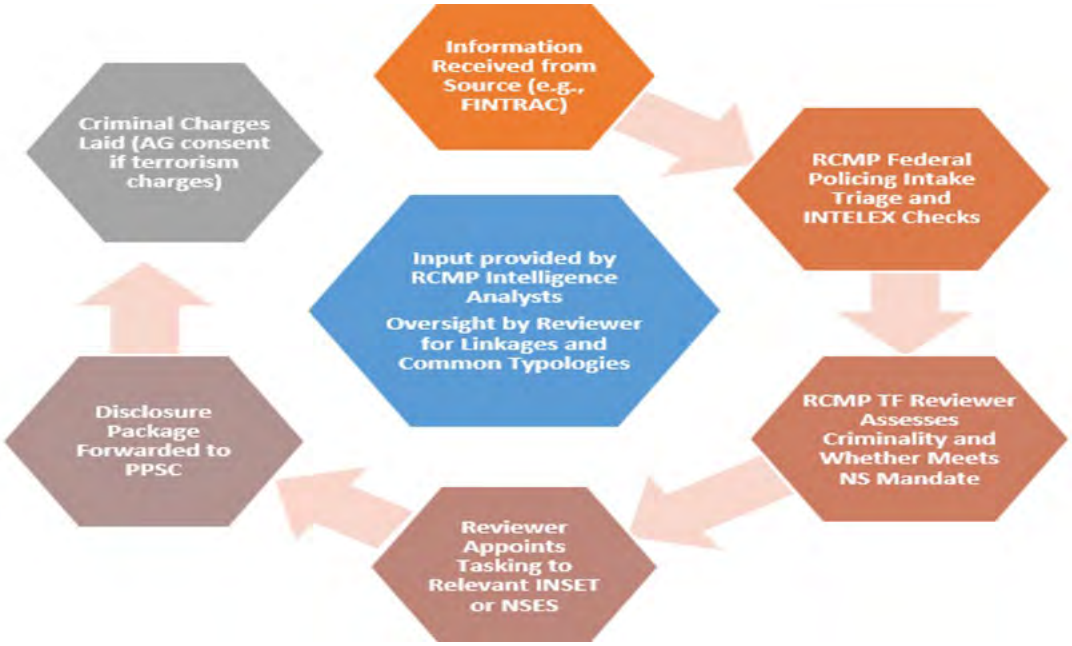
728. National security investigations, including TF investigations, are tasked to either the Integrated National Security Enforcement Teams (INSETs) who are specialised, multi-agency units in larger centres in Canada and are comprised of federal and provincial partners, or to the National Security Enforcement Sections (NSES) that are located in various provinces across the country where there is no INSET. Both these teams are centrally governed by RCMP-FPNS at headquarters who are responsible for providing oversight and guidance to all NS investigations across the country and for the prioritisation of investigations. Capability varies between INSETs and NSES units, though co-ordination helps mitigate gaps. This ensures a consistent and co-ordinated approach to TF investigations.

729. Prioritisation of cases is based on threat and complexity, and investigators (both INSET and NSES) receive dedicated TF training and have access to specialist resources such as Forensic Accounting Management Group (FAMG) and criminal intelligence analysts. The RCMP's TF training is open to other

government agencies and also has inputs from the relevant units which the investigators will expect to collaborate with, enhancing the co-ordination between all units and agencies.

730. Even if initially TF offences are not identified in the initial review of a complaint related to national security, the review process remains ongoing for elements of TF during the course of the investigation and can lead to TF investigations at a later stage. TF reviewers and analysts within the RCMP-FPNS liaise with other reviewers and investigators monitoring investigations for any TF offences that may be evident. The role of a TF reviewer at FPNS National Headquarters is to ensure the investigation complies with applicable policies, Ministerial Directives and legislation. The reviewer is also responsible for sharing information with domestic and foreign partners, to assist with the collection of additional evidence to advance the investigation and support TF charges. This ensures a co-ordinated approach and ensures consistent input in NS related complaints.

Figure 9.2. TF Investigations Process in Canada



Source: RCMP

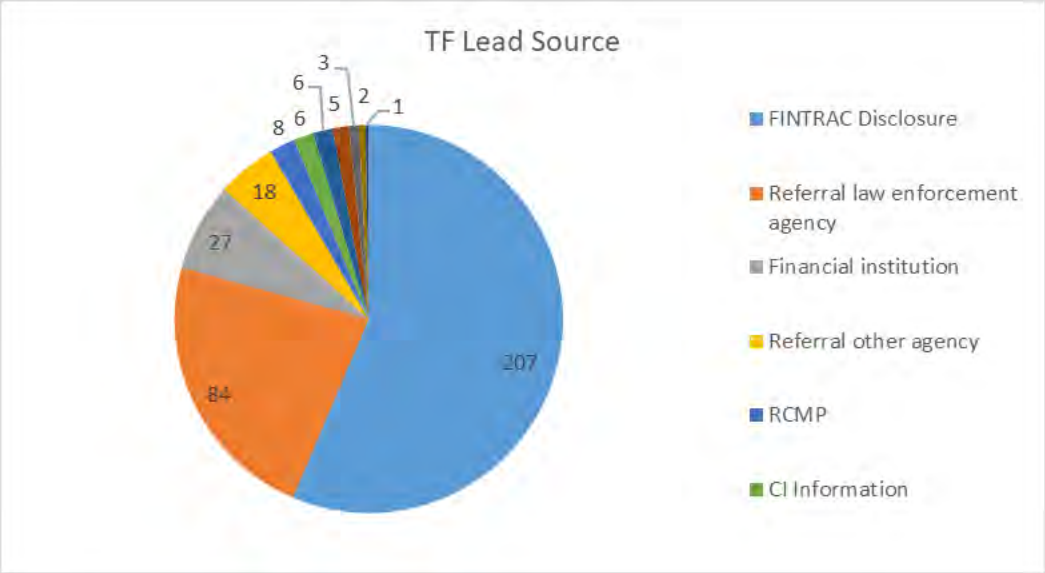
731. There is a limited number of dedicated TF reviewers, but resilience is built into the system, through the availability of additional qualified staff when needed. There is also a fast time capacity for this reviewing process if required. Although there has never been an instance of a live-time intelligence investigation on TF in Canada, RCMP -FPNS has reviewers and managers on call 24/7 to respond to any urgent situation.

732. The sources of information which initiate TF investigations are wide ranging and include referrals from law enforcement (federal, provincial, and international) or from other agencies, FINTRAC disclosures, direct referrals from financial institutions, calls to the tip line, and CSIS intelligence (including from foreign partners). Once RCMP-FPNS receives financial information related to NS and if the information is classified as TF, then this is recorded as a TF occurrence (for each incident report) in the RCMP occurrence data set. During the relevant review period there were 368 TF occurrences/related incidents within the RCMP- FPNS holdings. FINTRAC issued 704 TF-related disclosures (9 804 STRs), which were the lead source of information for 207 of the 368 TF "incidents" (Figure 9.2).

733. Of the 368 TF-related incidents that were reviewed and assessed to determine aspects such as relevance, threshold, and mandate by the RCMP-FPNS team, 21 progressed to active TF investigations. As

a result of these checks on the 21 active TF investigations, there were 11 reactive disclosures by FINTRAC. There were also four (4) proactive disclosures made by the FIU. FINTRAC disclosure is therefore one of the main sources of those TF cases which progressed to the stage of active investigation.

Figure 9.3. Number of RCMP TF Occurrences, by lead source of information (2019-2024)



Source: RCMP

734. FINTRAC receives Listed Person or Entity Property Reports (LPEPRs), which expand on the previous Terrorist Property Reports (TPRs), and Suspicious Transaction Reports (STRs) from RE's which can be supplemented by threshold-based transaction reports. They have a comprehensive monitoring system that leverages specific terms aligned with TF priorities which has been determined by FINTRAC and other Government of Canada department and agencies. Any detections go to the TF analytical team at FINTRAC to action on a priority basis and disclose to partners when thresholds are met. All support the prioritization of TF investigations.

735. RCMP-FPNS-TF has developed protocols with Regime partners to expediate urgent requests. These established relationships allow RCMP-FPNS to contact Regime partners directly to request urgent action. This is followed by a formal written request. FINTRAC and the CRA have demonstrated they are able to provide intelligence disclosures within hours for urgent matters. FINTRAC's knowledge and understanding of the reporting sectors, and the financial transaction reports they submit, allow for expediated, effective, and efficient searching of its holdings in support of these priority investigations.

736. Canada demonstrated that CSIS intelligence flows seamlessly to RCMP (One Vision), and both formal and informal international co-operation enables Canada to quickly receive and act on foreign intelligence to pursue TF cases.

Investigation of Terrorist Financing cases

737. The primary legal tools and information sources used by RCMP to progress TF investigations are those set out above in the evaluation of IO.7. The analysis in this section focused on the specifics of how these are used in relation to TF investigations, where any differences arise.

738. RCMP submit Voluntary Information Records (VIRs) to FINTRAC in relation to each investigation, to obtain further information. While it is noted above that VIR responses are often subject to significant delays, this is not universal. TF-related VIRs are typically actioned promptly and are not subject to the delays

noted above (see IO.6) in relation to lower-priority VIRs, with case interviews indicating that TF VIRs can expect to receive an initial response within a matter of hours.

739. When conducting terrorist financing investigations, RCMP makes extensive use of an intelligence collection technique to rapidly identify which financial institutions the individual of interest holds accounts with, followed by production orders to obtain information from those financial institutions. However, this technique isn't comprehensive and requires expansion to be effective.

740. RCMP uses production orders to obtain information, and indicates that it receives prompt and full responses from D-SIBs, but responsiveness across other reporting entities varies The general use of production orders in investigations is discussed above in relation to IO.7, but authorities note particular challenges in relation to TF investigations due to the lack of a clear deadline for response, which means that some reporting entities do not reply sufficiently promptly, given the urgent nature of TF investigations. There is no legislation to ensure compliance within a certain time.

741. RCMP participates in Europol and INTERPOL global intelligence sharing and they have a comprehensive liaison officer network of officers and analysts deployed overseas which facilitate international co-operation on TF investigations. One of their remits is to fight national security threats such as TF by liaising with host countries developing the exchange of intelligence and assistance so combating the global aspect of TF.

742. Project Sabin (see Box 9.4) demonstrates Canada's ability to pursue complex cross-border TF activity when this arises, using financial intelligence, CSIS contributions, and foreign co-operation to map a complex pattern of fundraising, peer-to-peer transfers, virtual asset use, and intermediaries. The case resulted in convictions for TF-specific offences and consecutive prison sentences for the accused. It showed the ability to identify specific financier roles, including fundraising, facilitation for listed entities, intermediaries, and online mobilisation. This example shows the subject setting up fake fundraising platform accounts to collect money over four accounts totalling CAD 9 342 which was transferred internationally to benefit ISIS. It also showed the subjects change of tactics as the ability to send money via Money or Value Transfer Service(s) (MVTS) entities was blocked so the subject moved to the use of virtual assets. Meanwhile, the three other case studies (see Boxes 9.1-9.3) provide examples of Canada's ability to investigate different types of TF, leveraging both international, national and provincial co-operation to advance cases.

Box 9.1. Politically Motivated Plot to Overthrow Foreign Government

After receiving information from the Service de police de la Ville de Lévis (Lévis Police Service) in Québec, Canada, the RCMP-INSET initiated an investigation in July 2021 against a 51-year-old resident of Lévis, Québec. The resident took concrete actions, including travelling to Haiti to co-ordinate a group of individuals, whose intention was to take part in an armed revolution in Haiti and ultimately seize power from the Haitian Government led by the late president, Jovenel Moïse (the investigation is unrelated to the July 2021 assassination of President Moïse).

The individual allegedly provided money and goods (e.g., tents and a generator) to the revolutionary cause that he was supporting in Haiti. These funds and goods were supplied directly to the group in question when the individual travelled to both Haiti and the Dominican Republic. He also attempted to acquire weapons during his travels; however, he was unsuccessful in doing so.

In November 2022, the RCMP laid three terrorism charges against the suspect, including one TF charge, pursuant to the Criminal Code:

- s. 83.03 – Providing property for terrorist purposes,
- s. 83.191 – Leaving Canada to facilitate terrorist activity, and
- s. 83.19(1) – Facilitating terrorist activity.

Over the course of the investigation, the RCMP worked with domestic and three international partners to exchange information, leveraging police-to-police co-operation to gather evidence.

Financial intelligence, including a FINTRAC disclosure, was extremely beneficial to the investigation in terms of identifying the suspect's financial activities, his movements and overseas purchases, as well as his known associates.

In March 2025, the individual was found guilty at trial of all three terrorism charges, with no plea resolution, and the sentence was fully argued before the court. The court imposed a total sentence of five years' imprisonment, comprising a two-year custodial term for the travelling offence pursuant to s. 83.191 of the Criminal Code and a consecutive three-year custodial term for the facilitation offence pursuant to s. 83.19. Both are terrorism offences.

The offender was also found guilty of terrorism financing, but that charge was stayed in accordance with the Kienapple principle, a fundamental principle of Canadian domestic law which prevents double punishment where offences share the same factual and legal nexus; this reflects a constitutional safeguard rather than any leniency towards TF. In light of the gravity of the conduct, the court ordered that the offender serve at least half of the sentence before becoming eligible for parole under section 743.6 of the Criminal Code.

Box 9.2. Canadian FTF

In November 2014, the RCMP-INSET opened a NS investigation concerning a 27-year-old resident of Montreal, Québec. The RCMP-INSET investigation identified that the resident left her home in Québec, Canada at the age of 19 to travel to Syria and Iraq with the intention of joining the Islamic State armed group (ISIS). In Syria, the individual is alleged to have participated in terrorist activities on behalf of ISIS and in November 2017 she was taken prisoner by the Syrian Democratic Forces.

As a result of the investigation, the RCMP arrested the suspect in October 2022 at the Montréal-Trudeau international airport after she arrived from a camp for ISIS detainees in Syria with her two children and another adult. Pursuant to the Criminal Code, four (4) terrorism charges were laid against the suspect, including one (1) TF charge:

- s. 83.03 – Providing, making available, etc. property or services for terrorist purposes,
- s. 83.181 – Leaving Canada to participate in activity of terrorist group,
- s. 83.18 – Participation in activity of terrorist group, and
- s. 465(1)(c) – Conspiracy under 83.181 for leaving Canada to participate in activity of terrorist group.

This investigation involved the extensive use of Liaison Officers, co-operation with multiple Government of Canada agencies, and assistance from six (6) international partners to gather evidence and share information that was critical to the investigation and subsequent arrest of the suspect.

Financial intelligence was also material to the success of the investigation, with FINTRAC providing multiple disclosures, including detailed financial analyses.

The file resolved after extensive discussions between the PPSC and defence counsel. As part of the resolution, the offender pleaded guilty to one count of participating in the activities of a terrorist group, namely ISIS, contrary to s. 83.18 of the Criminal Code. An agreed statement of facts was placed before the court outlining the comprehensive nature of her offending, including that she travelled to Syria to join the ranks of ISIS, knowing that her expected role would include marrying an ISIS fighter and raising children under the ISIS doctrine. This offender was the first person in Canada convicted for providing family support to a terrorist group as a spouse.

The resolution in this file reflects the particular facts of the case and takes into consideration the early, ongoing, demonstrated and independently evaluated steps the individual has taken to demonstrate remorse, take responsibility, commit to fundamental change and a rejection of extremist ideology. The offender was sentenced to a global sentence of 111 days and a three-year probation order with conditions.

Box 9.3. Ideologically Motivated Terrorist Financing and Provincial-Federal Co-operation

In January 2024, a 28-year-old security guard brought a gun into the City Hall in Edmonton, Alberta, and then proceeded to throw incendiary devices while shooting several rounds into the ceiling, walls and windows.

The Edmonton Police Service stated that the individual parked his vehicle in the City Hall underground parkade then entered the building from the parkade access. Once inside City Hall, he lit several handheld incendiary devices, believed to be Molotov cocktails, which caused a small fire outside an elevator. He then fired several rounds from a long gun into the ceiling, walls and windows. There were no injuries. The man dropped the long gun onto the floor and surrendered to City Hall security who detained him until police arrived.

On the day of the shooting, the individual uploaded a manifesto-style video to YouTube entitled "Rise Up". In the video, the individual says he is about to complete a "mission" and that he is "not a psychopath" or "one of these monsters that hurt children." The video addressed multiple grievances, including corruption, inflation, immigration, housing cost and what he dubbed the "genocide in Gaza" and throughout the world.

Authorities arrested the suspect and he remains in custody after being denied bail.

The Deputy Director of Public Prosecution on behalf of the Attorney General of Canada gave consent to the commencement of terrorism proceedings in respect of the following offences:

- Counselling commission of terrorism offence, contrary to section 83.221(1) of the Criminal Code; and,
- Possession of property for terrorist purposes, contrary to section 83.04 of the Criminal Code.

The suspect is also charged with eight (8) additional offences, which constitute terrorism offences pursuant to sections 2, 83.01(1)(b) and 83.27 of the Criminal Code. These offences include intentional arson of an occupied property, possessing incendiary materials, using a firearm while committing an offence, careless use of a firearm, throwing an explosive substance and discharging a firearm into a building.

The RCMP laid terrorism and terrorist financing charges above and beyond the substantive offences as the elements, ideology and motivation were met. This case demonstrates the co-operation between the RCMP and Canada's provincial and municipal police forces.

The case remains pending before the courts. The trial is set for October 2026.

743. Although Canada recognises the growing nexus between terrorism and transnational organised crime groups (OCGs) in its 2025 NRA and has taken some steps to address this issue through TFS listings (see Core Issue 9.5), there have, to date, been no readily identifiable TF specific investigative initiatives in this area. Given Canada's high exposure to OCG related threats, further exploitation of these links could strengthen its TF investigative and prosecutorial efforts.

9.1.2. Investigations identifying the specific role of terrorist financier

744. Canada's TF investigations identify and focus on the specific role played by terrorist financiers in enabling wider terrorist activity. Both Project Sabin and Project Seyant (Boxes 9.4 and 9.5) investigated individuals acting as financiers and facilitators for terrorist groups. The prioritisation of these cases shows

a strong awareness of the importance of such financiers and facilitators to sustaining terrorist groups, and the investigations focused on the specific enabling roles that they played in the wider terrorist activity.

9.2. Prosecuting and convicting different types of TF

745. In 2019-2025, the PPSC initiated terrorism proceedings against 30 individuals, with four of these individuals' cases involving prosecution for terrorist financing. Canada's rate of TF prosecutions is low in absolute terms, but this is consistent with the country's low level of terrorist and TF threats, as set out above. Overall, the authorities have a good understanding of the TF threat environment, and the number of prosecutions for terrorism offences and specifically for TF offences is consistent with the threat.

746. PPSC provides legal advice and support to the RCMP during all TF investigations. A prosecution is undertaken if there is a reasonable prospect of conviction and the prosecution is in the public interest. Early advice from PPSC is available and routinely given in TF investigations in order to ensure sustainable prosecution.

747. Charter protections providing the right to a fair trial - engaging comprehensive court-related disclosure requirements (R v Stinchcombe) and stringent time limits for trials (*R v Jordan*) - can impact on more complex criminal investigations. PPSC and the RCMP have been proactive in overcoming these issues by ensuring disclosure is ready for the first court hearing and the PPSC have filed direct indictments pursuant to s. 577 of the Criminal Code.

748. TF-related investigations are often resolved due to charges laid under other provisions of the Criminal Code such as ML related offences, or through other disruption methods (see Section 9.5). This however could take away from the TF offences. That said, the conviction obtained in May 2025 in relation to Project Sabin (see box 9.4 below) shows that RCMP and PPSC can successfully obtain convictions for TF offences, including in the context of complex and multi-jurisdiction activity.

Box 9.4. Project Sabin

In 2020, the RCMP received foreign partner intelligence from the US and Spanish authorities regarding a Canadian citizen suspected of terrorist financing for the benefit of the Islamic State (ISIS). The intelligence indicated that a 34-year-old Toronto, Ontario resident was raising funds online under the guise of posting links seeking donations for supporting humanitarian causes. However, the funds were distributed abroad for the benefit of ISIS. In March 2021, RCMP-INSET began investigating the suspect and the pro-ISIS fundraising operation in Canada. The suspect allegedly conspired with an overseas member of the Islamic State to commit terrorist attacks against foreign embassies in Afghanistan and provided propaganda and research related to attacks conducted in Afghanistan against foreign nationals. It is alleged that the suspect is part of an international network of Islamic State supporters who utilize online and encrypted messaging platforms to provide recruitment and financial support to ISIS.

A FINTRAC disclosure was critical to identifying the suspect and providing insight into the methods being used for ML and terrorist financing. In addition, RCMP-INSET employed various advanced investigative techniques to further collect information and evidence. The financial intelligence received, and the investigative efforts helped determine that the suspect conducted fundraising operations with fake accounts and wired funds abroad using money remittance companies to ISIS facilitators in several countries such as the US as well as high-risk jurisdictions within Europe, the Middle East, and Southeast Asia. The suspect is alleged to have transferred funds from Canadian cryptocurrency wallets in support of ISIS.

On 28 July 2023, based on the findings in their investigation, the RCMP arrested the suspect and charged him with terrorism-related offences, including one TF offence. Pursuant to the Criminal Code, the individual was charged with:

- s. 83.03 – Providing, making, available property and services for terrorist purposes,
- s. 83.18 – Participation in activity of terrorist group, and
- s. 83.19 – Facilitating terrorist activity.

In conjunction with the Canadian suspect's arrest, three subjects were arrested and charged in the US in connection with the alleged scheme.

RCMP-INSET collaborated with the Federal Bureau of Investigation, the Spanish Guardia Civil, and Canadian provincial and municipal police services for police-to-police sharing. Further, the RCMP utilized the Canadian Forensic Accounting Management Group to uncover financial leads and leveraged FINTRAC's financial intelligence with VIRs to establish the grounds for production orders in the tracing of money flows.

The arrest and subsequent charges of the primary Canadian suspect obtained significant media coverage in large Canadian and American publications. The media coverage highlighted the RCMP's commitment to fighting terrorist financing regardless of the methods being used.

On 12 May 2025, the charged Canadian individual plead guilty to two (2) of the three (3) terrorism-related charges, s. 83.03 Providing, making, available property and services for terrorist purposes, and s. 83.19 Facilitating terrorist activity. The remaining charge was stayed considering the acknowledgement of the facts related to that charge as part of the guilty plea. The individual was sentenced to six (6) years per charge to be served consecutively for a total of 12 years of imprisonment, less the time already served in pre-trail custody. The individual will also need to serve half of the

sentence before being released on full parole, pursuant to s. 743.6(1.2) of the Criminal Code and will be subjected to a weapons prohibition order, pursuant to s. 109 of the Criminal Code, following his release.

9.3. Effectiveness, proportionality and dissuasiveness of sanctions

749. Sentencing principles are set out in the Criminal Code as per CC s.718 to 718.3. Sentences must be proportionate to the gravity of the offences and the degree of responsibility of the offender. However, whilst the Criminal Code establishes that TF offences may receive a sentence of "no more than 10 years" (cc 83.02, 83.03 and 83.04 – see Recommendation 5 for more information), in practice Canada has submitted that the sentencing for TF ranges from six months to six years imprisonment. This is less than other violent offences. Since the last ME, Canadian courts have emphasized the importance of denunciation and deterrence in sentencing for terrorism offences. Terrorism offences are unusual in that courts are able to order sentences for multiple offences to be served consecutively, rather than concurrently as is the case for almost all other crimes in the Criminal Code.

750. Canada's historical sentencing range leaves concerns about whether penalties are sufficient to deter terrorist financing activity, particularly by sophisticated or ideologically motivated facilitators. Previous ranges were *R. v. Thambithurai*, 2011 and *R. v. Khawaja*, 2012, where the sentence imposed on the TF charge were 6 months and 2 years, respectively. Within this reporting period Project Sabin (box 9.4 above) shows an increased sentencing of two six-year sentences (one for terrorism and one for TF) to be served consecutively, for a total of 12 years. This is a positive step towards sanctions reflecting the importance of TF as an enabler for terrorist attacks.

Table 9.1. Penalties and Sanctions Issued for TF Convictions (2019-2025)

Case	TF charge	Found guilty of TF	Found guilty of other terrorism offence	Sentence for TF	Total sentence (including other offences)
Case Study in Box 9.4	Yes	Yes	Yes	6 years	12 years
Case Study in Box 9.1	Yes	Yes	Yes	Stayed per Kienapple principle	5 years
Case Study in Box 9.2	Yes	No (TF count along with two other terrorism offences counts were stayed)	Yes	No	111 days and three year probation order with conditions
Case Study in Box 9.3	Yes	Pending	Pending	Pending	Pending

Source: Canada

9.4. National counter-terrorism strategies and activities

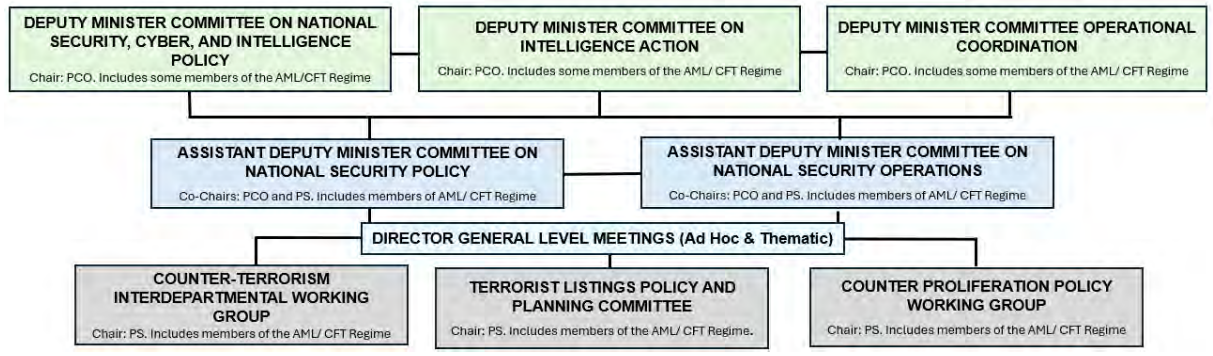
9.4.1. Formulating national counter-terrorism strategies and activities

751. Canada's TF intelligence feeds into national counter-terrorism efforts through, the One Vision Partnership Framework, and interdepartmental co-ordination and collaboration. Financial intelligence from FINTRAC has been used to map extremist networks, identify financial conduits, support designations under targeted financial sanctions, and inform strategic analysis. However, the national CT strategy (2011) is currently under revision to reflect Canada's evolved TF risk understanding, as detailed in the NRA.

752. There is a National Co-ordination and Governance framework made up of three committees, all led at Deputy Minister level – a Committee on Intelligence, on Operational Co-ordination and on National Security, Cyber and Intelligence Policy, which play a key role in policy and operational co-ordination and decision making for Canada's National Security and intelligence services. These committees have overlapping membership with the national AML/CFT Regime detailed in IO.1, reinforcing linkages between TF and other national security issues facing Canada and supporting a co-ordinated framework.

753. An example of this co-ordination in practice is Canada's approach to terrorist listings, which is designed to be a "whole of government" approach with participation from multiple departments and agencies that have intelligence, law enforcement, or policy roles. The Terrorist Listings Policy and Planning Committee is chaired by Public Safety and includes core representatives from Canada's AML/CFT Regime, including Finance Canada, FINTRAC, CSIS, and the RCMP. Involvement of these partners ensures that consideration of financial intelligence and developments in Canada's TF risk environment are actively integrated into decision-making. Additionally, since the scope of the Committee includes both operational and policy partners, it ensures that Canadian policymakers working in CFT have visibility into emerging operational trends that may inform future CFT strategies and shape interaction with private sector stakeholders under governance structures outlined in IO.1. Finally, as outlined in further detail under IO.10, listing decisions are made upon recommendation by the Minister of Public Safety and are discussed at Deputy Minister Committees and Cabinet, ensuring the highest levels of Canadian government have a strong factual basis upon which to list the entity. This multistakeholder participation at multiple levels of Canadian government strengthens linkages between counter terrorist financing efforts and broader national security priorities, and supports a co-ordinated, whole of government approach to addressing terrorist threats.

Figure 9.4. Canada's National Co-ordination and Governance Framework for TF



Source: Canada

9.4.2. Sharing and using information and intelligence to support national counter-terrorism purposes and activities

754. RCMP's FPNS TF unit collaborates with FINTRAC, the CRA, CSIS and foreign partners working within protocols/agreements/Memorandum of Understanding to facilitate timely information sharing. They are responsible for:

- monitoring and co-ordinating major ongoing investigational projects related to terrorist organizations focusing primarily on their financial and procurement infrastructures;
- liaising on a routine basis with partner agencies such as FINTRAC, CSIS and the CRA Charities Directorate and,

- communicating with international law enforcement agencies in the sharing of intelligence and evidence.

755. This collaboration alongside the One Vision Framework (which governs information sharing between CSIS and the RCMP with strategic and tactical deconfliction and disclosure of information protocols and how this can be used by the RCMP) shows a co-ordinated approach to counterterrorism and counter-terrorism financing. This process can be expedited in cases of imminent threat.

9.5. Alternative measures used where TF conviction is not possible (e.g. disruption)

756. Where TF prosecution is not practicable, Canada applies a broad set of disruption tools, including prosecutions for other offences, terrorism peace bonds (23), terrorism listings (34), immigration actions, regulatory measures, charitable-status revocation, PCMLTFA seizures, and operational interventions. Authorities have a good awareness of the range of disruption tools available, as well as their triggers and preconditions, and consider them as part of their case management decisions.

757. Project SEYANT (Box 9.5), which resulted in a conviction for a (non-TF) terrorist offence following a TF investigation, shows that these alternative tools can effectively disrupt TF activity even without a conviction. Such tools are particularly useful in responding to ideologically motivated violent extremist (IMVE) and low-value facilitation cases where evidentiary thresholds for a TF prosecution are difficult to meet.

758. In addition to pursuing alternate criminal charges, between 2019 and 2025, Canadian authorities have also used the following interventions to disrupt terrorist financing:

- **RCMP's engagement with private sector:** Established collaborative relationships with key private sector partners, including Canada's largest banks. These partnerships serve as an important tool to strengthen the security and resilience of Canada's financial system. Through ongoing engagement, the RCMP shares insights on emerging trends, provides education on threats, and works with the private sector together to identify and mitigate risks.
- **CSIS Threat Reduction Measures (TRMs):** Where there are reasonable grounds to believe the security of Canada is at risk, CSIS can take measures to reduce threats, as defined under the CSIS Act. In 2024, CSIS conducted two (2) warranted and 13 non-warranted TRMs. Generally, TRMs fall into three broad categories that can include:
  - *Messaging*: Directly or indirectly pushing information to a threat actor or person impacted by the threat in an attempt to influence their behaviour or reduce the threat.
  - *Leveraging:* Disclosing information to a third party to enable them to take action, at their discretion, against the identified threat-related activities.
  - *Interference*: Directly affecting the ability of a threat actor to engage in threat-related activity.
- **Designations under targeted financial sanctions regimes:** In 2025, Canada designated seven transnational organised crime groups as terrorist entities under the *Criminal Code*, as set out below in relation to IO.10. Listing strengthens Canada's ability to prevent and disrupt terrorist activity and TF, even where these have not yet been investigated or prosecuted.
- **Prevention:** Canada's primary goal in countering terrorism efforts is to maintain public safety, and Canada places a strong focus on disrupting terrorist organizations and terrorist acts before they occur. To complement national security and intelligence disruption measures, an important part of Canada's approach is preventing individuals from radicalizing to terrorism and violent extremism in the first place and supporting their deradicalization, if possible. For

example, through Public Safety Canada's Centre for Community Engagement and Prevention of Violence, Canada funded 81 projects totalling CAD 85.4M to support disengagement from violent ideologies and help at-risk individuals.

Box 9.5. Use of Other Criminal Charges to Disrupt Provision of Services for Benefit of a Terrorist Group (Project Seyant)

The financing of terrorism offences under the Criminal Code s. 83.03(1) and 83.03(2) include providing, making available (etc) property or financial or other related services for terrorist purposes or for use by a terrorist group.

In 2020, in response to information received from the Canadian Security and Intelligence Service (CSIS), the RCMP's Integrated National Security Enforcement Team (INSET) opened an investigation on individuals suspected of involvement in activities linked to the Atomwaffen Division and with ties to neo-Nazi accelerationist ideology. The Atomwaffen Division was listed as a terrorist entity under the Criminal Code in February 2021. It has branches in countries including the US, the UK, Germany and Canada.

Criminal Techniques Observed in the Case

This case focuses on the role of one individual, known as Dark Foreigner, who produced propaganda material for the benefit of Atomwaffen Division. The individual participated in the creation and editing of three recruitment videos encouraging viewers to commit violent acts on behalf of Atomwaffen Division. He posted these violent acts and other violent images online as propaganda for the group. He also provided his equipment, such as his Fuji camera, drone and lenses to take images for the videos, and used his expertise as a graphic designer to produce the videos. The material was posted to various social media platforms, including those known for hate content, and received significant views and attention.

The individual offered his artistic and technical expertise to further the Atomwaffen Division cause and support other extremist groups, such as the Sonnenkreig Division. He also produced graphic designs for the book "Siege 4th edition", authored by James Mason, who is also listed as a terrorist entity under the Criminal Code in Canada.

During its investigation, the RCMP considered the TF elements of the case in line with the Criminal Code definition, which includes the provision of financial or other related services for a terrorist group.

Domestic and International Co-operation

Authorities used both formal and informal co-operation mechanisms to support this case.

Throughout the investigation, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) provided approximately 15 disclosures of financial intelligence to the RCMP. These disclosures led to production orders to financial institutions, which provided insights into the financial activities of the individuals under investigation. Financial intelligence and subsequent banking records also allowed investigators to place the individual in the same locations where the videos were filmed and led to search warrants that generated evidence tying the individual to the videos.

CSIS shared information with the RCMP that prompted the INSET to initiate the investigation and was vital to the file. Further engagement with CSIS, which included additional intelligence disclosures under the One Vision framework, also provided crucial information to reducing the threat.

The RCMP worked with the Ontario Provincial Police (OPP), which provided information that was significant in bolstering the case. Internationally, the RCMP used informal and formal co-operation with several European countries to demonstrate the individual's association with international groups with similar ideology and to gather evidence. For example, Canada used a Mutual Legal Assistance Treaty (MLAT) with the UK to obtain evidence. The information was first shared informally for intelligence and

investigative purposes and then, through MLAT, for purposes of evidence in court proceedings. This work was facilitated by the RCMP's liaison officer network to engage with foreign counterparts.

Charges and Sentencing

Following the investigation led by the INSET, the RCMP arrested and charged the individual under the Criminal Code for:

- Section 83.18: Participation in activity of terrorist group
- Section 83.19: Facilitating terrorist activity
- Section 83.2: Commission of offence for terrorist group (wilful promotion of hatred (319(2))

This was the first time both terrorism and hate propaganda charges have been brought forward in Canada against someone accused of promoting violent far-right ideology. While the RCMP did pursue the TF element during its investigation, ultimately the disruption of TF activity was achieved through the arrest of the individual and the charges above.

On September 8, 2025, in the Ontario Superior Court, the individual was sentenced to 10 years of imprisonment for the following criminal Code offences:

- Section 83.18: Participation in activity of terrorist group – 4 years, consecutive to all other sentences
- Section 83.19: Facilitating terrorist activity – 4 years
- Section 83.2 Commission of offence for terrorist group (wilful promotion of hatred (319(2)– 2 years

Disruption of TF

The arrest of the individual and the laying of other Criminal Code and terrorism charges stopped the individual's provision of services to the Atomwaffen Division. It prevented the production and spread of hate propaganda for the benefit of a listed terrorist entity, thereby disrupting the listed terrorist entity's ability to recruit, propagate their message and obtain contributions.

10 Terrorist financing preventive measures and financial sanctions

The relevant Immediate Outcomes considered and assessed in this chapter is IO.10. The Recommendations relevant for the assessment of effectiveness under this chapter are R.1, 4, 6 and 8 and elements of R.14, 15, 16, 26, 30, 31, 32, 35, 37, 38 and 40.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Canada has a solid system to implement targeted financial sanctions (TF-TFS) under UNSCRs 1267 and 1373. UN listings are automatically incorporated into Canadian law through regulations under the United Nations Act, providing freezing obligations apply without delay.

b) Information in relation to UN listings is automatically published on Global Affairs Canada (GAC) website and emails are sent out to those who have subscribed to this service. There is a FAQs page and full information about the legislation and regulations and links to other relevant government resources. FINTRAC also educates REs around compliance and publicises TF-TFS obligations on their website as part of their regulation responsibilities to support reporting entity compliance.

c) The change from Terrorist Property Reports (TPRs) to Listed Person or Entity Property Report (LPEPRs) has extended the range of circumstances when an entity has to report property (i.e. under additional listings regime) which should lead to a more comprehensive picture of frozen assets going forward.

d) Larger banks demonstrate high capability to identify sanctioned entities, using automated screening systems. In contrast, smaller DNFBPs and some MSBs rely on manual screening, increasing the risk of delays.

e) FINTRAC has issued administrative monetary penalties (AMPs) for deficiencies in sanctions controls and application of ministerial directives. However, detection of TF-TFS violations is limited and authorities would benefit from strengthening a proactive approach to monitoring transactions and assets independently of any existing reports.

f) Canada applies a risk-based approach to the NPO sector, focusing its oversight on the subset of organisations that present meaningful TF exposure, with generally proportionate interventions to manage residual vulnerabilities, which are mainly among smaller organisations.

Larger NPOs appear to have a developed understanding of their TF risks, however this is uneven among smaller entities who would benefit from further structured outreach.

Recommended Actions

Canada should:

a) Ensure that checks against the list of designated subjects under the relevant UNSCRs are regularly performed by the private sector for existing customers and intermediaries as well as at onboarding.

b) Collect feedback from across the RE's, including DNFBP's, and implement enhancements to the existing national sanction platform to improve user friendliness and better enable entities, regardless of capacity, to easily access up-to-date information on TF- and PF-TFS (see IO.11 analysis). Consider the advantage of a consolidated list.

c) Ensure that smaller NPOs receive tailored outreach and oversight to provide them with sufficient awareness of potential TF abuses.

d) Conduct tailored outreach and oversight of DNFBPs to ensure they are sufficiently aware of potential TF risks and of their TF-TFS obligations.

e) Review the effectiveness of the supervision of assets being frozen in a timely manner in line with the designation subjects under the relevant UNSCRs.

Overall Conclusions on IO.10

Canada has put in place a comprehensive framework to implement TF-related targeted financial sanctions (TFS), supported by clear legal bases, defined institutional responsibilities and co-ordinated operational arrangements. UN designations are implemented without delay through regulations under the United Nations Act, while domestic listings under the Criminal Code follow a structured, whole-of-government process. Reporting obligations, STRs and the new LPEPR regime, give authorities increasing visibility over designated property and suspected TF activity, and FINTRAC conducts examinations including test screening, escalation, verification that the funds were frozen and transactions were not completed and assessing the timeliness of freezing measures. However, authorities do not systematically monitor the timeliness of freezing of assets held by sanctioned persons across all sectors.

Outreach and guidance have expanded across sectors, supported by sanctions alerts, thematic bulletins, and public-private fora, while supervisors retain a broad set of administrative and criminal sanctions to address non-compliance. Taken together, the framework is coherent, well-resourced and capable of supporting identification, freezing and reporting when risks are detected.

Nonetheless, effectiveness remains uneven in some areas. Larger FIs generally show mature screening capabilities and strong awareness of their obligations, but parts of the DNFBP sector

and some VASPs exhibit gaps in understanding and often lack ongoing screening, raising the risk that new designations are missed. Supervisory authorities have identified no failures to file LPEPRs, and there are some examples of concrete TF-TFS breaches being detected and sanctioned. Yet there are no proactive efforts by these authorities to supervise compliance with freezing obligations, making it difficult to fully gauge deterrence in practice.

In relation to NPOs, Canada applies a targeted, risk-driven approach centred on Canada Revenue Agency – Review and Analysis Division (CRA-RAD), which screens applicants for charitable status, conducts thematic and triggered monitoring, and uses proportionate regulatory tools, including revocation of charitable status where appropriate. While the CRA-RAD regime for higher-risk charities is structured and risk-based, awareness and resourcing among smaller NPOs is variable, and more sustained engagement is needed to ensure their vulnerabilities are consistently mitigated.

Canada is rated as having a Substantial level of effectiveness for IO.10.

Immediate Outcome 10

759. Canada's TF-TFS implementation is spearheaded by two primary departments, Global Affairs Canada (GAC) and Public Safety (PS) Canada, which are at the federal level responsible for implementing Canada's obligations under UNSCRs 1267 and 1373. These departments co-ordinate with other competent authorities and reporting entities to ensure that Canada implements the binding elements of these resolutions. Global Affairs Canada (GAC) is responsible for regulations made under the *United Nations Act* (UN Act), specifically the *Regulations Implementing the United Nations Resolutions on Taliban, ISIL (Da'esh) and Al-Qaida (UNAQITR)*, which immediately bring into force under the law any terrorist listings or de-listings made by the UNSC under UNSCR 1267 and its successor resolutions. GAC is additionally responsible for the *Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism (RIUNRST)*, one of two primary methods by which Canada meets its obligations under UNSCR 1373. Meanwhile, Public Safety Canada (PS) is responsible for administering Canada's terrorist entity listings regime under the Criminal Code, which is the second method by which Canada meets its obligations under UNSCR 1373. Justice Canada also plays a key role in ensuring the appropriate legal interpretation and application of the Criminal Code listings regime. Overall, Canada demonstrates a largely effective system for implementing TF-related targeted financial sanctions, supported by strong legal foundations, co-ordinated implementation and credible supervisory responses, notwithstanding residual gaps in timeliness and uneven implementation across some sectors.

760. As to implementing mitigation measures towards NPOs, Canada's framework centres around the Canada Revenue Agency's Review and Analysis Division (CRA-RAD), which was established in 2003 specifically to centralise support the Government of Canada's counterterrorism measures and to build on the Charities Directorate's general administrative oversight responsibilities through the taxation regime, with a specific focus on protecting the integrity of the charity registration system against the risks of terrorism abuse. Building on the national risk understanding, as well as the understanding of the risks that NPOs are exposed to, CRA-RAD conducts oversight, and mitigation measures, as well as engages with both the NPO sector and other government departments to deepen awareness of potential vulnerabilities to TF among NPOs.

10.1. Implementation of TF-related targeted financial sanctions without delay

761. UN listings and delistings are automatically incorporated into Canadian law through regulations under the United Nations Act, ensuring freezing obligations apply without delay (see Recommendation 6 for more details).

762. Canada implements UNSCR 1373 through the *Criminal Code*, whereas previously they used the Regulations Implementing the *United Nations Resolutions on the Suppression of Terrorism (RIUNRST)* under the UN Act. All recent listings have been under Section 83.05 of the Criminal Code, however, there remain 36 individuals and entities listed under RIUNRST, the most recent being from 2006.

763. Since 2019 there have been 38 listings under Section 83.05 of the *Criminal Code*. The listing process can be expediated when required and completed in days or weeks. The Criminal Code authorises the Government of Canada to independently list both domestic and international terrorist entities - defined under the *Criminal Code* as including persons, groups, or organisations that knowingly engage in or facilitate terrorist activity. This regime provides the legal and institutional framework to freeze assets, prohibit terrorist financing, and criminalise support activities. The listing and delisting processes follow a whole-of-government approach led by Public Safety, ensuring co-ordinated and accountable efforts to combat terrorism.

764. Once an entity is listed, it is considered a "terrorist group" under the *Criminal Code*. The *Criminal Code* prohibits certain actions in relation to terrorist groups, including those related to terrorist financing, travel, and recruitment. Examples of related criminal offences include participating in or contributing to any activity of a terrorist group for the purpose of enhancing its ability to facilitate or carry out a terrorist activity (section 83.18), providing or collecting property/funds with the intention or knowledge that they will be used to carry out or benefit a terrorist activity or group (section 83.03. instructing someone to carry out an activity for a terrorist group (section 83.21).

765. Any department or agency can propose an entity to be considered for listing or delisting if they have reasonable grounds to believe that the group or individual has knowingly carried out, attempted to carry out, participated in or facilitated a terrorist activity, or the entity is knowingly acting on behalf of, at the direction of, or in association with, an entity involved in a terrorist activity. This is a "whole of government approach" involving multiple phases and interdepartmental consultation (See Box 10.1). A security intelligence report developed by the CSIS or Public Safety, or a criminal intelligence report prepared by RCMP will be completed and reviewed by the Department of Justice to determine whether the legal threshold has been met. Public Safety then creates a listing package for the Minister of Public Safety approval. The Minister recommends to the Governor in Council that the entity be listed. The Governor in Council's decision is supported by a discussion at Cabinet that includes considerations related to the domestic and international implications of a listing. Lastly, if satisfied that the legal threshold has been met, the Governor in Council may list the entity, and once approved, the listing will be published in the Canada Gazette.

Figure 10.1. Procedure for [De-]Listing Entities Pursuant to the Criminal Code



Source: Department of Finance, Canada

766. Meanwhile, Canada implements UNSCR 1267 through the United Nations Act Regulations Implementing the *United Nations Resolutions on the Taliban, ISIL and Al- Qaida (UNAQITR).* Section 2 of the UNAQITR imposes financial prohibitions on any person (individual or entity) in Canada or a Canadian outside Canada related to listed persons or a person acting on behalf/direction of them or an entity held, controlled directly or indirectly by that person.

767. Currently, there are 252 individuals and 89 entities on the 1267 ISIL (Da'esh) and Al Qaida Sanctions list and 135 individuals and 5 entities on the 1988 Taliban Sanctions List, both of which are fully in force in Canada. Since the inception of the lists, Canada has co-designated 11 individuals and entities to the UN 1267 sanctions list and co-sponsored an additional 7 designations put forward by another Member State.

768. GAC disseminates changes to UN lists within 24 hours and provides direct links and alerts, helping ensure that reporting entities can implement freezing obligations without delay. A subscription-based sanctions update alert service (with 1 838 subscribers at the time of writing), FAQs, and scenario-based guidance further support implementation. Domestic listings under the Criminal Code, administered by PS, complement the UN regime, with 86 entities currently listed. In addition to GAC alerts, Canada uses FINTRAC's digital communications channels and its mailing list, comprising of reporting entities, associations, and media representatives to provide updates regarding the list to stakeholders.

769. General information on listing and delisting procedures is also available on GAC's sanctions website, as well as guidance on how to apply to the UN for delisting and required information. Pursuant to UNAQITR, an individual or entity claiming not to be a listed person may apply to the Minister of Foreign Affairs for a certificate of mistaken identity. If it is established that the applicant is not the listed person, the Minister will issue a certificate. If it is not so established, the applicant will receive notice of the determination. This mechanism has not yet been tested as to date Canada has not received a request for a certificate of mistaken identity under UNAQITR.

770. Canada's TF-TFS regime requires reporting entities to quickly identify and immediately freeze funds and economic resources linked to listed persons, thus depriving them of the means to finance terrorism. Reporting entities are prohibited from allowing listed entities to access property and from dealing with or otherwise disposing of the property.

771. Despite the strength of the legal framework, implementation risks persist. Screening practices vary across sectors, and some DNFBPs rely on less user-friendly tools or third-party foreign sites. This increases the likelihood that new designations may not be identified immediately, creating pockets of residual delay risk that authorities should address through further outreach and supervision.

Box 10.1. 1267 Delisting – November 2025

On 6 November 2025, the UN Security Council decided to remove two individuals from its Islamic State in Iraq and the Levant (ISIL/Da'esh) and Al-Qaida sanctions list (1267). Upon the update, the delisting immediately came into effect in Canada as per the UNAQITR. Canada incorporates UNSC sanctions list changes involving individuals and entities by reference in the United Nations Act (UNA). This means that no action was required by Canada to implement the decision by the UNSC to delist these two individuals. On November 7, GAC communicated the listing via an alert from the sanctions mailbox.

To support timely awareness of sanctions related information, FINTRAC references GAC sanctions webpages in its compliance guidance and directs reporting entities to consult these sources regularly. Reporting entities can also subscribe to GAC's email alerts to ensure they receive immediate updates on new or amended listings, helping reinforce strong compliance processes.

Source: Global Affairs Canada (GAC)

10.2. Identification and deprivation of terrorist funds or other assets

772. Canada's detection and freezing obligations are supported by strong reporting requirements, specifically:

- Suspicious transactions reporting requirements when there are reasonable grounds to suspect TF is occurring; and
- Property reporting requirements that apply to the frozen assets of all relevant listed entities (UNSCRs 1267 and 1373);
    - Listed Person or Entity Property Report (LPEPR) reporting to FINTRAC; and
    - Reporting to the RCMP or CSIS under the UN Act

773. REs submit LPEPRs to FINTRAC when designated property is identified, including indirect holdings, and report these to the RCMP or CSIS under the UN Act. Further, REs must also submit an STRs to FINTRAC on related transactions when there are reasonable grounds to suspect that TF or sanctions evasion is occurring or being attempted. All persons in Canada and all Canadians outside of Canada must disclose to RCMP or CSIS when designated property is identified or in their possession or control that is believed to be owned, held, or controlled by a listed person, including indirect holdings. These mechanisms provide competent authorities with visibility over designated assets and transactions and form the primary trigger for freezing and investigative follow-up when listed property is detected.

774. These reporting requirements exist in addition to financial information identified during the course of a TF investigation (see IO.9) and provide competent authorities with comprehensive financial information related to the financing of terrorist activity and frozen funds and other assets of listed persons. Together, these reporting streams provide authorities with visibility over designated assets and transactions and form the primary trigger for freezing and investigative follow-up when listed property is detected.

775. Listed Person or Entity Property Reports (LPEPRs) were introduced in March 2025 as the main mechanism for reporting on frozen assets by reporting entities. These replace and expand on the previous

Terrorist Property Reports (TPRs) and apply across additional listings regimes. LPEPRs clarify that the reportable property also includes physical goods, financial assets, virtual currency, or deemed ownership. Reporting entities must also indicate how they determined or came to know that the property in question is held, owned, or controlled by or on behalf of a listed person or entity, and must indicate how they identified the listed person or entity. Submissions of TPRs were relatively low but consistent with Canada's TF risk profile, as in 2020-2025 there have been a total of 88. Out of this total, 47 were from the 5 D-SIBs, 20 from MSBs, 12 from other financial entities60, 7 from casinos and 2 from a securities dealer. The transition to LPEPRs is expected increase visibility of frozen assets going forward as the requirements have broadened. While overall volumes remain relatively modest and broadly consistent with Canada's TF risk profile, authorities recognise the need to continue monitoring to ensure low figures do not mask under-reporting in sectors with less sophisticated screening systems. A proactive approach to discover funds, other assets or economic resources of listed subjects using systematic checks of the relevant registries would be beneficial.

776. FINTRAC identifies LPEPRs requiring urgent assessment and prioritises their review, referring them to law enforcement, intelligence agencies or foreign FIUs as appropriate. This process is intended to ensure that potential terrorist-linked assets are identified and acted upon quickly, before funds can be moved or dissipated. However, authorities do not systematically monitor the timeliness of freezing across all sectors, leaving potential for delays to occur.

777. The majority of reporting continues to originate from large banks, which reflects both their higher exposure and more advanced screening capabilities. Reporting from DNFBPs and MSBs is comparatively limited, consistent with their assessed TF exposure but also indicating areas that require continued supervisory attention. FINTRAC can issue administrative monetary penalties (AMPs) for deficiencies in sanctions controls and ministerial directive implementation, signalling that supervisory responses escalate where weaknesses are identified.

Table 10.1. LPEPRs Submitted by Entity Type in since March 2025

Entity Type	LPEPRs Submitted
D-SIBs	2
Financial Entities	24
MSB	1
Casino	4
Security Dealers	2
Total	33

Note: Data from March 2025 to October 31, 2025
Source: FINTRAC

778. FINTRAC supervises compliance through examinations testing REs' use of controls including onboarding controls, screening tools and timeliness of identification. Larger banks demonstrate high capability, using automated screening systems. In contrast, smaller DNFBPs and some MSBs rely on manual screening, increasing the risk that new designations may not be identified immediately and that opportunities to freeze assets may be lost. FINTRAC can issue AMPs for deficiencies in sanctions controls and application of Ministerial Directives. These sanctions have reinforced expectations regarding sanctions control and have prompted remediation plans in the affected entities. Disclosures arising from STRs and LPEPRs also feed into TF investigations and have, in multiple instances, contributed to the identification of

[60] Banks (not including D-SIBs), foreign banks, foreign branches, trust and loan, *caisses populaires* and credit unions.

networks and individuals subsequently subject to law-enforcement action (See Core Issue 9.1 and Figure 9.2).

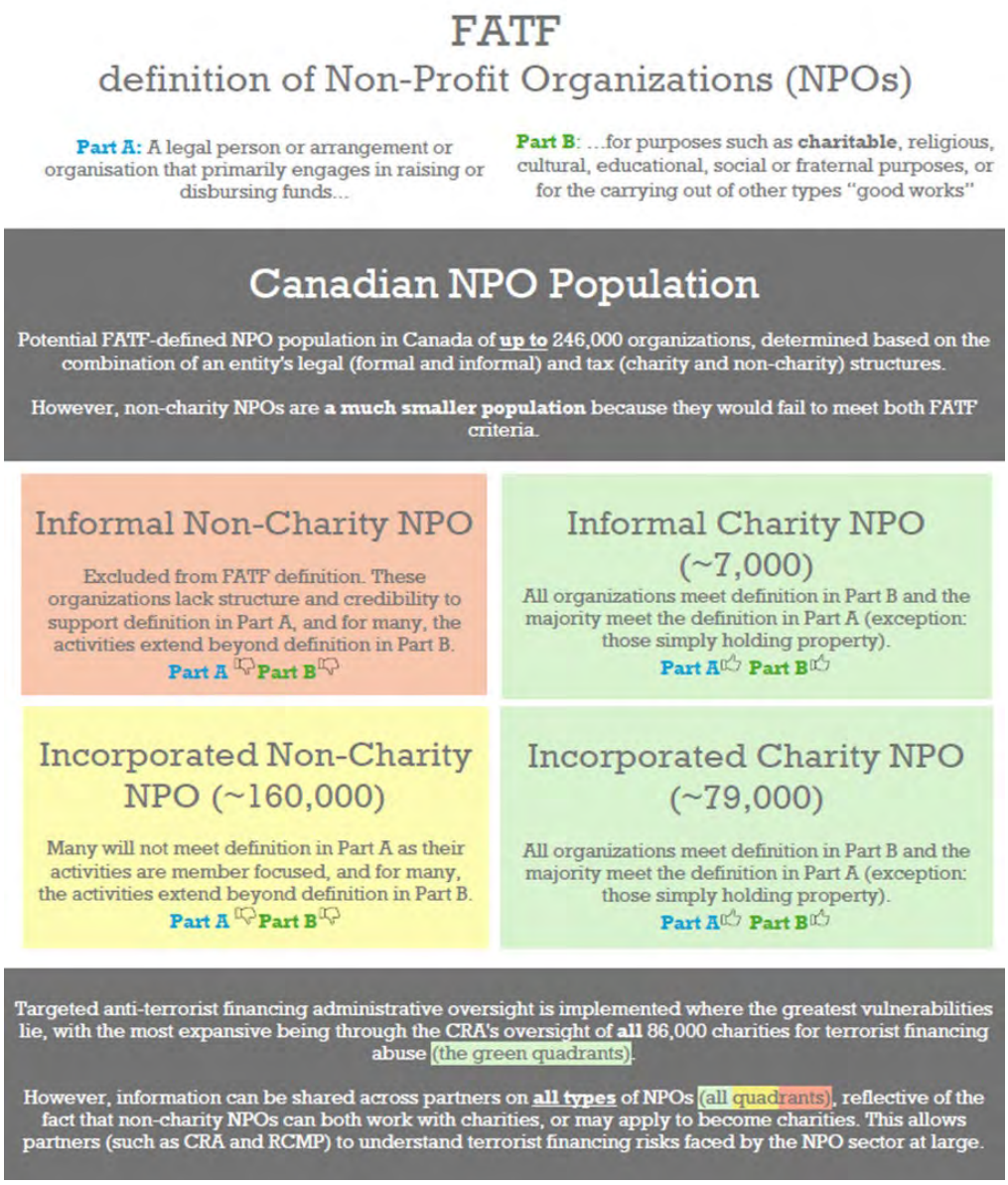
779. Overall, Canada's reporting and supervisory framework provides a basis for identifying and immobilising terrorist-linked assets, although continued attention to timeliness and coverage among smaller sectors remains important.

10.3. Targeted application of focused and proportionate mitigation measures to at-risk non-profit organisations

780. Canada's non-profit organisation (NPO) population is broad and diverse and includes tax-exempt non-profits and registered charities (the two entity types for tax purposes that make up the NPO sector in Canada). However, only a subset meets the FATF definition of an NPO - the majority of registered charities, but only some tax-exempt non -profits (see Figure 10.2). The highest TF exposure lies among registered charities that raise and disburse funds, particularly those operating internationally. Canada therefore focuses its oversight on this subset, which represents the greatest vulnerability to TF abuse.

781. TF risks in the NPO sector are assessed by the CRA-RAD, which oversees the sector and has a strong understanding of TF exposure, consequently applying risk-based measures to the subset of the sector most at risk. This understanding underpins the targeted and proportionate nature of CRA-RAD's interventions across the sector.

Figure 10.2. Canada's NPO Population



Source: Canada

782. The 2024 NPO profile assessed the residual vulnerability of NPOs in Canada as low. Canada's NRA has classed the non-profit sector as having a medium level of inherent vulnerability to TF abuse. The most vulnerable NPOs are those operating in high-risk jurisdictions, particularly where activities may support the operational needs of threat actors and are therefore susceptible to diversion or misuse. Domestically, organisations linked to at-risk diaspora communities connected to conflict zones are also considered relatively more vulnerable. Canada's assessment of inherent and residual TF risk directly informs the level and type of oversight applied, with more intensive monitoring focused on organisations operating in or near high-risk jurisdictions, and proportionate measures applied to the wider sector.

783. CRA-RAD operates a dedicated TF team (25 staff). In 2019-2025, CRA-RAD reviewed 9 515 applications to become a registered charity. It identified TF vulnerabilities in 74 cases, which were mostly resolved during the registration process through mitigating measures. In most cases, concerns were

mitigated through requests for additional information, changes to governance arrangements, or clarification of the nature of the activities to be undertaken, with only one application refused. The very small proportion of applications presenting TF indicators (less than 1 percent) suggests that systemic TF vulnerabilities at entry appear limited, although this also highlights the importance of ongoing monitoring once charities become operational.

784. Registered charities must complete an annual information filing (FormT3010) and must adhere to spending requirements whilst conducting their activities and using their resources as specified by law. If requirements of registration aren't met the registered charity can be subject to a CRA audit. If non-compliance is identified, then there is a range of regulatory interventions available, and registration can be revoked. No revocations have resulted from TF-related audits in the last five years, and authorities report that compliance issues identified were addressed through remedial actions. This preference for corrective measures over punitive sanctions is generally proportionate, although it limits the evidence available to demonstrate deterrence in practice.

785. CRA-RAD applies a risk-based monitoring model, using leads from FINTRAC, intelligence partners, public complaints and open sources to identify charities that may warrant closer scrutiny. Interventions range from education and letters of concern through to audits and referrals to law enforcement where appropriate, although CRA-RAD has not made referrals to law enforcement during the review period. However, the nine completed audits during that same period have resulted in nine compliance agreements, demonstrating its ability to work with the organizations to mitigate outstanding vulnerabilities, in line with its risk-based approach to monitoring and compliance. Five follow-ups on previous compliance agreements were also conducted during the review period which yielded positive results with 80% having effectively implemented the previously agreed upon corrective measures and requiring no further interventions. Only one compliance agreement follow-up noted minor areas for improvement and as such resulted in an administrative measure proportionate to the outstanding vulnerabilities, i.e. an education letter from CRA-RAD to encourage continued compliance.

786. Canada conducts other risk-based measures to organisations operating in or near high-risk jurisdictions. For example, GAC provides international assistance in the form of grants and contributions to trusted partners which include charities and tax-exempt non-profits so they can provide lifesaving assistance. GAC conducts due diligence on recipients, including review of anti-terrorism policies, internal controls and governance processes, to ensure funds are used for intended purposes. All projects are publicly listed on GAC's website, supporting transparency.

Box 10.2. Targeted Facilitation of Specific Activities in Geographic Areas Controlled by Terrorist Groups

In June 2023, Canada amended the *Criminal Code* to establish a statutory carve-out from criminal liability under the TF offences in section 83.03 for the delivery of urgent humanitarian assistance activities and created an **Authorisation Regime** to facilitate the delivery of needed, specific activities (e.g. health services, education services, programs to promote or protect human rights) in geographic regions controlled by a terrorist group, via authorizations granted by the Minister of Public Safety.

The Authorization Regime helps ensure the provision of needed international assistance, whilst maintaining the anti-terrorism provisions in the Criminal Code. The Regime was publicly launched in June 2024, and eligible individuals or organisations can apply for an authorisation. If granted, an authorization shields the holder – as well as any persons involved in carrying out the activity - from the criminal liability of incidental terrorist financing (per sub section 83.03(2) of the Criminal Code), for the activities set out in the authorisation, subject to terms and conditions.

The Minister of Public Safety is ultimately responsible for granting or refusing authorisations after a comprehensive review process which assesses each application on a case-by-case basis to determine eligibility based on statutory requirements. The review process also includes a mandatory security review which weighs the risk of TF against the benefits of the activity. As of November 2025, eight authorisations have been granted, in addition to one renewal.

The Authorisation Regime is an optional process that introduces important safeguards and enables NPO's to carry out certain international assistance operations in high-risk environments, where required. Given this, applicants are required to provide a range of personal and organizational information necessary to facilitate a comprehensive review. While this could be a lengthy and resource intensive process, guidance and outreach efforts have been made to ensure application requirements are clear and the application process itself is streamlined to avoid unnecessary burdens. Government authorities recognise the need to monitor implementation to ensure the Regime continues to balance the facilitation of international assistance activities and maintain sufficient safeguards against the risk of terrorist financing. This mechanism exceeds the requirements of the current FATF Recommendations and is included as it represents an emerging good practise for countries seeking to enable humanitarian and international assistance operations.

787. REs that have links to the NPO sector such as banks, accountants and MSBs may submit an STR in relation to activity of an NPO to FINTRAC. FINTRAC under PCMLTFA shall disclose to CRA-RAD any information in relation to the Income Tax Act for those registered as charities, that have applied to register or may apply to register. This gives CRA-RAD a comprehensive picture of NPO risks and vulnerabilities. In the last five years, FINTRAC has produced 29 disclosures to CRA-RAD. These structured information flows contribute to a more comprehensive understanding of TF exposure within the charitable sector. FINTRAC can also disclose to the RCMP and/or CSIS for investigation or disruption. The 29 disclosures are dealt with as intelligence leads by CRA-RAD. Statistics on intelligence leads received by CRA – RAD are mentioned as a whole and not where they originate from. Canada however can confirm that 10% of disclosures referred proactively by FINTRAC and closed over the April 2021 – December 2025 period led to further assessment by CRA, informing a monitoring risk assessment.

788. A decision to not pursue a FINTRAC proactive lead for further assessment through the monitoring process does not mean the information had no value. Rather, in some cases, these disclosures have complemented existing CRA information and helped inform or advance actions already underway. Of the disclosures that were not pursued, reasons include:

- No current intersect with entities in the charitable sector (in which case information on those leads is still kept within the CRA system in case there is a future intersection between that organization and a registered charity, or in case those entities apply for registered charity status in the future, meaning the disclosure could still have value in informing future decisions on risk); or
- They did not relate to CRA-RAD's focussed mandate on preventing terrorism abuse.

789. FINTRAC proactive disclosures related to NPOs are often sent to CRA along with other recipients, such as law enforcement, who may be better positioned to consider that information given their mandate.

790. In addition to the above targeted measures, Canada also has general administrative oversight over all NPOs. For example, corporations or legal persons account for approximately 97% of organizations in Canada's non-profit sector so the majority of NPOs are subject to federal or provincial oversight relating to incorporation, with certain jurisdictions providing additional oversight on fundraising or charitable gaming. The government of Canada has also undertaken a variety of engagement and outreach activities with the NPO sector, consistent with risks identified, such as the NPO Sector Dialogue Forum on Illicit Financing Risks and Related Issues to develop NPO sector risk awareness and help identify best practices among those most at-risk.

791. Overall, Canada's measures are well aligned to the subset of NPOs that present meaningful TF exposure, and interventions are generally proportionate to risk, although outcome data remains limited in some areas. Larger organisations demonstrate stronger governance and awareness of TF risk, while smaller organisations face resource constraints and uneven understanding of obligations, creating pockets of residual vulnerability. Continued outreach and tailored guidance would help strengthen resilience across the wider NPO population.

10.4. FIs, VASPs and DNFBPs understanding of and compliance with obligations

792. Overall, Canadian FIs, VASPs and DNFBPs demonstrate a generally good awareness of TF-TFS obligations, supported by extensive guidance, outreach and communication by competent authorities. Authorities have invested significantly in sanctions implementation capacity and infrastructure since 2022 and have built mechanisms to disseminate timely information and practical guidance. However, awareness does not always translate into consistent implementation, particularly among some DNFBP sectors. While outreach volume and content appear substantial, during the on-site visit many DFNBPs (lawyers, real estate and DPMS) demonstrated gaps in their understanding of their ML/TF obligations and consequent compliance with them

793. GAC plays a central role in providing primary guidance on sanctions obligations. The Canadian sanctions website consolidates information on all sanctions regimes, including those implementing UNSCRs 1267 and 1373, and provides links to legal instruments, UN lists, FAQs, certificate/permit processes and delisting procedures. Importantly, stakeholders are able to communicate directly with the Sanctions Bureau through designated inboxes for general inquiries and delisting requests. Additionally, GAC's website directs users to other relevant government websites such as Public Safety Canada's website on the Criminal Code listing process and currently listed entities, among others. While the website appears comprehensive and regularly updated, it remains difficult to assess whether the website functions primarily as an information repository or as an instrument that materially improves compliance behaviour. There is a need to strengthen its contents and seek user feedback to ensure it is effective as an instrument that materially improves compliance behaviour.

794. FINTRAC supplements GAC's legal guidance with operationally focused material directed at RE. Guidance covers the obligation to submit Listed Person or Entity Property Reports (LPEPRs) and clarifies

what is considered to be property (i.e. anything owned or controlled by a listed person or entity, tangible or intangible), the triggers for reporting, and the lists that should be monitored. FINTRAC also issues indicators, typologies and bulletins on terrorist financing and sanctions evasion, including thematic alerts and special bulletins on ideologically motivated violent extremism and other typologies These communications aim to promote better detection practices and reinforce risk-based approaches. The existence of tailored bulletins suggests an effort to align private-sector awareness with evolving risk. These materials are well designed to promote better detection practices, but the on-site visit did not indicate that reporting entities across the board have integrated them into their day-to-day screening and monitoring systems.

795. Public-private engagement mechanisms support ongoing dialogue. The Supervision Public-Private Working Group (SPPWG) meets quarterly and brings together regulators and industry representatives to discuss emerging risks, regulatory changes and best practices, including sanctions evasion. Members also include associations, who will educate and consult other reporting entities in their sector. New sectors, including white label ATMs and title insurers, are also members of the working group. FINTRAC also conducts bilateral monitoring meetings to discuss implementation practices and risk mitigation measures with individual entities. These fora provide credible channels for feedback and clarification, and they help ensure that entities remain up to date on TF-TFS expectations. For example, specifically related to TFS, FINTRAC consulted the SPPWG on the LPEPR guidance, which resulted in refinements to the guidance to improve clarity and useability for reporting entities Nevertheless, while these mechanisms are active, it is not possible at this stage to quantify participation or measure shifts in compliance quality resulting from them.

796. Outreach activity appears broad and sustained. GAC issues sanctions alerts to 1 838 subscribers (at the time of writing) when changes occur to UN or Canadian lists, generally within 24 hours, thereby supporting timely awareness. However, the breakdown of the subscribers (and therefore clarity on whether these are reporting entities and if so which kinds, or private persons) is not available. It also delivers presentations that cover the architecture of Canadian sanctions, explain stakeholder obligations and use scenario-based discussions. In 2023, Canada created a team to undertake robust and sustained outreach which increased stakeholder engagement. After outreach events were held with 673 stakeholders in 2023 the number of subscribers to the GAC list grew to 1 796 in 2024 and 2 881 in 2025. Positive informal feedback is reported, though the absence of structured evaluation limits insight into whether outreach leads to behavioural change. FINTRAC, who also issues sanction alerts, similarly delivers targeted webinars, including a 2025 series on sanctions evasion and property reporting that reached over 2 100 participants and recorded self-reported improvements in understanding among 73% of respondents. These figures indicate growing reach across all reporting sectors, including newly regulated ones. While increasing participation numbers show a rise in interest, authorities do not systematically measure whether participants subsequently change policies, procedures or controls.

797. Authorities also convene joint events with law enforcement and policy partners. A 2024 Economic Sanctions Enforcement symposium brought together financial institutions, DNFBPs and competent authorities to discuss new reporting obligations and enforcement expectations. Feedback was reportedly used to refine the system, illustrating a learning loop between supervisors and industry. This demonstrates a willingness to move beyond one-directional communication and towards collaborative implementation.

798. Overall, it appears that Canadian entities, particularly larger financial institutions, have ready access to information, channels to seek clarification, and regular interaction with authorities. There is an increasing sophistication among more mature reporting entities, particularly given the scale of sanctions activity since 2022.

799. Notably, well-resourced FIs and many VASPs are able to deploy automated screening tools and specialist staff, whereas smaller entities often rely on more basic controls, which increases the risk of uneven implementation.

800. In several DNFBP sectors (particularly lawyers, real estate brokers and DPMS), sanctions checks are often conducted only at onboarding, with limited ongoing screening of existing customers' activities. This creates a tangible risk that newly designated individuals may not be identified and that freezing obligations will not be triggered. Canada state that they regularly communicate with professional bodies and associations to encourage them to emphasize the need to regularly consult Canada's sanctions, nevertheless this remains a concern.

10.5. Competent authorities monitoring and ensuring compliance with TF-related targeted financial sanctions

801. Canadian authorities have established supervisory frameworks to monitor and ensure compliance with TF-TFS obligations. FINTRAC, as the primary AML/CFT supervisor, monitors reporting entities' compliance with TF-related target financial sanctions through examinations and ongoing supervision and is equipped with sanctions powers. Supervisory systems are clearly structured and include mechanisms for co-ordination and escalation among competent authorities, however there is a concern on whether the authorities are able to identify any property not frozen and reported in a timely manner.

802. A central component of FINTRAC's approach concerns LPEPR (formerly TPR) obligations. Examinations review whether reporting entities screen customers at onboarding and on an ongoing basis against prescribed lists, and whether escalation procedures allow for immediate reporting and freezing when matches are identified. Supervisors test systems through case file reviews, walkthroughs of automated screening solutions, and assessment of anomalies and match-handling workflows. Supervisors also assess whether freezing actions and reporting occur without delay, although comprehensive aggregate data on timeliness is limited. Where a triggering event is detected, FINTRAC verifies that the entity froze funds, halted the transaction, filed an LPEPR without delay, and submitted an STR if suspicion thresholds were met. Where entities conclude that no report was required, FINTRAC requires documented justification and evidence of internal consideration. There is no pro-active supervision of REs specifically to their freezing obligation, creating a possible gap to effective monitoring of these TF-TFS obligations. Nonetheless, FINTRAC reviews reporting entities' policies, escalation procedures, screening capabilities, and case files to verify that potential matches are identified quickly and internal controls are followed, reducing the possibility of residual risks on asset identification and freezing delays. The authorities report that, over the last five years, FINTRAC did not identify cases where an LPEPR was required but not filed. This is presented as indicative of strong compliance. At the same time, supervisors acknowledge that non-compliance, when detected, is addressed through a graduated response framework including follow-up examinations, action plans, monitoring of reporting behaviours, revocation tools for MSBs, administrative monetary penalties (AMPs), public naming, and referrals to law enforcement in serious cases. During the reference period, FINTRAC issued 15 AMPs in which at least one violation related to policies and procedures for TPR obligations, and the steps needed to identify property subject to reporting. The fines ranged from CAD 36 360 (to a Real Estate firm) to CAD 9 185 000 (to a Bank). This indicates that supervisors detect weaknesses in TF-related controls, although all breaches relate to program deficiencies rather than failures to freeze or report terrorist property, which limits insight into effectiveness under real-world pressure.

803. One case study illustrates FINTRAC's ability to align intelligence-led risk insights with targeted supervisory action. In 2024, intelligence work flagged MSBs disproportionately exposed to a high-risk jurisdiction associated with a terrorist organization. Subsequent examinations uncovered repeat deficiencies across compliance program elements and resulted in an AMP and ongoing monitoring. While

this demonstrates an ability to escalate supervision in response to emerging TF risk, the deficiencies identified in the case were largely general program weaknesses, and authorities did not highlight specific TF-TFS violations uncovered through the examination. To improve their detection of TF-TFS violations Canadian authorities would benefit from continuing a more proactive approach by monitoring transactions and assets independently of any existing reports.

804. FINTRAC also supervises reporting entities' implementation of Canada's Ministerial Directives during examinations. FI and VASPs generally have good understanding on their obligations under the Ministerial Directives, with some deficiencies identified in compliance mostly in CU/CP sectors. There is also a gradual increase in the level of deficiency for FIs, MSBs and VASPs since FY2022/23 mainly attributed to the onboarding of new MSB sub-sectors and updates to Ministerial Directives.

805. Canada has access to strong sanctioning powers, including AMPs and severe criminal penalties under the United Nations Act (up to CAD 100 000 in fines and 10 years' imprisonment). Authorities argue that these penalties deter non-compliance and that financial institutions publicly acknowledge their seriousness. These tools are complemented by inter-agency co-operation, notably with CSIS, which can share intelligence on possible under-reporting. The framework is therefore capable of applying proportionate and dissuasive measures where warranted, though not many opportunities have existed to test this in practice, as there has been no case of severe administrative sanctions being deployed in relation to TF-TFS breaches specifically. In the absence of cases where these sanctions were applied specifically for TF-TFS breaches, deterrence remains largely inferred, although the framework is clearly capable of imposing proportionate and dissuasive measures where warranted.

806. Capabilities within the DNFBP sector vary considerably, leading to uneven implementation of TF-TFS controls. Although relevant information is publicly available, many DNFBPs would benefit from more practical tools and simplified, user-friendly sanctions lists to support timely screening and freezing. There are DNFBP sectors that FINTRAC does not supervise, which decreases their ability to ensure sanctions are implemented (i.e. lawyers). Further, there is currently no designated supervisor responsible for overseeing lawyers' and law firms' compliance with TFS controls under Canadian sanctions legislation. Canada should have a more proactive framework in place to immediately review across those it supervises when there has been a change in sanctions.

11 Proliferation financing financial sanctions

The relevant Immediate Outcomes considered and assessed in this chapter is IO.11. The Recommendations relevant for the assessment of effectiveness under this chapter are R.7 and elements of R.1, 2 and 15.

Key Findings, Recommended Actions, Conclusion and Rating

Key Findings

a) Targeted financial sanctions related to proliferation financing (TFS PF) are implemented through the United Nations Act (UNA), which authorises Canada to incorporate UNSCRs into domestic law without delay. As a result, any individual or entity designated by the UNSC is automatically designated under the relevant Canadian regulations, by reference in the UNA to the applicable UNSCRs.

b) Canada has a robust legal framework for PF TFS obligations, ensuring the automatic implementation of relevant UNSCRs through direct reference within domestic legislation. Competent authorities are co-operating and co-ordinating the development and implementation of CPF policies to a large extent. Several authorities are involved for different aspects, at both the policy and operational level.

c) Risks of potential breaches and non-implementation or evasion of TFS are identified and assessed in Canada's 2025 NRA on Sanction Evasion (SE) which includes PF and identifies PF risks. FIs, VASPs and DNFBPs, covering over 90% of cross-border traffic, were consulted on the content and findings of the SE NRA. The overall risk of PF linked to DPRK is rated as low while the overall risk related to Iran is rated as medium. While the report was not published during the assessment period, threats, vulnerabilities, risks and consequences were largely appropriately identified. FINTRAC has produced several operational bulletins linked to sanctions evasion linked to the DPRK, and other threat actors.

d) As part of broader efforts to mitigate the identified risks, Canada issued Ministerial Directives (MDs) against the DPRK in 2017 and Iran in 2020. These directives cover: i) enhanced due diligence, ii) record keeping and iii) reporting obligations. Since these MDs were issued, Canada has also invested resources and introduced additional measures to mitigate PF risks.

e) No assets related to designated entities or persons under the relevant UNSCRs were identified in the assessment period. All transactions to Iran must be reported to FINTRAC, while there is a blanket prohibition on DPRK transactions. The use of STRs and LPEPRs, along with other reporting obligations, provide Canadian authorities with data to identify sanctioned property in the name of designated individuals and entities. FINTRAC uses this information to identify

sanctioned assets and associated accounts. Canada lacks proactive measures, tools, and actions to identify funds and other economic resources held by designated subjects, such as the systematic checks of relevant registries. Consequently, this leaves potential gaps for unidentified assets held by sanctioned individuals and entities.

f) Most FIs and MSBs operating as VASPs demonstrated good awareness of their obligations regarding the implementation of PF-TFS, while DNFBPs' understanding and compliance varies significantly across sectors, with some entities not conducting monitoring activities for PF-TFS obligations on transactions below the CAD 10 000 mandatory reporting threshold.

g) FINTRAC supervises the implementation of some PF TFS obligations. In addition to obligations under the PCMLTFA, the Ministerial Directives (MDs) on Iran and DPRK impose enhanced due diligence and reporting requirements which are subject to supervision by FINTRAC. Until 17 November 2025, there were some exclusions in the MD on Iran, especially regarding DNFBPs. Furthermore, some obligations provided in UNSCR 1718(2006) and following, and UNSCR 1737(2006) and following are not covered by MDs and therefore fall outside the scope of FINTRAC supervision. Supervision of DNFBPs is more uneven compared to FIs. Lawyers are subject to Canada's sanctions laws but are not subject to supervision of those laws by any regulator. The absence of registrations or licencing requirements for some sectors, particularly DPMS, may impact the supervisory authority's ability to effectively monitor their compliance with PF TFS obligations.

Recommended Actions

a) Canada should build on existing analysis and pursue a more detailed assessment of sectoral PF risks, associated with lawyers, DPMS, real estate agents, and should share the results with the private sector.

b) Canada should ensure greater awareness among vulnerable sectors, particularly VASPs, DNFBPs, especially lawyers, Québec notaries, DPMS, and real estate agents, about their PF-TFS obligations. This should include but not be limited to: i) clarifying that the mandatory reporting threshold of CAD 10 000 does not apply for the implementation of PF-TFS, and ii) raising awareness of ongoing due diligence obligations, including checks of customers, counterparts and involved intermediaries against UN lists.

c) Canada should build on existing work to expand authorities' powers, competencies and responsibilities to improve their ability to proactively identify the funds, assets and economic resources of designated persons and entities or of persons and entities acting on their behalf or at their direction. This should include undertaking proactive monitoring of registers and databases (e.g. beneficial ownership registry, land and real estate registries, and other relevant assets registries) and creating new tools (such as a bank account registry or alternative mechanisms) in order to check and identify assets and economic resources held by listed persons and entities or by persons and entities acting on their behalf or at their direction.

d) Canada should build on existing work to expand authorities' powers, competencies and responsibilities to improve their ability to ensure comprehensive supervision of the obligations established under UNSCR 1718 (2006) and UNSCR 1737 (2006) including the power to supervise

the effective implementation of freezing obligations of funds, other financial assets and economic resources by FIs, VASPs and DNFBPs, including lawyers.

Overall Conclusions on IO.11

Canada has developed its counter proliferation financing system through a number of legal powers for authorities and requirements for the private sector. Several authorities are involved in the effective countering of PF, and they co-operate and co-ordinate at both policy and operational level. Canada has a good understanding of PF risk, effectively identified and assessed its PF risk as medium (Iran) and low (DPRK) and sufficiently mitigates its PF risk. Targeted financial sanctions related to proliferation financing (PF TFS) are implemented without delay thanks to comprehensive legislation and communication mechanisms.

FIs and VASPs comply with and understand their PF TFS obligations to a large extent, while DNFBPs' understanding and implementation of PF TFS varies across sectors. Supervisory authorities conduct oversight on PF TFS implementation to some extent and across most of the sectors. However, DPMS are not subject to licencing or registration requirements, which may limit supervisory effectiveness, and lawyers are not supervised for PF-TFS. No authority has a clear legislative mandate to supervise FIs, VASPs, and DNFBPs on some of their PF-related obligations, such as the effective implementation of freezing obligations of funds, other financial assets, and economic resources. However, this shortcoming is mitigated by Canada's low exposure to DPRK and Iran, by the blanket prohibition on DPRK transactions, by the obligation to report all transaction with Iran, and, to some extent, by the measures implemented through Ministerial Directives.

Canada is rated as having a Substantial level of effectiveness for IO.11.

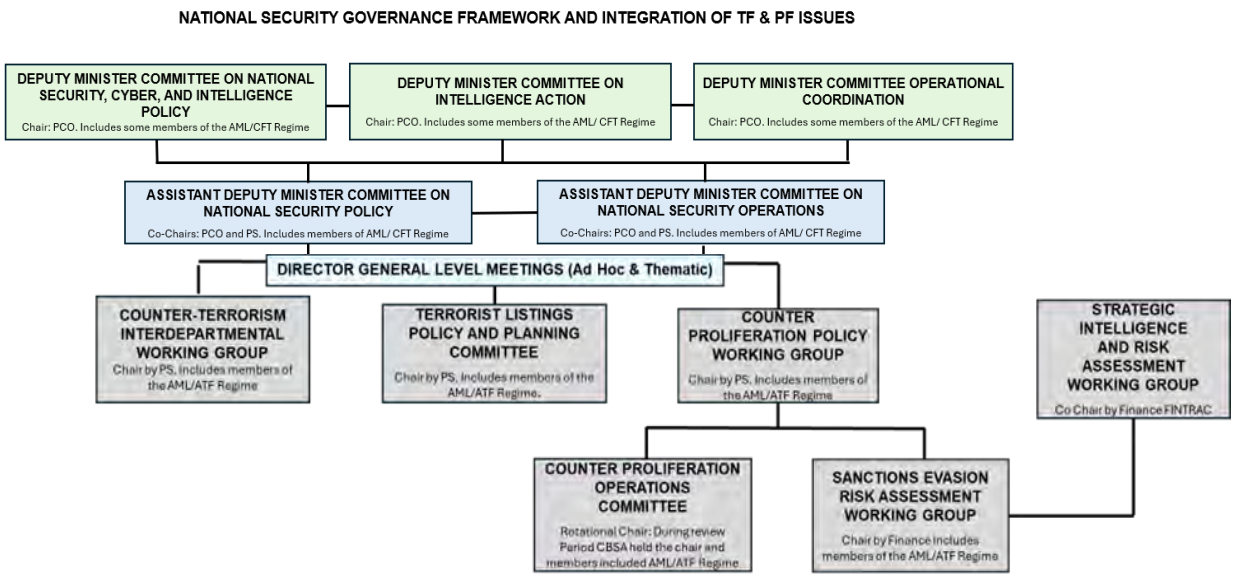
Immediate Outcome 11

11.1. Competent authorities' co-operation and co-ordination to combat PF financing

11.1.1. Co-operation and co-ordination to develop and implement policy

807. Canada's development and implementation of policy on proliferation-based sanctions and the administration of Canada's broader sanctions framework involves several partners that co-operate to develop and implement policies and strategies.

Figure 11.1. Canada's Governance and Co-ordination Mechanism for PF (and TF)



Source: Canada

808. As noted under IO.9, the governance of both PF and TF issues is integrated into the broader national security and intelligence framework, ensuring co-ordination between policy and operational efforts across Canada's system. Further details on Canada's risk assessment framework, including the role of the sanctions evasion risk assessment working group, are provided under IO.1.

809. Canada's intelligence priorities help establish and contextualise the main security threats and risks (including those that pertain to PF) facing the country. The Privy Council Office (PCO) of Canada leads a governance committee structure that helps to identify intelligence priorities, ensuring that intelligence production efforts are aligned with whole-of-government strategic interests. The intelligence priorities are renewed by the Government every two years, or as required, based on recommendations from the National Security and Intelligence Advisor to the Prime Minister and the intelligence community. One such intelligence priority is linked to sanctions evasion and associated proliferation financing along with broader priorities linked to illicit and threat finance, financial sector integrity, foreign interference and malign influence, and espionage and extraction of knowledge information. Intelligence collected through co-ordinated government efforts across these priorities helps inform Canada's national understanding of threats and vulnerabilities, which also feed into Canada's NRA. This intelligence is an integral part of Canada's policy development process and its approach to set measures to counter illicit financing threats, including PF.

810. Public Safety's Counter Proliferation Policy Working Group, which includes GAC, CSIS, Department of Finance, FINTRAC, CBSA, RCMP, CSE, Immigration, Refugees and Citizenship Canada, and Health Canada, serves as the overarching policy co-operation mechanism to identify and address policy and operational gaps in the counter proliferation sanctions program. The group ensures that senior level decision-makers are informed of potential challenges and co-ordinated actions to address or mitigate them. For example, the group's advice led to the implementation of secure electronic reporting of exports to the CBSA in January 2020, which has improved CBSA's ability to assess export declarations and identify possible contraventions with Canada's export controls. The Counter Proliferation Policy Working Group meets on an "as needed basis" to discuss elements of Canada's counterproliferation framework and policy gaps that need to be bridged.

811. GAC is the primary policy department responsible for the administration of Canada's sanctions legislation related to proliferation of weapons of mass destruction, while Finance Canada is responsible for co-ordinating Canada's assessment of PF risks, in consultation with other authorities, departments, agencies and with the involvement of the private sector. Finance Canada leads policy work in partnership with FINTRAC to focus on financial sector related considerations. FINTRAC also produces strategic intelligence products that identify emerging trends and typologies and discloses financial intelligence to competent authorities on suspected sanctions evasion. CSIS collects and analyses intelligence and provides information and assistance to other government departments. The CBSA is responsible for enforcing sanctions obligations at the border and the RCMP is the lead for criminal investigations involving contraventions of Canada's sanctions regime. In 2025, relevant competent authorities effectively co-operated to develop the first NRA on sanctions evasion which includes PF.

812. In recent years, Canada has effectively implemented and identified a set of new roles and powers for authorities, new obligations for the private sector, and has enhanced awareness of PF across the overall Canadian system, including both the public and the private sectors. In 2022 a new sanctions-based asset seizure and information sharing regime was created; in 2024 the PCMLTFA was amended to require entities to report to FINTRAC transactions suspected to be related to sanctions evasion, which enables FINTRAC to produce tactical and strategic intelligence products relating to sanctions evasion; in March 2025 the new obligation (LPEPRs – see IO.10) to report to FINTRAC property owned or controlled by persons and entities under an order or regulation made under the UN Act came in effect; finally, in October 2025, additional requirements to report property under Canada's autonomous sanctions programme related to the DPRK and Iran came into effect. This has armed Canada with stronger tools to combat proliferation financing and ensure the effective implementation of TFS-PF.

11.1.2. Co-operation and, where appropriate, co-ordination for operational purposes

813. Canada has mechanisms in place to permit effective operational co-operation, and where appropriate, co-ordination and timely sharing of relevant information domestically between different competent authorities, both proactively and on request, for operational purposes related to sanctions evasion, including PF. Authorities discuss emerging trends and risks which can be used to inform potential operational and/or policy responses related to Canada's sanctions regime, including proliferation sanctions.

814. Relevant competent authorities participate in and share information (including at operational level) on PF via the SIRA WG, which is co-chaired by the Department of Finance Canada and FINTRAC and meets every two months or more as needed.

815. All Canadian federal AML/CFT Regime members with an operational intelligence mandate (CBSA, CSIS, RCMP, FINTRAC) have direct access to classified systems containing extremely sensitive human, signals, and financial intelligence that is collected, analysed and shared by Canada and its key international partners, including with regards to TFS-PF. Intelligence is monitored daily by officials and used to develop and refine intelligence on threat actor capabilities, methods, and intentions feeding into operational and strategic work.

816. CBSA chairs the Interdepartmental Counter-Proliferation Operations Committee, an example of a formal mechanism whereby operational information can be shared with operational partners. The committee ensures that operational activities are co-ordinated and promotes co-operation across authorities. It meets monthly to ensure ongoing tactical-level co-ordination and de-confliction among security and intelligence partners and discusses strategic export control and sanctions cases. CBSA also chairs the Sanctions and Border Enforcement Co-ordination Committee, which is tasked with identifying gaps associated with export controls and improving co-ordination and information sharing on export

control and sanctions-related issues. The group was used as a central point of co-ordination to discuss work underway, evolution of sanctions evasion methods as well as underlying data and information sources to support the administration of the sanctions regime and the means of gathering data, typologies, indicators and case studies.

817. The multi-committee structure of Canada's approach in combating PF allows the committees to focus on different aspects of the PF threat and response. Canada reports that this multi-committee structure does not hinder effective co-ordination, as decisions can be taken quickly when needed, as set out in IO.1, particularly in urgent situations, and without the need to go through all the committees. For example, Canada identified, drafted and published sanctioned subjects within a 24-hour period over a weekend. While these subjects were not related to PF, the example show Canada's ability to act swiftly across committees, taking and implementing decisions quickly in urgent cases. The Department of Finance co-ordinated with intelligence and enforcement partners to assess risks linked to circumvention of UNSCRs on DPRK. This formed the basis of strengthening the DPRK MD to impose more rigorous compliance program obligations related to correspondent banking relationships, which took effect within one week.

Box 11.1. CBSA and RCMP mitigate DPRK sanctions evasion threats

In 2024, information was provided to the CBSA's Counter Proliferation Operations Section and the RCMP from a foreign partner alleging that the DPRK was seeking to obtain military technology from Canada, in violation of Canada's export controls and sanctions regime and UNSCRs. The information indicated that a Canadian company would export the goods in question to its foreign subsidiary in a known sanctions' evasion transshipment jurisdiction, who in turn sought to tranship the goods onwards through a third jurisdiction to the DPRK.

The Counter Proliferation Operations Section consulted and deconflicted with domestic (e.g., RCMP) and overseas enforcement partners and worked to declassify the information to enable regulatory verifications of the allegations in Canada. Representatives of the Counter Proliferation Operations Section and the RCMP then approached the Canadian manufacturer and learned that the company was in litigation with the foreign subsidiary for theft of design materials and branding. The company provided legal documents and other holdings that effectively demonstrated a lack of any conspiratorial activity on the part of the Canadian company. The company also voluntarily provided additional information to further substantiate the alleged illicit activities of their subsidiary.

Prompt and co-ordinated outreach to the Canadian company by Canadian law enforcement, working together under the umbrella of a co-ordinated counter-proliferation operation, demonstrates Canada's capability to effectively mitigate an active proliferation threat in a timely manner.

Source: CBSA

11.2. Understanding and mitigating the risk of breach, non-implementation or evasion of PF-related targeted financial sanctions

818. In 2017, FINTRAC issued an operational bulletin linked to the DPRK and, since then, has published products in 2022-2025 on sanctions evasion risks, vulnerabilities, and indicators linked to the financial sector and legal profession. In October 2025, Department of Finance, with the support of an interdepartmental committee, finalized the first NRA on Sanctions Evasion (SE), which includes assessment of the risk of breach, non-implementation or evasion of PF-TFS. While there is no legislated requirement for Canada to realize an NRA that includes PF, PCMLTFA allows FINTRAC to conduct strategic and tactical

intelligence analysis to contribute to an understanding of sanctions evasion risk (including PF). FINTRAC, together with the Department of Finance, are the functional leads of the analysis to identify, understand, assess and mitigate risks, limited to the financial sector. When producing the NRA on SE, Canada consulted all sectors through its public-private consultation mechanisms, with some of the most exposed sectors, such as large FIs and MSBs, consulted more in depth. Over the recent years, consultations with additional categories of FIs and DNFBPs occurred on other drafts and publications, such as FINTRAC's bulletins. The private sector (other than Canada's largest FIs and MSBs involved in its development) has not yet received the risk assessment, and Canada would benefit from publicising a sanitised version of the report for broader consumption.

819. In Canada's NRA on sanctions evasion, Iran represents a significantly greater source of risk relative to the DPRK (because linkages with DPRK are reported to be non-existent) based on the presence of diaspora communities, the scope of the trade and financial relationships, and the identification of immobilized property. However, with the mandatory reporting obligation Canada was able to assess that transactions directly, or indirectly, involving Iran constitute less than one percent of cross border traffic. Canada provided an extract of the 2025 Overview of Proliferation Financing and Other Sanctions Evasion Risks in Canada report, which focuses on DPRK and Iran risks. Both DPRK and Iran are countries assessed as sophisticated actors with ability to employ complex methods and networks through intermediary jurisdictions to evade sanctions, making Canada vulnerable. As a result, the ability of DPRK and Iran to evade sanctions was assessed as high. However, due to several mitigating factors, such as Canada's very limited financial connections with these two countries, and the lack of trade in sensitive goods to jurisdictions adjacent to DPRK and Iran, and the absence of a DPRK diaspora community in Canada, the overall risk of DPRK is rated as low while the overall risk of Iran is rated as medium.

820. Canada's risk identification process includes the review of both classified and open-source information prepared by domestic partners. The identification of risk is also informed by stakeholder engagement and collaboration with international partners. Canada assesses both the role of goods as well as the use of the financial sector to move money. CBSA's Border Financial Crime Centre (BFCC) and Counter Proliferation Operations Section (CPOS) have developed PF and other sanction-related tactical and strategic intelligence products where indicators of sanctions-related activity were identified in goods import or export transactions. CBSA developed an intelligence product was on DPRK proliferation networks, highlighting trends and technologies of concern and the forms of tradecraft used by the DPRK to acquire Western-origin goods to build their military technologies and objectives. Between 2020 and 2025, CPOS produced approximately 37 commodity profiles, 22 intelligence briefs, 49 dashboards and 51 alerts.

821. Canada has made significant progress in developing the capability and capacity to detect and deter sanctions-evasion activities occurring through international trade. In order to strengthen Canada's anti-sanctions capabilities, Canada amended the PCMLTFA in 2024 to enable the CBSA to identify and enforce against the cross-border movements of sanctions-based illicit financial flows concealed through legitimate international trade. Since then, for example, the BFCC has identified, through financial intelligence and trade transaction analysis, the cross-border movement of funds and goods tied to third countries' proliferation activities in addition to laundering drug proceeds. This capability has led to new insights into how professional money launderers are exploiting international trade in goods to move illicit financial flows.

822. Canada's risk assessment also considers Iran and DPRK's financial and trade relationships with third countries and highlights the potential for indirect exposure to PF risks and proliferation-related procurement via those countries. Furthermore, Canada recognizes the risk of financial sectors and products such as correspondent banking, money value transfer services, VASPs, but also complex corporate structures and trade through intermediate jurisdictions. Nevertheless, some non-financial sectors and associated risks were not adequately developed in the NRA, such as the risk of exploitation of lawyers,

dealers in precious metals and stones, CSPs and real estate; a future iteration of the NRA would benefit from a more thorough analysis of these sectors.

823. To mitigate the identified risks, in 2017 and 2020, Canada issued Ministerial Directives (MDs) against the DPRK and Iran respectively. MDs are enforceable instruments which remove the discretion of a reporting entity to determine the level of risk associated with a particular jurisdiction. These MDs require reporting entities to apply enhanced measures for relationships with DPRK and Iran, and they were both updated in 2025. The measures required are: i) enhanced due diligence, ii) record keeping and iii) reporting obligations. In recent years, especially since 2024, Canada has invested resources and introduced a variety of additional measures to mitigate PF risks, including: clarifying the obligation to report STRs beyond PF to include where there is suspicion of sanction evasion; enhanced FINTRAC's ability to produce intelligence and make disclosures to authorities on sanction evasion; stronger requirements for financial institutions for due diligence and ongoing monitoring of correspondent banking; BO registers; publication of GAC and FINTRAC guidelines; and financial resources for CBSA to combat trade based financial crimes.

11.3. Implementation of PF-related targeted financial sanctions without delay

824. Canada primarily imposes sanctions through Regulations established under three Acts under the responsibility of the Minister of Foreign Affairs: The United Nations Act, the Special Economic Measures Act and the Justice for Victims of Corrupt Foreign Officials Act (Sergei Magnitsky Law). In Canada's regime, a sanctions evasion offence means an offence arising from the contravention of a restriction or prohibition established by an order or regulation made under one of these three Acts. Generally, these Acts prohibit Canadians from dealing with property that is owned, held or controlled by a designated person and providing financial services to designated persons. This includes persons acting on behalf of, or at the direction of, a designated person, and captures functions such as the potential provision of indirect services as part of a correspondent banking relationship.

825. The UN Act authorises Canada to incorporate UNSCRs into domestic law with immediate effect. Any person designated by the UNSC is automatically designated under the relevant Canadian regulations under the UN Act. The designation of a person by the UNSC is immediately incorporated by reference into the UN Act and its regulations, meaning there is no delay between designation by the UNSC, and the obligation to immobilize and report property under Canadian law. The implementation of this obligation by reporting entities under the PCMLTFA is supervised by FINTRAC.

826. Whenever there is a change in the UNSCRs listings, GAC and FINTRAC rapidly send alert emails to over 11 000 subscribers (about 1 800 subscribers to GAC's alerts and roughly 9 400 to FINTRAC's alerts), a low number considering Canada's materiality. In fact, there are a total number of 33 000 obliged entities under PCMLTFA (21 114 FIs and VASPs, 12 054 DNFBPs), approximately more than 136 000 lawyers and 4 200 Québec notaries active in the country, and additional potentially relevant subjects. Furthermore, Canada reports that all sectors are represented but it was not possible to ascertain the effective coverage of the alerts in terms of the representation of the private sector and entities.

827. To reimpose UN sanctions against Iran following the trigger of the Snapback mechanism on 27 September 2025, Canada reported that no amendments were needed to the relevant law as they were automatically and immediately effective. On 30 September 2025, Canada communicated the prohibitions through updates to the Regulations Implementing the United Nations Resolutions on Iran and the Minister of Finance issued a news release on 1 October 2025, reiterating the nature of the changes. Obligations under the PCMLTFA to report sanctioned property obligated reporting entities to submit any sanctioned property to FINTRAC immediately, but no property linked to UNSCRs has been identified.

Box 11.2. Implementation without delay of UNSCRs on Iran after the trigger of the snapback mechanism

On 14 July 2015, the five permanent members of the United Nations Security Council (China, France, Russia, the United Kingdom and the United States) and Germany reached an agreement with Iran, i.e. the Joint Comprehensive Plan of Action (JCPOA). On 28 August 2025, France, Germany, and the United Kingdom (collectively the "E3") triggered the snapback mechanism process under the JCPOA, which led to the reimposition of UN sanctions on Iran on 27 September 2025.

Canada incorporates UNSC sanctions list changes by reference in the United Nations Act (UN Act). This means that no action was required by Canada to implement into Canadian law the reimposed UNSC sanctions as the legal prohibitions were in place immediately. Subsequently, a clear articulation of the prohibitions imposed by the United Nations under the UN Act was published by Global Affairs Canada on 30 September 2025.

Despite the UN having lifted its sanctions through the JCPOA, Canada remained concerned about Iran's weapons program and chose to maintain the scope of UN proliferation sanctions through its autonomous sanctions regime. This included tight restrictions on sensitive goods related to nuclear proliferation and the development of Iran's ballistic missile program. These autonomous sanctions were in place up until the reimposition of UN sanctions, and their implementation without delay under Canada's UN Act.

Source: Canada

11.4. Identification of assets and funds held by designated persons/entities/those acting on their behalf and prohibitions

11.4.1. Identifying funds or assets held by designated persons/entities/persons acting on their behalf or at their direction

828. Reporting entities under the PCMLTFA have a "duty to determine" on a continuous basis whether they are in possession or control of property that is owned, held or controlled by or on behalf of a designated person. At the same time, every person in Canada and Canadians outside of Canada must disclose without delay to RCMP or CSIS the existence of property in their possession or control that is believed to be owned or controlled by a designated person, regardless of whether it falls under the person's name or is managed by a third party on their behalf. This provision establishes an obligation to report property held in one's possession or where the property is held separately and being dealt with indirectly. The PCMLTFA's sanction evasion offence links back to obligations under Canada's sanctions laws and the reporting of efforts to evade prohibition in place under Canada's sanctions framework related to the direct, or indirect, dealing with property belonging to designated persons.

829. UN sanctions are augmented by more restrictive and broad-based sanctions under the Special Economic Measures Act, which are similarly applicable to all persons in Canada and Canadians abroad. These prohibit any dealing with DPRK property, directly or indirectly, and the PCMLTFA requires mandatory reporting to FINTRAC where there is reasonable ground to suspect a transaction is linked with the DPRK pursuant to paragraph 7(1)(c), while any transaction with Iran must be reported to FINTRAC pursuant to the Ministerial Directive.

830. The mechanisms currently in place to identify funds or assets consist primarily of STRs and LPEPRs. This along with other mandatory reporting obligations (e.g. all international electronic fund transfers over CAD 10 000) form the basis of Canada's efforts to identify sanctioned property in the name of a designated individual as well as associations where other assets may be controlled by an individual acting on behalf, or at the direction, of a designated person. FINTRAC uses this information to proactively map networks and account relationships to identify additional assets. The CBSA also assesses FINTRAC reporting against customs transactions to identify instances where goods are used to conceal sanctioned funds. While these sources provide valuable information to Canadian authorities, Canada lacks proactive measures and actions to identify funds and other assets held by individuals or entities within complex ownership structures. This includes the absence of systematic checks of the relevant registries. Consequently, in the absence of an existing report, Canadian authorities may face significant challenges in detecting such assets. Therefore, Canada should expand authorities' competencies by improving their ability to proactively identify assets, funds, and economic resources held by designated persons and entities, and by persons and entities acting on their behalf or at their direction.

831. Canada reported that it was able to identify and pursue the seizure of a corporate structure, specifically the subsidiary of a foreign company whose ultimate beneficial owner was a designated person. Canada also seized a physical asset, namely an aircraft. In both instances, the seized assets were linked to Canada's autonomous sanctions programmes. Although not related to Iran or the DPRK, Canada indicated that its authorities and abilities would be substantively the same should such circumstances arise. In more detail, while UN measures against Iran and DPRK require only asset freezing, Canada's domestic sanctions regime (SEMA) is broader and can support asset seizure. Freezing processes are the same regardless of the act. Any asset where there is a crossover between the UN Act and autonomous legislation would follow the same domestic process: assets are first identified and frozen and a seizure of the asset may occur, if appropriate. Where there is no crossover with domestic legislation, the law requires the asset remain frozen unless a change is made by the relevant UNSCRs.

832. Iran-linked assets have been reported but are not linked to UN obligations, while no DPRK-linked assets have been reported. However, as of November 2025, based on reports submitted to RCMP, Canada effectively froze some assets under autonomous sanctions regimes. Additional assets belonging to persons designated by the UN have not been reported to Canadian authorities under the UN Act or Special Economic Measures Act since the Snapback provision was triggered, which is anticipated given the overlap between the UN Act and SEMA (Special Economic Measures Act) requirements. If assets were to be identified, they are expected to be reported immediately to FINTRAC.

Table 11.1. Frozen assets and blocked transactions under the SEMA regime reported to RCMP

Sanction regime	Sanctioned Country	Assets frozen (in CAD)	Transactions blocked (in CAD)	Total (in CAD)
Special Economic Measures Act	Iran	$ 78 908	-	$ 78 908

Note: Data from 24 February 2022 to 28 November 2025.
Source: Canada

833. The sectors that report the most sanctioned property to the RCMP are banks (60.4%) and trust companies (19.8%). No reports on sanctioned property were received from DPMS, and very limited number of reports were received from law firms and MSBs, which is not in line with the high risk of these sectors in being potentially exploited by DPRK and Iran in evading sanctions and may indicate a low level of awareness or capability in those sectors. In the assessment period there were no Iran or DPRK UNSCRs linked assets reported.

834. In FY 2024-2025, following the new clarification to report STRs related to sanction evasion, FINTRAC received 1 007 STRs of this kind, mostly from MSBs and banks, which is in line with Canada's risk and context. However, Canada does not specifically track PF-related STRs, as they are captured as a subset of sanction evasion STRs. Prior to 2024-2025, proliferation financing formed part of the sanctions evasion reporting but STRs on sanction evasion were not tracked by FINTRAC. The STR obligation was specific to only ML and TF, and reporting entities could reference sanctions evasion in an ML/TF STR submission, but it was not subject to distinct tracking. Financial intelligence has been used by RCMP to identify and seize a financial asset under Canada's autonomous sanctions program, but not for UNSCRs related sanctions.

Table 11.2. STRs reported to FINTRAC in 2024-2025 related to Sanction Evasion

Grouped Sector	Activity Sector	Number of STRs on SE
MSB	Foreign money services business	166
	Money services business	314
Bank	Bank	414
Securities	Securities dealer	66
CU/CP	Credit union	19
	Financial services co-operative	3
	Provincial savings office	3
Real estate	Real estate	10
Mortgage	Mortgage administrators	4
	Mortgage brokers	1
Trust and Loan	Trust and/or loan company	4
DPMS	Dealer in precious metals and stones	2
Life insurance	Life insurance company	1
TOTAL		1 007

Source: Canada

11.4.2. Prohibiting financial transactions related to proliferation

835. Canada's approach to the DPRK and Iran goes beyond UNSCRs obligations. The PCMLTFA requires all transactions linked with the DPRK (directly or indirectly) be reported to FINTRAC due to the blanket prohibition on all DPRK transactions under Canada's autonomous sanctions framework. The Ministerial Directive for Iran requires that all transactions directly or indirectly linked to Iran must be reported to FINTRAC since 2020. Similarly, all transactions with Iran are required to be treated as high risk and reporting entities must monitor transactions for the purpose of determining whether a STR or a LPEPR must be submitted to FINTRAC.

11.5. FIs, VASPs and DNFBPs understanding of and compliance with obligations

11.5.1. FIs and VASPs

836. In recent years, authorities involved in countering PF and implementing sanctions conducted several outreach engagement sessions with the private sector, including FIs, VASPs and DNFBPs (including legal professionals). Since 2023, the Department of Finance has hosted an annual "Sanctions Symposium" to share with and learn from key stakeholders in the public and private sectors. Since 2022, GAC has increased both the frequency and pace of its outreach with stakeholders, through online webinars, conferences and other multilateral engagement tools. Furthermore, GAC maintains a sanctions website with information on all sanction measures Canada has in place. In July 2025, FINTRAC published a guidance

providing background information relevant to financial transactions associated with the suspected evasion of sanctions related to counter proliferation. It informs FIs, DNBFPs, VASPs and the public on the characteristics and indicators of completed or attempted financial transactions related to this activity in order to facilitate their detection, prevention, and deterrence. FINTRAC also publishes indicators, typologies, and bulletins on sanctions evasion and PF. The existence of tailored bulletins, such as the one on the use of the legal profession in money laundering and sanctions evasion, suggests an effort to align private-sector awareness with evolving risk. Canada should continue publishing tailored bulletins, indicators and typologies for the other private sector, following a risk-based approach.

837. As a result of the outreach activity, the majority of FIs and MSBs operating as VASPs demonstrate good awareness of their obligations regarding the implementation of PF-TFS. These entities generally conduct daily screening against the UN sanctions lists to ensure compliance. Large FIs including banks deploy automated systems to facilitate on-boarding and ongoing name screening, and transaction screening to ensure compliance. It is also FINTRAC's supervisory expectation that banks should have automated screening systems in place given their business scale and complexity. Furthermore, the financial sector as a whole appears to have a sound understanding of its responsibility to perform checks not only on its customers but also on the counterparties to any transactions and, where applicable, on intermediaries involved. In most cases, institutions have established dedicated staff or specialized units tasked with overseeing the effective implementation of TFS, thereby reinforcing internal compliance frameworks.

11.5.2. DNFBPs

838. DNFBPs' understanding and compliance varies significantly across sectors. While most DNFBPs are aware of the existence of sanctions regimes, including the UN sanctions, some are not conscious of all their obligations. DNFBPs as a whole demonstrated a less sophisticated understanding of TFS, for example often not distinguishing between TF-related and PF-related sanctions.

839. Some DNFBPs, particularly lawyers, DPMS and real estate agents, conduct sanctions screening exclusively at the onboarding stage and do not maintain ongoing monitoring throughout the business relationship. This practice creates potential vulnerabilities, as it may result in the failure to identify designated individuals among existing clients over time. Furthermore, lawyers often rely on FIs to perform checks required for sanctions compliance.

840. In addition, certain private sector entities (e.g. DPMS) apply CDD and supplementary screening only for transactions exceeding the threshold of CAD 10 000. This approach leaves significant gaps that could be exploited for sanctions evasion, especially in high-risk scenarios. Canada would benefit from further awareness raising among such stakeholders that the CAD 10 000 mandatory reporting threshold does not apply for the implementation of PF-TFS.

841. Transactions involving virtual assets present an elevated risk of proliferation financing, given the demonstrated expertise of DPRK and Iran in using them to circumvent sanctions. This risk should be properly considered by the private sector because, in some cases (e.g. DPMS), VA transactions are allowed within the non-financial sector which tend to rely on checks performed by financial sector to detect potential PF-related sanctions evasion.

842. Certain entities, such as casinos, frequently rely on commercial databases and are not always able to distinguish clearly between UN sanctions lists and other sanctions regimes. Moreover, in some cases, only high-risk customers are subject to continuous screening. Real estate agents sometimes conduct checks against UN designated subjects using a risk-based approach, whereby the frequency of the screening activities depends on the customer's assessed risk profile.

11.6. Competent authorities monitoring and ensuring compliance with PF-related targeted financial sanctions

11.6.1. FIs and VASPs

843. Pursuant to section 40(e) of the PCMLTFA, FINTRAC has the authority to supervise the implementation of reporting entities' (FIs, VASPs and DNFBPs, excluding lawyers) obligations, including compliance with some obligations related to sanctions evasion and PF. Specifically, FINTRAC has the authority to supervise reporting entities for compliance with MDs and with reporting obligations linked to sanctions evasion. However, while the relevant obligations are implemented within Canada's framework through the UN Act, no authority is explicitly mandated by law to supervise FIs, VASPs and DNFBPs in respect of all obligations arising from the implementation of UNSCR 1718(2006) and following, and UNSCR 1737(2006) and following. In fact, the MDs do not cover all obligations arising from these UNSCRs and the related UN Act, such as the obligation to effectively freeze funds, other financial assets, and economic resources, as required under the relevant provisions (Art. 8(d) of UNSCR 1718(2006) and subsequent resolutions, and Art. 12 of 1737(2006) and subsequent resolutions).

844. The 2017 Ministerial Directive on DPRK is applicable for all the reporting entities referred to in section 5 of the PCMLTFA. The Ministerial Directive on Iran was initially issued in 2020, updated in 2024 and again on 17 November 2025. Until 17 November 2025, the application of the MD on Iran was limited to some categories of reporting entities under the PCMLTFA that were considered high-risk and, consequently, did not provide full coverage. Since 17 November 2025, the MD on Iran applies to all reporting entities under the PCMLTFA. The 2017 MD on DPRK and 2024 MD on Iran require that the selected reporting entities treat financial transactions with DPRK and Iran as high risk, verify identities, exercise customer due diligence, keep record and report transactions, whereas the 2025 MD on Iran expands the obligations to all reporting entities and further introduces additional provisions related to correspondent banking and to transactions with third country and potential risk of sanction evasion associated with Iran.

845. FINTRAC's supervision powers includes: i) obligation to file STRs where there are reasonable grounds to suspect a transaction is linked to the commission or attempted commission of a sanctions evasion offence, ii) reporting of sanctioned property, iii) compliance with Ministerial Directives, and iv) the underlying compliance programs that support these obligations. Furthermore, FINTRAC examinations review whether reporting entities screen customers at onboarding and on an ongoing basis against prescribed lists, and whether escalation procedures allow for immediate reporting and freezing when matches are identified.

846. For cases of non-compliance, FINTRAC may apply sanctions, including administrative monetary penalties (AMPs), public naming, and non-compliance disclosures (NCDs) to law enforcement agencies. Since its implementation in 2017, three penalties were imposed by FINTRAC relating to the DPRK Ministerial Directive in 2024-2025, which is reflective of Canada's low exposure to DPRK risks. In all three instances, the issue was about the entities policies and procedures that were not reflecting measures to address the requirements under the MD on the DPRK. However, FINTRAC also applied several administrative monetary penalties due to non-compliance with the MD related to Iran, before the trigger of the Snapback in September 2025. AMPs were applied mostly to MSBs but also to some securities dealers. In one case, a large AMP was applied to a bank where the failure to apply established enhanced due diligence measures to some clients contrary to the MD and the bank's own policies and procedures formed part of the overall CAD 9 million penalty. No AMPs related to relevant UNSCRs were applied in the review period.

847. Canada has established the framework and programmes for supervising compliance of reporting entities with the obligations across the PCMLTFA, including the requirements related to TFS. However,

given the significant role that FIs play in Canada's economy and the risks posed by VASPs, Canada's supervision strategy would benefit from further developing the supervisory framework and programmes for these entities, particularly VASPs, by more effectively targeting them to address PF risks and to adequately monitor the implementation of PF-related targeted financial sanctions.

11.6.2. DNFBPs

848. DPMS are considered low risk for PF in Canada, and they are not subject to licencing or registration requirements. This may limit FINTRAC's ability to assess and monitor the PF risk of some entities in this sector, and their effective implementation of PF-TFS obligations. The implementation of a licensing or registration model for DPMS would make FINTRAC's supervisory activities over the implementation of PF-TFS in the sector more effective. Lawyers and Québec notaries are supervised by provincial/territorial law societies and are subject to Canadian sanctions laws, however they are not subject to supervision of those laws by any regulator.

849. During compliance examinations, FINTRAC assesses whether REs have adequately integrated PF considerations into their risk assessments, policies, procedures, and training and whether REs can demonstrate that they understand their exposure to PF risks and have systems in place to detect and report relevant activity. FINTRAC imposed some AMPs related to Ministerial Directive deficiencies on four Real Estate agent companies between 2022 and 2025. These AMPs are mostly related to deficiencies in written policies and procedures, transaction restriction requirements, client identification and ongoing monitoring. No AMPs related to PF-TFS have been issued by FINTRAC to casinos.

Annex A. Technical compliance[61]

This section provides detailed analysis of the level of compliance with the FATF 40 Recommendations in their numerical order. It does not include descriptive text on the country situation or risks and is limited to the analysis of technical criteria for each Recommendation. It should be read in conjunction with the Mutual Evaluation Report.

This technical compliance covers areas where the country has made legal, regulatory or operational framework changes since its last mutual evaluation in 2016 or its follow-up report with technical compliance re-ratings from 2021, and areas where there has been a change in the FATF Standards for which the country has not previously been assessed. The reassessed areas are clearly identified under each heading.

For Recommendations not under review, pre-existing information from the country's most recent assessments is included. Such Recommendations are marked with a footnote cross-referencing the date and source of the information (i.e. the country's most recent mutual evaluation or follow-up reports with technical compliance re-ratings).

Recommendation 1 – Assessing risks and applying a risk-based approach

In the 4th round MER, Canada was rated Largely Compliant with R.1. Canada was considered to have identified and assessed the main inherent ML and TF risks for the implementation of appropriate mitigation measures. The previous MER did not assess compliance in relation to understanding and mitigating risks related to proliferation financing. Recommendation 1 is newly assessed due to changes to the FATF Standards for which Canada has not previously been assessed.

Countries' obligations and decisions

Assessment of ML/TF risks

Criterion 1.1

The Government of Canada has developed and refined a risk assessment framework to support the identification, assessment and mitigation of ML/TF risks and a process to update and enhance this assessment over time. Since finalizing its first NRA in 2015, Canada has produced two updates to the NRA Report to bolster the understanding of the national risk landscape. These updates, co-ordinated by the Department of Finance Canada (Finance Canada) with input and support from all federal Regime partners, provincial and territorial governments, private sector reporting entities, and SRBs, were published in 2023 and 2025. Each iteration was built on previous risk assessments to incorporate feedback and lessons learned and reflect best practices.

Updates to the NRA have maintained the same foundational framework for evaluating threats, vulnerabilities, and consequences to assess inherent ML/TF risks (i.e., before the application of any mitigation measures), The 2025 NRA (which reflects the situation in Canada up to 31 December 2024) also

[61] In accordance with the 5th Round Methodology, Recommendations under review, which have been analysed for this mutual evaluation, are in green.

incorporates methodological improvements. These changes include a consolidated set of distinct ML threats to improve operational priority setting, a separate assessment of threat actors and enablers, a focus on terrorism financing actors with a direct nexus to Canada, and a residual risk lens to highlight ongoing risk mitigation measures.

Overall, Canada's most recent NRA Report contains a comprehensive analysis of ML and TF threats, as well as ML/TF vulnerabilities; nevertheless, some concerns remain with respect to sector-specific risk assessments. While threat and vulnerabilities are identified, these elements are not clearly articulated to derive risk conclusions and application of residual risk ratings are not clear due to the methodology used.

Criterion 1.2

As in the 2016 MER, Finance Canada is the designated authority for co-ordinating the work associated with the national assessment of ML/TF risks – they do so by co-ordinating the NRA process as well as multiple other exchange mechanisms.

In order to co-ordinate the involvement of all relevant operational stakeholders, Canada maintained a dedicated interdepartmental NRA working group, with the National Risk Assessment Committee (NRAC) having evolved into the Strategic Intelligence and Risk Assessment Working Group (SIRA-WG).

For the 2025 NRA, Finance Canada leveraged a newly established federal, provincial and territorial AML/CFT working group to engage with provincial and territorial partners during the drafting process for their feedback and input.

Criterion 1.3

According to the terms of reference of SIRA-WG (formerly NRAC), developed and adopted by all members in 2021, Canada's public NRA - reflecting the group's work - should be updated every two to three years to ensure its relevance. The first follow-up to the 2015 NRA was published in 2023, providing an overview of national risks up to December 2020. The development of the 2023 NRA began in 2017, was finalized during the COVID-19 pandemic in 2021 and released in early 2023. During this period, risk information related to emerging threats have been disseminated through several operational alerts and special bulletins from FINTRAC and thematic assessments by other intelligence partners.

In conjunction with the NRA, various government departments and agencies, such as FINTRAC, the RCMP, Criminal Intelligence Service Canada (CISC), Canadian Anti-Fraud Centre (CAFC), Canada Border Services Agency (CBSA), the Integrated Terrorism Assessment Centre (ITAC), and the Cyber Centre, have also published strategic intelligence products, risk assessments, and risk-based guidance on an ongoing basis to promote awareness of new emerging trends in risks. FINTRAC's work in risk research and public education feeds directly into the work of the SIRA-WG and the regular updates to Canada's public national risk assessment report.

Criterion 1.4

Canada published its 2025 NRA in August 2025; the NRA's findings have already been shared with competent authorities and reporting entities, law societies, and the NPO sector. Information from the 2025 NRA has been disseminated through various channels, including public-private committees, working groups, and public events such as conferences and virtual webinars, including FINTRAC's Industry Day in October 2025. The findings of Canada's NRA are continuously shared with all 13 federal partners and competent authorities in the AML/CFT Regime through the SIRA-WG, Regime Governance committees that SIRA reports to, including committees at the Director General level, Assistant Deputy Minister level, and Deputy Minister level. NRA results are also broadly disseminated to SRBs and private sector including FIs and DNFBPs through online publication, formally established committees, working groups, ad hoc engagements, and public events. Previous iterations of the NRA are publicly shared on the Government of Canada's website.

Assessment of PF risks

Criterion 1.5

Sub-criterion 1.5(a) - Finance Canada co-ordinated the development of a sanctions evasion risk assessment, which includes an assessment of proliferation financing (PF) risks. The period of assessment is from January 2022-December 2024. The assessment draws on trade and financial transaction data going back to 2019. Preliminary results of this risk assessment were shared with the private sector in Fall and Winter 2024/25. The final document will be disseminated to public and made available to private sector stakeholders, including reporting entities under the PCMLTFA, law societies and other SRBs, in 2025, leveraging Canada's AML/CFT Regime committees and other platforms used to communicate ML/TF risks.

Sub-criterion 1.5(b) - Global Affairs Canada is responsible for the administration of Canada's sanctions regime. Given the important role of PCMLTFA reporting entities, notably financial institutions, in the implementation of sanctions and vulnerabilities that overlap with ML/TF risks, Finance Canada is responsible for co-ordinating Canada's assessment of PF risks, in close consultation with AML/CFT Regime partners.

Sub-criterion 1.5(c) - The sanctions evasion risk assessment is the first of its kind in Canada. Going forward, SIRA WG TOR will be updated in 2026 to integrate the assessment of PF risk under its mandate, to be updated synchronised the ML/TF NRA on a 2-3 year cycle.

Sub-criterion 1.5(d) - Publication of the 2025 PF risk assessment is pending. The same mechanisms as outlined in 1.4 above apply in the case of PF risk assessment findings and results. Canada has revised the risk assessment due to the UN snapback of sanctions on Iran and will share the document with relevant stakeholders.

Measures to mitigate ML/TF risks

Criterion 1.6

Canada's AML/CFT policy and operational priority setting is informed by a risk-based approach, including the results of NRA reports and the various risk assessment products developed by operational AML/CFT Regime partners on a routine basis.

In response to elevated ML/TF threats and vulnerabilities, Canada has prioritized investments and policy reforms in several areas. Initiatives include measures to enhance operational effectiveness, as well as legislative and regulatory changes aimed at extending and strengthening AML/CFT obligations to vulnerable sectors and improving corporate transparency.

In 2025, Canada has applied extensive risk-based measures to address the ML linked to organized criminal activity, as well as cross-border crimes, such as fentanyl trafficking. These persistent threats have been identified in Canada's NRA reports, and FINTRAC's 2025 Operational Alert on Laundering the Proceeds of Synthetic Opioids. Canada launched two key initiatives to respond to the significant ML threats posed by illicit drug trafficking involving organized crime by launching the Integrated Money Laundering Intelligence Partnership (IMLIP) to enhance sharing of tactical information between law enforcement and the financial sector to detect, deter, and disrupt sophisticated money laundering networks; and creating a Joint Operational Intelligence Cell, focusing on transnational organized crime, money laundering, border security, and drug-trafficking, to facilitate the expedient and effective flow of intelligence to support law enforcement operations in Canada and abroad. The findings of Canada's NRA have also informed changes to the Criminal Code to provide additional tools to law enforcement to support this work.

Criterion 1.7

In Canada financial activities are subject to AML/CFT preventive measures as required in the FATF Recommendations, except when these activities are conducted by the sectors that are not subject to AML/CFT obligations under the PCMLTFA. While this was identified as a minor deficiency in the 2016 MER,

following the 2025 amendments to the PCMLTFA, most of the sectors previously not covered (including cheque-cashing businesses, factoring companies, leasing companies, finance companies) are now regulated. Based on the findings of the 2025 NRA, obligations for the financing and leasing sector are scoped to exclude low risk activities offered by the sector, such as financing and leasing services for low value consumer products (rent-to-own furniture, personal electronics, etc.). This exemption is consistent with the R.1 requirements.

Criterion 1.8

The 2023 and 2025 NRAs identified that several entities in the real estate sector remain moderately or highly vulnerable to ML/TF. Since October 2024, mortgage administrators, brokers and lenders are subject to comprehensive AML/CFT regulatory controls under the PCMLTFA and supervision by FINTRAC.[62] This includes the previously unregulated mortgage lenders: mortgage finance companies (MFCs)[63], mortgage investment corporations (MICs), syndicated mortgages, or other private lenders such as private corporations, individuals, and mutual-fund trusts. As of October 2025, the PCMLTFA requirements have also been extended to title insurers and real estate representatives are now required to identify unrepresented parties and third parties in real estate transactions.

The legal basis for risk-based measures remains the same since the 2016 evaluation. In accordance with PCMLTFA Sub-section 9.6(3) if, at any time, a regulated person or entity considers that the risk referred is high, or in the prescribed circumstances, they must take special measures referred to in the regulations. PCMLTFR Part 7 "Compliance Program and Special Measures" further specifies the special measures that must be applied in accordance with the Act.

Nevertheless, these provisions do not apply to the legal profession. The Federation of Law Societies of Canada and certain law societies have issued non-binding guidance to assist the legal profession in assessing, managing and mitigating ML/TF risks. However, lawyers and law firms in Canada are not subject to any formal legal requirements to take enhanced measures to manage or mitigate higher risks, or to incorporate this information into the risk assessments.

Criterion 1.9

Canadian authorities have identified some areas of lower risk (although there is limited focus on low risk areas in the NRA) in which simplified measures are permitted and have provided guidance on the application of such measures.

In 2019, the PCMLTFR (s.111(1)(a), 111(1)(b), 114(1)(a), and 114(1)(b)) was amended to allow banks, credit unions, life insurance companies, federal and provincial trust and loan companies, and securities dealers to use a simplified identification method to verify the identity of another bank, credit union, life insurance company, federal or provincial trust and loan company, or securities dealer, or foreign corporation carrying out similar activities. The simplified process may also be used for an entity that administers a pension plan or investment fund subject to regulation by a foreign state, a corporation whose shares are traded on the Canadian stock exchange or a stock exchange designated under the Income Tax Act, a subsidiary whose financial statements are consolidated with these entities, or a state-owned enterprise, institution or agency or public service body. There are specific record-keeping obligations that apply when using this method. Such entities are not explicitly assessed to determine the risk treatment.

Similarly, due to the amended s.155(1) of the PCMLTFA, if a person or entity's identity was previously verified in accordance with the PCMLTFA, a reporting entity does not need to verify their identity again for subsequent transactions if the required records were kept in accordance with the Regulations (as per s.

[62] FINTRAC (2024) Mortgage administrators, brokers and lenders - Mortgage administrators, brokers and lenders (canada.ca)

[63] MFCs have to comply with OSFI Guideline B-20, which include AML requirements, when they underwrite and administer mortgages packaged and sold to regulated financial institutions or securitized through government-sponsored programs.

108) – so long as there are no doubts about the information that was relied on to verify their identity previously. A reporting entity may rely on the measures that were previously taken by an agent or mandatary, if the agent or mandatary was acting in their own capacity at the time, whether or not they were required to use the methods in accordance with the PCMLTFR or acting as an agent or mandatory under a written agreement or arrangement that was entered into with another reporting entity for identity verification purposes.

Criterion 1.10

The PCMLTFA, s.40(e), requires FINTRAC (the AML/CFT supervisor for all PCMLTFA regulated persons and entities) to ensure compliance with PCMLTFA provisions. In this role, FINTRAC conducts various compliance activities, including examinations which assess compliance with PCMLTFA and PCMLTFR requirements.

The legal profession is not covered under the PCMLTFA and is thus not supervised for R1 requirements (to conduct risk assessments). Notably, provincial and territorial law societies, which qualify as SRBs, oversee lawyers' and Québec notaries' compliance with certain AML/CFT obligations (see R.22 and R.28 for more details).

The Office of the Superintendent of Financial Institutions (OSFI) also provides prudential oversight of the ML and TF risks that could affect the financial soundness of federally regulated financial institutions (domestic and foreign banks and trust companies). This complements FINTRAC's responsibility for supervising compliance with the PCMLTFA. OSFI and FINTRAC apply a risk-based approach to the supervision of their supervised sectors.

Measures to mitigate PF risks

Criterion 1.11

Sub-criterion 1.11(a) - No reporting entity under the PCMLTFA has been issued an exemption from requirements to identify, assess, monitor, manage or mitigate PF risks.

Sub-criterion 1.11(b) - The overall risk to Canada's financial sector from transactions implicating DPRK is low. Section 11.42(1) of the PCMLTFA, and the Directive on DPRK, implements Canada's countermeasure obligations under Recommendation 19.

Sub-criterion 1.11(c) - While the risk to Canada from transactions implicating DPRK is low, Canada's Directive on DPRK sets out the requirements for countermeasures. Under section 11.42(2) of the PCMLTFA, Ministerial Directives can be tailored. In cases of lower risk, tailored measures can include requirements for record keeping or identity verification. In cases of higher risk, they can include the mandatory reporting of any financial transaction to FINTRAC regardless of the amount or normal reporting threshold. In a very high-risk situation, section 11.49 (1) allows for the limitation, or outright prohibition, of any transactions with a foreign entity/state.

Sub-criterion 1.11(d) - Section 40 (e) of the PCMLTFA assigns FINTRAC the mandate to ensure compliance with Parts 1 and 1.1, including the Directive on DPRK. FINTRAC has issued guidance on its supervisory expectations concerning the implementation of PF risk obligations of financial institutions and regulated DNFBPs. During a compliance examination, FINTRAC may assess compliance with the DPRK directive in order to verify that entities have complied and taken appropriate mitigating measures in relation to these transactions. FINTRAC may also review entities' overall risk assessment.

Obligations of financial institutions and designated non-financial businesses and professions

Assessment of ML/TF risks

Criterion 1.12

Canada continues to require financial institutions and DNFBPs to take appropriate steps to identify, assess, and understand their ML/TF risks. Financial institutions and DNFBPs are required to implement compliance programs and special measures to mitigate risks, particularly when the risk of ML/TF offence is high or under certain special circumstances.

Sub-criterion 1.12(a) - PCMLTFA, s.9.6(2) and PCMLTFR, §156(3) requires REs to conduct risk assessments; and to

Sub-criterion 1.12(b) - consider all the relevant risk factors before determining what is the level of overall risk and the appropriate level and type of mitigation to be applied.

Sub-criterion 1.12(c) - PCMLTFR, S.156(3) provides that the REs shall keep their risk assessments up to date.

Sub-criterion 1.12(d) - All supervised entities and those subject to examination by FINTRAC are obligated under their sector legislation or PCMLTFA, s.62 to provide any material that FINTRAC or sector regulators may require. FIs and DNFBP sectors can share risk information with FINTRAC and other competent authorities via representatives on the National Risk Assessment Working Group within the ACMLTF NRA-WG. The legal profession shares risk assessment information with federal competent authorities through the Working Group between the Government of Canada and the Federation of Law Societies of Canada.

Although lawyers are not included in Canada's federal AML/CFT framework, they are subject to the regulation and supervision of the provincial and territorial law societies. In all law societies, lawyers are subject to certain AML/CFT rules and related duties, which are legally binding and enforceable. Lawyers are required to assess and monitor whether there is a risk that the lawyer may be aiding or encouraging fraud or other illegal conduct, and to withdraw representation if they know or ought to know that they could be aiding or encouraging fraud, crime or illegal conduct, including ML/TF offences under the *Criminal Code.*

Measures to mitigate ML/TF risks

Criterion 1.13

Canada continues to require financial institutions and DNFBPs falling into the scope of the AML/CFT regime under the PCMLTFA and PCMLTFR to have compliance program policies and procedures in place that require senior management oversight and approval, as well as to review the program every two years.

Sub-criterion 1.13(a) - Under PCMLTFA s 9.6(1) and PCMLTFR, s.156, regulated financial institutions and DNFBPs are required to develop written AML/CFT compliance policies and procedures, which are approved by a senior officer of the entity.

Sub-criterion 1.13(b) - These policies and procedures, the risk assessment and training program are required to be reviewed at least every two years (PCMLFTR, S.156(1)(3). The reporting entities must also assess and document ML and TF risks (PCMLTFA, s.9.6(2) and PCMLFTR, s.71(1)(c)).

Criterion 1.14

Under PCMLTFA, ss.9.6(2) and 9.6(3), REs are required to assess ML and TF risks and enhanced due diligence, record keeping and monitoring of financial transactions that pose a high risk of ML or TF.

Assessment of PF risks and measures to mitigate them

Criterion 1.15

Sub-criterion 1.15(a) - The Ministerial Directive on DPRK requires a compliance program that mirrors ML and TF prescribed measures but is specific to sanctions evasion (including proliferation financing obligations).

Sub-criterion 1.15(b) - As it relates to sanctions evasion and proliferation financing: the Directive applied against DPRK (presented and discussed above) requires every person or entity referred to in S.5 of the PCMLTFA to ensure that the compliance program referred to in S.9.6 of the Act is to be in place. This includes the development and application of policies and procedures for the person or entity to assess the risk of a sanctions evasion offence (which includes UNSCR-linked proliferation financing obligations; s.2 of the PCMLTFA) involving the DPRK. The Directive covers any financial transaction where there are reasonable grounds to suspect it is originating from or bound for DPRK, including if the transaction is processed through an intermediary jurisdiction. As S.5 of the PCMLTFA excludes lawyers, they are not subject to the Ministerial Directive on DPRK. Nevertheless, lawyers and law firms are subject to disclosure and reporting obligations and are prohibited from dealing with DPRK under Canadian economic sanctions legislation.

Sub-criterion 1.15(c) - The Ministerial Directives requires that policies, controls and procedures, which are approved by senior management and consistent with national requirements and guidance from competent authorities be in place reflective of the risk and cover ML, TF and sanctions evasion [156.1(b), 156.4, 157 and for correspondent banking section 16(3)].

Sub-criterion 1.15(d) - FINTRAC is the designated supervisor to monitor compliance of Part 1 and 1.1 of the Act (Section 40 paragraph (c)). A breach of the Directive is classified as a Very Serious Penalty under the PCMLTFR (see schedule, part 1, item 22 for confirmation), and would result in a penalty pursuant to S.5 of these regulations. In a case of criminal non-compliance under the PCMLTFA, FINTRAC would refer the case for investigation by the RCMP. The associated penalty provisions for criminal non-compliance are found in S.74-75 of the PCMLTFA. Although lawyers and law firms are not subject to any formal legal requirements for the purposes of c. 1.15, they are required to comply with Canada's economic sanctions legislation. There is no competent authority or supervisor charged with monitoring lawyers' and law firms' compliance with Canadian economic sanctions legislation. The RCMP and the CBSA are responsible for the enforcement of Canadian sanctions legislation.

Sub-criterion 1.15(e) - By nature of the Directive on DPRK, authorities have classified the relationship as 'high risk' which triggers commensurate measures in S.123.1 and S.157 of the PCMLTFR. If a higher risk were identified, authorities could employ S.11.49 of the PCMLTFA to limit or prohibit transactions with the DPRK as a whole or its foreign banks. While the issuance of a Ministerial Directive (in response to the FATF call for countermeasures) removes discretion from reporting entities to deploy measures commensurate with a lower level of risk, as outlined above, under section 11.42(2) of the PCMLTFA, Ministerial Directives can be tailored. At the lower risk end of the spectrum, they can include additional requirements for record keeping or identity verification. At the higher risk end of the spectrum, they can include the mandatory reporting of any financial transaction to FINTRAC regardless of the amount or normal reporting threshold. In a very high-risk situation, section 11.49 (1) allows for the outright prohibition of any transactions with a foreign entity/state.

> ***Weighting and conclusion –*** Canada has assessed and identified its ML/TF threats and vulnerabilities through its third NRA completed in 2025 under the co-ordination of Finance Canada with involvement of dedicated interdepartmental working groups including the Strategic Intelligence and Risk Assessment Working Group. Whilst with respect to many sectors appropriate risk mitigation measures are in place, there remain minor shortcomings particularly in relation to the coverage of legal profession as they are not monitored for mitigation of ML/TF/PF risks. Canada's approach to

assessing and understanding risks requires improvement, including clearer articulation of threats and vulnerabilities to derive risks and more transparent analysis of residual risk ratings, and low-risk sectors. Recommendation 1 is rated **largely compliant**.

Recommendation 2 – National co-operation and co-ordination

In its 2016 MER, Canada was rated C for R.2, and this was maintained in the 2021 FUR. This recommendation is under review due to changes in the FATF Methodology since the country was last assessed.

Criterion 2.1

Canada has national AML/CFT policies that are clearly informed by identified risks and regularly reviewed. The federal government released updated National Risk Assessments (NRA) in 2023 and 2025, supported by ongoing risk assessments conducted by regime partners. These assessments informed the development of national strategies, including Canada's 2023–2026 AML/ATF Regime Strategy, which sets out co-ordinated priorities to address the highest ML/TF threats and vulnerabilities.

As informed by the NRA, the federal government has developed several national strategies to combat the ML/TF and most significant ML predicate offences. Policies have been regularly reviewed and updated through successive legislative and regulatory reforms to the PCMLTFA and related statutes. Informed by existing and evolving ML/TF risks, Canada's federal AML/ATF Regime has introduced significant legislative and regulatory amendments to the PCMLTFA and associated Regulations, as well as other relevant Acts, such as the Criminal Code, the Canada Business Corporations Act, and the Income Tax Act, to broaden the scope of the federal AML/ATF Regime and support national AML/ATF policies and operations. These changes address persisting and evolving risks (such as virtual assets, crowdfunding and sanctions evasion), regulatory gaps, and enhance compliance and enforcement tools and alignment with FATF standards.

Criterion 2.2

Canada has a well-established and comprehensive inter-agency framework that enables co-operation, co-ordination, and information exchange among all relevant authorities in the AML/CFT/CPF regime. This framework spans 13 federal partners—including the FIU (FINTRAC), law enforcement (RCMP), supervisors (FINTRAC and OSFI), and key policy agencies (Finance Canada, Public Safety Canada)—whose roles are clearly defined and integrated under three functional pillars: policy and co-ordination; prevention and detection; and investigation, prosecution, and disruption.

Co-ordination is facilitated through a tiered committee structure that includes the Deputy Minister and ADM-level AML/ATF Committees, Director General co-ordinating committees, and specialized working groups such as the Strategic Intelligence and Risk Assessment Working Group and the Interdepartmental Committee on Listings. These bodies ensure horizontal collaboration on AML/CFT/CPF policy setting, enforcement priorities, and risk assessments.

Canada also enacts strong inter-jurisdictional co-ordination through formalized federal-provincial-territorial (FPT) forums and public-private collaboration platforms. Regular FPT meetings at ministerial, deputy minister, and working levels allow for harmonization of policy development and operational strategies across jurisdictions. In parallel, the Advisory Committee on Money Laundering and Terrorist Financing (ACMLTF) and the Regime Advisory Committee (RAC) support sustained engagement with the private sector on legislative, regulatory, and risk-based policy development.

Criterion 2.3

The Department of Finance Canada (Finance Canada) is the overall policy lead for the AML/ATF Regime, responsible for co-ordination across Regime partners, the development of national AML/CFT/CPF policies,

and approval, management, and reporting on Regime initiatives. Finance Canada chairs or co-chairs several interdepartmental bodies—including the Strategic Intelligence and Risk Assessment Working Group (SIRA-WG), the Director General Co-ordinating Committee, and various ADM/DM-level committees—ensuring a whole-of-government approach to setting and executing national policy. These committees facilitate regular co-operation among key stakeholders such as the financial intelligence unit, law enforcement, supervisors, and security agencies.

In addition, specific responsibilities for CPF policy are co-ordinated between Global Affairs Canada—which leads on international sanctions and compliance with UNSCRs—and Finance Canada, which supports domestic implementation through provisions in the PCMLTFA intended to detect and deter sanctions evasion. FINTRAC contributes further by overseeing compliance with sanctions-related obligations in the PCMLTFA.

Criterion 2.4

Canada has a robust set of mechanisms to support operational co-operation and timely information sharing across its AML/CFT/CPF regime. A network of interdepartmental working groups, including Canadian Integrated Response to Organized Crime (CIROC), the operational component of the Canadian Law Enforcement Strategy to Combat Organized Crime, and policy-operational forums such as the Strategic Intelligence and Risk Assessment (SIRA) Working Group, enables authorities to prioritize threats, close gaps, and implement national strategy objectives.

The PCMLTFA authorizes FINTRAC to disclose designated information to relevant authorities when legislated thresholds are met. FINTRAC has MOUs with the CBSA, CSIS and RCMP to query operational information from their respective databases, including CBSA enforcement data related to customs seizures, export control activities, and search and arrest activities; CSIS' National Security database concerning threats to the security of Canada; and two RCMP databases of investigative activities.

Canada has mechanisms to share information among different competent authorities, both proactively and on request, for operational purposes including PF. Additionally, FINTRAC maintains bilateral MOUs with supervisory agencies (e.g., OSFI) that allow for both proactive and request-based information sharing for compliance purposes.

Specific mechanisms also exist to address CPF and sanctions-related operational needs. Committees co-chaired by Global Affairs Canada and Finance Canada enable multi-agency collaboration on asset seizure and management involving designated persons. The CBSA leads the Counter Proliferation Operations Committee and the Sanctions and Border Enforcement Co-ordination Committee, both of which convene operational authorities such as RCMP, CSIS, and DND on a need basis with a similar objective of managing sanctions related issues that require immediate attention.

Criterion 2.5

Canada's AML/CFT/CPF competent authorities operate in accordance with applicable privacy legislative requirements and policy instruments related to the Privacy Act, which governs the collection, retention, use and disclosure of personal information by government institutions.

Canada's AML/ATF Regime Charter underscores privacy impacts are cross-cutting issues that are taken into account in Regime policy development and operations. Competent authorities co-operate and co-ordinate to ensure compatibility of AML/CFT/CPF requirements with privacy laws. The Regime Charter specifically notes emerging risks and changes to the operational environment must be balanced against the protection of privacy.

Competent authorities actively engage on privacy impacts, including between Finance Canada, FINTRAC, the Department of Justice and the Department of Innovation, Science and Economic Development (responsible for the Personal Information Protection and Electronic Documents Act and federal

incorporation statutes implicated in corporate beneficial ownership). The policy development process also involves conducting legal assessments of privacy implications of new policy proposals by privacy experts at Justice Canada, as well as possible consultations with the Office of the Privacy Commissioner of Canada.

FINTRAC also has a privacy policy that commits itself to protecting information it receives. Under the PCMLTFA, every two years, the Privacy Commissioner must review the measures undertaken by FINTRAC to protect information and report the findings to the Canadian Parliament.

Most recently, the implementation of Canada's federal beneficial ownership registry was informed by a Privacy Impact Assessment and developed in consultation with the Office of the Privacy Commissioner. The registry limits public disclosure to non-sensitive personal data, while access to protected information is restricted to authorities specified under Canada Business Corporations Act (s. 21.301), such as FINTRAC, CRA, and law enforcement.

While there are no standalone working groups or committees dedicated to data protection and privacy in relation to AML/CTF measures, the mechanisms established for implementing the Regime (outlined above) allow competent authorities to effectively co-operate and co-ordinate on such issues.

Weighting and conclusion – Recommendation 2 is rated **compliant.**

Recommendation 3 – Money laundering offence

In its 2016 MER, Canada was rated C with R.3.

Criterion 3.1

ML activities are criminalized through Criminal Code (CC), ss.354 (possession of proceeds), 355.2 (trafficking in proceeds), and 462.31 (laundering proceeds). *Conversion or Transfer:* CC, s.462.31 criminalizes the use, transfer, sending or delivery, transportation, transmission, altering, disposal of or otherwise dealing with property with the intent to conceal or convert the proceeds and knowing or believing that all or part of that property or proceeds was obtained or derived directly or indirectly as a result of a predicate offense. S.462.31 falls somewhat short of the FATF standard due mainly because the perpetrator must intend to conceal or convert the property itself rather than the illicit origin thereof. Additionally, no alternative purpose element of "helping any person who is involved in the commission of a predicate offense to evade the legal consequences of his or her action" is provided for. S.355.2 criminalizes many of the same acts as s.462.31 but without setting out any specific intent requirement. However, the Supreme Court in *Canada in R. v. Daoust, 2004, 1 SCR 217, 2004 SCC 6 (CanLII)* held that "the intention of parliament was to forbid the conversion pure and simple, of property the perpetrator knows or believes is proceeds of crime, whether or not he tries to conceal it or profit from it." *Acquisition, possession or use:* Ss.354 and 355.2. criminalize the sole or joint possession of or control over (s.354) and the selling, giving, transferring, transporting, exporting or importing, sending, delivering or dealing with in any way (s.355.2) of property or things that the person knows were obtained or derived directly or indirectly from an indictable offense. Neither provision explicitly refers to the "acquisition or use," but such acts would be covered by "control over proceeds" in s.354 and the various material elements under s.355.2. *Concealment or disguise:* Under CC, s.354 it is an offense to conceal or disguise property that the perpetrator has possession of or control over, in which case liability is invoked for "possession and trafficking of proceeds." Additionally, the concealment or disguise is covered under s.355.2 and liability is for "trafficking in proceeds."

Criterion 3.2

Ss.354 and 355.2 cover acts relating to proceeds of an "indictable offense;" and s 462.31 to proceeds of a "designated offense." "Designated offense" is defined as "any offense that may be prosecuted as an

indictable offense other than those prescribed by regulation". Canada's ML provisions apply to all serious offenses under Canadian law and cover a range of offenses in each FATF designated categories of predicate offenses, including tax evasion.

Criterion 3.3

All serious offenses under Canadian law, defined as offenses with a statutory sanction of imprisonment for more than six months, constitute a predicate offense for ML. As indicated in the 2008 MER, federal laws criminalize a range of serious offenses under each FATF designated categories of predicate offenses.

Criterion 3.4

Ss.354, 355.2, and 462.31 apply to any property or proceeds of property obtained or derived, directly or indirectly, from the commission of an indictable offense. No value threshold applies. "Property" is defined under s.2 of the CC to include real and personal property of every kind and deeds and instruments relating to or evidencing the title or right to property, or giving a right to recover or receive money or goods, including converted or exchanged property. The definition covers material and immaterial, tangible and intangible, and corporeal and incorporeal property as well as interest in such property.

Criterion 3.5

The legal provisions do not require a conviction for a predicate offense to establish the illicit source of property. Case law further confirmed this principle.[64]

Criterion 3.6

The text of ss.354, 355.2 and 462.31 apply the relevant offenses to indictable offenses committed in Canada and to any act or omission committed abroad that would have constituted an indictable offense had it occurred in Canada.

Criterion 3.7

Nothing in the relevant provisions prevent their application to the person who committed the predicate offense. Canadian case law supports the notion that the ML provisions can also be applied to the person who committed the predicate offense.[65]

Criterion 3.8

As a general rule, Canada allows for the intentional element of criminal offenses to be inferred from objective factual circumstances and based on credible, admissible and relevant circumstantial evidence. This principle has been confirmed through case law in multiple instances, as indicated in the 2008 MER.

Criterion 3.9

Offenses pursuant to s.354 are punishable with imprisonment for up to ten years (if the value of the property exceeds CAD 5 000) or for up to two years (if the value of the property is less than CAD 5 000). S.355.5 applies the same value thresholds but set out slightly stricter sanctions of imprisonment for up to 14 years or up to five years, respectively. S.462.31 provides for a statutory sanction of imprisonment for up to ten years, regardless of the amounts involved. The statutory sanctions may be increased or reduced pursuant to CC, s.718.2 based on aggravating or mitigating circumstances. CC, s.718.1 requires that the sanction in all cases be proportionate to the gravity of the offense and the degree of responsibility of the offender. The statutory sanctions are considered to be both dissuasive and proportionate.

[64] United States of America and the honorable Allan Honourable Allan Rock, Minister of Justice for Canada v. Dynar, 1997, 2 SCR 462, 1997, CanLII 359 (SCC); R.cc. Chun 2015 QCCQ 2029 (CanLII); and R.c. Lavoie, 1999 CanLII 6126 (QCCQ).

[65] R. v. Tortine, 1998, 2 SCR 972, 1993 CanLII 57 (SCC); and R. v. Trac at R. v. Trac, 2013 ONCA 246 (CanLII).

Criterion 3.10

Legal entities may be subject to criminal liability and be held criminally responsible for ML. Pursuant to CC, s.735 (1) a legal entity, partnership, trade union, municipality or association convicted of an indictable offense is liable to a fine with the relevant amount being determined by the court. In determining the relevant sanction, s.718.21 stipulates that factors such as the advantage realized, the degree of planning involved in carrying out the offense, whether the organization has attempted to conceal its assets or convert them to avoid restitution; and any regulatory penalty imposed shall be taken into account. CC, s.718.1 requires that a sentence must in all cases be proportionate to the gravity of the offense and the degree of responsibility of the offender. Given the wide discretion the court has in determining the sanction, the statutory sanctions are considered to be dissuasive and proportionate. Parallel civil or administrative sanctions may be applied in addition to the criminal process.

Criterion 3.11

Ancillary offenses are criminalized in the general provisions of the CC (s.24— Attempt; s.21 (1)—aiding and abetting; s.465 (1) —conspiracy to commit; s.22— counselling, procuring, soliciting or inciting to commit; s.23—accessory after the fact).

> *Weighting and conclusion –* Recommendation 3 is rated **compliant.**

Recommendation 4 – Confiscation and provisional measures

The FATF Standards have changed for Recommendation 4 since Canada's 2016 MER. In its last assessment, Canada was rated Largely Compliant with Recommendation 4 due to shortcomings in its framework to confiscate property of corresponding value.

General principles

Criterion 4.1

LEAs have policies and operational frameworks at the federal level and in the majority of provinces, that prioritise asset recovery, particularly in the domestic context. Other competent authorities with an asset recovery mandate generally share this priority.

Sub-criterion 4.1(a) - At the federal level, there is no overarching policy or operational framework prioritising asset recovery. Individual agencies have policies and operational frameworks prioritising asset recovery to varying extents, but these are not always aligned. For RCMP-FP, asset recovery in both the international and domestic context, has been prioritised in the 2020-2023 and 2024-2026 RCMP Federal Policing Strategic Plans. RCMP's Operational Manual includes a chapter on proceeds of crime. RCMP C&IP aligns with FP's prioritisation on issues of shared focus through regular co-ordination. The RCMP also supports LEAs across the country through specialist teams providing technical expertise on investigations, including asset recovery. Provincial and municipal LEAs also have a significant asset recovery role in Canada, and their policies and operational frameworks prioritise asset recovery to varying degrees.

Provincial prosecution services prosecute offences under the CC. PPSC prosecutes CC offences within its jurisdiction and offences under other federal statutes. Both may seek asset recovery orders. Chapter 3.7 of PPSC's handbook details prosecutors may not waive the right to seek forfeiture without senior approval. This policy is set by the PPSC Director, and its operationalisation is supported by the HQ Counsel Group through its dedicated ML Working Group and specialised financial crime teams. Provincial prosecution services of Ontario (Ontario's Crown Prosecution Manual) and Québec (DPCP's Strategic Plan) prioritise

asset recovery. In other material provinces, such as British Columbia, asset recovery is handled to a large extent by the relevant civil forfeiture office.

In addition, provinces and territories have implemented civil forfeiture statutes and civil forfeiture authorities/offices (all provinces and territories, except for Prince Edward Island, Newfoundland and Labrador, the Yukon and the Northwest Territories).

Sub-criterion 4.1(b) - Canada has conducted several reviews of its asset recovery frameworks, both at the federal level and in BC. These reviews incorporated legislative reviews and broader regime-wide reviews.

A statutory review of the PCMLTFA is required every five years (PCMLTFA, s72(1)). To support this, in 2023, the Government of Canada led a review of the asset recovery framework through the 'Consultation on Strengthening Canada's Anti-Money Laundering and Terrorist Financing Regime'. This process included internal-to-government assessments, public consultation and targeted engagement, and a chapter review on operational effectiveness, including pre-trial restraint of property associated with crime and enhancing criminal forfeiture.

Separately, Cullen Commission from 2019-2022 carried out a detailed review of the CC framework for asset recovery as part of its review of ML enforcement in BC. The report made recommendations for BC—including the adoption of an UWO framework that has now been implemented. While the recommendations only related to BC, other provinces and the federal government have pursued legislative amendments following the Report.

Competent authorities conduct periodic reviews of their frameworks that contribute to asset recovery, including CBSA and CRA. Justice Canada is proactive in monitoring legal developments to support policy making regarding legislative reforms. At an international level, IAG conducts regular consultations with international and domestic partners to ensure its ongoing effectiveness. Legislative amendments were made to the *Mutual Legal Assistance in Criminal Matters Act* (MLACMA) in 2023, which expanded Canada's ability to trace and restrain assets via MLA requests.

Sub-criterion 4.1(c) - Competent authorities involved in asset recovery across federal, provincial and municipal levels are sufficiently resourced to effectively pursue asset recovery.

Federal and provincial governments have established dedicated financial crime units within their LEAs, with mandates for asset recovery.

Provincial prosecution services either maintain resourcing for asset recovery across their respective service, or through dedicated teams. Canada's Seized Property Management Directorate (SPMD) includes 55 qualified individuals and seven warehouses located across Canada dedicated to asset management.

Sub-criterion 4.1(d) - Canada has a well-established framework for inter-agency co-operation, co-ordination and information exchange. These mechanisms support policy and operational responses, including to support the effective use of Canada's federal, provincial and territorial asset recovery frameworks. At the federal level, this is driven through Canada's national co-ordination structure led by Finance Canada and Public Safety Canada.

Federal/Provincial/Territorial (FPT) authorities for Justice and Public Safety meet annually and biannually at various levels.

Formal co-ordination mechanisms exist for LEA and prosecutors (PPSC and provincial prosecutors) who regularly engage and co-operate at very early stages of investigation to trace, restrain or seize criminal property. In the case of RCMP's Integrated Money Laundering Investigative Teams (IMLITs), officers from police partners, civilian criminal investigators, the Forensic Accounting Management Group (FAMG), and the CRA are embedded to target serious proceeds generating crime and identify seize, restrain and forfeit criminal property. Provincial and territorial civil forfeiture offices engage closely with LEAs (from whom they receive case referrals) and prioritise co-ordination to avoid undermining criminal investigations or

prosecutions. PPSC's handbook requires consultation with the SPMD before applying for seizure, restraint or forfeiture. CBSA also maintains continued engagement with agencies across Canada's AML/CTF regime. CRA, where it considers relying on the proceeds of crime provisions of the CC for restraint or seizure must also consult the PPSC and the SPMD.

Competent authorities are able to co-operate with FINTRAC, enabling the use of financial intelligence to identify and trace criminal property. This includes co-operation at the strategic level, through Canada's co-ordinating committee structures, as well operationally, such as through the Strategic Intelligence Working Group. As of April 2025, FINTRAC has been able to share financial intelligence with provincial and territorial civil forfeiture offices.

Investigative measures

Criterion 4.2

Sub-criterion 4.2(a) - The CC sets out a range of measures to support LEA's efforts to identify trace and evaluate proceeds of crime and offence related property. The definitions of proceeds of crime (CC, s 462.3) and offence related property (CC, s 2) are consistent with (or, in the case of offence-related property, exceeds) the FATF definition of 'criminal property'. These include a range of production orders (CC, ss 487.014, 487.018, 487.0131 and 487.0141) for different types of data and information.

Under Canada's fine in lieu of forfeiture framework (see further discussion at criteria 4.4, 4.7 and 4.12), competent authorities cannot use these orders to identify and trace PoCV. FAMG supports LEA investigations by providing specialized forensic accounting services.

Sub-criterion 4.2(b) - The CC provides for a broad range of investigatory powers allowing for competent authorities to conduct searches and seizures related to evidence, offence-related property, and proceeds of crime. This includes a general warrant (CC, s 487.01); a regular warrant for search and seizure of evidence or offence-related property (CC s 487); a special warrant for proceeds of crime (CC, s 462.32); a special warrant for digital assets (CC, s 462.321). These warrants can be obtained expeditiously through electronic means (CC, s 487.1). They cannot be used in relation to PoCV (see c.4.4). The full range of LEA investigatory powers (see R.30) can be used in investigations related to criminal property. The PCMLTFA allows for the seizure (as forfeit) of currency or monetary instruments by the CBSA where relevant reporting requirements are contravened and the CBSA officer reasonably suspects the currency or monetary instruments are proceeds of crime, or funds for use in the financing of terrorist activities (PCMLTFA, ss 18(1), 18(2), 2). CRA CIP investigators are public officers for the purposes of the CC and have access to these investigative powers. The RCMP also leverages alternative proactive intelligence gathering techniques and specialised analytical expertise to enhance identification, tracing and evaluation of criminal property.

Provisional measures

Criterion 4.3

Sub-criterion 4.3(a) - Canada does not have specific legislative measures to enable immediate action to suspend transactions. Instead, it relies on well-established informal networks between competent authorities and financial institutions to indirectly and voluntarily suspend transactions, while formal restraint orders are sought. LEAs, particularly the RCMP, can informally leverage relationships with FIs and their respective AML protocols to prevent flight of criminal property on a provisional basis in cases where freezing is being formally sought, but not yet granted. This tool is typically only available for FIs and equivalents do not exist for transactions coming to/from other entities. This mechanism is well established and well recognised by LEAs and FIs alike. This informal approach then allows LEAs together with the relevant prosecution service to seek restraint of the funds/account (CC, ss 462.33, 490.8). Informal measures enable immediate suspension of illicit transactions where they go through a participating FI, in many

instances. However, as a voluntary tool it cannot compel the immediate suspension of a transaction and is not legally enforceable.

Sub-criterion 4.3(b) - Where an FI has suspended a transaction following information received from an LEA, the duration of suspension is guided by its internal policies only as there are no specific legislative measures.

Criterion 4.4

Sub-criterion 4.4(a) - Canada has measures, including legislative measures, enabling its authorities to freeze/seize expeditiously to prevent dealing, transfer or disposal of criminal property. Provisional measures are not available to secure PoCV in anticipation of a fine in lieu of forfeiture being issued. Provisional measures under the CC are not available to secure PoCV of the offender to enforce a fine.

Under the CC, when executing a search warrant, LEA may seize property reasonably believed to be offence-related property (CC, s 487), property reasonably believed to be proceeds of crime (CC, s 462.32) and digital assets that are proceeds of crime (CC, s 462.321). Seized or restrained property may be detained until proceedings are concluded where charges have been laid. Where charges have not been laid, property can be detained for six months or longer where a court is satisfied it is required for investigation, as evidence, or for forfeiture under federal statutes (CC, ss462.35).

The CC also includes restraint orders for proceeds of crime (s 462.33) and offence-related property (s 490.8), which prohibit any person from disposing or otherwise dealing in the property, subject to conditions imposed by the Court.

The CC does not provide for the application of provisional measures to PoCV, given Canada's fine in lieu of forfeiture framework. Provisional measures cannot be applied to secure PoCV in anticipation of a fine in lieu of forfeiture being issued, or to secure PoCV of the offender to enforce a fine. Civil measures to enforce fines in default are not considered provisional measures, as they are only available once a fine in lieu of forfeiture has been issues and defaulted on. Without the means to restrain or seek management orders over other property of the person prior to the issuance of the fine in lieu of forfeiture, competent authorities' ability to enforce a fine in lieu of forfeiture is limited (see c.4.7, c.4.11 and c.4.12).

The PCMLTFA allows for temporary retention (ss 14, 39.03) or seizure (as forfeit) (ss 18, 39.06) of currency, monetary instruments, or goods by the CBSA where relevant reporting requirements were not complied with, or where the CBSA officer forms a reasonable suspicion they are proceeds of crime, or funds for use in the financing of terrorist activities.

Provinces and territories with civil forfeiture statues include provisional measures to enable Courts to order the preservation of property for the purpose of civil forfeiture. The construction of these preservation orders differs depending on the jurisdiction, but can include restrictions on dispositions, provisions allowing disposal of property to preserve value, orders allowing the appointment of a civil enforcement agency to take control of the property, and limitations to prevent the property from being removed from the province.[66]

Sub-criterion 4.4(b) - CC search and seizure powers and restraint orders (s 487, 487.01, 490.8, 462.32, 462.321, 462.33, 462.331) may be obtained *ex parte*. As above, these provisional measures cannot be sought in respect of PoCV. Provincial/territorial civil forfeiture regimes expressly provide for preservation

[66] The following is a list of relevant legislative provisions for British Columbia Civil Forfeiture Act (ss.9, 14, 33, 73, and 77); Alberta Civil Forfeiture Act (ss.1.5, 5 and 19.4); Saskatchewan Seizure of Criminal Property Act, 2009 (s.2.1, 6 and 10.5); Manitoba Criminal Property Forfeiture Act (ss.2.1, 7, 17.5); Ontario Civil Remedies Act (ss.1.4, 4, 9, 11.3, and 15.3); Québec Act (ss.14, 14.1 and 15.3); New Brunswick Civil Forfeiture Act (s13); Nova Scotia Civil Forfeiture Act (s10).

orders for criminal property to be obtained on an *ex parte* basis.[67] Where an order is made *ex parte* it is then served upon the person who can apply to the court to vary or revoke the order (see s 462.34(4)).

Sub-criterion 4.4(c) - The CC search and seizure powers and restraint orders, and preservation orders in provincial and territorial civil forfeiture statutes set out in c.4.4(a) do not require that the applicant demonstrate a risk of dissipation of property or otherwise impose unduly restrictive conditions. Seizure as forfeit provisions under the PCMLTFA do not include unreasonable conditions.

Criterion 4.5

In the context of Canada's fundamental principles of domestic law, Canada largely relies on the search and seizure measures, and restraint orders, set out in c.4.4 as alternatives. These orders may be obtained *ex parte* and expeditiously through telecommunication (via email or writing, or over the phone). Canada reports these can systemically be sought and obtained within a 24-hour period, and within a matter of hours in the most urgent cases, including outside of regular business hours, to ensure action can be taken quickly enough to prevent the dissipation of criminal property.

This approach reflects section 8 of Canada's Charter of Rights and Freedoms (a fundamental domestic law for the purposes of the FATF Standards), which protects against unreasonable search and seizure (*Québec (Attorney General) v. Laroche*, 2002 SCC 72). However, there are exceptions to this where warrantless seizures may be permitted.

There are limited circumstances in the criminal context where criminal property can be seized or frozen without a court order. This includes seizing property reasonably believed to be obtained by or used in the commission of an offence when lawfully in a place (CC, s 489); this includes criminal property but does not extent to PoCV. LEAs can also conduct warrantless searches of persons, baggage, and conveyances in the context of border entry (PCMLTFA ss 15(1), 16(1) and (2), s 17(1)). Garnishments can be issued by the CRA without a court order for administrative/regulatory purposes.

Most provincial/territorial civil forfeiture laws generally require court orders for the preservation of property suspected of being proceeds of crime or offence-related property. The provinces of British Columbia, Alberta, Manitoba, Saskatchewan, Ontario, Québec and Nova Scotia have legislation authorizing LEAs to hold some types of property temporarily pending the outcome of civil proceedings to freeze or confiscate. These provisions do not apply to all types of property (for example, BC's Civil Forfeiture Act excludes real property and personal property in excess of CAD 75,000). In addition, Alberta's civil forfeiture legislation provides LEAs with a warrantless seizure power, allowing the temporary seizure of property in circumstances where it is impractical to obtain an interim court order to preserve the property (Alberta Civil Forfeiture Act (ss 6, 19.5)).

Criterion 4.6

Under the CC provisions governing forfeiture (ss 462.37, 462.38, 490.1, 490.2), courts may set aside a conveyance or transfer of property that occurred after seizure or service of a restraint order, unless the conveyance or transfer was for valuable consideration to a person acting in good faith (ss 462.4, 490.3). The CC also establishes offences for failing to comply with restraint orders in relation to proceeds of crime (s 462.33(11)) and offence related property (s 490.8(9)). In addition, a court may not order property to be excluded from forfeiture and/or returned to a person who did not obtain the property in good faith (CC ss 462.41(3), 490.4(3)). Similar provisions exist in provincial and territorial civil forfeiture statutes.[68]

[67] Ibid.

[68] The following is a list of civil forfeiture statues for British Columbia Civil Forfeiture Act (ss.6-7 and 27); Alberta Civil Forfeiture Act (ss.15 and 19.95); Saskatchewan Seizure of Criminal Property Act, 2009 (ss.7-10); Manitoba Criminal Property Forfeiture Act (s.14-17); Ontario Civil Remedies Act (ss.3, 8

There is no such mechanism with respect to PoCV and deficiencies at c.4.5 and c.4.7 apply here.

Confiscation

Criterion 4.7

Canada has measures, including legislative measures, to enable the confiscation of criminal property after a person is convicted. The CC provides for forfeiture of proceeds of crime upon conviction for designated offence (CC, s 462.37) where on the balance of probabilities the property is proceeds of crime obtained through the commission of the designated offence (CC, s 462.37(1)), or where the property is proven to be proceeds of crime beyond reasonable doubt (CC, ss462.37(2)). Similar provisions for offence-related property (CC, s 2) in relation to indictable offences are contained in the CC (CC, s490.1). In all cases, the order is mandatory where it determines the property is proceeds of crime or offence-related property.

Canada does not have direct confiscation of PoCV. Instead, the CC provides for the imposition of a fine in lieu of forfeiture of criminal property (CC, s 462.37(3)). The court may only order a fine in lieu of forfeiture where it is satisfied that forfeiture should be ordered, but the property is not available for forfeiture. An illustrative list of circumstances where the fine may be ordered is included in the CC and includes situations where the property cannot be located despite reasonable efforts; has been transferred to a third party (including a bona fide third party purchaser for value); is located outside Canada; has diminished in value; or has been commingled with other property and cannot be divided. The value of the fine is required to be equal to the value of the property that was proceeds of crime, and the Court cannot consider other factors (such as the ability of the offender to pay) *(R v.* Lavigne, 2006 SCC 10, 34; R v Vallieres, 2022 SCC 10, 25-34).

While capable of recovering benefits obtained from crime through a monetary order, the imposition of a value-based order without means to secure property through provisional measures (see criterion 4.4) or proactively enforce that order against other property of the person without waiting for the fine to be defaulted on (see criterion 4.12), is a shortcoming.

Criterion 4.8

Canada's CC provides for extended confiscation of proceeds of crime and offence-related property (collectively comprising the FATF definition of criminal property) (ss 462.37(2) and 490.1(2)). These provisions allow the forfeiture of property obtained by an offender through commission of designated offences beyond those for which the offender was convicted, where the person is convicted of certain organised crime related offences (subss 462.37(2.01-2.02). This includes any criminal organisation offence punishable by five or more years imprisonment.

Under sections 467.12 a person who commits an indictable offence for the benefit of, at the direction of, or in association with a criminal organisation commits a criminal organisation offence. Similar offences apply for participating in the activities of a criminal organisation or recruitment of members by a criminal organisation, both of which can enliven extended confiscation under subss 462.37 (2.01-2.02).

Where this is enlivened, the law establishes a reverse onus forfeiture regime. It is then open to the offender to establish, also on a balance of probabilities, that the property is not proceeds of crime.

Criterion 4.9

Forfeiture without conviction at the federal level under the CC is limited to *in rem* forfeiture where a person (the accused) has been charged with a designated offence; the accused has absconded or died; and the

and 11.2); Québec Act (ss.7-9 and 10); New Brunswick Civil Forfeiture Act (ss.9, 11, 15-16); Nova Scotia Civil Forfeiture Act (ss.7-8 and 14-15); Nunavut Unlawful Property Forfeiture Act (ss.11-16).

property is proven (at the criminal threshold) to be property obtained through the commission of the designated offence (CC, s 462.38). Similar provisions apply to offence-related property (CC s 490.2).

Non-conviction-based confiscation (NCBC) more broadly has been adopted by all provinces (except Newfoundland and Labrador and Prince Edward Island) and the territory of Nunavut, covering 98% of the Canadian population. At the provincial/territorial level, NCBC is achieved through civil forfeiture statutes enforced by dedicated civil forfeiture authorities or offices. Proceedings under these frameworks are civil in nature and adopt civil procedure rules.

In the provinces and territories that have implemented them, civil forfeiture statutes enable forfeiture of property that is proceeds of unlawful or illegal activity, and property that is an instrument of unlawful or illegal activity. These statutes are asset-directed enabling forfeiture through *in rem* proceedings against an item of property to the civil standard of proof, and without a conviction.[69]

As four smaller populated provinces and territories have not adopted civil forfeiture statues, (Newfoundland and Labrador, Prince Edward Island, Yukon, and Northwest Territories[70]), there remains a minor gap in implementation of NCBC with potential for jurisdictional arbitrage.

Canada's provincial-led approach to implementing NCBC results from fundamental principles of domestic law. Canada's Constitution provides that the federal government has jurisdiction over the criminal law (s.91(27)) while the provinces have legislative jurisdiction over property and civil rights, and the administration of civil justice (ss 92(13) and (14)). In the case of *Chatterjee* the SCC held that the civil forfeiture law of a province is an enactment in relation to property and civil rights and while its provisions may incidentally affect criminal law and procedure, in does so without impinging on Canada's constitutional division of powers (*Chatterjee v. Ontario (Attorney General)* [2009] 1 SCR 624). Within this framework, except in the narrow circumstances provided for in the Criminal Code, NCBC in Canada, as a civil tool, is the domain of the provinces and territories. Whether there is some limited scope for further federal government efforts to on NCBC in the criminal context (to expand the existing circumstances in the criminal code) could be further explored.

There are also administrative and civil mechanisms available at the federal level that enable non-conviction-based forfeiture of property in specific circumstances. This includes the 'jeopardy order' available to the CRA (Income Tax Act (ITA) s225.2(2) and Excise Tax Act (ETA) s. 322.1(2)). CBSA's seizure as forfeit provisions in the PCMLTFA also enables confiscation of seized currency or monetary instruments, subject to review or appeal by the courts.

Asset recovery and tax authorities

Criterion 4.10

The CRA can co-operate with Canada's LEAs to support identification of criminal property. CRA participates in and contributes to integrated units, such as the IMLITs and co-operates with RCMP and provincial and municipal LEAs through joint force operations.

---

[69] The following is a list of civil forfeiture statues for British Columbia Civil Forfeiture Act, RSBC 2024, c. 1, Part 4 and ss.6, 15.01, 16, and 18.s 6; Alberta Civil Forfeiture Act, SA 2001, c. C-15.2, Part 1 and ss.14, 18(4), 19.94 and 19.98(3). s 19.94(b); Saskatchewan: Seizure of Criminal Property Act, 2009, SS 2009, c. 46.002 (as amended by Bill 38, 29th Leg., 2nd Session), Part II.1 and ss.7 and 11-12. s 7; Manitoba: Criminal Property Forfeiture Act, CCSM c. C306, Part 3 and ss.3(3), 14 and 17.12-17.13. 14; Ontario: Civil Remedies Act, 2001, S.O. 2001, Part II, s 3 Part I.1 and ss 3, 8, 11.2, 15.6 and 16-17; Québec: Act respecting the forfeiture, administration and appropriation of proceeds and instruments of unlawful activity, CQLR c.C-52.2, s 7ss.4, 7, 13 and 15.1-15.12; New Brunswick: Civil Forfeiture Act, SNB 2010, c. C-4.5, ss 2, 9ss.2, 9 and 18; Nova Scotia: Civil Forfeiture Act 2007, SNS 2007, c.27, s 7ss.7, 17, 19 and 28; Nunavut: Unlawful Property Forfeiture Act, SNU 2017, c.14, sss.3, and 19-20.

[70] The Northwest Territories introduced civil forfeiture legislation in January 2026, after the conclusion of the onsite visit. At time of drafting, this legislation is yet to enter into force.

Tax information under the ITA or ETA may be shared for the purposes of supporting criminal investigations in relation to certain offences. This includes support to applications for restraint or forfeiture of proceeds of crime or offence-related property under the CC. CRA and RQ can proactively disclose information to LEAs when required thresholds are met, but otherwise the LEA is required to obtain a court order (CC s 462.48(1)). Tax information under the ITA or ETA cannot be shared directly with provincial/territory civil forfeiture offices.

Asset management, return and disposal

Criterion 4.11

Management orders may be sought in relation to property subject to seizure or restraint under the CC as proceeds of crime (s462.331) or offence-related property (s490.81). Where a fine in lieu of forfeiture is paid, the funds are credited to the Seized Property Proceeds Account.

The Criminal Code management order provisions allow for the appointed manager to take control of, manage, or otherwise deal with property; to pursue the sale of perishable or rapidly depreciating property prior to the determination of a forfeiture application, and the destruction of property of little or no value.

At the federal level, the management of seized or restrained property subject to a management order is undertaken by the SPMD. SPMD also provides specialised asset management services to other levels of Government for property subject to management under the CC framework. Proceeds from the sale of forfeited property or payment of fines in lieu of forfeiture are deposited into the Seized Property Proceeds Account (SPMA s 13). The Forfeited Property Sharing Regulations provide the framework for distributing net proceeds among the Government of Canada and with each of the relevant jurisdictions domestically

Provincial/territorial civil forfeiture statutes provide for the disposal of property prior to a court determination regarding forfeiture to preserve the value of property where it is perishable or depreciating, as well as where the property is difficult to manage. Provisions under these statutes also provide for management of seized or restrained property. Depending on the province, civil forfeiture authorities may make a variety of arrangements for managing restrained and forfeited assets.

Criterion 4.12

Where a forfeiture order is made, the property forfeits to the Crown and can be enforced by relevant the relevant competent authority in the jurisdiction where forfeiture occurred. Equivalent asset management authorities in most provinces that can enforce forfeiture.

At the federal level, the SPMA provides the Minister of Public Works and Government Services with the power (s 9) to dispose of forfeited property, including through sale.

Where the date for payment lapses and a fine in lieu of forfeiture is not paid, the CC provides measures to incentivise payment, including through restrictions on licenses and permits (CC s 734.5). Competent authorities can also recover unpaid fines through civil measures, such as a writ of seizure and sale, upon filing the fine order with civil courts (CC s 734.6). The person may also be subject to imprisonment for continued failure to pay (CC s734.7). These measures are only available once a fine in lieu is in default, and there is no means to proactively enforce fines against property of corresponding value until this point. The period for fines in lieu to default is typically several years. This, coupled with the inability to obtain provisional measures to secure property of corresponding value presents a gap. Competent authorities cannot prevent property or its value from being physically moved outside of their jurisdiction, frustrating enforcement of fines in lieu of forfeiture in the event they default. This moderate shortcoming prevents permanent deprivation of the property or value Provincial/territorial civil forfeiture statutes also provide for orders to enforce forfeiture by disposing of the property (through liquidation or sale).

Criterion 4.13

Sub-criterion 4.13(a) - The Criminal Code forfeiture framework provides for the return of proceeds of crime and offence-related property to a person lawfully entitled to possession or with a lawful interest.

The PCMLTFA also provides a framework for the return of currency and monetary instruments (sub 18(2)) and goods (sub 39.6(1)) seized as forfeit. This includes through administrative review by the Minister for Public Safety and Emergency Preparedness (PCMLTFA, ss 25 (currency and monetary instruments) and 39.13 – 39.2 (goods)) and judicial review by the Federal Court (PCMLTFA, ss 30 (currency and monetary instruments) and 39.21 (goods)). Third parties may also claim an interest in currency and monetary instruments, and goods seized as forfeit and seek a court order declaring their interest is not affected by the seizure, if they can prove the interest was acquired in good faith before the contravention and that they are innocent of the contravention and exercised reasonable care (PCMLTFA, ss 32 (currency and monetary instruments) and 39.23 – 39.26 (goods)).

There are provisions in provincial and territorial civil forfeiture laws enabling the return of property confiscated under those laws to be returned to its prior legitimate owners.[71]

Sub-criterion 4.13(b) - The CC provides for restitution for victims of crime from confiscated property (s 462.49) with the effect that forfeited property is first required to satisfy the operation of any federal legislation respecting restitution to persons affected by the commission of offences. Some provincial/territorial civil forfeiture statutes provide for the establishment of a dedicated fund for confiscated assets, which can be used to compensate victims. This can occur either directly through financial compensation or indirectly through reinvestment back to the community, including to prevent unlawful activities. In most provinces/territories with civil forfeiture frameworks, civil forfeiture legislation (or related laws) establishes separate statutory funds for civilly forfeited assets or special accounts in the jurisdiction's general revenue fund. Legislation restricts expenditure from these funds to funding crime prevention initiatives, victims of crime initiatives, and compensating victims of crime.[72]

> ***Weighting and conclusion –*** Competent authorities have access to investigative tools and provisional measures for the identification, tracing, evaluation, freezing, and seizing of criminal property but are generally unavailable for PoCV, which cannot be secured through provisional measures. To suspend transactions, Canada relies on voluntary informal measures with large FIs but these are not enforceable and do not apply to a broad range of transactions beyond those FIs. Criminal property can be confiscated under the CC on the basis of a conviction. Canada's criminal forfeiture framework for criminal property is robust, but the fine in lieu of forfeiture approach has deficiencies that impact the confiscation of PoCV. Nearly all provinces and territories accounting for 98% of Canada's population have implemented robust civil forfeiture legislation. At the federal level, NCBC is limited. This reflects Canada's constitutional division of powers and relevant jurisprudence from the SCC on civil forfeiture in the Canadian context. Canada has mechanisms to enforce forfeiture orders; however, they do not extend to PoCV as gaps in the fine in lieu of forfeiture

[71] The following is a list of civil forfeiture statues for British Columbia Civil Forfeiture Act (ss.7 and 27); Alberta Civil Forfeiture Act (ss.15 and 19.95); Saskatchewan Civil Forfeiture Act (ss.8-10); Manitoba Criminal Property Forfeiture Act (s.15-17); Ontario Civil Remedies Act (ss.3, 8 and 11.2); Québec Act (ss.8-9); New Brunswick Civil Forfeiture Act (ss.11, 15-16); Nova Scotia Civil Forfeiture Act (ss.8 and 14-15); Nunavut Unlawful Property Forfeiture Act (ss.12-16).

[72] The following is a list of civil forfeiture statues for British Columbia: Civil Forfeiture Act, supra, ss.81-88; Alberta: Civil Forfeiture Act, supra, Part 3, Division 2; Saskatchewan: Seizure of Criminal Property Act, 2009, supra, Part V; Manitoba: Criminal Property Forfeiture Act, supra, ss.18-19.1; Ontario: Civil Remedies Act, 2001, S.O. 2001, supra, ss.6, 11, 11.4, and 15; Québec: Act respecting the forfeiture, administration and appropriation of proceeds and instruments of unlawful activity, supra, s.25 and generally ss.20-26; New Brunswick: Civil Forfeiture Act, supra, ss.12 and Management of Seized and Forfeited Property Act, RSNB 2012, c.106, ss.1-2 and 5-7; Nova Scotia: Civil Forfeiture Act 2007, supra, s.29(1)(d), Assets Management and Disposition Act, SNS 2000, c. 26, s.5 and Victims' Rights and Services Act, SNS 1989, c.14; Nunavut: Unlawful Property Forfeiture Act, supra, ss.33-35.

framework at the provisional measure stage are compounded by limited options to enforce a fine in lieu of forfeiture prior to its default. These deficiencies constitute a moderate shortcoming. Recommendation 4 is rated **partially compliant.**

Recommendation 5 – Terrorist financing offence

In its 2016 MER, Canada was rated LC for R.5, and this was maintained in the 2021 FUR. The remaining minor deficiency was that provisions did not criminalize the collection or provision of funds with the intention to finance an individual terrorist or terrorist organization. The relevant provisions of the Criminal Code (CC) were amended in 2019 and 2023.

Criterion 5.1

TF is criminalized through CC, ss.83.02 to 83.04: S. 83.03 criminalizes the direct or indirect, wilful and unlawful collection or provision of property with the intent that the property is to be used or knowing that the property will be used to carry out a terrorist activity or knowing it will be used by or benefit a terrorist group. CC, s.83.04 criminalizes the use of property for the purpose of facilitating or carrying out a terrorist activity, and the possession of property intending that it be used or knowing that it will be used to facilitate or carry out a terrorist activity. CC, ss. 83.01(1) has a two-part definition of "terrorist activity". The first part lists the offenses in domestic law that implement various international anti-terrorism conventions and protocols, including those listed in the Annex to the TF Convention. The second part covers conduct carried out for a political, religious or ideological purpose, with intent to intimidate the public or a segment of the public or compel a government to act or refrain from acting, and that intentionally causes certain harms such as death or serious bodily harm.

Criterion 5.2

CC, ss.83.03(1) criminalizes the direct or indirect collection or provision of property with the intent that such property is to be used or knowing that such property will be used to facilitate or carry out any terrorist activity or to benefit any person who is facilitating or carrying out a terrorist activity. The offense applies also where the property is used by the financed person for a legitimate purpose. "Terrorist group" includes a person, group, trust, partnership, or fund or unincorporated associations or organizations that has as one of its purposes or activities the facilitating or carrying out of any terrorist activity, meaning that s.83.03(1) covers the direct or indirect collection or provision of property with the intent that such property is to be used or knowing that such property in full or in part by a terrorist organization or by an individual terrorist.

There appears to remain a gap in the s.83.03 (2) offence since this provision requires knowledge, not only intention, and does not therefore criminalise financing provided with the intention (but not the knowledge) that they will benefit the terrorist group. However, there is overlap between the scope of s.83.03(1) and 83.03(2), and any relevant situation which fell outside the scope of 83.03(2) would fall within the scope of the 83.03 (1) offence. Taken together, the two offences apply to all relevant conduct.

For CC, ss. 83.03 (1) the courts have interpreted the term "facilitates" broadly to cover "any behaviour/activity taken to make it easier for another to commit a crime."13 The term thus includes the "organizing or directing of others" to commit a terrorist activity, or the "contributing to the commission of a terrorist activity by a group of persons acting with a common purpose." In addition, ss. 83.03(1) does not specify that the benefit provided to a terrorist group must be used for facilitating or carrying out a terrorist activity, meaning that there is no requirement to link it to a specific terrorist act(s).

Criterion 5.3

CC s.83.18 establishes an offence which covers instances where a person knowingly participates in or contributes to, directly or indirectly, any activity of a terrorist group for the purpose of enhancing the ability of any terrorist group to facilitate or carry out a terrorist activity. "Terrorist group" is defined in s.83.01(1) to mean (a) an entity that that has as one of its purposes or activities facilitating or carrying out any terrorist activity; or (b) a listed entity; and includes an association of such entities. "Entity" is defined to mean a person, group, trust, partnership or fund or an unincorporated association or organization. 83.18(3)(d) is explicit that "participating or contributing" includes "entering or remaining in any country for the benefit of, at the direction of or in association with a terrorist group". Therefore, Canada's TF offences extend to cover financing the travel of individuals who travel to a State other than their State of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training.

Criterion 5.4

"Property" is defined under CC, s.2 to include real and personal property of every kind and deeds and instruments relating to or evidencing the title or right to property or giving a right to recover or receive money or goods, including converted or exchanged property. CC, ss.83.01 to 83.03 are not limited in scope to financing activities involving illicit property. The source of the property used for the financing activity is irrelevant.

Criterion 5.5

CC, s.83.03 implies that the financing offense can also be applied in cases where a person collects or provides property merely with the intention to finance a specific terrorist activity or to benefit a person who is facilitating or carrying out such activity. Thus, it is neither required that the financed activity has been attempted or committed, nor that the money collected or provided is linked to a specific terrorist act.

Criterion 5.6

Canada allows for the intentional element of criminal offenses to be inferred from objective factual circumstances and based on credible, admissible and relevant circumstantial evidence. This principle has been confirmed through case law in multiple instances.

Criterion 5.7

The maximum statutory sanctions for a natural person is imprisonment for up to ten years. The courts are required to impose a sentence that takes into account the gravity of the offence and the degree of responsibility of the offender, considering the sentencing principles set out in CC ss.718 through 718.3. Notably, para. 718.2(a)(v) requires courts to consider evidence that the offence was a terrorism offence as an aggravating factor. The statutory sanctions are considered to be both dissuasive and proportionate.

Criterion 5.8

Legal entities may be held criminally responsible for terrorism financing. Sections 22.1 and 22.2 of the CC establish criminal liability for organizations for both negligence and fault-based offences. An organization includes a body corporate, society, company, firm, partnership, trade union or municipality (CC, s.2). Pursuant to CC, s.735 (1) of the CC, organizations may be sentenced to pay a fine in an amount that is at the direction of the court, unless legislative provisions specify the range of the fine. CC, s.718.21 outlines sentencing principles specific to organizations, which apply in addition to the general sentencing principles. Factors that may be considered in determining the sentence include the advantage realized, the degree of planning involved in carrying out the offense, whether the organization has attempted to conceal its assets or convert them to avoid restitution; and any regulatory penalty imposed shall be taken into account by the court. CC, s.718.1 requires that the sentence be proportionate to the gravity of the offense and the

degree of responsibility of the offender while, by para. 718.2(a)(v), evidence that the offence was a terrorism offence is a statutory aggravating factor. Given the wide discretion by court in determining the sanction, the statutory sanctions are dissuasive and proportionate. Parallel civil or administrative sanctions may be applied.

Criterion 5.9

Ancillary offenses are criminalized in the general provisions of the CC (s.24 - Attempt; s.21 (1)- aiding and abetting; s.21 (2) - conspiracy to commit; s.22—counselling, procuring, soliciting or inciting to commit; s.23 - accessory after the fact). s.83.03 criminalizes inviting another person to provide or make available property for TF and ss.83.21 and 83.22 to knowingly instruct, directly or indirectly, any person to carry out an activity for the benefit of, at the direction of or in association with a terrorist group for the purpose of enhancing the ability of that group to facilitate or carry out a terrorist activity.

Criterion 5.10

Canada takes an all-crimes approach to defining predicate offenses for ML. TF is, thus, a predicate offense for ML.

Criterion 5.11

CC, ss.83.02 and 83.03 apply regardless of whether the underlying terrorist activity is committed inside or outside Canada, or whether the terrorist group or financed person is located inside or outside Canada.

> *Weighting and conclusion –* Recommendation 5 is rated **compliant**.

Recommendation 6 – Targeted financial sanctions related to terrorism and terrorist financing

Canada was rated LC with former SR. III. For certain FIs and other persons or entities that may hold targeted funds, the assessors found in the previous review period that the names of designated persons and entities were not effectively communicated, the guidance issued was not sufficient and the implementation of the relevant legal provisions was not effectively monitored. The framework for the implementation of the TF-related targeted financial sanctions remains substantially unchanged. The *Security of Canada Information Disclosure Act* was adopted in 2015 to facilitate the sharing of information between Canadian government agencies with regards to any activity that undermines the security of Canada, including terrorism.

Identifying and designating

Under United Nations Act, s.2, the Governor in Council may issue regulations to give effect to decisions and implement measures decided by the UNSC pursuant to Article 41, Chapter VII of the UN Charter. There are two Regulations issued under the UN Act specifically related to TF-TFS —the *Regulations implementing the United Nations Resolution on Taliban, ISIL (Da'esh) and Al-Qaida* (UNAQTR) and the *Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism* (RIUNRST). In 2001, Canada enacted an additional domestic terrorist listing procedure under CC, ss.83.05 to 83.12 in addition to the RIUNRST. Over time, the listing mechanism under the CC has become the primary domestic listing regime and consequently no listings have been added to the RIUNRST since 2006. *The Security of Canada Information Disclosure Act* facilitates implementation of the mechanisms by allowing for the exchange of information between government agencies with regards to terrorism, either spontaneously or upon request.

Criterion 6.1

Sub-criterion 6.1(a) - *Department of Foreign Affairs, Trade and Development Act*, s.10(2)(b) assigns responsibility to the Minister of Foreign Affairs for all communications between Canada and international organizations, which permits the Minister to propose designations under UNSCR 1267/1989 or 1988 to the relevant UN Sanctions Committees.

Sub-criterion 6.1(b) - Based on the abovementioned s.10(2)(b), the Minister of Foreign Affairs identifies, reviews and proposes individuals or entities for designation, in consultation with an interdepartmental committee of security and intelligence officials. The interdepartmental committee on average meets once a month to discuss all listing regimes.

Sub-criterion 6.1(c) - The authorities stated that the identification process outlined above is based on a standard of "reasonable grounds to believe" and that a criminal conviction was not necessary for proposing the designation of an entity or individual to the UN. In the absence of any written procedures on this point, the assessors were not in a position to verify the authorities' view.

Sub-criterion 6.1(d) - Canada supports co-designation and co-sponsorship and its experience in proposing designations was so far limited to cosponsoring proposals for designations. To propose designations, Canada would use the UN standard forms and follow the procedures outlined under UNSCR's 2160 and 2161 (2014) and the relevant Sanctions Committee Guidelines.

Sub-criterion 6.1(e) - The authorities stated that Canada would provide as much relevant information to support a proposal for designation as possible, including identifying information and a statement of case.

Criterion 6.2

Sub-criterion 6.2(a) - Canada implements UNSCR 1373 through two distinct mechanisms: (i) for terrorist groups, CC, s.83.05 grants the Governor in Council the authority to list, on the basis of a recommendation by the Minister of Public Safety, a person, group, trust, partnership or fund or unincorporated association or organization. Requests for designation from another country can also be considered under the CC process; (ii) the RIUNRST designates the Governor in Council as responsible for making designations on the basis of a recommendation by the Minister of Foreign Affairs (Article 2 RIUNRST). The Minister may recommend a designation under the RIUNRST also based on a request from another country. In practice the CC is Canada's primary legislation for listings (no listings have been added to the RIUNRST since 2006).

Sub-criterion 6.2(b) -The CC and RIUNRST include mechanisms for identifying targets for designation and to decide upon designations based on clearly stipulated criteria in line with the designation criteria under UNSCR 1373.

Sub-criterion 6.2(c) -Foreign requests for designations are processed the same way as domestic designations. As a first step, authorities ensure that a request for listing is supported by verified facts that meet the legal threshold. Verification includes both factual and legal scrutiny. After verification is completed, the proposed listing is presented to the Cabinet and the relevant Minister recommends to the Governor in Council that the foreign request be granted. Authorities stated that the process takes on average six months but can be expedited, if necessary.

Sub-criterion 6.2(d) -The Governor in Council takes the decision to designate based on "reasonable grounds to believe" that a person meets the designation criteria in CC or the RIUNRST, independently from any criminal proceedings.

Sub-criterion 6.2(e) -The authorities stated that when making 1373 request to other countries, as much identifying information as possible would be provided to the requesting country to allow for a determination that the reasonable basis test is met Canada stated that it is in regular contact with its allies to discuss potential listings and notifies G7 partners prior to any domestic listing.

Criterion 6.3

The Canadian *Security Intelligence Service Act*, s. 12 grants CSIS the power to collect and analyse information on activities that may threaten Canada's security and to report and advise the government of any such activities. The *Security of Canada Information Disclosure Act*, s.5 further allows government agencies to share such information. In the context of a criminal suspicion or the designation procedure under CC, s.83.05 the authorities may also collect information under criminal procedures. The outlined measures may in all cases be applied *ex parte* to avoid tipping off.

Freezing

Criterion 6.4

The UN Act, CC and RIUNRST set out a wide range of prohibitions to deal with property of or provide financial services to designated persons. The prohibitions apply as soon as any person is designated by the competent UN Sanctions Committee (for UNSCR 1267/1989 or 1988) or is added to the Regulations Establishing a List of Entities pursuant to the CC or is included in Schedule 2 to the RIUNRST (for UNSCR 1373). The prohibitions apply without delays, as soon as a person has been designated by the UN (for UNSCR 1267 and 1988) or was added to the domestic list. The term "person" covers both natural and legal persons.

Criterion 6.5

GAC is the legal authority responsible for implementing targeted financial sanctions. FINTRAC is the supervisory authority responsible for receiving reporting on identified sanctioned property in possession by persons or entities subject to the PCMLTFA and ensuring compliance with related obligations.

Sub-criterion 6.5(a) -The UN Act, CC and RIUNRST prohibit that any person or entity in Canada or any Canadian outside Canada knowingly deals with; provides financial or other services to; or enters into or facilitates any financial transaction involving funds or property of a designated person. The prohibition applies as soon as a person is listed and covers all aspects of the freezing obligation, thus also without prior notice.

Sub-criterion 6.5(b) -The UN Act, RIUNRST, and CC target funds or property owned or controlled, directly or indirectly, by any designated person or by any person acting on behalf or at the direction of a designated person. In the case of the UN Act but not the CC, does the prohibition extend also to funds derived or generated from such property. The concepts of "ownership and control" also cover property owned and controlled jointly. The obligations under all three procedures apply to property of every kind, including any funds, financial assets or economic resources.

Sub-criterion 6.5(c) -The UN Act, the CC, and RIUNRST prohibit Canadians and any persons in Canada from making property or financial or other services available, directly or indirectly, for the benefit of a designated person, including the provision of services to entities owned or controlled by a designated person or persons acting on behalf or at the discretion of a designated person (Articles 4 RIUNRST; CC, ss.83.08 and UNAQTR s.4 and 4.1). CC, s.83.03 further criminalizes the provision of property or services to a listed entity, and 83.12 does the same with respect to property owned or controlled by or on behalf of a terrorist group, including legal persons such as companies.

Sub-criterion 6.5(d) -Canada makes public all designations under all three listing regimes on government websites and through notification services. All entities have the option of signing up to receive information notices regarding list changes from GAC and are encouraged to consult Public Safety Canada's Criminal Code Listed Terrorist Entities pages and/or directly from the UN.

Sub-criterion 6.5(e) -Banks, co-operative credit societies, savings and credit unions, and insurance companies are required to determine, on a continuous basis, whether they are in possession of targeted funds or property and must regularly report this and any associated information to the competent

supervisory authority (FINTRAC). A more general obligation applies to any person in Canada and any Canadian outside Canada to report to the RCMP or CSIS transactions or property believed to involve targeted funds.

Sub-criterion 6.5(f) -The CC and the RIUNRST both prohibit persons from "knowingly" dealing with listed entities. Third parties acting in good faith are thus protected in that they would not be covered under these obligations. The CC further clarifies that any person who "acts reasonably in taking, or omitting to take, measures to comply" with the relevant obligations shall not be liable in any civil action if they took all reasonable steps to satisfy themselves that the relevant property was owned or controlled by or on behalf of a terrorist group. The procedures under the UNAQTR, the RIUNRST and the CC for delisting and access to frozen funds also apply to protect bona fide third parties.

Criterion 6.6

The UN Act, CC and RIUNRST set out mechanisms for the delisting of persons or entities that do not meet the designation criteria (respectively in CC, ss.83.05(5) and 2.1., and RIUNRST, s.2.2). Under the UN Act, as delisting responsibility is the sole authority of the UN, GAC provides guidance on how to apply to the UN for delisting. Both Regulations and the CC are published in the *Canada Gazette* and the relevant procedures are thus "publicly known." CC, s.85.05(8.1) requires the Minister of Public Safety to review the list of entities every five years to determine whether there are still reasonable grounds for the entities to remain listed. The Minister can recommend to the Governor in Council at any time that an entity be delisted, either as part of the review process or upon application by the listed entity. Information on delisting processes is also set out at:

www.international.gc.ca/world-monde/international_relations-relations_internationales/sanctions/listed_persons-personnes_inscrites.aspx?lang=eng

Sub-criterion 6.6(a) -Under the UN Act, GAC has enumerated on its website the procedures to submit a de-listing request to the relevant UN sanctions Committee in the case the persons or entity do not believe they meet the criteria for designation. Prohibitions on dealing with a listed entity would automatically cease to apply once a person is removed from the UN list.

Sub-criterion 6.6(b) -For the delisting procedures under the CC and RIUNRST, a listed entity may apply in writing to the relevant Minister to request to be removed from the list. Upon receipt of a written application for delisting, the relevant Minister makes a determination whether there are reasonable grounds to recommend a delisting to the Governor in Council. The applicant can seek a judicial review of this decision within 60 days after receipt of the notice of decision.

Sub-criterion 6.6(c) -Judicial review of the listing decision is available upon receipt of a motion to delist.

Sub-criteria 6.6(d) and (e) -GAC provides Canadians and any residents of Canada the option and guidance on how to apply to the UN to be delisted from the 1988 or 1267 sanctions lists in accordance with the Guidelines of the 1988 and 1267 Sanctions Committees.

Sub-criterion 6.6(f) -Pursuant to UNAQTR, s.11 and RIUNRST, s.11 a person claiming not to be a listed entity may apply to the Minister of Foreign Affairs for a certificate stating that the person is not a listed entity. The Minister then has a specific period of time to issue the certificate if it is established that the individual is not a listed entity. CC, s.83.07 allows an entity claiming not to be a listed entity to apply to the Minister of Public Safety and Emergency Preparedness for a certificate stating that it is not a listed entity.

Sub-criterion 6.6(g) -Any changes to designations under the UN Act, CC or RIUNRST result in the publication of an updated Schedule to the relevant Regulation. For changes to the 1267/1988 lists, FIs and DNFBPs can subscribe to an automatic notification system. GAC and FINTRAC also notify those entities that have subscribed to its email list of any changes to any of the three listing regimes.

De-listing, unfreezing and providing access to frozen funds or other assets

Criterion 6.7

The Minister of Foreign Affairs or the Minister of Public Safety (for the CC) may grant a person access to frozen funds to cover basic or extraordinary expenses pursuant to UNAQTR, s.10(1), CC, s.83.09 or RIUNRST, s.10(1). Under the UNAQTR, the Minister must notify (for basic expenses) or obtain authorization from (for extraordinary expenses) the relevant UN Sanctions Committee before he/she may grant a motion for access to frozen funds. Once granted, the Minister issues a certification exempting the relevant property or funds from the scope of the Regulations. Under UNAQTR the procedures applied by the Minister have to be in line with the requirements under UNSCR 1452 (2002).

> *Weighting and conclusion –* Recommendation 6 is rated **compliant.**

Recommendation 7 – Targeted financial sanctions related to proliferation

Canada was rated LC in the 2016 MER. There are minor shortcomings regarding the implementation of the RIUNRI and RIUNRDPRK.

Criterion 7.1

Two regulations implementing targeted financial sanctions (TFS) relating to Iran and North Korea were issued under Canada's United Nations Act—the Regulations Implementing the United Nations Resolutions on Iran (RIUNRI) and the Regulations Implementing United Nations Resolutions on the Democratic People's Republic of Korea (RIUNRDPRK). Both require any person in Canada and any Canadian outside Canada to implement TFS in relation to individuals or companies that have been designated by the UN under paragraph 8(d) of UNSCR 1718 (ss.7, 8, and 9 RIUNRDPRK for North Korea) or paragraphs 10 or 12 of UNSCR 1737 (ss.5, 6, 9 and 9.1 RIUNRI for Iran). Under both regulations, it is clear that the relevant prohibition applies only from the date the relevant UNSCR came into force and not retroactively. Neither regulation specifies that sanctions must be applied "without delay" but the relevant obligations and prohibitions apply as soon as a person or entity is included in the UN's list of designated persons, and the communication procedures described under criterion 7.2(d) are sufficient that new listings are brought to the attention of the public. The Security of Canada Information Disclosure Act facilitates the implementation of the two regulations by allowing for the exchange of information between government agencies with regards to proliferation of nuclear, chemical, radiological, or biological weapons, either spontaneously or upon request.

Criterion 7.2

Under UN Act, s.2 the Governor in Council issues regulations to give effect to decisions and implement measures decided by the UN Security Council (UNSC) pursuant to Article 41, Chapter VII of the UN Charter. S.2 (1) of the RIUNRDPRK and Section 3 of the RIUNRI impose freezing obligations by prohibiting any person in Canada and any Canadian outside Canada from dealing with; or entering into or facilitating any financial transaction relating to; or providing financial or other related services in relation to property owned or controlled directly or indirectly by a designated person or by a person acting on behalf or at the direction of a designated person.

Sub-criterion 7.2(a) -The legal prohibitions are triggered without delay as soon as a person is designated by the UN.

Sub-criterion 7.2(b) - The above-mentioned prohibitions apply to property owned or controlled by a designated person, including those owned or controlled jointly, or by a person acting on behalf or at the direction of a designated person.

Sub-criterion 7.2(c) - Under both regulations it is an offense to make property or any financial or other related services available, directly or indirectly, for the benefit of a designated person. Article 3 of the UN Act prescribes sanctions of a fine of up to CAD 100 000 or imprisonment for not more than two years or both (upon summary conviction); or to imprisonment for a term of not more than 10 years (upon conviction on indictment).

Sub-criterion 7.2(d) - The communication procedures described in criterion 6.5d are also applicable in the context of the RIUNRI and RIUNRDPRK. Canada publishes new designations in the public Canada Gazette as well as on government websites and through notification services. Global Affairs Canada has issued guidance for both sanction regimes.

Sub-criterion 7.2(e) - All FRFIs and casualty insurance companies, savings and credit unions, and other provincially regulated FIs are required to determine, on a continuous basis, whether they are in possession of targeted funds or property and must freeze such property and regularly report this and any associated information to the competent supervisory authority (ss.19, 20 RIUNRI and Section 8 RIUNRDPRK). More general obligations apply to any person in Canada and any Canadian outside Canada to report to the RCMP or CSIS transactions or property believed to involve targeted funds.

Sub-criterion 7.2(f) -The RIUNRI and RIUNRDPRK prohibitions apply only in cases where a person acts "knowingly." Bona fide third parties acting in good faith are, therefore, protected.

Criterion 7.3

Apart from the notification system outlined, under criterion 7.2.e, Canada does not have a mechanism in place for monitoring compliance by FIs and DNFBPs with the provisions of the RIUNRI and RIUNRDPRK. Sanctions for violations of the Regulations RIUNRI and RIUNRDPRK are available, but have never been applied in practice.

Criterion 7.4

Global Affairs Canada provides guidance on its webpage on the procedures and content of the RIUNRI and RIUNRDPRK. While the webpage provides information that needs to be submitted as part of an application to the Minister for delisting, it does not give information on the procedures applied by the Minister to submit delisting requests to the UN on behalf of a designated person or entity.

Sub-criterion 7.4(a) - Neither the Regulations nor the Global Affairs' webpage provide information on the availability of the UN Focal Point as a direct or indirect way to affect a delisting.

Sub-criterion 7.4(b) - Claims of false positives can be filed with and granted by the Minister under RIUNRDPRK, s.23 and RIUNRI, s.16.

Sub-criterion 7.4(c) - RIUNRDPRK, s.22 and RIUNRI, s.17 further provides for the possibility for the Minister to grant access to frozen funds subject to the conditions and procedures set out in UNSCR 1718 and 1737.

Sub-criterion 7.4(d) - FIs and DNFBPs can subscribe to the UNs automatic notification system found on its website. OSFI also notifies those entities that have subscribed to its email list of any changes to any of the three listing regimes. Detailed guidance on the provisions of the RIUNRI and RIUNRDPRK is provided on the Global Affairs' webpage.

Criterion 7.5

Neither Regulation allows for additions to frozen accounts but the Minister may permit such additions on the basis of a one-off exemption. Payments from frozen accounts are permitted under the circumstances set out in relevant UNSCRs based on RIUNRI, s.19 and RIUNDPRK, s.22.

Weighting and conclusion – There are minor shortcomings in regard to the implementation of the RIUNRI and RIUNRDPRK. Recommendation 7 is rated **largely compliant.**

Recommendation 8 – Non-profit organisations (NPOs)

In the 2021 Follow-Up Report (FUR), Canada was rated Partially Compliant with R.8 due to several deficiencies. Following the 2016 MER, Canada had revised its National Inherent Risk Assessment (NIRA) and updated the NPO Sector Review which included a new grouping of organisations within the FATF's definition of NPO. As this was a recent development at the time of the FUR, risk mitigation requirements and obligations for some of these organizations had not been assessed. The NPO outreach activities in 2021 seemed to focus on charities with an international connection, in line with risk, but there did not appear to be any outreach that addresses TF risks and vulnerabilities within the domestic context. Noting, that the NIRA update identified that the TF risks to the NPO sector to be high, these were considered moderate deficiencies. Recommendation 8 is newly assessed due to changes to the FATF Standards for which Canada has not previously been assessed.

Taking a risk-based approach

Criterion 8.1

Sub-criterion 8.1(a) - Canada's 2023 National Risk Assessment (NRA) in 2023 included a thorough analysis of the NPO sector, and an Inherent Terrorist Financing Vulnerability Profile for tax-exempt non-profits and registered charities (the two entity types for tax purposes that make up the NPO sector in Canada). At the time, there were some gaps in the data available to the authorities, including the exact number of the subset of organisations that fall within the FATF's definition. As part of Canada's 2025 NRA update, the Terrorist Financing Vulnerability Profile on Non-Profit Organizations (2024 NPO Profile) was also updated. The 2024 NPO Profile addresses the gaps in data that were previously not available to authorities and includes a more thorough assessment of the NPO sector in Canada, including the legal structures and tax structures of the organizations in the sector, the number of organizations in the sector, the activities and location of operations of the sector. The 2024 NPO Profile also identifies that the majority of registered charities, and only some tax-exempt non-profits meet FATF's definition of NPOs.

Table A.1. Canada's NPO Profile

Type of NPO	Total Population
Charitable Organisation	86 518
Tax-Exempt Non-Profit	159 978
Total	246 496

Sub-criterion 8.1(b) - The 2024 NPO Profile identifies and categorizes the types and functions of Canadian registered charities and tax-exempt non-profits in order to determine those that may be at a greater risk of TF abuse. The 2024 NPO profile also includes an inherent and residual risk assessment of the NPO sector (both registered charities and tax-exempt non-profits). Based on the NPO sector's inherent characteristics, the nature of its activities, its geographic reach, and the nature of its delivery channels, the NPO sector as a whole has been re-assessed as having a medium inherent risk of TF abuse, with the vast majority of FATF defined NPOs as having no exposure to, and are therefore, at low risk of TF, and even fewer organizations considered to be at high-risk. Further, the 2024 NPO Profile identified that organizations with the following

characteristics are most vulnerable to TF abuse: (1) those undertaking activities in high-risk jurisdictions, including jurisdictions where terrorist groups are known to operate, where funds for terrorist groups are consistently generated, and (2) those undertaking activities domestically that bring together a community or group of communities that have links to jurisdictions where terrorist groups operate. Moreover, organisations that are considered to be at risk have most often focused on either (1) humanitarian aid; (2) education; and/or (3) religion in their activities.

Sub-criterion 8.1(c) - Using the 2024 NPO Profile Canada has assessed the adequacy of existing measures in the NPO sector to ensure they are adequate to mitigate risk. The 2024 NPO Profile includes an analysis of the administrative oversight that exists for registered charities as well as tax-exempt non-profits, and a thorough analysis of the reporting requirements that all organizations are subject to, both with the Canada Revenue Agency (CRA) and with their jurisdiction of incorporation. It concludes that the general administrative oversight that exists for all organizations in the sector, which has the effect of deterring and preventing the sector from being misused for TF, is proportionate and in line with the sector's overall risk profile, where most organizations have no exposure to TF.

For the small portion of the sector that does have exposure to TF risks, targeted administrative oversight and monitoring exists and is well established for registered charities as it relates to their overall operations, including TF, through the CRA's Review and Analysis Division (RAD). This targeted administrative oversight and monitoring for this subset of the sector is focused, proportionate and risk-based, and consistent with the fact that registered charities make up the majority of entities in Canada that meet the FATF definition of an NPO, and who are more likely to conduct activities vulnerable to TF abuse as identified in the 2024 NPO Profile.

By contrast, risks faced by tax-exempt non-profits are addressed in a more decentralized manner, by leveraging the range of existing activities undertaken across national security and other partners that support CFT efforts more broadly. This includes administrative approaches (e.g., Federal and Provincial governments' regulatory roles related to not-for-profit corporations, the CRA's general monitoring and compliance efforts for tax regulation) as well as Law Enforcement's criminal investigations and intelligence gathering activities. In relation to targeted oversight specific to funding, both registered charities and tax-exempt non-profits working in high-risk foreign jurisdictions may also be subject to CFT measures by Global Affairs Canada (GAC) if they apply to receive departmental funding to support humanitarian aid or international development work. Since 2018, GAC has funded 51 Canadian non-profit organizations operating in high TF risk jurisdictions and exercises targeted oversight and due diligence on all its international assistance funds using a risk-based approach.

Sustained outreach concerning terrorist financing issues

Criterion 8.2

Sub-criterion 8.2(a) - The CRA's Charities Directorate undertakes numerous measures to promote accountability, integrity and public confidence. These include publishing policies and decision-making processes online, including registration and regulatory requirements about issuance of tax receipts for donations, information returns and adequate bookkeeping. Registered charities must file annual returns and financial statements; the former are published on the Canadian government website and other detailed documents are available by making a request to the CRA's Charities Directorate. The Directorate also publishes on its website when it revokes or annuls a charity's registration or imposes a sanction. Revocations are also published in the Canada Gazette for the benefit of the public at large. It can also make available letters sent to a registered charity that has had its registration revoked or a sanction imposed on it. In addition, directors of all applicant organizations for charitable status undergo a screening process to ensure that the charitable sector is protected. This screening process includes the identification of ineligible individuals, which since the 2021 amendments include individuals listed as, or members of, a listed terrorist entity and anyone who managed, or served as an official, during the period where the entity sponsored or

engaged in terrorist activities. The CRA's Charities Directorate also has published guidance to this effect to further promote public confidence in its oversight and monitoring of registered charities.

All incorporated tax-exempt non-profits must file a corporation income tax return each year. Other filing requirements also exist for tax-exempt non-profits with the CRA if they meet the criteria.

In addition to the CRA, many other departments, such as those that incorporate organizations at the federal, provincial or territorial level, take steps to promote accountability, integrity and public confidence in the sector. For example, each incorporating statute includes measures relating to good governance (financial management and accountability) and transparency. Further, each jurisdiction has information available on its website for not-for-profit corporations and the public to further promote accountability and public confidence. This includes policies on the requirements for maintaining a not-for-profit corporation, filing information returns, and keeping adequate books and records.

Sub-criterion 8.2(b) - Canada has published a variety of materials for organizations and the public to raise and deepen awareness of TF abuse and TF risks in the sector, including (1) finalized guidance on the new granting rules that now allow registered charities to give grants to non-qualified donees (which could include tax-exempt non-profits), with information on terrorist financing considerations and managing related risks that arise when working with these partners (December 2023); (2) webpages on the new Authorization Regime which shields Canadian persons (including registered charities and tax-exempt non-profits)) from accruing criminal liability in TF provisions for the delivery of specific international assistance in geographic areas controlled by a terrorist entity (June 2024); (3) updated webpages on how registered charities and applicants for charitable registration (which include tax-exempt non-profits) can protect themselves from the risks of terrorist financing (August 2024) and (4) updated National Risk Assessments with information on how the NPO sector can be vulnerable to terrorist financing abuse (March 2023 and August 2025).

For registered charities, the CRA's Charities Directorate conducts a targeted approach to education through its application and compliance functions. The Directorate reviews every application for charitable registration to identify potential risks of terrorism abuse (including TF). Where identified, the CRA's Charities Directorate educates organizations through correspondence on these risks and allows them to alleviate concerns where possible by providing more information to demonstrate adequate risk mitigation measures are in place to support their registration. Those that can't adequately mitigate their terrorism and compliance related risks are denied registration. Where organizations have successfully demonstrated that they meet the requirements for charitable registration, they are registered and relevant information to educate them on expectations for mitigating their risks moving forward is included in their formal registration letter from CRA's Charities Directorate. When monitoring organizations that are already registered charities, CRA's Charities Directorate can also pursue compliance actions outside of audits (including compliance agreement follow-ups, ineligible individual notifications, inactive charity notifications, minor non-compliance/education letters, single issue concern letters, and ETF clarification requests) where lower TF risks are present, or audits, where higher risks are present, to educate and work with the registered charities to take corrective actions to address any non-compliance and encourage future compliance.

While there is no information available on dedicated outreach conducted with respect to tax exempt non-profits in relation to educating them on NPOs' vulnerabilities to TF and available mitigating measures, Canada reports that such entities participated in the working groups listed under (d).

Sub-criterion 8.2(c) - Competent authorities such as the CRA's Charities Directorate, the Department of Finance, Global Affairs Canada, and Public Safety Canada, have all worked with registered charities and tax-exempt non-profits to develop and refine best practices to specifically address terrorist financing risk and thus protect them from terrorist financing abuse.

Sub-criterion 8.2(d) - Canada continues to encourage registered charities to conduct transactions via regulated financial channels wherever feasible, including in the 2024 updated checklist, "How to protect your charity against terrorist abuse", that is available on the Government of Canada website.

Focused, proportionate and risk-based oversight or monitoring of NPOs

Criterion 8.3

Sub-criterion 8.3(a) - Canada has taken multiple steps to promote a focused, proportionate, and risk-based oversight framework in place for registered charities and tax-exempt non-profits (NPOs). The Canada Revenue Agency's (CRA) Charities Directorate acts as the central regulatory body for registered charities, applying a thorough application review process and continuous compliance monitoring. These efforts include reviewing organizational purposes, directors' eligibility, operational activities (including online presence), and financial capacity, all of which are essential elements in ensuring charities operate exclusively for charitable purposes. Importantly, CRA has a clear escalation mechanism— from monitoring annual filings to reviewing public and interagency leads—allowing for audits that are targeted and audit outcomes that are proportionate to identified risks – including revocations where appropriate.

Canada also maintains a specialized, risk-focused unit within the CRA Charities Directorate, the Review and Analysis Division (CRA-RAD), which applies TF risk indicators to assess applications for charitable registration, conducts ongoing monitoring and pursues compliance actions when warranted. The small proportion of applicants subjected to in-depth scrutiny, and even smaller number of registration denials or audits undertaken in relation to TF concerns, show that interventions are carefully scoped. The CRA-RAD's emphasis on education and corrective action - rather than automatic sanctions or revocation - also appears in line with the low level of TF risk observed in most entities.

Regarding tax-exempt non-profits that are not registered charities, Canada's framework is less comprehensive but still applies risk-based elements. Filing requirements for forms like T1044 and GST/HST registration under the Excise Tax Act are triggered by financial thresholds, such as asset size or revenue from passive income, thereby ensuring oversight is applied to larger or more complex NPOs without burdening smaller, low-risk ones.

Finally, inter-agency co-ordination, notably with Global Affairs Canada and Public Safety Canada, further enhances the targeting and proportionality of oversight.

Sub-criterion 8.3(b) - Canada concentrates its most intensive regulatory scrutiny on registered charities, particularly those applying for or receiving funding, operating internationally, or engaging in high-risk activities – which is the same subset identified in the 2024 NPO Profile as most at risk of TF abuse. This is achieved through the CRA's Review and Analysis Division (CRA-RAD), which applies TF-specific risk indicators to applications and conducts ongoing monitoring. CRA-RAD's ability to differentiate between low- and high-risk cases, and to work with charities to mitigate concerns before pursuing revocation of charitable status, shows a narrow, risk-informed focus rather than a blanket approach. Similarly, Global Affairs Canada (GAC) and Public Safety Canada only apply heightened due diligence or Criminal Code exemptions when projects occur in high-risk jurisdictions.

In terms of proportionality, Canada's measures are tiered and escalate according to risk. For instance, the CRA's general oversight of charities involves reviewing annual information returns, but formal audits are only pursued where warranted based on higher risk of non-compliance. Most compliance actions by CRA RAD are non-audit interventions, such as education or administrative letters, especially where the risk is assessed as low. Likewise, GAC adjusts its monitoring, reporting, and contractual terms based on the size of funding and the risk profile of recipients, ensuring that small or low-risk NPOs are not overburdened by compliance demands. This level of proportionality helps avoid chilling legitimate charitable and assistance activities.

Canada also applies a risk-based approach across multiple agencies. The use of risk indicators, national security referrals, financial thresholds (e.g., for T1044 reporting), and customized due diligence by GAC and CRA all demonstrate that regulation and oversight are applied commensurate with the potential risk posed by the NPO's activities, financial size, and geographic focus. Even for tax-exempt non-profits that are not registered charities, risk-based measures are evident in the conditional reporting requirements, and in the CRA's authority to scrutinize their activities when leads arise, such as from FINTRAC or the public.

Criterion 8.4

Sub-criterion 8.4(a) - Canada's NPO monitoring framework includes a structured mix of regulatory oversight, auditing procedures, inter-agency co-ordination, and graduated enforcement tools, particularly for registered charities and, to a more limited but targeted extent, tax-exempt non-profits.

The CRA's Charities Directorate, particularly its Review and Analysis Division (RAD), plays a central role in compliance monitoring. The use of both field audits (for high-risk cases) and restricted (desk) audits (for medium-risk cases) shows that CRA tailors its approach based on the risk profile of each organization. The monitoring and enforcement process is comprehensive - audits include reviews of activities, directors, books and records, donation receipts, and governance. The framework also emphasizes corrective rather than punitive measures when possible, in support of not creating unnecessary burdens on legitimate NPO activity. For example, charities are often given the chance to resolve issues through compliance agreements before sanctions are pursued. RAD's ability to escalate restricted audits to full field audits when additional risks are uncovered ensures that the consideration of risk is dynamic and responsive to new information, while public disclosure of enforcement actions supports transparency and deters abuse.

For tax-exempt non-profits that are not registered charities, monitoring is less comprehensive and decentralized. These organizations are not subject to the same oversight regime as registered charities by the CRA. However, they can still come under scrutiny in certain circumstances such as for example, when they apply to the CRA for charitable status or partner with registered charities (bringing them under CRA review), when regulatory bodies are made aware of leads from the public or partner intelligence, or when their financial activities intersect with other regulatory systems (such as GST/HST reporting).

Sub-criterion 8.4(b) - Canada has a robust sanctions regime for registered charities, grounded in s.168 of the Income Tax Act (ITA). The Canada Revenue Agency (CRA), particularly through its Review and Analysis Division (RAD) has a range of compliance tools at its disposal when non-compliance is detected including education letters, compliance agreements, financial penalties, suspension of donation receipting privileges, and full revocation of charitable status. The legal basis for these compliance measures is clear, and recent amendments to the ITA in 2021 further strengthened this regime by allowing immediate revocation where a charity is listed as a terrorist entity, expanding the definition of ineligible individuals, and enabling sanctions for false statements.

In contrast, the sanctions framework for tax-exempt non-profits that are not registered charities is limited. These organizations may be referred for investigation by the CRA's Criminal Investigations Division or law enforcement under the Criminal Code when terrorist financing or serious tax offences are suspected. However, there is no evidence of a structured administrative sanctions regime, such as compliance orders, fines, or suspensions, being available or applied specifically to tax-exempt non-profits. As such, enforcement options for this part of the sector are reactive and largely criminal in nature, rather than proportionate or risk-tiered.

Effective information gathering and investigation

Criterion 8.5

Sub-criterion 8.5(a) - The CRA's Charities Directorate has the ability to exchange information with all relevant partners in relation to organisations at high risk of TF abuse or any national security investigation.

The CRA's Charities Directorate has MOUs with law enforcement, including the Royal Canada Mounted Police (RCMP) and the Canadian Security Intelligence Service (CSIS), that take the lead on terrorism issues. Information can be exchanged proactively or on request. Classified information can also be exchanged with national security partners, including FINTRAC. There are a number of legislative provisions that support and allow this exchange.

FINTRAC is also required to provide information to the CRA's Charities Directorate in relation to registered charities and tax-exempt non-profits when certain thresholds are met.

The CSIS is required to collect, analyse and retain information and intelligence about activities that may, on reasonable grounds, be suspected of threatening Canadian national security, including terrorism activity. The CSIS has an MOU with the CRA's Charities Directorate and the CSIS Act allows exchange of information with the CRA's Charities Directorate.

Sub-criterion 8.5(b) - Through the RCMP, CSIS and CRA has investigative expertise and capability to examine tax-exempt non-profits and registered charities suspected of being exploited by, or actively supporting, terrorist activity and/or organisations.

Tax-exempt non-profits and registered charities are subject to regular investigative and information-gathering powers under the Criminal Code, in order for agencies to obtain records and information that those organisations are required to maintain under respective provincial or federal legislation.

The CRA also has access to the information filled by some tax-exempt non-profits. For example, information in their T2, if the tax-exempt non-profit is also a not-for-profit corporation; information in their T3, if the main purpose of the tax-exempt non-profit is to provide services such as dining, recreational, or sporting facilities to its members; and/or information in their T1044, which is required if they receive more than CAD 10 000, owned assets more than CAD 20 000 or if they have previously filed T1044 information return.

The CRA-Charities has additional information gathering abilities for these registered charities and can require the provision of the registered charity's records. The ITA allows the CRA to inspect, audit and examine any record that relates or may relate to the information that is, or should be, in the charity's books and records. CRA officers responsible for reviewing TF concerns are provided with training on TF, terrorism and geopolitical issues, as well as analytic and research techniques and intelligence use. The CRA has the necessary expertise to perform an initial examination before the matter is passed to law enforcement.

The RCMP can initiate a national security criminal investigation if there is reasonable suspicion that a tax-exempt non-profit or registered charity has actively supported terrorist activity or terrorist organisations. Depending on the available evidence, the RCMP may consider a variety of enforcement/disruptive measures, including criminal charges or administrative action (e.g. disclosure to CRA for tax-related infraction).

The CSIS has the functions and powers outlined in sub-criterion 8.5(a).

Sub-criterion 8.5(c) - Comprehensive record keeping obligations exist for registered charities under the ITA. Failure to maintain proper books and records can result of the levy of sanctions against the registered charity and is sufficient reason to revoke an organisation's charitable status. Books and records include documents related to program delivery as well as assets, liabilities, income and expenses, both in Canada and abroad. Further documentation can be requested through the entire course of an audit (which can occur pre- or post-charitable registration).

Canada has adequate measures, as per sub-criterion 8.5(a) to enable information sharing with all relevant partners that hold information/intelligence relating to registered charities and tax-exempt non-profits. These allow LEAs to access this information in the course of an investigation.

Incorporated tax-exempt non-profits that do not have CRA's Charities Directorate requirements are required to maintain records under federal or provincial requirements as well as under the ITA if they have

filing requirements related to forms T2, T1044, or the T3. Regular information gathering powers under the Criminal Code are available to LEAs to access this information, and LEAs can also obtain documents from the federal/provincial registrars.

Sub-criterion 8.5(d) - Where there is suspicion or reasonable grounds to suspect that a particular registered charity or tax-exempt non-profit is at risk of TF abuse, the measures outlined in 8(a), (b) and (c) facilitate the exchange of information to support preventive or investigative action.

Effective capacity to respond to international requests for information about an NPO of concern

Criterion 8.6

Canada has formal and informal mechanisms to provide and receive international exchanges of information regarding terrorist financing/terrorist support activities involving organizations in the NPO sector. This includes law enforcement co-operation, FIU-to-FIU co-operation and judicial co-operation through mutual legal assistance (see R40).

Canada may share information about registered charities and tax-exempt non-profits, where appropriate, with foreign counterparts, including publicly available governance documents, director and trustee names, annual information returns and financial statements. The CRA may also share additional information with foreign tax authorities and with international law enforcement if there are reasonable grounds to suspect information would provide evidence of a serious crime, including terrorism.

Canada has appropriate points of contact and procedures to respond to international requests for information regarding particular organizations in the NPO sector suspected of TF or involvement in other forms of terrorist support.

> ***Weighting and conclusion –*** Canada has reviewed and identified the types of organisations which fall under the FATF definition of an NPO, concluding that the vast majority of registered charities and a small portion of tax-exempt non-profits meet this definition. They continuously review and identify the TF risks within this sector, conduct outreach, and are overall able to conduct oversight, information gathering and investigation, as well as share relevant information with international counterparts. However, some gaps remain with respect to those NPOs that are tax-exempt nonprofits, owing to the less well-articulated oversight systems when compared to that of registered charities. The registered charities have been identified as where the high risk for terrorist financing sits and not those within the tax-exempt non-profit sector. Recommendation 8 is rated **largely compliant**.

Recommendation 9 – Financial institution secrecy laws

In its 2008 MER, Canada was rated C with R.4, and neither the relevant laws nor the applicable FATF R. have subsequently changed. The MER assessors' only concern was that data protection law implementation was subject to excessively strict interpretations that might prevent LEAs accessing information in the course of investigations.

Criterion 9.1

Various constitutional and legal provisions impose confidentiality obligations over personal information and individuals' privacy. In particular, s.8 of the Canadian Charter of Rights and Freedoms (which forms part of Canada's Constitution) provides that everyone has the right to be secure against unreasonable search

and seizure. According to the Supreme Court of Canada, the purpose of s.8 is to protect a reasonable expectation of privacy. Accordingly, those who act on behalf of a government, including LEAs and supervisors, must carry out their duties in a fair and reasonable way. Canada also has two privacy laws: the Privacy Act covers the personal information handling practices of federal government department and agencies; and the PIPEDA is the main federal private-sector privacy law.

PIPEDA, s.5 notably contains specific obligations concerning organizations' collection, dissemination and use of customers' personal information. Every province and territory has its own public-sector legislation and the relevant provincial act applies to provincial government agencies (in lieu of the Privacy Act). Some provinces also have private-sector privacy legislation. Alberta, British Columbia and Québec notably have legislation that have been declared "substantially similar" to the PIPEDA and apply to private-sector businesses that collect, use and disclose personal information while carrying out business within these provinces. Finally, several federal and provincial sector-specific laws also include provisions dealing with the protection of personal information: The federal Bank Act, in particular, contains provisions regulating the use and disclosure of personal financial information by FRFIs (ss.606 and 636 (1)); and most provinces also have laws governing credit unions that require the confidentiality of information related to members' transactions.

Various provisions also govern the authorities' access to information: of the PIPEDA, s.7(3)(d), in particular, provides that an organization may, without the individual's knowledge or consent or judicial authorization, disclose personal information that it has reasonable grounds to believe could be useful in the investigation of a contravention of the laws of Canada, a province or a foreign jurisdiction that has been, is being or is about to be committed and the information is used for the purpose of investigating that contravention. The "substantially similar" laws in Alberta, British Columbia and Québec contain broadly equivalent provisions. The PCMLTFA also contains a number of provisions that enable FINTRAC to access information (ss.62-63) and the Bank Act (ss.643-644) and equivalent provisions governing other FRFIs gives OSFI powers to access all records of FRFIs.

As regards sharing of information between competent authorities, implementation of the Privacy Act, which obliges federal government departments and agencies to respect privacy rights, does not seem to have caused AML/CFT problems. The PCMLTFA (ss.55, 55.1, 56 and 65(1) and (2)) empowers FINTRAC to disclose information to a range of law enforcement and other competent authorities within Canada in specified circumstances. Similarly, the PCMLTFA, s.65.1(1)(a) allows FINTRAC to make agreements with foreign counterparts to exchange compliance information. The Bank Act, s 636(2) also enables OSFI to disclose information to other governmental agencies.

> *Weighting and conclusion –* Recommendation 9 is rated **compliant.**

Recommendation 10 – Customer due diligence

In the 2008 MER, Canada was rated NC with R.5. There were numerous deficiencies, and also the CDD requirement did not cover all FIs as defined by the FATF. Subsequently, both the PCMLTFA and PCMLTFR were amended to include measures covering the circumstances in which CDD must take place. Further PCMLTFR amendments, effective from February 2014, addressed most of the remaining deficiencies.

The 2008 MER noted that the requirement to conduct CDD excluded financial leasing, factoring and finance companies. The Sixth FUR (2014) concluded that the set of sectors not covered by the AML/CFT regime and not yet properly risk assessed was not a major deficiency. Since then, Canada's NIRA assessed the

ML/TF vulnerabilities of factoring, finance and financial leasing companies as medium risk, while pointing out that these entities were very small players. Sectors not covered by the AML/CFT regime are continually evaluated to identify trends indicating a higher ML/TF risk rating. Their current exclusion from the scope of the AML/CTF regime is an ongoing minor deficiency.

Criterion 10.1

In its 2008 MER, Canada explained that, while there was no explicit prohibition on opening anonymous accounts, the basic CDD requirements on all new account holders effectively prohibited anonymous accounts. This also applied to accounts in obviously fictitious names. The legal position remains unchanged: The PCMLTFA, s.6.1, requires REs to verify identity in prescribed circumstances and ss.105, 109 and 112 (formerly s.64) of the PCMLTFR sets out the measures to be taken for ascertaining identity.

When CDD is required

Criterion 10.2

PCMLTFR ss.86-88 (formerly ss.54, 54.1, 55, 56, 57, 59(1), 59(2) and 59(3)) require FIs to ascertain the identity of their clients when establishing business relations. Similarly, all REs must ascertain the identity of every client with whom they conduct an occasional large cash transaction of CAD 10 000 or more. Two or more such transactions that total over CAD 10 000, conducted within a period of 24 hours, are deemed a single transaction. CDD is required for both cross-border and domestic wire transfers exceeding CAD 1 000.

Pursuant to PCMLTFR s.85(1) (formerly s.53.1(1)) FIs must take reasonable measures to verify the identity of every natural person or entity who conducts, or attempts to conduct, a transaction that should be reported to FINTRAC (i.e. where there is suspicion of ML or TF). This obligation applies (s.154, formerly s.62(5) of the PCMLTFR) even

when it would not otherwise have been necessary to verify identity. Also, FIs must reconfirm (s.155, formerly s.63(1.1) of the PCMLTFR) the client's identity where doubts have arisen about the information collected. However, this measure applies only to natural persons, not to legal persons or arrangements.

The limited application of this last measure remains a deficiency under 10.2(e).

Required CDD measures for all customers

Criterion 10.3

PCMLTFA s.6.1 requires REs to verify the identity of a person or entity in prescribed circumstances and in accordance with the Regulations. PCMLTFR ss.105, 109 and 112 (formerly ss.64 to 66) detail the measures that REs must take to ascertain the identity of a prescribed individual, corporation and "entity other than a corporation.19" For individuals, acceptable identification documents include a birth certificate, driver's license, passport, or other similar document. For corporations, the corporation's existence is confirmed, and the names and addresses of its directors ascertained, by reference to its certificate of incorporation. However, other methods are acceptable, e.g. a record that it is required to file annually under applicable provincial securities legislation, or any other record that validates its existence as a corporation. The existence of an entity other than a corporation must be confirmed by reference to a partnership agreement, articles of association, or other similar record that ascertains its existence. These legal provisions meet the FATF standard.

Criterion 10.4

The "Third Party Determination" provisions of the PCMLTFR require FIs to determine whether their customers are acting on behalf of another person or entity. Where an account is to be used by or on behalf of a third party, the FI must collect CDD information on that third party and establish the nature of the relationship between third party and account holder.

Criterion 10.5

PCMLTFR s.138(1) (formerly s.11.1(1)) requires FIs, at the time the entity's existence is confirmed, to obtain the following information:

- For corporations, the name of all directors of the corporation and the name and address of all persons who own or control, directly or indirectly, 25% or more of the shares of the corporation;
- For trusts, the names and addresses of all trustees and all known beneficiaries and settlors of the trust;
- For entities other than corporations or trusts (typically, a partnership, a fund or an unincorporated association or organization), the name and address of all persons who own or control, directly or indirectly, 25% or more of the entity; and

In all cases, information establishing the ownership, control, and structure of the entity.

Under the PCMLTFR s.138(2) (formerly s.11.1(2)), REs further need to take reasonable measures to confirm the accuracy of the information obtained on beneficial ownership. This requirement implies the need to use reliable sources to obtain the requisite information. and the FATF standard20 allows identification data to be obtained "from a public register, from the customer, or from other reliable sources." Also, FINTRAC's guidance includes methods to confirm the accuracy of beneficial ownership information (Beneficial ownership requirements).

No specific legal provisions cover beneficial ownership of personal accounts. However, the PCMLTFR, in effect, establish beneficial ownership of personal accounts: in particular, s.135 (formerly s.9) requires REs to determine whether personal accounts are being used on behalf of a third party and, for personal accounts in joint names, all authorized signatories are subject to CDD measures.

Criterion 10.6

PCMLTFR, s.145 (formerly s.52.1), requires every person or entity that forms a business relationship under the Regulations to keep a record of the purpose and intended nature of that business relationship. FINTRAC's guidance explains the records that must be held and provides sector-specific examples of the purpose and intended nature of a business relationship (Business relationship requirements).

Criterion 10.7

PCMLTFR s.123.1 (formerly ss.54.3 (financial entities), 56.3 (life insurance sector), 57.2 (securities dealers), 59.01 (MSBs), and 61.1 (departments or agencies of the government or provinces that sell or redeem money orders)) requires all covered REs to conduct ongoing monitoring of their business relationships. Section 1(2) defines this to mean monitoring on a periodic basis, according to assessed risk, by a person or entity of their business relationships with clients for the purpose of (i) detecting transactions that must be reported to FINTRAC; (ii) keeping client identification information up to date; (iii) reassessing levels of risk associated with clients' transactions and activities; and (iv) determining whether transactions or activities are consistent with the information.

Where higher risks are identified, PCMLTFA, s.9.6(3) requires "special measures referred to in the regulations" to be taken, which are set out in PCMLTFR s.157 and include enhanced measures to keep client identification and beneficial ownership information up to date and also to monitor business relationships

in order to detect suspicious transactions. The Regulations do not explicitly cover scrutiny of the source of funds.

Specific CDD measures required for legal persons and legal arrangements

Criterion 10.8

The PCMLTFR requirements for FIs to understand the nature of the customer's business and its ownership and control structure cover legal persons or legal arrangements.

Criterion 10.9

See c.10.3 above, which covers identification and verification of legal persons and arrangements. The PCMLTFR ss. 12(c), 13(b), 14(1)(b), 15(1)(c), 23, 24.14(c), 24.2(c), 29(c), 37(c), and 82(c) (formerly ss.14(b), 14.1(b), 15(1)(c), 20, 23(1)(b), 30(b) and 49(b)) require the collection of information on power to bind the legal person or arrangement in relation to an account or transaction. However, the Regulations do not cover gathering the names of relevant persons having a senior management position in the legal person or arrangement. Where an RE is unable to obtain information about the ownership, control and structure of a trust or other legal arrangement, the PCMLTFR s.138(4)(a) (formerly s.11.1(4)(a)) require reasonable measures to be taken to verify the identity of the chief executive officer or the person who performs that function of the entity concerned.

The PCMLTFR s.109(1) (formerly s.65(1)) requires verification of a corporation's identity, and its name and address, by reference to its certificate of incorporation or other acceptable official record. The verification of an entity other than a corporation's identity must be confirmed by referring to a partnership agreement, articles of association or other similar record that confirms its existence and contains its name and address. There is no specific requirement, in this case, to obtain the address of the registered office or principal place of business, if different. Consequently, for non-corporate legal persons and for legal arrangements such as trusts, the standard is only partially met. Partnership agreements, etc., are unlikely to confirm details of address and principal place of business. Similarly, while trust documents usually contain sufficient

information to satisfy the account-holding FI as to name, legal form, and proof of existence; such documents usually do not provide additional information about the registered address or principal business of the trust.

In addition, under PCMLTFR s.89 (formerly s.55) trust companies are required when acting as trustee of a trust to verify the identity of: (a) every person who is the settlor of an inter vivos trust; (b) every corporation that is the settlor of an institutional trust; (c) every entity, other than a corporation, that is the settlor of an institutional trust. Under the PCMLTFR (s.89 (e)), where an entity is authorized to act as a co-trustee of any trust, the trust company must (i) verify the identity of the entity, including its name and address; and (ii) verify the identity of all persons—up to three—who are authorized to give instructions with respect to the entity's activities as co-trustee. Finally, under the Regulations (s.89 (d)), trust companies must verify the identity of each person who is authorized to act as co-trustee of any trust. However, as natural persons who are trustees are not REs under the PCMLTFA, they are not subject to CDD obligations.

PCMLTFR s.139 (formerly ss.11 (a)-(b)) require trust companies, for inter vivos trusts, to keep a record that sets out the name and address of each of the beneficiaries that are known at the time that the trust company becomes a trustee for the trust; (a) if the beneficiary is a natural person, record their date of birth and the nature of their principal business or their occupation; and (b) if the beneficiary is an entity, the nature of their principal business.

Criterion 10.10

The legal requirements for obtaining information on beneficial owners of customers that are legal persons are set out under c.10.5 above.

REs must verify the identity of a corporation or non-corporate legal entity at the opening of an account or when conducting certain transactions. At the same time, they must obtain information about the entity's beneficial ownership and confirm its accuracy. Beneficial ownership refers to the identity of the individuals who ultimately control the corporation or entity, which extends beyond another corporation or another entity. The PCMLTFR requirements for corporations and other entities refer to "persons." PCMLTFA, s.2 defines "person" to mean an individual, which therefore requires the natural person to be identified. If the RE has doubts about whether the person with the controlling ownership interest is the beneficial owner, then it is deemed to have been unable to obtain the information referred to under PCMLTFR s.138(1) (formerly s.11.1(1)) or to have been unable to confirm that information in accordance with PCMLTFR s.138(2) (formerly s.11.1(2)). In this case, the RE is required, under PCMLTFR s.138(4) (formerly s.11.1(4)), to: take reasonable measures to ascertain the identity of the chief executive office of the entity or the person who performs that function; treat that entity as high risk for the purpose of PCMLTFA, s.9.6(3) and apply the prescribed special measures set out in PMCLTFR s.157 (formerly s.71.1). Where no individual ultimately owns or controls 25% or more of an entity, directly or indirectly, REs must nevertheless record the measures they took, and the information they obtained, in order to reach that conclusion. Also, REs must comply with PCMLTFR s.138(1)(d) (formerly s.11.1(1)(d)), which requires that information "establishing the ownership, control and structure of the entity" be obtained.

Criterion 10.11

The legal requirements for collecting information on the identity of beneficial owners of customers that are legal arrangements are set out under c.10.5 and 10.9 above. It is unclear, in the case of trusts, what identification requirements apply to protectors. Beneficiaries of trusts are covered by the ongoing monitoring provisions of s.123.1 (formerly s.1(2)) of the PCMLTFR, which require that client identification information and information be kept up to date.

CDD for Beneficiaries of Life Insurance Policies

Criterion 10.12

All provincial Insurance Acts require life insurance companies to conduct CDD on (and keep a record of) the beneficiaries of life insurance policies, so this requirement applies to insurance companies nationally. There is no specific requirement to verify the identity of the beneficiary at the time of pay-out.

Criterion 10.13

As life insurance companies are covered under the PCMLTFA, they must risk assess all their clients and business relationships, products and services, and any other relevant risk factors (which include the beneficiary of a life insurance policy). In cases of high risk, life insurance companies must apply enhanced measures (prescribed special measures—s.157, formerly s.71.1 of the PCMLTFR).

Timing of verification

Criterion 10.14

PCMLTFR ss.105(7), 109(4) and 112(3) (formerly ss.64(2), 65(2) and 66(2)) specify the timeframe for verifying the identity of individuals, corporate and non-corporate entities. With certain exceptions, the legal obligation is to verify identity either at the time of the transaction or before any transaction other than an initial deposit is carried out. There are two main exceptions: (i) in relation to trust company activities, identity may be verified within 15 days of the trust company becoming the trustee; (ii) in relation to life insurance transactions and government or provincial departments or agencies handling money orders, identity may be verified within 30 days of the client information record being created. These exceptions

are not justified according to what is reasonably practicable or necessary to facilitate the normal conduct of business, nor is there any condition about managing the ML/TF risks of delaying identity verification.

Criterion 10.15

PCMLTFR, s. 4.1 (formerly s.1(2)) states that a business relationship commences on account opening or when a client conducts specified transactions that would require their identity to be ascertained. Consequently, it is not possible for a customer to utilize a business relationship prior to verification.

Existing customers

Criterion 10.16

See c.10.7. These ongoing monitoring obligations apply to all clients, whether or not they were clients at the date of new CDD obligations coming into force. Consequently, the ongoing monitoring process covers clients whose identity had not previously been ascertained. REs are required to take a risk-based approach to keeping information on client identification, beneficial ownership and purpose and nature of intended business relationship up to date.

Risk-Based Approach

Criterion 10.17

PCMLTFR, s.71.1 details the "prescribed special measures" to be taken in cases of high risk. This includes, for example, cases where beneficial ownership information cannot be obtained or confirmed. These special measures comprise taking enhanced measures to (i) ascertain the identity of a person or confirm the existence of an entity; (ii) keep client identification information up to date (including beneficial ownership information); (iii) monitor business relationships for the purpose of detecting suspicious transactions; and (iv) determining whether transactions or activities are consistent with the information. In addition, Appendix 1 to FINTRAC Guideline 4 provides a checklist of products or services that should be considered high-risk.

Criterion 10.18

No reduced or simplified CDD measures are in place. Instead, the PCMLTFR gives exemptions from the client identification and record-keeping requirements in specific circumstances assessed as low risk by the authorities. These exemptions are mainly contained in ss.135(4), 135(5) and 135(6) (formerly s.9) (accounts used by, or on behalf of, a third party) and s.145 (formerly s.62) (mainly concerning life insurance business). Furthermore, PCMLTFR, ss. 22 and 92 (formerly ss.19 and 56) create a form of exemption by requiring that life insurers only conduct CDD in relation to the purchase of an immediate or deferred annuity or a life insurance policy for which the client may pay CAD 10 000 or more over the duration of the annuity or policy. However, these exemptions do not apply where there is a suspicion of ML or TF.

Failure to satisfactorily complete CDD

Criterion 10.19

The PCMLTFA, s.9.2, provides that no RE shall open an account for a client if it cannot establish the identity of the client in accordance with the prescribed measures. Consequently, an FI that failed to conduct CDD, when obliged to do so, would be in breach of the Act and could be fined. There is no explicit prohibition on REs commencing a business relationship or performing a transaction when they are unable to comply with CDD measures if the identity of an individual cannot be ascertained or the existence of an entity confirmed when they open an account, the FI cannot open the account. This also means that no transaction, other than an initial deposit, can be carried out. Also, if the RE suspects that the transaction is related to a ML or TF offense, it must file an STR with FINTRAC. Under PCMLTFA, s.7, if the RE has reasonable grounds

to suspect that the client conducts or attempts to conduct a transaction that is related to the commission or the attempted commission of an ML or TF offense, even if the client cannot be identified or his/her identity cannot be properly verified, the RE must file a STR. This requirement is amplified in FINTRAC guidance.

CDD and tipping-off

Criterion 10.20

PCMLTFR, s. 85(2) (formerly s.53.1 (2)) specifies that the identity verification obligation does not apply where the RE believes that complying with that obligation would inform the customer that the transaction is being reported as suspicious. PCMLTFA s. 7 requires an STR to be filed in these circumstances.

> ***Weighting and conclusion –*** A number of relatively minor deficiencies have been identified. Recommendation 10 is rated **largely compliant.**

Recommendation 11 – Record-keeping

In the 2008 MER, Canada was rated LC with R.10. Two deficiencies were noted. First, the record keeping requirement did not cover all FIs as defined by the FATF (notably financial leasing, factoring and finance companies). Second, FIs must ensure that all records required to be kept under the PCMLTFA could be provided within 30 days, which did not meet the requirement to make CDD records available on a timely basis. The FATF standard has not since changed, the requirement being to make records available "swiftly".

Criterion 11.1 and 11.2

The PCMLTFR s.69 detail the obligation to keep records for a period of at least five years following completion of the transaction or termination of the business relationship. The PCMLTFR outlines, for each type of covered entity, detailed record keeping rules for CDD, account files and business correspondence. The Regulations do not specifically require retention of any internal analysis of client business that might lead to a STR. However, covered entities would need to keep this information to substantiate that they were not in contravention of PIPEDA and that the disclosure without consent would have been warranted. The Privacy Commissioner could request this type of information under PIPEDA, s.18 as part of a compliance audit. In addition, OSFI requires FRFIs to keep such information.

Criterion 11.3

There is no clear legal obligation that transaction records be sufficient to permit reconstruction of individual transactions. However, the Regulations do specify in detail the contents of each piece of information that must be held in various records.

Criterion 11.4

The PCMLTFR s.70 requires REs to provide records upon request of FINTRAC within 30 days. This does not meet the "swiftly" standard.

> ***Weighting and conclusion –*** The deficiencies noted in the 2008 MER remain. Recommendation 11 is rated **largely compliant**.

Recommendation 12 – Politically exposed persons (PEPs)[73]

In the 2008 MER, Canada was rated NC with R.6. There were no relevant legislative or other enforceable requirements in place.[74] In its 4th MER, Canada was rated NC with R.12 because it lacked provisions in laws or regulations which covered measures to identify and deal with politically exposed persons.[75]

Since its MER, Canada issued amendments to regulations made under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) in 2019 and 2020; however, there is no obligation to obtain senior management approval before establishing business relationships with politically exposed persons (PEPs).[76]

Criterion 12.1[77]

The amendments to the PCMLTFR published in 2019 and 2020, address most of the deficiencies introducing the following obligations for the reporting entities: take reasonable measures to determine a person's status as a politically exposed foreign person (PEFP), obtain the approval of senior management to keep the account open and take reasonable measures to establish the source of the funds or virtual currency and the source of the person's wealth, conduct enhanced ongoing monitoring of their business relationships. However, there is no obligation to obtain approval before establishing business relationships with PEPs.

In addition, FINTRAC's guidance (though these are not enforceable) which further explains how to meet the requirements of the PCMLTFA and PCMLTFR.

FINTRAC updated its Guidance to explain PEP and head of an international organization (HIO) determination and its Guidance on Ongoing monitoring requirements.

Criterion 12.2[78]

The amendments to the PCMLTFR published in 2019 and 2020, address the deficiencies introducing the following obligations for the reporting entities: to take reasonable measures to determine a person's status as a domestic PEP and in cases when there is higher risk business relationship with such a person, adopt the measures in criterion 12.1 (b) to (d).

Criterion 12.3[79]

While the PCMLTFR states what type of persons are prescribed as family member of a politically exposed foreign person, a politically exposed domestic person (PEDP) or a head of an international organization, it does not establish who is considered a close associate of a PEP or a HIO. PCMLTFA subsection 9.3(1) requires all reporting entities to determine whether it is dealing with a PEFP, PEDP, or HIO; a family member of a PEFP, PEDP, or HIO; or a close associate – for personal or business reasons. In addition, FINTRAC Guidance further explains it. The guide establishes that a close associate can be a person connected to a PEP or HIO for personal or business reasons. Examples of relationships that could indicate that someone is a close associate (personal or business) could include, but are not limited to, persons who: are the business partners of, or who beneficially own or control a business with, a PEP or HIO; are in a romantic relationship

[73] MER 2016 and FUR 2021

[74] MER 2008

[75] MER 2016

[76] FUR 2021

[77] FUR 2021

[78] FUR 2021

[79] FUR 2021

with a PEP or HIO; are involved in financial transactions with a PEP or a HIO; serve as prominent members of the same political party or union as a PEP or HIO; among others.

On the other hand, most of the provisions established on the amendments to the PCMLTFR listed on the criteria 12.1 and 12.2 apply to family members or close associates to all the types of PEP, but there are exceptions.

Criterion 12.4[80]

Although Canada takes a risk-based approach in establishing the CAD 100 000 threshold for life insurance companies to conduct PEP determination for beneficiaries, the criterion 12.4 does not subject this obligation to any kind of threshold, that is, the obligation must be established regardless of the level of risk. The establishment of the threshold could be considered as an additional red flag of alert for example. So, this deficiency has not been fully addressed.

However, Canada has taken steps to address ML and TF risks posed by the beneficiaries of life insurance payouts. This includes requiring life insurance brokers or agents to take reasonable measures to determine if certain beneficiaries are a PEP, or close associate of a PEP. Additional reasonable measures are required to scrutinize the business relationship where a positive determination is made for these beneficiaries, and senior management must review the transaction.

> *Weighting and conclusion –* Canada issued amendments to regulations under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) in 2019 and 2020 introducing the following obligations for reporting entities: determine if dealing with a politically exposed person or a Head of International Organization and take appropriate measures such as obtaining the approval of senior management to keep the account open, take reasonable measures to establish the source of the funds or virtual currency and the source of the person's wealth, and conduct ongoing monitoring of their business relationships. However, there is no obligation to obtain approval before establishing business relationships with PEPs. Canada has addressed most of the deficiencies identified it its MER. Recommendation 12 is rated **largely compliant.**[81]

Recommendation 13 – Correspondent banking

In its 2016 MER, Canada was rated LC with R.13. The main deficiencies were that there was no requirement for a financial institution to assess the quality of AML/CFT supervision to which its respondent institutions are subject and no requirement to assess the quality of a respondent institution's AML/CFT controls.

Criterion 13.1

FIs must obtain the approval of senior management to enter into the correspondent banking relationship (s. 9.4(1), PCMLTFA). In 2023, Canada amended the PCMLTFA to require FIs to keep a record of the measures taken to assess (a) the reputation of respondent institutions with respect to compliance with AML/CFT requirements and (b) the quality of AML/CFT supervision to which their respondent institutions are subject, as well as the results of those measures. The amendments are sufficiently broad to cover the requirements that FIs gather information on whether a respondent institution has been subject to a ML/TF investigation or regulatory action, and assess the quality of a respondent institution's AML/CFT controls (s. 16(2)(h) to (j), PCMLTFR). The Regulations (s.16(2)(d)) specify the collection of a copy of the correspondent banking agreement or arrangement, or product agreements, defining the respective responsibilities of each entity.

[80] FUR 2021

[81] FUR 2021

Criterion 13.2

The PCMLTFR (s. 55.2) stipulate that where the customer of the respondent institution has direct access to the services provided under the correspondent banking relationship (the 'payable-through account' scenario), the FI shall take reasonable measures to ascertain whether (i) the respondent institution has met the customer identification requirements of the Regulations; and (ii) the respondent institution has agreed to provide relevant customer identification data upon request.

Criterion 13.3

PCMLTFA, s.9.4 (2) prohibits correspondent banking relationships with a shell bank. In addition, the PCMLTFR (s. 15.1 (2) (h) require FIs to obtain a statement from the respondent institution that it does not have, directly or indirectly, correspondent banking relationships with shell banks.

Weighting and conclusion – Recommendation 13 is rated **compliant**.

Recommendation 14 – Money or value transfer services

In its 2008 MER, Canada was rated NC with SR VI. The main deficiencies were: lack of a registration regime for money services businesses (MSBs); no requirement for MSBs to maintain a list of their agents; and the sanction regime available to FINTRAC and applicable to MSBs was deemed not effective, proportionate and dissuasive. Subsequently, Canada has made significant progress, and the FATF standard has been strengthened to require countries to take action to identify unlicensed or unregistered MSBs and apply proportionate and dissuasive sanctions to them.

Criterion 14.1

PCMLTFA, s.11.1 stipulates that any entity or person covered by s.5(h) of the Act, (persons and entities engaged in the business of foreign exchange dealing, of remitting funds or transmitting funds by any means or through any person, entity or electronic funds transfer network, or of issuing or redeeming money orders, traveller's checks or other similar negotiable instruments) and those referred to in s.5(l) of the Act (those that sell money orders to the public), must be registered with FINTRAC.

Criterion 14.2

Under its mandate (PCMLTFA, s. 40(e)) to ensure compliance with part 1 of the Act, FINTRAC has a process for identifying MSBs that carry out activities without registration. This includes searching advertisements and other open sources as well as through onsite visits. Additionally, MVTS whose registration status is revoked are still tracked to ensure that they are not conducting business illegally.

The PCMLTF Administrative Monetary Penalties (AMP) Regulations describe the classification of different offenses under the PCMLTFA and the Regulations. Failure to register is classified as a serious violation. These Regulations classify violations as minor, serious, and very serious, each with a varying range of monetary penalties, up to CAD 500,000. In addition to criminal sanctions and monetary penalties for non-compliance, FINTRAC uses other means to encourage compliance. Monetary penalties are only considered after giving an entity or person a chance to correct deficiencies. If a very serious violation has been committed, a fine is greater than CAD 250,000, or if there is repeat significant non-compliance, FINTRAC considers publicly naming that entity or person, using its powers under s.73.22 of the PCMLTFA.

Criterion 14.3

PCMLTFA s. 40 (e) gives FINTRAC the mandate to ensure compliance with the Act. FINTRAC uses its powers under the PCMLTFA (ss. 62, 63 and 63.1) to examine records and inquire into the business and affairs of REs to monitor MVTS providers for AML/CFT compliance.

Criterion 14.4

PCMLTFA, ss.11.12(1) and (2) require that a list of agents, mandataries or branches engaged in MSB services on behalf of the applicant be submitted upon registration of the MSB with FINTRAC. S. 11.13 of the Act stipulates that a registered MVTS must notify FINTRAC of any change to the information provided in the application or of any newly obtained information within 30 days of the MVTS becoming aware of the change or obtaining the new information. This includes information about the MVTS's agents.

This criterion is also met through the legal obligation described under c. 14.1 above.

Criterion 14.5

The PCMLTFR (s.71(1)(d)) require MVTS, who have agents or other persons authorized to act on their behalf, to develop and maintain a written ongoing compliance training program for those agents or persons. S. 71(1)(e) also requires MVTS to institute and document a review of their agents' policies and procedures, risk assessment and the training program for the purpose of testing effectiveness. Such reviews must be carried out every two years.

> *Weighting and conclusion –* Recommendation 14 is rated **compliant**.

Recommendation 15 – New technologies[82]

In October 2019, revisions were made to methodology for assessing R.15, to reflect amendments to the FATF Standards incorporating virtual assets (VA) and virtual asset service providers (VASP). These new requirements include: requirements on identifying, assessing and understanding ML/TF risk associated with VA activities or operations of VASPs; requirements for VASPs to be licensed or registered; requirements for countries to apply adequate risk-based AML/CFT supervision (including sanctions) to VASPs and that such supervision should be conducted by a competent authority; as well as requirements to apply measures related to preventive measures and international co-operation to VASPs.

In its 4th MER, Canada was rated NC with R.15 because there was no explicit legal or regulatory obligation to risk assess new products, technologies or business products, before or after their launch. Since its MER Canada introduced PCMLTFA amendments, as well as amendments to corresponding regulations (PCMLTFR). Canada met most of the revised requirements of R.15 related to identifying and assessing the money laundering and terrorist financing risks emerging from VA and VASPs, regulating and supervising virtual asset activities and the activities or operations of VASPs.

[82] FUR 2021

New technologies

Criterion 15.1[83]

Canada has taken steps to deepen its understanding and analysis of the ML/TF risks posed by new technologies. The country elaborates multiple reports and impact assessments of fintech including cryptocurrencies, e-commerce, blockchain, mobile payments, among others.

Canada also updated its Assessment of Money Laundering and Terrorist Financing Risks most recently in 2025, which included virtual currencies and VASPs, as VASPs are categorized as Money Services Businesses (MSB) in Canada's regime.

Likewise, the PCMLTFR and its amendments published in 2020 state, among other issues, that all reporting entities/persons must conduct a risk assessment for potential ML and/or TF offences (PCMLTFR, subsection 9.6(2)); that the entire compliance program, including any risk assessment performed as part of the program, must be conducted every two years by an internal or external auditor, or by the person/entity (PCMLTFR, subsection 156(3); and that if a person/entity intends to carry out a new development or introduce a new technology that may have an impact on their clients, business relationships, products, services or delivery channels or the geographic location of their activities, they shall assess and document the risk before doing so (PCMLTFR, subsection 156(1)(2)).

Criterion 15.2[84]

The amendments to the PCMLTFR published in 2019 and 2020 state, among other issues, that all reporting entities/persons must conduct a risk assessment for potential ML and/or TF offences; that the entire compliance program, including any risk assessment performed as part of the compliance program, must be conducted every two years by an internal or external auditor, or by the person/entity; and that if a person/entity intends to carry out a new development or introduce a new technology that may have an impact on their clients, business relationships, products, services or delivery channels or the geographic location of their activities, they shall assess and document the risk before doing so.

Section 9.6 of the PCMLTFA states that all reporting entities listed under section 5 shall establish and implement, in accordance with the regulations, a program intended to ensure their compliance with the regulations and indicates that this program shall include the development and application of policies and procedures for the person or entity to assess, in the course of their activities, the risk of ML/TF.

Further, PCMLTFR section 156 states that the compliance program of the section 9.6 should include the assessment and documentation of ML/TF risks taking into consideration their products, services and delivery channels, the geographic location of their activities and any other relevant factor.

Additionally, the PCMLTFR section 157 specifies that in situations of high risk, reporting entities/persons are required to take enhanced measures to mitigate these risks.

Virtual assets and virtual asset providers

Criterion 15.3[85]

Canada has taken steps to deepen its understanding and analysis of the ML/TF risks posed by new technologies. The country elaborates multiple reports and impact assessments of fintech including cryptocurrencies, e-commerce, blockchain, mobile payments, among others.

[83] FUR 2021

[84] FUR 2021

[85] FUR 2021

In addition, Canada included virtual currencies and VASPs as Money Services Businesses (MSB) in its updated Assessment of Money Laundering and Terrorist Financing Risks in 2025.

Likewise, the PCMLTFR and its amendments published in 2019 and 2020 state, among other issues, that all reporting entities/persons must conduct a risk assessment for potential ML and/or TF offences; that the review of the entire compliance program, including any risk assessment must be conducted every two years by an internal or external auditor, or by the person/entity; and that if a person/entity intends to carry out a new development or introduce a new technology that may have an impact on their clients, business relationships, products, services or delivery channels or the geographic location of their activities, they shall assess and document the risk before doing so.

Finally, VASPs are categorized as MSBs under the PCMLTFA and its regulations and have the same obligations as existing MSBs to take appropriate steps to identify, assess, manage and mitigate their money laundering and terrorist financing risks, as required by criteria 1.10 and 1.11 under PCMLTFA (Section 9.6(2)).

Criterion 15.4[86]

All VASPs in Canada or that provide services to Canadians are required to register with FINTRAC as Money services businesses (MSB) or Foreign money services businesses (FMSB) in the following link: www.fintrac-canafe.gc.ca/msb-esm/intro-eng, in accordance with PCMLTFA section 11.1.

Canada's definition broadly covers forms of safekeeping and/or administration, and is applicable to virtual currencies, wallets, and private keys where a financial service is being offered.

The PCMLTFA established the legislative measures to prevent criminals or their associates from holding or being the beneficial owner of a significant or controlling interest in a VASP and renders them ineligible for registration with FINTRAC.

In addition to these criteria prohibiting registration, applicants for registration are required to provide various information to FINTRAC as set out in the section 11.12 of the PCMLTFR, for example: bank account information; information about their compliance officer; number of employees; information about their MSB's owners and senior management; detailed information about every branch; a translation of the police record, among others.

Criterion 15.5[87]

FINTRAC takes measures to prevent the operation of unregistered VASPs, like periodically monitoring across multi-media in various languages and may alternatively choose to disclose a case of an unregistered MSB to law enforcement if there are reasonable grounds to suspect that the information would be relevant to investigating or prosecuting non-compliance offences under the PCMLTFA (criminal penalties).

The "Proceeds of Crime (Money Laundering) and Terrorist Financing Administrative Monetary Penalties Regulations" establishes the sanctions regarding the failure to be registered with the Centre, which is considered a serious offence.

The maximum prescribed penalty of CAD 100 000 applies when a business is actively engaged in the activities set out in paragraph 5 (h) of the Act without being registered with FINTRAC.

Criterion 15.6

In accordance with the provisions of the PCMLTFA, FINTRAC is the competent authority that regulates and supervises VASPs for ensuring their compliance with national AML/CFT requirements. FINTRAC has the power to conduct inspections and as mentioned above, can apply sanctions for non-compliance, which

[86] FUR 2021

[87] FUR 2021

range from supervisory letters to withdrawal or restriction of license or registration (PCMLTFA and the Proceeds of Crime (Money Laundering) and Terrorist Financing Administrative Monetary Penalties Regulations (PCMLTFAMPR)).

Likewise, FINTRAC has developed the Guide on harm done assessment for money services businesses registration violations, which presents how base penalties take into account harm caused by PCMLTFA, PCMLTFAMPR violations.

Criterion 15.7[88]

FINTRAC has developed guides, multimedia tools, research reports, pamphlets, reports on emerging trends and typologies, environmental scans, impact assessments and indicators for STR and obligations and registration guides to help the reporting entities to apply national measures related to the risk of new technologies.

Additionally, FINTRAC participates in numerous conferences, seminars, presentations and other events organized by the private sector at which it presents information and feedback to all sectors, including MSBs/VASPs, about compliance with the PCMLTFA and related matters.

Criterion 15.8[89]

As mentioned above, the PCMLTFAMPR allow FINTRAC to apply sanctions for non-compliance with the PCMLTFA.

PCMLTFA part 4.1 allows the Governor-in-Council to make regulations regarding violations and penalties, and to classify each violation as minor, serious or very serious (Section 73.1 to 73.5).

Furthermore, among other sanctions are deficiency letters, compliance enforcement meetings and inquiries, follow-up examinations, AMPs under the PCMLTFA, public naming, revocation of registration and non-compliance case disclosures to law enforcement authorities. Also, law enforcement authorities can conduct investigations and lay criminal charges in cases of non-compliance with the PCMLTFA.

Finally, in Section 78 of the PCMLTFA it is established that sanctions are applicable to any officer, director or agent of the person or entity who directed, authorized, assented to, acquiesced in or participated in the commission of an offence since is a party to and guilty of the offence and liable on conviction to the punishment provided for the offence.

Criterion 15.9[90]

The designated threshold above which VASPs are required to conduct CDD is CAD 1 000, which is fully compliant with the FATF requirement.

Amendments to the PCMLTFR published in 2019 and 2020 establish that a VASP needs to include, with the transfer, the name, address and, if any, the account number or other reference number of both the person or entity who requested the transfer and the beneficiary. The VASP needs to take reasonable measures to ensure that any transfer received includes the information mentioned above, shall develop and apply written risk-based policies and procedures for determining when they should suspend or reject the virtual currency transfer and any follow-up measures to be taken if the appropriate information is not provided. Also, in the PCMLTFR it is established that the same obligations apply to FIs when sending or receiving virtual asset transfers on behalf of a customer.

[88] FUR 2021

[89] FUR 2021

[90] FUR 2021

Criterion 15.10[91]

Canada complies with the criteria 6.5(d), 6.5(e), 6.6(g), 7.2(d), 7.2(e) and 7.3. However, according with the 2016 MER, criterion 7.4 refers that apart from the notification system outlined under criterion 7.2.e, Canada does not have a mechanism in place for monitoring compliance by FIs and DNFBPs with the provisions of the RIUNRI and RIUNRDPRK, so it has not been set for VASPs.

Criterion 15.11[92]

In accordance with the 2016 MER, Canada has the following deficiencies:

- The range of investigative measures available is insufficient. The Mutual Legal Assistance in Criminal Matters Act (MLACMA) does not allow for the interception of communications (either telephone or messaging) based solely on a foreign request, what hampers foreign investigations.
- The seizure and confiscation regime has a deficiency, which is the impossibility of confiscation of equivalent value.
- LEAs are not able to use a large range of powers and investigative techniques to conduct inquiries and obtain information on behalf of foreign counterparts.

However, Canada has reported advances such as:

- The PCMLTFA section 65.1 establishes FINTRAC may enter into an agreement or arrangement, in writing, with an institution or agency of a foreign state that has powers and duties, similar to those of the Centre, with respect to verifying compliance with requirements to identify persons or entities, keep records or make reports, or with an international organization made up of such institutions or agencies. The Centre may, in accordance with the agreement or arrangement, provide the institution, agency or organization with information referred to in the agreement or arrangement.
- Since the MER, in Canada (Attorney General) v. Georgiou, 2018 ONCA 320, the Ontario Court of Appeal found that s.9.3 of the MLACMA allows for the seizure of equivalent value/substituted assets, despite the fact that this is not available under domestic law. The same reasoning would apply to s.9.4 of the MLCAMA, authorizing forfeiture, although there are no court decisions to date that clarify this point.

> ***Weighting and conclusion –*** Since its MER Canada introduced PCMLTFA amendments, as well as corresponding regulations (PCMLTFR), which established an obligation for reporting entities to include the assessment and documentation of ML/TF risks, taking into consideration their products, services and delivery channels, the geographic location of their activities and any other relevant factor in their compliance programs. If a person/entity intends to carry out a new development or introduce a new technology that may have an impact on clients, business relationships, products, services or delivery channels or the geographic location of their activities, they shall assess and document the risk before doing so (PCMLTFR, subsection 156(1)(2)). In addition, Canada met most of the revised requirements of R.15 related to identifying and assessing the money laundering and terrorist financing emerging risks, regulating and supervising virtual asset activities and the activities or operations of virtual assets services providers. Canada has taken steps to deepen its understanding and analysis of the ML/TF risks posed by new technologies including virtual assets and virtual assets services providers (VASPs). The country elaborates multiple reports and impact assessments of fintech including cryptocurrencies, e-commerce, blockchain, mobile payments,

[91] FUR 2021

[92] FUR 2021

> among others. Canada requires VASPs to register and VASPs are required to apply preventive measures, supervised and sanctioned as a reporting entity. Minor deficiencies remain as regards providing widest possible international co-operation with regard to virtual assets and VASP activities. Canada has addressed the deficiencies it its MER and met most of the revised requirements of R.15. Canada's definition broadly covers forms of safekeeping and/or administration, and is applicable to virtual currencies, wallets, and private keys where a financial service is being offered. Recommendation 15 is rated **largely compliant.**[93]

Recommendation 16 – Wire transfers[94]

In the 2008 MER, Canada was rated NC with SR VII, which had simply not been implemented. Canada made some progress since then.[95]

In its 4th MER, Canada was rated PC with R.16 because Canada did not have specific requirements for intermediary and beneficiary financial institutions to identify cross-border electronic transfer of funds that contained inadequate originator information and take appropriate follow-up action. The 2019 and 2020 regulatory amendments introduced requirements for intermediary and beneficiary institutions.[96]

Originator's financial institutions

Criterion 16.1[97]

There are requirements in PCMLTFR section 124 applicable to the sectors that carry out wire transfers to require the name and address of the beneficiary; and, if applicable, the account number or other reference number, if any, of the beneficiary, in all wire transfers, since there are no thresholds for this provision.

Criterion 16.2[98]

Please refer to criterion 16.1 above.

Criterion 16.3[99]

There is no 'de minimis' threshold for the requirements of c.16.1.

Criterion 16.4[100]

Originator information would be verified through CDD obligations (see R.10). In addition, s. 85 (formerly s. 53.1) of the Regulations states that the identity of every person that conducts a suspicious transaction must be ascertained, unless it was previously ascertained, or unless the FI believes that doing so would inform the individual an STR was being submitted.

Criterion 16.5[101]

The Act's s.9.5 requirements cover both domestic and international EFTs.

---

[93] FUR 2021
[94] MER 2016 and FUR 2021
[95] MER 2016
[96] FUR 2021
[97] FUR 2021
[98] FUR 2021
[99] MER 2016
[100] MER 2016
[101] MER 2016

Criterion 16.6[102]

Canada does not permit simplified originator information to be provided.

Criterion 16.7[103]

The PCMLTFR (ss.12(o) and 36(d), formerly ss. 14 (m) and 30 (e)) require FIs and MSBs to keep a record of the name, address and account number, or transaction reference of the ordering client for all EFTs of CAD 1 000 or more. In addition, a record must be kept of the name and account number of the recipient of the EFT, as well as the amount and currency of the transaction.

Criterion 16.8[104]

There is no explicit prohibition on executing wire transfers where CC, ss.16.1 to 16.7 above cannot be met. However, if an RE is unable to comply with the relevant legal requirements, it cannot proceed with a wire transfer without breaking the law (Criminal Code section 462.31) and being subject to AMPs.

Intermediary financial institutions

Criterion 16.9

The section 124 (1) of the PCMLTFR states that prescribed persons or entities are the financial entities, money services businesses, foreign money services businesses and casinos, regardless of if they are acting as the originator, intermediary or final recipient of an electronic funds transfer.

Criterion 16.10

The provisions on paragraphs 12 (p) and 36 (e) include intermediary institutions since they apply to financial entities and MSBs sending an electronic funds transfer on behalf of another person or entity that initiated the transfer.

PCMLTFR section 148 states that a person or entity that is required to keep records under these Regulations shall keep those records for a period of at least five years.

Criterion 16.11

The section 124 (1) of the PCMLTFR states that prescribed persons or entities are the financial entities, money services businesses, foreign money services businesses and casinos, regardless of if they are acting as the originator, intermediary or final recipient of an electronic funds transfer.

Furthermore, the section 9.5 (b) of the PCMLTFA requires taking reasonable measures to ensure that any transfer received includes the relevant information.

Criterion 16.12

The section 124 (1) of the PCMLTFR states that prescribed persons or entities are the financial entities, money services businesses, foreign money services businesses and casinos, regardless of if they are acting as the originator, intermediary or final recipient of an electronic funds transfer.

In addition, the subsection 124 (4) establishes that every person or entity referred in subsection (1) must develop and apply written risk-based policies and procedures for determining, in the case of an electronic funds transfer received by them that, despite reasonable measures taken under paragraph 9.5(b) of the Act, does not have included with it any of the information required under paragraph 9.5(a) of the Act,

[102] MER 2016

[103] MER 2016

[104] MER 2016

whether they should suspend or reject the electronic funds transfer and any follow-up measures to be taken.

Beneficiary financial institutions

Criterion 16.13[105]

PCMLTFA, s.9.5(b) requires that every person or entity referred to in section 5 and that is prescribed shall, in respect of a prescribed electronic funds transfer that occurs in the course of their financial activities:

- include with the transfer the name, address and account number or other reference number, if any, of the person or entity that requested it, and any prescribed information; and
- take reasonable measures to ensure that any transfer that the person or entity receives includes that information.

PCMLTFR, subsection 124(3) requires that the beneficiary's name and address and, if applicable, the account number or other reference number, if any, of the beneficiary must be included with the transfer under section 9.5 of the PCMLTFA.

The requirement for beneficiary institutions to identify cross-border wire transfers that lack required originator information or required beneficiary information is covered under PCMLTFA paragraph 9.5(b), which requires taking reasonable measures to ensure that any transfer received includes the relevant information.

As indicated under 16.1, these provisions apply to beneficiary institutions.

Criterion 16.14[106]

The amendments to the PCMLTFR published in 2019 establish obligations on beneficiary FIs involved in cross-border wire transfers of USD/EUR 1 000 or more, to be required to verify the identity of the beneficiary and maintain this information.

Criterion 16.15[107]

The section 124 (1) of the PCMLTFR states that prescribed persons or entities are the financial entities, money services businesses, foreign money services businesses and casinos, regardless of if they are acting as the originator, intermediary or final recipient of an electronic funds transfer.

In addition, the subsection 124 (4) establishes that every person or entity referred in subsection (1) must develop and apply written risk-based policies and procedures for determining, in the case of an electronic funds transfer received by them that, despite reasonable measures taken under paragraph 9.5(b) of the Act, does not have included with it any of the information required under paragraph 9.5(a) of the Act, whether they should suspend or reject the electronic funds transfer and any follow-up measures to be taken.

Money or value transfer service operators

Criterion 16.16 [108]

All obligations identified in CC, ss.16.1–16.9 above apply to MSBs and their agents.

[105] FUR 2021

[106] FUR 2021

[107] FUR 2021

[108] MER 2016

Criterion 16.17[109]

No further actions have been taken since the MER. There are no specific legal requirements for MTVS providers either to review ordering and beneficiary information to decide whether to file an STR or to ensure that an STR is filed in any country affected and transaction information made available to the FIU.

Implementation of targeted financial sanctions

Criterion 16.18[110]

The processing of EFTs, in terms of FIs taking freezing action and complying with prohibitions from conducting transactions with designated persons and entities, is adequately covered in law.

> ***Weighting and conclusion –*** The PCMLTFA 2019 and 2020 amendments and its corresponding regulations introduced requirements for intermediary and beneficiary institutions. Canada has addressed most of the deficiencies it its MER. Recommendation 16 is rated **largely compliant**.

Recommendation 17 – Reliance on third parties

In the 2008 MER, Canada was rated NC with R.9.[111] In its 4th MER, Canada was rated NC because it did not have explicit requirements on life insurance entities and securities dealers in relation to either necessary CDD information to be provided by the relied-upon entity or supervision of that entity's compliance with CDD and record keeping obligations. It equally missed requirements on life insurance entities or securities dealers to assess which countries were high risk for third party reliance. The 2019 and 2020 regulatory amendments now contain these requirements for all reporting entities.

Criterion 17.1[112]

The amendments to the PCMLTFR published in 2019 and 2020, establish that the ultimate responsibility for CDD measures and record keeping rests with the reporting entity (an entity listed in section 5 of the PCMLTFA, including life insurance companies and securities dealers) relying on the third party.

A reporting entity that is required to verify a person's identity in accordance with subsection 105(1) may rely on measures that were previously taken by another reporting entity that is subject to the PCMLTFA. Likewise, a reporting entity may not rely on measures taken by an affiliated entity unless the reporting entity is satisfied that, after taking into account the risk of ML/TF offences in the foreign state in which that entity carries out the activities, that the affiliated entity applies policies that establish requirements similar to those in sections 6, 6.1 and 9.6 of the Act (related to R.10 and R.11); and the affiliated entity's compliance with those policies is subject to the supervision of a competent authority under the legislation of that foreign state (PCMLTFR, section 107).

In addition, in the same section it states that in order to rely, under subsection (1), on measures taken by another reporting entity, the reporting entity that is required to verify the person's identity shall as soon as feasible, obtain from the other reporting entity the information that was confirmed as being that of the person and be satisfied that the information is valid and current and that the other reporting entity verified the person's identity and have a written agreement or arrangement with the other reporting entity that

[109] MER 2016

[110] MER 2016

[111] MER 2016 and FUR 2021

[112] FUR 2021

requires the other reporting entity to provide them on request, as soon as feasible, with all of the information that the other reporting entity referred to in order to verify the person's identity.

Criterion17.2[113]

Different sections of the PCMLTFR that were amended (107, 110, 156) establish the obligation of all entities listed in section 5 of the PCMLTFA, including life insurance companies and securities dealers, to take into account the risk of money laundering or terrorist activity financing offences in the foreign state in which that entity carries out the activities. It also requires they implement compliance programs, which include the obligation of assessing and documenting the risk taking into consideration, among others, the geographic location of their activities.

Criterion 17.3[114]

The PCMLTFR (ss.64(1)(b)(A)(I) and (II)) allow FIs, other than MSBs, and also foreign entities that conduct similar activities to rely on affiliated third parties, or those in the same association, for the purpose of ascertaining the identity of a person. PCMLTFA, ss9.7 and 9.8 require foreign branches and subsidiaries, subject to there being no conflict with local laws, to develop and apply policies to keep records, verify identity, have a compliance program, and exchange information for the purpose of detecting or deterring an ML or TF offense or of assessing the risk of such an offense. Thus, group-wide ML/TF standards should apply, providing appropriate safeguards. Where there is a conflict with, or prohibition by, local laws, the RE must keep a record of that fact, with reasons, and notify both FINTRAC and its principal federal or provincial regulator within a reasonable time (PCMLTFA, s.9.7(4)).

Weighting and conclusion – Recommendation 17 is rated **compliant.**

Recommendation 18 – Internal controls and foreign branches and subsidiaries

In the 2008 MER, Canada was rated LC with R.15 due to minor deficiencies and NC with R.22, due to the lack of legal obligation to ensure that foreign branches and subsidiaries applied AML/CFT measures consistent with home country standards, and obligation to pay particular attention to branches and subsidiaries in countries, which did not, or insufficiently, applied the FATF Recommendations. The current FATF standards are broadly unchanged, although R.18 specifies in more detail what should be done to manage ML/TF risk where host country requirements are less strict than those of the home country. Significant changes came into force in Canada in June 2015.

Criterion 18.1

PCMLTFA s. 9.6 requires FIs to establish and implement a compliance program to ensure compliance with the Act. The program must include the development and application of policies and procedures for the FI to assess, in the course of their activities, the risk of an ML or TF offense. The PCMLTFR (ss. 156 (1)(a) and (b), formerly ss. 71 (1)(a) and (b)) specify that: a person must be appointed to be responsible for implementation of the program; and the program must include developing and applying written compliance policies and procedures that are kept up-to-date and approved by a senior officer.

FINTRAC's compliance guidance (Compliance program requirements) stipulates that REs must have a compliance officer responsible for implementation of the business' AML/ATF program, at an appropriate senior corporate level. Separately, OSFI Guideline E-13 requires that FRFIs must have a Chief Compliance

[113] FUR 2021

[114] MER 2016

officer with a clearly defined and documented mandate, unfettered access and, for functional purposes, a direct reporting line to the Board.

Neither the PCMLTFA nor PCMLTFR contain any specific obligations regarding FIs' screening procedures when hiring employees. Similarly, there are no measures in place in sector legislation at the federal or provincial level. OSFI Guideline E-17 details OSFI's expectations in respect of screening new directors and senior officers of FRFIs at the time of hiring. However, this applies only to a defined set of "Responsible Persons," not to all employees.

The PCMLTFR (ss. 156 (1)(d), formerly ss. 71(1)(d)) require REs that have employees, agents or other persons authorized to act on their behalf to develop and maintain a written ongoing training program for those individuals. In addition, FINTRAC's compliance guidance advises REs to ensure that written AML/ATF training programs are developed and maintained. Appropriate training should be considered for the Board, Senior Management, employees, agents and any other persons who may be responsible for control activity, outcomes or oversight, or who are authorized to act on the Company's behalf, pursuant to the PCMLTFR.

The PCMLTFR (ss. 156 (1)(e), formerly ss.71 (1) (e)) obliges all REs to institute and document a review of their policies and procedures, the risk assessment and the training program for the purpose of testing effectiveness. That review must be carried out every two years by an internal or external auditor of the RE, or by the RE itself, if it has no auditor (PCMLTFR ss.156(1) (f). FINTRAC's compliance guidance amplifies the requirement in a number of ways and also sets out an expected standard of self-assessment of controls applicable to REs.

Criterion 18.2

Measures which came into effect in June 2015 expanded section 9.7 of the PCMLTFA to cover foreign branches as well as subsidiaries. The effect was to require FIs, securities dealers and life insurance companies to implement policies and procedures for CDD, record-keeping and compliance programs that are consistent with Canadian requirements and apply across a financial group.

S.9.8(1) of the Act introduced requirements for REs to have policies and procedures in place for how they will share information with affiliates for the purpose of detecting or deterring an ML or TF offense or of assessing the risk of such an offense. This provision is sufficiently widely drawn to cover the kind of customer, account and transaction information stipulated in the FATF standard. There are no prohibitions in either the PCMLTFA or PIPEDA on sharing of information, including STRs, within financial groups, domestically or cross-border.

The new law did not cover safeguards on the confidentiality and use of information exchanged. However, the necessary safeguards already exist under PIPEDA (s.5 and Schedule 1), which apply equally to client information received from a branch or subsidiary under the PCMLTFA.

Criterion 18.3

Under s.9.7(4) of the PCMLTFA, when local laws would prohibit a foreign branch or foreign subsidiary from implementing policies that are consistent with Canadian AML/ATF requirements, the RE must advise FINTRAC and their principal regulator.

> *Weighting and conclusion –* There is a remaining deficiency regarding the internal controls aspect of R.18. Recommendation 18 is rated **largely compliant**.

Recommendation 19 – Higher-risk countries

In the 2008 MER, Canada was rated PC with R.21, because there were no general enforceable requirement for FIs to give special attention to transactions or business relationships connected with persons from higher-risk countries, no measures advising of other countries with AML/CFT weaknesses, and no requirement to examine the background and purpose of transactions and to document findings. The FATF standard remains broadly the same, but there have been major changes in Canada since 2008.

Criterion 19.1 and 19.2

Part 1.1 of the PCMLTFA, which entered into force in June 2014, introduced two new authorities for the Minister of Finance: (i) the authority to issue directives requiring REs to apply necessary measures to safeguard the integrity of Canada's financial system in respect of transactions with designated foreign jurisdictions and entities. The measures contemplated included CDD, monitoring and reporting of any financial transaction to FINTRAC; (ii) the authority to recommend that the Governor-in-Council issue regulations limiting or prohibiting REs from entering into financial transactions with designated foreign jurisdictions and entities. These authorities enable Canada to take targeted, legally enforceable, graduated and proportionate financial countermeasures against jurisdictions or foreign entities with insufficient or ineffective AML/ATF controls. These measures can be taken in response to a call by an international organization, such as the FATF, or unilaterally. FINTRAC has regularly drawn the attention of REs to the FATF calls on members and has issued regular guidance in Notices and Advisories following each FATF meeting. OSFI has issued prudential supervisory measures against FRFIs it believes have not implemented FATF expectations (PCMLTA (s.11.42) and PCMLTFR (s.71.1)).

Criterion 19.3

Risk assessments on jurisdictions with AML/ATF weaknesses are conducted through the SIRA-WG. Under s.11.42(3) of the Act, the Minister's decision to issue a Directive may require the Director of FINTRAC to inform all REs. Additional guidance is provided through FINTRAC advisories, available online, encouraging enhanced CDD with respect to clients and beneficiaries involved in transactions with high-risk jurisdictions.

> *Weighting and conclusion –* Recommendation 19 is rated **compliant.**

Recommendation 20 – Reporting of suspicious transactions

In its 2016 MER, Canada was rated PC for R.20 and was then re-rated to LC in the 2021 FUR. The remaining minor deficiency was that the scope of the PCMLTFA excluded certain sectors (financial leasing, finance and factoring companies) from the obligation to promptly report suspicious transactions.

Criterion 20.1

As noted in the 2021 FUR, Reporting Entities (REs) must submit STRs to FINTRAC as soon as practicable after they have taken steps to enable the RE to establish reasonable grounds to suspect a transaction or attempted transaction is related to the commission of an ML,TF, or sanctions evasion offence (PCMLTFA s.7 and PCMLTF Suspicious Transaction Reporting Regulations, s.9(2)). For this purpose, "as soon as practicable" is defined in FINTRAC guidance as a time period between "immediately and as soon as possible". FINTRAC guidance elaborates further on the term 'as soon as practicable' noting that the RE must have completed the measures to determine the reporting threshold has been met and, as such, the

development and submission of the STR must be treated as a priority, and any delay requires a suitable explanation.

Canada has addressed the remaining deficiency by amending the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations* (PCMLTFR) (namely sections 1(2), 24.1 and 24.15) to extend STR reporting obligations to financial leasing, finance and factoring companies, in accordance with *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) s. 7. These regulatory amendments entered into force on 1 April 2025.

Criterion 20.2

As noted in the 2016 MER, attempted transactions are covered by the reporting requirement in the PCMLTFA.

> *Weighting and conclusion –* Recommendation 20 is rated **compliant**.

Recommendation 21 – Tipping-off and confidentiality

In the 2008 MER, Canada was rated C with R.14.

Criterion 21.1

The PCMLTFA (s.10) states that no criminal or civil proceedings lie against a person or an entity for making an STR in good faith or for providing FINTRAC with information about suspicions of ML or TF activities. However, the requirement does not explicitly extend to reporting related to ML predicate offenses.

Criterion 21.2

PCMLTFA s.8 specifies that no person or entity can disclose that they have made, are making or will make an STR, or disclose the contents of a report, with the intent to prejudice a criminal investigation, whether or not a criminal investigation has begun. The legal obligation does not explicitly extend to reporting related to ML predicate offenses.

> *Weighting and conclusion –* The tipping off and confidentiality requirements do not explicitly extend to the reporting of suspicions related to ML predicate offenses. Recommendation 21 is rated **largely compliant**.

Recommendation 22 – Designated non-financial businesses and professions (DNFBPs): customer due diligence

In the 2016 MER, Canada was rated non-compliant for a range of factors, including that AML/CFT obligations were inoperative for legal counsels, legal firms and Québec notaries, and on-line gambling and TCSPs that were not trust companies were not reporting entities under the PCMLTFA framework. There were no requirements on beneficial ownership, PEPs, new technologies, and reliance on third parties. The fixed threshold (CAD 10 000) of cash financial transactions and casinos disbursement exceeded that provided in the Recommendation (USD/EUR 3000, or approximately CAD 4100-4800), except for a limited set of transactions. Finally, the circumstances in which accountants and BC notaries were required to perform CDD were not in line with the FATF requirement. In the 2021 FUR, Recommendation 22 was re-rated to partially compliant based on the 2019 and 2020 regulatory amendments covering most DNFBPs,

and creating the legal mechanisms needed to fulfil CDD requirements under this recommendation, addressing many of the deficiencies from 2016 in respect of online gambling, beneficial ownership, PEPs, new technologies, reliance on third-parties, and casino transaction thresholds. Despite these efforts, some of the relevant DNFBPs were still not covered (i.e., lawyers, Québec notaries, and company service providers that were not included among regulated trust companies) and improvements were still needed including regarding customer due diligence in respect of real estate agents, accountants and BC notaries.

Overall, DNFBPs falling into the scope of AML/CFT regime under the PCMLTFR are required to comply with CDD, record keeping, and PEPs requirements set out in Rec. 10, 11 and 12 (PCMLTFR, sections 84, 85, 89, 96, 100-102, and 103 on verifying identity; 120.1-122.1 on PEPs, 123.1 on on-going monitoring; 134-137 on third-party determination; 138 on verifying beneficial ownership; 144-149 on record keeping; 157 on risk-based enhanced measures).

Criterion 22.1

Sub-criterion 22.1(a) - Casinos are required to comply with the CDD requirements set out in R.10 when customers engage in financial transactions equal or above CAD 3000, as well as in further circumstances beyond the FATF Standards (PCMLTFA paras.5(k), 5(k.1); and PCMLFTR 4.1, 74(1)(d) and (e), 103, 105, 109, 112, 123.1, 134, 135, 137, 138 and 157)).

Sub-criterion 22.1(b) - When they are involved in transactions for a client concerning buying and selling of real estate, real estate agents are required to comply with the CDD requirements set out in R.10 (PCMLTFR 4.1, 53, 101, 105, 109, 112, 123.1, 134, 136, 138 and 157). If one or more but not all of the parties to a transaction are represented by a real estate broker or sales representative, each real estate broker or sales representative shall verify the identity of the party or parties that are not represented (PCMLTFR subsection 101(3)).

Sub-criterion 22.1(c) - DPMS are required to comply with the CDD requirements set out in R.10 when they engage in any cash transaction with customer equal to or above CAD 10 000 (PCMLTFR 4.1, 65, 68, 84, 105, 109, 112, 123.1, 134, 138 and 157).

Sub-criterion 22.1(d) - Accountants (PCMLTFR section 47) and notaries in British Columbia (PCMLTFR section 38) are covered under the PCMLTFR and required to comply with the CDD requirements in R.10 (PCMLTFR 4.1, 96, 100, 105, 109, 112, 123.1, 134, 138 and 157).

Sub-criterion 22.1(e) - Legal counsels, legal firms and Québec notaries are not covered under the PCMLTFA and PCMLTFR (ss.33.3, 33.4, 33.5, 59.4, 59.41, 59.4) (2015 Supreme Court of Canada decision in Canada (Attorney General) v. Federation of Law Societies of Canada (2015 FLSC case)) and rather are subject to the regulation of the provincial and territorial law societies. In all law societies in Canada, lawyers and Québec notaries are subject to CDD requirements. Since the 2016 MER, provincial and territorial law societies in Canada have updated their CDD requirements to align with the Federation of Law Societies of Canada ("FLSC")'s Model Client Identification and Verification Rule. Under these rules, lawyers are generally exempted from client verification requirements in relation to certain electronic funds transfers, The nature of the measure is not compliant with criterion 22.1, which require CDD measures to be set out in law.

Sub-criterion 22.1(f) - Company service providers (other than lawyers, accountants and other designated non-financial businesses and professions) are not covered in Canada's framework. Trust companies are included as reporting entities under the PCMLTFA framework (PCMLTFA 5(d), (e) and (e.1); PCMLTFR 4.1, 89, 105, 109, 112, 123.1, 134, 138, 139 and 157). Lawyers providing company and trust formation services are covered under law society requirements set out regulations or statutory instruments made under provincial and territorial laws. As such, the most material entities that provide these services are covered either by the PCMLTFA or law society rules.

Criterion 22.2

The PCMLTFR requires obliged DNFBPs to keep a record of the verification of a client's identity (PCMLTFR 108, 109(5) and 112(4)), and beneficial ownership information (PCMLTFR 138). DNFBPs must also keep records of the establishment of a business relationship (PCMLTFR 145) and of certain occasional transactions, in the following situations:

- British Columbia notaries must keep a receipt of funds record when they receive CAD 3 000 or more (PCMLTFR, section 43).
- Accountants must keep a receipt of funds record when they receive CAD 3 000 or more (PCMLTFR, section 52).
- Real estate brokers and sales representatives must keep a receipt of funds record in respect of every amount that they receive (PCMLTFR, section 58).
- Real estate brokers and sales representatives must keep an information record in respect of every person or entity for which they act as an agent or mandatary in respect of the purchase or sale of a real property or immovable (PCMLTFR, section 58). They must also conduct third-party determination and keep associated records (PCMLTFR section 136).
- A casino must keep records in respect of every account that it opens, when it extends credit of CAD 3 000 or more, when it conducts a foreign currency exchange transactions, when it initiates an electronic funds transfer of CAD 1 000 or more, when it sends an international electronic funds transfer of CAD 1 000 or more, when it is the final recipient of an international electronic funds transfer of CAD 1 000 or more, and when it receives an amount of CAD 3 000 or more in a single transaction (PCMLTFR, section 74). Casinos must also conduct third-party determination in respect of every account it opens and keep associated records (PCMLTFR section 135).
- Trust companies acting as trustees must keep records of the trust deed and the settlor(s) (PCMLTFR section 15), as well as the known beneficiary(ies) (PCMLTFR section 139).
- All DNFBPs must keep large cash transaction records whenever they receive CAD 10 000 or more in cash in a single transaction, and large virtual currency transaction records whenever they receive CAD 10 000 or more in virtual currency in a single transaction. The creation of such records triggers third-party determination, with associated record-keeping obligations (PCMLTFR section 134).

All records must be kept for a duration of five years (PCMLTFR 148) and in a way that they can be provided to FINTRAC within 30 days (PCMLTFR 149).

Lawyers in all law societies have adopted record-keeping requirements in regulations or statutory instruments. Similarly, the nature of the measure is not compliant with criterion 22.2 requirement, as it should be set out in law.

The deficiency identified in R.11 also applies to DNFBPs.

Criterion 22.3

The amendments introduced in 2019 and 2020 cover foreign PEPs, domestic PEPs, HIO, family members of one of those persons or a close associate of a PEP. DNFBPs falling into the scope of the AML/CFT regime under the PCMLTFR (*PCMLTFR sections 120.1, 120.2, and 121-122.1*) are required to comply with R.12 requirements (see analysis of R.12). Determination of a PEP triggers enhanced special measures under section 157 of the PCMLTFR, which states that the special measures are the development and application of written policies and procedures for:

- Taking enhanced measures, based on an assessment of the risk, to verify the identity of any person or entity; and

- Taking any other enhanced measure to mitigate the risks, including ensuring, at a frequency appropriate to the level of risk, that client identification information is up to date, and conducting, at a frequency appropriate to the level of risk, the ongoing monitoring of business relationships.

FINTRAC has issued guidance on PEPs which further explains how to meet the requirements of the PCMLTFA and PCMLTFR on PEPs, that are relevant for both FIs and DNFBPs.

Lawyers and law firms in Canada are not subject to PEP requirements. However, the Federation of Law Societies of Canada (FLSC) and certain law societies have issued non-binding guidance in respect of politically exposed persons and heads of international organizations.

Criterion 22.4

PCMLTFR subsection 156(2) states that if a person or entity intends to carry out a new development or introduce a new technology that may have an impact on their clients, business relationships, products, services or delivery channels or the geographic location of their activities, they shall assess and document the risk before doing so (see R.15). These requirements apply to all DNFBPs covered under the PCMLTFA.

Lawyers and law firms in Canada are not subject to requirements to assess the ML/TF risks of new technologies, although certain law societies have issued (non-binding) guidance in respect of new technologies.

Criterion 22.5

After the amendments introduced on July 2019, sections 107, 110 and 113 of the PCMLTFR implement specific provisions covering reliance on third parties regarding DNFBPs. All DNFBPs falling into the scope of AML/CFT regime under the PCMLTFR are covered. Lawyers in all law societies are subject to third-party requirements in regulations or statutory instruments, made under provincial or territorial laws. For c17.2, there are no law society rules specifically addressing the FATF requirement that, when determining in which countries the third party that meets the conditions can be based, lawyers should have regard to information available on the level of country risk.

> *Weighting and conclusion –* Canada covers the majority of DNFBPs listed in the FATF Standards and subjects them to requirements covering CDD, record-keeping, PEPs, new technologies and reliance on third-parties. Since the 2021 FUR, Canada has strengthened the CDD measures that real estate agents are required to undertake for unrepresented parties, and the measures in place for accountants and BC notaries reflect their risk and context in Canada. The following gaps remain: Lawyers and law firms in Canada are not subject to requirements on PEPs and new technologies. The latter is not heavily weighted as the legal profession is not especially active in offering innovative products and technologies. Lawyer's CDD requirements, obligations to keep a record of the verification of a client's identity, and third-party requirements are set out in regulation and not in law. Lawyers are generally exempted from client verification requirements in relation to certain EFTs. Not all company service providers are covered under the Canada's framework. Recommendation 22 is rated **largely compliant**.

Recommendation 23 – DNFBPS: other measures[115]

In its 4th MER, Canada was rated NC with R.23 because suspicious transaction reporting obligations were too limited. The amendments implemented in 2019 and 2020 addressed many of these deficiencies, resulting in an upgrade to a rating of LC in Canada's 2021 FUR. Nevertheless, as at the time of the MER, as

[115] MER 2016 and FUR 2021

well as the time of the present 5th MER, legal counsels, legal firms and Québec notaries are not covered under the PCMLTFA and PCMLTFR. Company service providers that are not included among the trust companies regulated under the PCMLTFA framework are not covered.[116]

Criterion 23.1[117]

PCMLTFA section 7 combined with section 5 states that every person or entity, in accordance with the regulations will report to FINTRAC every financial transaction that occurs or that is attempted in course of their activities, and in respect of which there are reasonable grounds to suspect that (a) the transaction is related to the commission or the attempted commission of a money laundering offence; (b) the transaction is related to the commission or the attempted commission of a terrorist activity financing offence, or (c) the transaction is related to the commission or the attempted commission of a sanctions evasion offence. As noted by Canada, section 5 captures all reporting entities under the PCMLTFA framework, including accountants, agents of the Crown, British Columbia notaries, casinos, dealers in precious metals and stones, real estate agents and trust companies. Legal counsels, legal firms and Québec notaries are not covered under the PCMLTFA and PCMLTFR. Some company service providers are also not covered.

Criterion 23.2[118]

All DNFBPs subject to the PCMLTFA are required to establish and implement a compliance program to ensure compliance with the PCMLTFA and its regulations. The compliance program must meet the requirements under PCMLTFA section 9.6 and PCMLTFR section 156, which fulfil most of the requirements of recommendation 18.1, except for the screening procedures to ensure high standards when hiring employees. FINTRAC Guidance is also available to assist entities in meeting their compliance program obligations. This guidance was updated in October 2024.

Criterion 23.3[119]

Section 157 of PCMLTFR and subsection 9.6(3) of the PCMLTFA ensures that DNFBPs are required to apply enhanced due diligence, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF. DNFBPs are required to give special attention to transactions or business relationships connected with persons from higher risk countries. The fact that legal counsels, legal firms and Québec notaries, as well as company services providers not included among the trust companies regulated under the PCMLTFA framework are not covered under the PCMLTFA and PCMLTFR, hinders further improvements on this criterion.

Criterion 23.4[120]

PCMLTFA s.10 specifies that no criminal or civil proceedings lie against a person or an entity for making an STR in good faith or for providing FINTRAC with information about suspicions of ML or TF activities or of sanctions evasion, and PCMLTFA s.8 specifies that no person or entity may disclose that they have issued a STR, or disclose the contents of a report, with the intent to prejudice a criminal investigation, whether or not a criminal investigation has begun. The tipping off and confidentiality requirements do not explicitly extend to the reporting of suspicions related to ML predicate offences.

[116] MER 2016 and FUR 2021

[117] FUR 2021

[118] FUR 2021

[119] FUR 2021

[120] FUR 2021

> ***Weighting and conclusion –*** Amendments introduced in 2019 and 2020 addressed most deficiencies with regard to internal controls and reporting requirements, however having some of the relevant DNFBPs, including legal counsels, legal firms, Québec notaries and some company service providers not covered under the PCMLTFA and PCMLTFR affects the overall outcome. Recommendation 23 is rated **largely compliant**.[121]

Recommendation 24 – Transparency and beneficial ownership of legal persons

In its 2016 MER, Canada was rated partially compliant with former R.24. The main deficiencies related to a lack of appropriate mechanism to ensure that updated and accurate beneficial ownership information was collected for all legal entities in Canada; a lack of timely access by competent authorities to all beneficial ownership information held by smaller/provincial FI, or a DNFBP; the insufficient risk mitigating measures in place to address the ML/TF risk posed by bearer shares and nominee shareholder arrangements; the lack of an obligation for legal entities to notify the registry of the location at which company records are held. In some provinces, there was no legal obligation to update registered information within a designated timeframe. Finally, there was no legal obligation on legal entities to authorise one or more natural person resident in Canada to provide to competent authorities all basic information and available beneficial ownership information; or to authorise a DNFBP in Canada to provide such information to the authorities.

Information provided for the purpose of Recommendation 24 is for mainly the federal level and the three provinces of British Columbia, Québec and Ontario. Together these represent about 82% of the corporations incorporated in Canada, Similar basic and beneficial ownership requirements are in place in most other jurisdictions.

Scope extends to companies and other legal persons

Criterion 24.1

The requirements of R.24 apply to all forms of legal persons in Canada, subject to the following qualifications:

Sub-criterion 24.1(a) - The measures required by R.24 are set out with reference to public and private corporations, terminology used in relevant statutes that corresponds to "companies".

Sub-criterion 24.1(b) - Canada does not take similar measures and impose similar requirements for companies in relation to Anstalt, *Waqf* and limited liability partnerships. Anstalt and Waqf are not terms used in Canada while limited liability partnerships are not considered legal persons. Foundations are not a distinct category under Canadian law and therefore requirements for not-for-profits which are foundations parallel the requirements for other not-for-profit corporations in terms of record-keeping and transparency.

Sub-criterion 24.1(c) - Other forms of legal persons, notably co-operatives and not-for-profits, whether governed by federal or provincial/territorial legislation, are required to record similar basic information.

Sub-criterion 24.1(d) - Foreign corporations can operate in Canada only if they are registered at the provincial level. Upon registration, they are governed not only by the legislation of the country in which they were incorporated but also under the provincial law under which they are registered in Canada so long as they have significant business activity in Canada and a registered office, as discussed further in 24.3(b) and 24.10.

[121] FUR 2021

Criterion 24.2

Canada's legal framework identifies and describes the different types, forms and basic features of legal persons in the country. The corporate legal framework consists of federal, provincial and territorial laws. Legal entities may be established at the federal level under different acts:

- Corporations that have share capital either distributing (i.e., private) or distributing (i.e., public) (*Canada Business Corporations Act)*
- Co-operatives (*Canada Co-operatives Act)*
- Non-profit corporations and corporations without share capital (*Canada Not-for-profit Corporations Act)*
- Board of trade foreign corporations or Chambers of commerce (*Boards of Trade Act)*Pension fund societies *Pension Fund Societies Act*

Federally incorporated entities are entitled to operate throughout Canada but are also subject to registration with the province or territory in which they carry out business. Each of the thirteen territories and provinces regulates the types of legal entities that can be established at the local level. All provinces and territories have enacted specific laws that provide for the establishment of corporations, including not-for-profit corporations.

Information describing the basic types, forms and key corporate governance features of legal persons (business corporations, not-for-profit, boards of trade and co-operatives) in Canada is available publicly online through Innovation, Science and Economic Development Canada (ISED) (Corporations Canada) and through the websites of corporate registrars in each province and territory.

All thirteen provinces and territories have information available online on the process for the creation of legal persons[122]. All provinces and territories provide information on the types of legal structures available and the processes for obtaining and recording of basic and, where applicable, beneficial ownership information related to legal persons.

Risk assessment and risk mitigation

Criterion 24.3

Since 2016, Canada has continued to refine its understanding of ML/TF vulnerabilities associated with legal persons in Canada over two consecutive National Money Laundering and Terrorist Financing Risk Assessments (NRA), in 2023 and 2025. The government has regularly monitored the domestic risk environment to keep its assessments up-to-date, incorporating input from federal, provincial, municipal, and private sector stakeholders for a comprehensive analysis. The assessments drew on a range of qualitative and quantitative information relating to legal persons including FINTRAC intelligence and supervisory findings, PSPC procurement and supplier-integrity data, RCMP investigative and intelligence reporting, broader Government of Canada intelligence assessments, and targeted public and private research, and consultations with academics, industry, and civil society.

[122] All thirteen provinces and territories: Alberta, British Columbia, Manitoba, Ontario, Québec, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut Territory, Prince Edward Island, Saskatchewan, Yukon territory Ontario Business Registry | ontario.ca; www.ontario.ca/page/business/start; www2.gov.bc.ca/gov/content/employment-business/business/managing-a-business/permits-licences/businesses-incorporated-companies/incorporated-companies); www.bcreg.ca ; www.quebec.ca/entreprises-et-travailleurs-autonomes/demarrer-entreprise/immatriculer-constituer-entreprise/immatriculer-constituer-entreprise-formes-juridiques; www.revenuquebec.ca/en/businesses/life-cycle/; ISED website on how to create a business within provinces and territories: ised-isde.canada.ca/site/corporations-canada/en/register-federal-corporation-province-or-territory

The 2025 NRA assesses inherent money laundering (ML) and terrorist financing (TF) threats posed by various corporate structures which vary in risk exposure and vulnerability.

Sub-criterion 24.3(a) -The 2025 NRA distinguishes between corporations (including public and private corporations, co-operatives and boards of trade, public corporations, not-for-profit corporations) and partnerships. Corporations are very highly vulnerable, as they can be established anywhere and undertake business globally, including in high-risk jurisdictions, and used to move, conceal, or convert illicit funds. Notably, private corporations, shell and shelf corporations, and foreign corporations are assessed as having the greatest ML/TF vulnerabilities of all corporation sub-types. Partnerships have a medium level of ML/TF vulnerability, particularly when structured to conceal beneficial ownership.

Private Corporations

In terms of ML/TF vulnerability, private corporations are viewed as very highly vulnerable because they can be formed quickly and at low cost, often require minimal due diligence, and do not publicly traded shares, making it relatively easy to obscure true ownership.

To mitigate these risks, federal and most provincial or territorial laws require private corporations to maintain a register of beneficial owners and disclose that information upon request to relevant authorities (with the exception of Québec, which directly established a BO registry, and Alberta, Northwest Territories and Nunavut, which have not introduced record-keeping requirements). At the federal level, Corporations Canada launched a publicly available registry of "individuals with significant control" (ISC) under the CBCA in 2024, allowing authorities to access both public (legal name, date an individual became ISC or ceased to be an ISC, description of the ISC's significant control, residential address (if no address for service is provided), address for service, if applicable) and non-public (date of birth, country of citizenship, country where ISC is considered a resident for tax, residential address (if an address for service is provided) ISC data.

Canada continues to work towards a pan-Canadian beneficial ownership registry framework. At the provincial level, Québec has introduced a public registry overseen by the *Registraire des entreprises du Québec*, and since 2023, publicly discloses information about the beneficial owners of corporations in its business public registry. British Columbia has passed legislation for a public beneficial ownership registry. Ontario has announced its commitment to establish a central beneficial ownership registry, aligned with the federal government, and is actively working towards implementation in 2027.

Public corporations display a lower vulnerability to money laundering and terrorist financing, as they are subject to stringent legal constraints under provincial and territorial securities laws and stock exchange rules, designed to ensure transparency, accountability, and the protection of investors and the public.

The money laundering and terrorist financing vulnerabilities of co-operatives and boards of trade are low based on their ownership structures, governance and purposes. Boards of trade are subject to comparable legal and regulatory measures as not-for-profit organisations that ensure transparency and accountability.

The money laundering vulnerabilities of other types of not-for-profit-corporations vary depending on whether they are organized and operated exclusively other than for profit, or if they may generate profit subject to distribution restrictions and engage in certain limited commercial activities in support of their purposes. However, certain not-for-profit corporations may be particularly vulnerable to terrorist financing. In terms of mitigation measures, these organizations may be monitored by the Canada Revenue Agency (CRA) to maintain their charitable or tax-exempt status, and they are also subject to federal or provincial-level rules regarding beneficial ownership transparency when they meet relevant criteria.

Whether formed in Canada or in a foreign jurisdiction, shell and shelf corporations are forms of private corporations that can pose very high money laundering risks. Both shell and shelf corporations can be used to conceal beneficial owners, the nature of illicit transactions, and make investigations more challenging,

making them common tools for money laundering and other financial crimes. Money laundering and terrorist financing vulnerabilities are heightened if they are formed in tax havens or secrecy jurisdictions.

Sub-criterion 24.3(b) - In Canada, "foreign-created legal persons with sufficient links" means entities formed outside Canada that have a material tie to Canada, typically by carrying on business (e.g., a permanent establishment/branch/agency), holding assets or real estate property, or maintaining significant, ongoing relationships with Canadian FIs/DNFBPs. Provinces and territories require these foreign created entities to register once they begin carrying on business in the jurisdiction. Foreign created legal persons do not present uniform ML/TF risk.

Canada has undertaken an assessment of risk associated with foreign legal persons as part of the 2025 NRA, which concludes that foreign corporations carrying out activities in Canada are very highly vulnerable to financial crime and can pose elevated ML/TF risks because of the opacity and complexity of cross-border structures, particularly when they originate from jurisdictions with weak oversight or permissive secrecy laws. These entities may gain access to Canadian financial institutions and conduct significant cross-border transactions, which complicates beneficial ownership inquiries.

To mitigate these risks, foreign corporations must register with provincial or territorial authorities and comply with the legislation of their jurisdiction, which stipulates governance and disclosure requirements. Once registered, foreign corporations fall under the oversight of provincial or territorial registries. Agencies such as the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), the Canada Revenue Agency (CRA), and the Royal Canadian Mounted Police (RCMP) can obtain beneficial ownership information as needed. Moreover, under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), reporting entities must conduct thorough due diligence on clients, including foreign corporations, and report suspicious transactions or other red flags in line with higher risk profiles.

Basic information

Criterion 24.4

Requirements for corporate registration and recording and publication of basic information in Canada remain unchanged since 2016. All corporations created in Canada are required to register with the corporate registry of the jurisdiction in which they are incorporated—federal, provincial, or territorial. All registries collect the basic information outlined in criteria 24.5(a), including company name, proof of incorporation, legal form and status, registered office address, basic governing documents, list of directors, and a unique identifier (where it exists). Basic information maintained by federal, provincial and territorial corporate registries is publicly accessible.[123] The sections below detail how Canada's largest jurisdictions meet these requirements.

Federal legal persons

At the federal level, ISED maintains a list of all legal persons created under federal law in a database of federally incorporated corporations. The database of corporations is publicly available through the Corporations Canada website, and includes information related to federally incorporated corporations, co-operatives, and not-for-profit corporations, consistent with the requirements in 24.5(a). To incorporate federally, a legal person must file Articles of Incorporation with Corporations Canada, a division of ISED.

[123] www.ised-isde.canada.ca/cbr-rec/en/search; www.yukon.ca/en/business-registry; www.nunavutlegalregistries.ca/; www.justice.gov.nt.ca/en/corporate-registry-searches/; www2.snb.ca/content/snb/en/sites/corporate-registry.html ; www.princeedwardisland.ca/en/feature/pei-business-corporate-registry/#/service/BusinessAPI/BusinessSearch; cado.eservices.gov.nl.ca/; www.bcregistry.gov.bc.ca/en-CA; www.ontario.ca/page/ontario-business-registry; www.quebec.ca/en/businesses-and-self-employed-workers/find-information-about-enterprise/search-enterprise-register/find-an-enterprise; www.novascotia.ca/search-business-or-non-profit-information-filed-registry-joint-stock-companies; companiesoffice.gov.mb.ca/online.html; corporateregistry.isc.ca/; www.alberta.ca/registry-agents; www.justice.gov.nt.ca/en/corporate-registry-searches/;

Corporations must file various documents with Corporations Canada or the provincial/territorial equivalent, including annual returns, changes in corporate structure, and updates to corporate information (e.g., changes in directors or registered office addresses). Compliance with federal corporate law is monitored by Corporations Canada, while the provincial/territorial registrars have oversight for their respective corporate statutes and can take enforcement actions in cases of non-compliance. In addition, a corporation (domestic or foreign) must register in each province where it does business.

Provincial legal persons

Provincial/territorial registries similarly maintain a list of all legal persons created under their jurisdiction in publicly available databases. To incorporate provincially, a legal person must file Articles of Incorporation with the respective corporate registry. A business incorporated outside a province, i.e. in another province, federally, or a foreign corporation must also register in each jurisdiction to operate there. Information found in provincial registries includes the information required by 24.5(a). Information relating to the proof of incorporation, the legal form and status and the unique identifier is maintained in the provincial business registries. Information, including information updates, is collected through the same process as on the federal level, which is through annual filing procedures and change filings.

Criterion 24.5

The basic information that companies must obtain and record is set at federal and provincial level.

Sub-criterion 24.5(a) -Companies are required to obtain and record all the information required under 24.5(a) under either federal or provincial statutes, with minor variations.

Sub-criterion 24.5(b) -Requirements relating to basic information on shareholders or members and shares at federal level and under provincial frameworks are in line with c.24.5(b).[124]

Sub-criterion 24.5(c) -Requirements relating to basic information on shareholders and shares at federal level and under provincial frameworks are in line with c.24.5(c).

Beneficial ownership information

Criterion 24.6

Canada follows a multi-pronged approach to ensure that the BO of a private corporation can be determined by competent authorities in a timely manner. The 2017 Finance Ministers' Agreement on Strengthening Beneficial Ownership Transparency (Agreement to Strengthen Beneficial Ownership Transparency - Canada.ca) has led to record keeping obligations under federal and nearly all provincial and territorial statutes on individuals with significant control over a corporation[125]. Obligations include the following:

Sub-criterion 24.6(a) - At a federal level, since June 2019, private corporations (section 21.1 (1), CBCA) are required to prepare and maintain adequate, accurate and up-to-date information on the company's own individuals with significant control (ISC) over a corporation. The register of ISC can be accessed by the competent authorities when requested.

---

[124] Federal: s.50 of the Canada Business Corporations Act; s. 23 of the Canada Cooperatives Act; S.21, 22 Canada Not-for-profit Corporations Act; BC: *Business Corporations Act* (BC) s.111 BCA; Business Corporations Act (BC), including Part 11, Sections 375-377; Societies Act (BC), sections 3, 4, 12; Societies Act (BC)?; *Cooperative Association Act*., s.124; laws-lois.justice.gc.ca/eng/acts/p-8/page-1.html Québec: www.publicationsduquebec.gouv.qc.ca/index.php?eID=dumpFile&t=f&f=3410&token=6d3ed7687a8a8ae66ddd1a757e34203ad0bfed99, 33, 41; www.canlii.org/en/qc/laws/stat/cqlr-c-s-31.1/latest/cqlr-c-s-31.1.html (QCA Part III); www.canlii.org/en/qc/laws/stat/cqlr-c-ccq-1991/latest/cqlr-c-ccq-1991.html as association; www.canlii.org/en/qc/laws/stat/cqlr-c-c-67.2/latest/cqlr-c-c-67.2.html (124 CA); www.canlii.org/en/qc/laws/stat/cqlr-c-ccq-1991/latest/cqlr-c-ccq-1991.html.

[125] Defined as someone who owns, controls or directs 25% or more of shares individually, jointly or in concert with one or more individuals; has control in fact over the corporation without owning any shares; or meets a combination of any of these factor.

There are similar measures for corporations to maintain a register of ISC at a provincial level, or in Québec to report the information to the corporate registry,[126] (except for Alberta), covering over 88% of corporations in Canada. Alberta-based corporations are required to disclose their top five shareholders to the corporate registry. However, as these may be legal persons rather than natural persons, this is not equivalent to the requirement in other provinces to record ISCs.

Under Canadian securities regulations, reporting insiders are required to file an initial insider report with securities regulators and report any changes to the information. Additionally, reporting issuers are subject to early warning reporting requirements in relation to a person who acquires 10 per cent of the voting or equity securities of a reporting issuer.

There are similar requirements applying for co-operatives, and also similar requirements apply for maintaining registers of members for, not-for-profit corporations and board of trade at a federal level and similar legal persons at the provincial level[127].

While there are no direct requirements for companies to co-operate with financial institutions and DNFBPs to provide adequate, accurate and up-to-date information on the company's BO, reporting entities are required to collect this information or face compliance risk and therefore there is a strong incentive for corporations to provide this information in order to be able to access services.

Sub-criterion 24.6(b)(i) - Since January 22, 2024, federal corporations created under the *Canada Business Corporations Act* (CBCA) are required to file information on their individuals with significant control (ISC) with the federal registry Corporations Canada. Beneficial ownership discrepancy reporting came into force on October 1, 2025, and requires PCMLTFA REs to report material discrepancies in beneficial ownership information they collect through CDD for high-risk clients to Corporations Canada to support the accuracy of information in the federal beneficial ownership registry.

The federal beneficial ownership registry was established in consultation with provinces and territories, to lead and support a pan-Canadian beneficial ownership registry framework.

Québec was the first province to establish a similar beneficial ownership registry, where obligations for domestic and foreign corporations include transmitting to the *Registraire des entreprises* information on the ultimate beneficiary in order to make their identity public.

BC has also established a Land Ownership Transparency Register (LOTR) with obligations to file details on the beneficial owners of those purchasing real estate or an interest in land (including land owned or controlled through relevant corporations, trusts and partnerships).

In accordance with the objective to establish a pan-Canadian framework, efforts are underway to establish registries in BC and Ontario, which are two of the most material provinces for corporate formation. However, these registries have not yet been established.

Sub-criterion 24.6(b)(ii) - N/A. While Canada takes a multi-pronged approach to enabling access to BO information, those various prongs do not together constitute an alternative mechanism, as provided for under R24, to central registries which, as noted, do not yet operate in provinces other than Québec. Existing information alone, as required under other criteria, cannot constitute an alternative mechanism.

Sub-criterion 24.6(b)(iii) - Competent authorities in Canada also have access to BO information from supervised entities, FINTRAC and Canada Revenue Agency (CRA).

[126] Ontario, Québec, Saskatchewan, Nova Scotia, since 2023; New Brunswick, since 2022; British Columbia (Manitoba, Prince Edward Island, since 2020; Federal, Newfoundland and Labrador, since 2019.

[127] *Canada Cooperatives Act* (s.186(1)); *Canada Not-for-profit Corporations Act*; and *Boards of Trade Act*.

Financial entities (since 2014), DNFPBs and dealers in virtual currency and foreign money services businesses (since 2021) are required to obtain and verify beneficial ownership information for clients that are legal persons (s.138, PCMLTFA).

In 2023, the PCMLTFA was amended to expand the scope of information FINTRAC discloses to law enforcement to include beneficial ownership details (PCMLTFA ss.55(7), 55.1(3) and 56.1(5)).STR Report Schedule in the STR Regulations was modified to include BO information in an STR to support improved reporting of beneficial ownership information to FINTRAC in cases where corporations are suspected to be involved in money laundering or terrorist financing.

The Canada Revenue Agency (CRA) collects corporate tax filings, financial records, and shareholder information which support identification of beneficial ownership for tax enforcement and compliance. Information on shareholders of legal persons is collected by CRA using T2 and T3 schedule 15 filings. Further, the CRA is legislatively entitled to access the non-public beneficial ownership information collected by Corporations Canada. A memorandum of understanding is in place that allows the CRA to access the non-public beneficial ownership information.

In addition to these measures, an amendment to the *Income Tax Act* that came into force in 2023 allows CRA to share information on shareholders and affiliations with the Director of Corporations Canada and the beneficial ownership registry. Information sharing between CRA and Corporations Canada supports efforts to ensure the accuracy of information in the federal beneficial ownership registry.

Criterion 24.7

All the persons, authorities and entities mentioned in criterion 24.6 are required to retain information and records referred to for at least five years after the date on which the company is dissolved or otherwise ceases to exist, or five years after the date on which the company ceases to be a customer of the professional intermediary or the FI. These requirements are set out for each participant in various legislation (e.g., PCMLTFA's five-year retention requirement for financial institutions and DNFBPs (CBCA, s.20 and s.225; CCA, s.31; CNC, s.21(4); PCMLTFR Regulations, s.148(1)(b)). Provinces and territories have formalized or reinforced their own retention obligations over the review period. Ontario (s.140 (2) and s.236(2), OBCA; s.92(3) and 165(2) ONCA)), Québec (QBC, s. 34, 322; Tax Administration Act s. 35.1) and British Columbia (BCR, s.20 and s.25), and other jurisdictions require companies and co-operatives to retain accounting records, share registers, and other relevant documentation for periods ranging from five to ten years, with many aligning to the six-year standard. These measures apply to private and public corporations, co-operatives, non-profits, and foreign-owned entities operating in Canada. A minor shortcoming is in the event of a liquidation of a co-operative or the dissolution of a company in BC, where there is a period of retention of two years, instead of five years, after the date of dissolution for co-operative associations for BC (s.194.36 CAA BC, and s. 25 BCR).

Timely access to adequate, accurate and up-to-date information

Criterion 24.8

Adequate: Canada requires corporations to obtain and hold adequate basic and BO information as set out in 24.5 and 24.6. This information must be held with the corporate registries, as set out in 24.4-24.6. Financial entities, DNFPBs and dealers in virtual currency and foreign money services businesses are required to obtain and verify beneficial ownership information for clients that are legal persons as discussed under criterion 24.6 above. Gaps described in criterion 24.6 apply, specifically in relation to the lack of BO record-keeping obligations in Alberta and the lack of central registers or alternative mechanisms other than at the federal level and in Québec.

Accurate: The checks and other processes in place to verify accuracy of (1) basic information and (2) beneficial ownership information (by verifying the identity and status of the beneficial owner) include:

Federal level

Basic information

By companies: Under the CBCA, corporations must keep a securities register and corporate records and take reasonable precautions to prevent loss/falsification and to detect/correct inaccuracies. Corporations must also maintain an ISC/beneficial ownership register and take reasonable steps at least annually to ensure it is accurate, complete, and up to date. The CBCA establishes as an offence the provision of false or misleading information in response to these requirements.

By authority(ies) or body(ies) responsible: Corporations Canada verifies the identity of the person filing. For online filings, ISED's identity-verification tools are used, so basic information is checked at incorporation and again whenever changes are filed. Substantive accuracy rests with the filer: they must certify that the information submitted to the Director of Corporations Canada is true and complete. Immediately before submission, filers confirm they have reviewed the filing and are warned that misrepresentation is a criminal offence (CBCA, s. 8(2), s. 245(1), s. 263.1(2), s. 265(1)). Access to basic information is public in all jurisdictions.

BO information

By companies: Federal corporations are required to take reasonable steps to ensure that they have identified all individuals with significant control over the corporation and that the register is accurate, complete and up-to-date (CBCA, s.21.1(2)).

By authority(ies) or body(ies) responsible for the beneficial owner register under the registry approach:

- Corporations Canada is required to undertake an active verification of the identity of the person filing the information with Corporations Canada on behalf of the federal corporation. Filers are required to create an ISED account with two factor authentication. To file with Corporations Canada, the filer must be verified. There are several options for verification: through Interac, a private sector verification service provider, and Canada Post.[128]
- Corporations Canada accepts online fillings through a web interface able to pre-validate the format in which basic information and beneficial ownership information is provided. Corporations Canada also allows other non-online filings. However, in practice, Corporations Canada received 1 134 308 corporate filing requests in 2024. 99% of these were filed online. The online filing rate is even higher for key filings such as incorporation (99.97%) and for annual returns (99.99%).
- Corporations Canada implements a risk-based audit system, including requesting proof of the steps taken by corporations to identify their individuals with significant control. Corporations

[128] www.ised-isde.canada.ca/site/corporations-canada/en/about-us/identity-verification

Canada has implemented a risk-based audit to ensure the reliability and accuracy of corporate information and filings submitted to Corporations Canada. A newly established data integrity team, consisting of data scientists and analysts, has developed models to detect anomalies in both corporate and beneficial ownership (BO) information filed with Corporations Canada. The criteria used to select corporations for further verification steps are:

- a corporation that has no ISC but indicators and CRA data suggest otherwise;
- a corporation that self-identifies as exempt from providing ISC information because it is a reporting issuer or a crown corporation but does not appear to fall under these categories; or
- the name of an ISC appears to be incorrect.

- The Government of Canada has introduced new measures to assist Corporations Canada in maintaining an accurate and reliable beneficial ownership registry. As of October 1, 2025, pursuant to section 138.1 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations, reporting entities regulated by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) are required to report to Corporations Canada any material discrepancies identified between the individual with significant control information available in Corporations Canada's database and the beneficial ownership information that they have obtained This is required in high-risk situations, as determined by reporting entities, but entities are encouraged to also report in non-high risk situations.
- Subsection 21(1) of the *Canada Business Corporations Act* (CBCA) grants the regulator (Corporations Canada) the authority to examine and take extracts of corporate records held at corporations' registered offices, including by-laws, copies of any unanimous shareholder agreements, minutes of meetings, resolutions of shareholders, and the securities register. Furthermore, pursuant to subsection 21.3(1) of the CBCA, upon the regulator's request, corporations are required to provide any information contained in their register of individuals with significant control.
- Pursuant to s. 237 of the CBCA, the regulator may make inquiries to any person regarding compliance with the CBCA and may require the person to provide any records or other documents or information. A person is obligated to respond to such inquiry. Failure to respond may result in compliance measures against the corporation, including the non-issuance of a Certificate of Compliance, seeking a compliance order from the court, or administrative dissolution of the corporation if it fails to respond to an inquiry for a period of one year.

By any additional supplementary measures that are necessary to ensure that the beneficial ownership of a company can be determined, including e.g., information held by regulators or stock exchanges; or obtained by FIs:

- Financial entities, DNFPBs and dealers in virtual currency and foreign money services businesses are required to obtain and verify beneficial ownership information for clients that are legal persons (s.138, PCMLTFA).
- As outlined above, amendments to the PCMLTF Regulations that came into force in October 2025 require persons and entities regulated under the PCMLTFA for anti-money laundering purposes to report material discrepancies between BO information they collect through client due diligence (CDD) measures and BO information in the federal beneficial ownership registry, in high-risk situations.

Provincial level

All provinces and territories have requirements that basic information held and filed be accurate. For example:

- In Ontario, there is a requirement for corporations to file annual returns and notices of change to confirm or update basic information. This ensures an update of declared basic information held.
- In BC, there is a requirement for corporations to file annual reports and report changes of key corporate information. To facilitate the update, BC government maintains an online corporate registry where current information is made publicly available.
- In Québec, there is a requirement for corporations to file annual reports and report changes of BO information (sections 41 and 45 ALPE).
- To facilitate the update, all three governments maintain an online corporate registry where current information is made publicly available. Access to basic information is public in all jurisdictions. Substantive accuracy rests with the filer, who must verify the information and certify that the information submitted to corporate registries is true and complete.

Almost all provinces and territories also have BO record-keeping obligations that require that BO information is updated when corporations become aware of changes to ensure accuracy of the corporate register. Only Québec currently has an operational register of beneficial ownership data and the verification measures in operation are considerable. There is also a requirement for corporations to report changes of BO information in a timely manner (section 41 ALPE).

- The verification mechanisms in other provinces, where central registers or alternative mechanisms have not been established, are not equivalent to those in place at the federal level and Québec. The accuracy of information is critical to ensure the reliability of BO information. Given that these provincial legal persons account for approximately 60% of legal persons in Canada, the volume of BO information concerned is considerable, and the absence of proportionate verification mechanisms at provincial level is material.

Up to date:

Federal level

Under s. 19(4), 113(1), 21.21(1)(b) and 21.1(3) of the CBCA, basic and BO information must be updated to the federal register within a period of 15 days of becoming informed of any changes. There is also a requirement for federal corporations to update their register at least once a year or upon a request from the Director (CBCA). Directors, officers and shareholders who knowingly contravene requirements related to the ISC Register face fines up to CAD 1 million and/or imprisonment for up to five years. A corporation that, without reasonable cause, contravenes their reporting obligations is guilty of an offence and liable on summary conviction to a fine of not more than CAD 100 000.

Provincial level

All provinces and territories have requirements to update basic information, and in most cases beneficial ownership information, annually and also promptly when there is a change.

Criterion 24.9

Basic information on registered companies at federal and provincial level is available publicly as set out in 24.2 and 24.4.

Federal level

Competent authorities in Canada have all the powers necessary to be able to obtain timely access to the basic and BO information held by Corporations Canada (CBCA, ss.21.21 and 21.31(2)) and CRA (ITA, s.241(3, 4, 9.5)) and by registered corporations (CBCA, 21.31; Criminal Code, ss.487.014 and 487.018).

The powers covered in the 2016 MER remain and have since then be completed by legislative amendments allowing law enforcement, FINTRAC, regulators and CRA to exchange and check BO information with Corporations Canada (CBCA, ss.21.301 and 21.31).

Public Services and Procurement Canada (PSPC) collects information on ownership and control directly from suppliers to the Government of Canada through a number of programs designed to protect the integrity and security of the federal procurement system. PSPC also has access to basic company information via provincial and federal corporate registries and beneficial ownership information for entities incorporated federally and in the province of Québec, which helps complement and validate the information collected from suppliers.

Provincial level

Law enforcement agencies and FIUs can request information from the corporate register as part of their investigative processes. FINTRAC has access to bulk data from the corporate registry in Alberta and is working with other provinces for access to their corporate registry data in bulk. In Québec, public procurement federal, provincial, and territorial government agencies have access to the most up-to-date corporate data and beneficial ownership data (QBCA, CQLR c. S-31.1; ALPE, CQLR c. P-44.1). In Québec, the "Autorité des marchés publics" (AMP) has access to the public and non-public information from Québec's beneficial ownership registry. The AMP is a neutral and independent government agency whose purpose is to oversee Québec's public procurement markets. Within its mandate, the AMP has the authority to conduct integrity assessments of any company holding a public contract, regardless of its value. It also has verification and investigative powers, enabling it, as appropriate, to issue orders, make recommendations, or suspend or terminate contracts.

In BC and Ontario, public procurement agencies also have access to corporate registry information and in BC will have access to beneficial ownership information when it becomes available in a registry. Gaps outlined under 24.6 apply, specifically the lack of central registries of BO information or alternative mechanisms in provinces other than Québec.

Criterion 24.10

The following mechanisms are in place in Canada to enable the competent authorities to obtain, or have access in a timely fashion to, adequate, accurate and up-to-date information on the beneficial ownership and control of foreign created companies and other legal persons that present ML/TF risks and have a sufficient link with the country:

- Foreign corporations must register with provincial or territorial authorities and comply with the legislation of their jurisdiction, which stipulates governance and disclosure requirements. Once registered, foreign corporations fall under the oversight of provincial or territorial registries. The shortcomings underlined at c.24.6-24.9 apply, specifically the lack of record-keeping obligations in Alberta, the lack of central registries of BO information or alternative mechanisms in provinces other than Québec and the lack of verification mechanisms as outlined under 24.8.
- Competent authorities including FINTRAC, CRA, and RCMP can obtain beneficial ownership information as needed.
- Moreover, under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), reporting entities must conduct thorough due diligence on clients, including foreign corporations, and report suspicious transactions or other red flags in line with higher risk profiles.

Criterion 24.11

Basic information as per 24.5(a) (and beneficial ownership information) is publicly available and free of charge in the Federal Registry and the Québec Enterprise Register (see 24.4) and can be accessed by financial institutions, DNFBPs, and competent authorities from other countries. Basic information in other provinces and territories is publicly available.

Obstacles to transparency

Criterion 24.12

Sub-criterion 24.12(a) - At a federal level, section 29.1(1) of the CBCA prohibits a corporation from issuing any certificate, warrant, or other evidence of a conversion privilege, option, or right to acquire a share in bearer form.

All provinces and territories have enacted similar restrictions on bearer shares to those in the CBCA. The Alberta Business Corporations Act (ABCA) requires that 'shares of a corporation shall be in registered form' (ABCA s.26(1)) and accordingly bearer shares cannot be issued.

Sub-criterion 24.12(b) - At a federal level and in Prince Edward Island, New Brunswick, Québec, Manitoba and BC, for any existing bearer instruments, the corporation must, upon the holder's request, convert it into a registered form (federal level: s. 29.1(2) of the CBCA; 142.1(2) of the Canada Co-operatives Act; BC: Part 3 of the BC BCA and in particular s. 58.1). Corporations in other jurisdictions may also undertake such a conversion. This conversion is at the initiative of the holder, and there is neither an explicit requirement nor a specific timeframe for the holder to request and operate this conversion, although in BC there is an explicit requirement that existing bearer shares must be converted into registered form to have legal effect or exercise shareholder rights.

Criterion 24.13

Sub-criterion 24.13(a) - There is no explicit requirement, except in Québec (for nominee shareholders), for nominee shareholders and directors to disclose their nominee status and the identity of their nominator to the company and to any relevant registry in Canada. However, disclosure of persons with significant control would include nominators.

At a federal level, other measures in place include the establishment of the public federal beneficial ownership registry that lists all individuals with significant control over business corporations, including both nominee shareholders and their nominators (see above). In addition, measures are in place to mitigate associated ML/TF risks associated with nominees representing individuals with significant control over a corporation, in publicly listed companies. Hence, for publicly listed companies the risk of abuse of nominee shares is mitigated to some extent based on the requirement to disclose the status of shareholders and change of shares in excess of 10 percent.

At a provincial level, other measures in place include the establishment of a beneficial ownership registry in Québec, that lists all individuals with significant control over business corporations, including both nominee shareholders and their nominators (see above). In Ontario and BC, such a registry is not yet in place but is planned. All provinces except Alberta, Northwest Territories and Nunavut have a requirement for companies to keep records on their beneficial owners, which captures nominators who are beneficial owners, although Alberta's corporate registry requires information on corporations' five largest shareholders. Gaps under 24.6 apply, specifically the lack of BO record-keeping obligations in Alberta and the lack of central registries or alternative mechanisms in provinces other than Québec.

In addition, measures are in place to mitigate associated ML/TF risks associated with nominees representing individuals with significant control over a corporation, in publicly listed companies. Hence, for

publicly listed companies the risk of abuse of nominee shares is mitigated to some extent based on the requirement to disclose the status of shareholders and change of shares in excess of 10 percent.

In all jurisdictions proxyholders (who may act similarly to nominees) are required to disclose their proxies, which must be in writing and signed by the appointing shareholder (ss.148(2), CBCA s.172, QBCA, ss.110(2), ONBC, s.3.4, BCA Regulations). In some jurisdictions (i.e., Québec and BC) a corporation must keep a record of the proxies presented at a meeting of shareholders for at least three months after a shareholder meeting (s.189, QBCA).

At the provincial and territorial level, obligations established in both legislation and the common law restrict nominee directors through fiduciary duties to act in the best interests of the corporation, rather than those who appointed them (CBCA s. 122(1)(a)). This duty also extends to shareholders, including nominee shareholders, who are empowered by a unanimous shareholders agreement and thus inherit the powers and duties of directors (CBCA s. 146(5)).

Sub-criterion 24.13(b) - There is no requirement for nominee shareholders and directors to be licensed in Canada.

Sub-criterion 24.13(c) - This is not applicable, as there is no prohibition of the use on nominee shareholders or nominee directors in Canada.

Liability and sanctions

Criterion 24.14

The responsibilities to comply with the requirements are provided in the respective legislations as described above.

Sanctions in place for legal or natural person that fails to properly comply with the requirements include criminal sanctions (imprisonment for up to five years and/or a fine of up to CAD 1 million for directors and officers) as well as administrative sanctions (up to CAD 100 000) at a federal level, for FIs and those DNFBPs covered by PCMLTFA and CBCA, that fail to comply with their obligations(PCMLTFA, s.75(1), s. 258.1; CBCA, 20(6), (21(7), 21.1(6), 21.21(4), 21.31(5), 21.4(1), 22(3), 250(1). Similar provisions are in place in provinces, although these vary from CAD 25k maximum to CAD 200K maximum. Sanctions vary across provinces and federal levels but are generally proportionate and dissuasive, including in Québec, where dissolution of non-compliant corporations is the more frequently used sanction tool.

International co-operation

Criterion 24.15

Canada provides a range of international co-operation in relation to basic and BO information, on the basis set out in Recommendations 37 and 40:

Sub-criterion 24.15(a) - Competent authorities do not prohibit or place unreasonable or unduly restrictive conditions on information exchange or assistance involving corporations, including when it involves fiscal (including tax) matters and bank secrecy (see c.37.3, 40.5(a) and 40.5(b).)

Sub-criterion 24.15(b), (c) - Basic information in the federal and provincial company registers is publicly available and can be shared by competent authorities and directly accessed by foreign authorities. For other basic information, information on stakeholders, competent authorities can use the powers and mechanisms described at R.38 and 40, and in particular under criteria 37.1 (MLA), 40.1 (other forms of co-operation) and 40.9, 40.11 (exchange of information between FIUs), and 40.17 to 40.19 (exchange of information between law enforcement authorities). Notably, FINTRAC facilitate exchanges of information with foreign financial intelligence unites (FIUs) in accordance with the Egmont Group principles or under

the terms of relevant MOUs. When a FINTRAC disclosure to a foreign FIU that involves a Canadian corporate entity, FINTRAC will retrieve the relevant incorporation information and provide this to the FIU as a standard part of FINTRAC's disclosure package.

Sub-criterion 24.15(d) - Competent authorities can use their power in accordance with their domestic law, to obtain beneficial ownership information on behalf of foreign counterparts, in line [and with the limitations flagged at] c.38.1 (MLA), c.40.8 (other forms of information), 40.11 (FIU), 40.16 (financial supervisors), c.40.21 (law enforcement). FINTRAC, can collect BO information, including for disclosure to foreign counterparts under PCMLTFA, s.56.1.

Sub-criterion 24.15(e) - Competent authorities monitor the quality of assistance received from other countries in response to requests for basic and BO information or requests for assistance in locating BOs residing abroad through engagement with the requested countries. The International Assistance Group (IAG) at the Department of Justice and FINTRAC maintain copies of the requests, responses given and inquire feedback from the foreign counterpart. Further, FINTRAC provides feedback to its foreign counterparts on the usefulness of information obtained, when feedback is specifically requested by foreign FIUs (PCMLTFA, s.56), and whenever possible as well as on the outcome of the analysis conducted, based on the information provided.

Sub-criterion 24.15(f) - Canada keeps in a readily accessible manner information held or obtained for the purpose of identifying BO (see c. 24.6, with limitations underlined there), including through public beneficial ownership information in the federal and Québec registries. There is a lack of BO registry in the majority of provinces. All the information is kept in registries following the format of the Beneficial Ownership Open Data standard, the internationally accepted open standard.

Sub-criterion 24.15(g) - International requests can be made to the following agencies: the Minister of Justice, assisted by the International Assistance Group, IAG (for MLA), FINTRAC (through Egmont Group or memorandum of understanding with foreign countries, and through informal supervisory co-operation), CRA and RCMP.

> ***Weighting and conclusion –*** Canadian authorities have in place a number of measures to provide for transparency of beneficial ownership of legal persons. These include requiring the retention of beneficial ownership information at federal level and in most provinces and territories, its filing to government registers at federal level and in Québec and making it available to authorities and to financial institutions and DNFBPs, which may report it to FINTRAC when they detect transactions or activity by legal persons suspected to be linked to ML/TF or sanctions evasion. Where these obligations exist, they apply to all legal persons recognised in Canadian law. Canada has also put in place obligations for foreign-created companies operating in Canada and has mechanisms for sharing information with foreign counterparts. Legislative amendments have also been made in all jurisdictions which effectively prohibit the use of bearer shares. Additionally, in Québec and at the federal level, government beneficial ownership registers have been established which provide the most comprehensive and efficient means of access to beneficial ownership information in these jurisdictions. However, deficiencies exist. Although Ontario and BC are progressing towards the establishment of government beneficial ownership registers, the lack of registers in Ontario, BC and Alberta is weighted heavily. While other mechanisms such as access to BO information from tax authorities, financial institutions and DNFBPs and corporations are available in all provinces, they do not constitute alternative mechanisms to central registries. At a provincial level, the verification mechanisms on BO data held by corporations are not equivalent to those in place at the federal level, apart from in Québec. The accuracy of information is critical to ensure the reliability of BO information. Given that the provincial legal persons account for about 70% of legal persons in Canada, the volume of BO information concerned is considerable, and the absence of proportionate

verification mechanisms at provincial level is material and weighted heavily. Sanctions are generally dissuasive with large penalties for non-compliance with BO record-keeping and filing requirements, where they exist. The lack of beneficial ownership requirements in Alberta does create a material gap in compliance as approximately 10% of all Canadian incorporations take place there. The inclusion of information on largest shareholders on its corporate registry does mitigate to some extent but this is information on legal rather than beneficial ownership. Recommendation 24 is rated **partially compliant**.

Recommendation 25 – Transparency and beneficial ownership of legal arrangements

In its 2016 MER, Canada was rated NC for R.25. The main deficiencies related to lack of: obligation for trustees to obtain and hold adequate, accurate and current beneficial ownership information for all legal arrangements in Canada, whether established under provincial or federal legislation, or basic information on other regulated agents or and service providers to the trust; obligation for professional trustees, including lawyers to maintain beneficial ownership information for at least five years; requirement for trustees to proactively disclose their status to FIs and DNFBPs when forming a business relationship or carrying out a financial transaction for the trust. There were insufficient mechanisms in place to facilitate timely access by competent authorities to all beneficial ownership information and any trust assets held or managed by the FI or DNFBP. Proportionate and dissuasive sanctions for a failure by the trustee to perform his duties were not available in most cases.

Scope extends to express trusts and other similar arrangements

Criterion 25.1

The requirements of R.25, where they are applied, apply to all legal arrangements meaning common law express trusts (as defined in the Glossary of the FATF Recommendations) and civil law trusts (fiducies) established by contract or by will, and similar foreign legal arrangements with a sufficient nexus to Canada.

The main types of express trusts that can be created in Canada are fixed trusts, discretionary trusts, charitable trusts and non-charitable purpose trusts, although this last type can only be created in certain provinces including Alberta, Manitoba and Ontario. The main types of similar arrangements that can be created in Québec include personal trust (fiducie personnelle), private trust (fiducie d'utilité privée) and social trust (fiducie d'utilité sociale).

Criterion 25.2

Information on trusts is available on the websites of the tax authorities, including Canada Revenue Agency (CRA) and Agence du Revenu du Québec (Revenu Québec), on trust types, residence, trustee obligations and filing requirements. This information explains the trust lifecycle and how to collect and report basic and beneficial ownership (BO) information. This includes explanation of: the differences between inter vivos, testamentary and bare trusts; how a trust's residence is determined; and the activities and liabilities of trustees. The information provided primarily relates to tax obligations and therefore is structured according to detailed tax filing obligations. Additionally, federal and Québec enterprise and BC landowner transparency registrars have issued publicly available guidance identifying and describing the processes for the obtaining of BO information in respect of trusts.

In Canada, provinces and territories have legal frameworks on establishing trusts, the duties associated with them and their usage. Relevant provincial and territorial legislation is publicly available, and some

provincial authorities provide public information on specific usages of trusts. These websites provide information on what beneficial ownership information is required.

The above sources do not provide information regarding processes for setting up different types of express trust or fiducies. Information on the processes for setting up trusts can be obtained from lawyers and certain trust companies.

Risk assessment and risk mitigation

Criterion 25.3

Canada updated its assessment of the inherent ML/TF vulnerabilities associated with trusts as part of its NRA update in 2025. As per the NRA, reference to 'trusts' is to 'express trusts' and certain civil law trusts (fiducies), which are the only other similar legal arrangement recognised in Canada.

Sub-criterion 25.3(a) - The assessment includes a dedicated section to express trusts governed under Canada's laws (very highly vulnerable). It includes specific paragraphs on discretionary trusts (high risk), asset protection trust (very highly vulnerable) and public trusts (low vulnerability).

Sub-criterion 25.3(b), (c) -The assessment underlines that both Canadian trusts and foreign trusts with a Canadian beneficiary, settlor, trustee, or property, may be vulnerable to money laundering and terrorist financing, varying based on their type, objects, structure and other characteristics. However, it does not provide specific assessments of the risk of (i) trusts administered in Canada, or for which the trustee or equivalent resides in Canada, or (ii) trusts that have sufficient links with Canada. Canada has taken steps to manage and mitigate the money laundering and terrorist financing risks identified in the National Risk Assessment through the trust law, tax law and corporate law measures described in c. 25.4-25.12, below.

Basic and Beneficial ownership information

Criterion 25.4

Sub-criterion 25.4(a) - In Canada, under the enhanced trust reporting rules, trustees of most express trusts must file with competent tax authorities an annual trust income tax and information return including basic and beneficial ownership information in respect of all 'reportable entities' of the trust.

"Reportable entities" refers to the trustees, settlors, beneficiaries, and controlling persons (i.e., persons who have the ability, through the terms of the trust or a related agreement, to exert influence over trustee decisions regarding the appointment of income or capital of the trust (e.g., a protector of the trust).

The following information must be reported to Canadian tax authorities for all reportable entities of the trust in the taxation year: name; address; date of birth (if an individual); country of residence; and tax identification number (i.e., social insurance number, business number, trust number, or, in the case of a non-resident trust, the identification number used in a foreign jurisdiction). By virtue of record-keeping requirements under federal and Québec income tax legislation, and as a trust's income tax assessment is subject to subsequent reassessment, the trustee will need to obtain and hold adequate, accurate and up-to-date beneficial ownership information in respect of all reportable entities of the trust.

The enhanced trust reporting rules apply to express trusts that are resident or deemed resident in Canada and to non-resident (i.e., foreign) trusts that have a sufficient nexus to Canada. There are limited exemptions for trusts considered to pose lower tax evasion risks, such as mutual fund trusts, trusts listed on a designated stock exchange and trusts governed by a registered plan. These trusts, listed in subsection 150(1.2) of the federal Income Tax Act (ITA), are referred to as "listed trusts".

For all other trusts (resident and non-resident), including listed trusts, a T3 return is required to be filed for taxation years in which the trust meets certain conditions (e.g., if the trust has tax payable or a taxable capital gain or if distributions are made to trust beneficiaries).

Although the enhanced trust reporting rules apply to bare trusts, the CRA relieved bare trusts from the requirement to file a T3 return, including Schedule 15 (Beneficial Ownership Information of a Trust) for the 2023 and 2024 taxation years, unless the CRA has made a direct request for the filings. This temporary relief was intended to allow for more clarity and understanding of this reporting requirement and better target application of the rules based on risk.

Under the Québec Act respecting the legal publicity of enterprises (ALPE), trusts operating a commercial enterprise, such as business trusts, investments trusts or real estate investment trusts, must register with the Québec Enterprise Registrar (ALPE, s. 21(8)). The registration declaration must contain basic and beneficial ownership information (ALPE, ss. 0.4, 0.5, 21(8) and 33ff.). Like other registrants who must declare information in respect of their ultimate beneficiaries, trusts operating a commercial enterprise must take the necessary measures to locate them and to ascertain their identities (ALPE, s. 39.1). Information required to be disclosed includes the following: names, addresses and dates of birth of the ultimate beneficiaries; condition under which each ultimate beneficiary became one; date on which an ultimate beneficiary became one, and that on which the ultimate beneficiary ceased to be one; and, if applicable, percentage of voting rights that may be exercised by each ultimate beneficiary.

Under British Columbia's Land Owner Transparency Act (LOTA), trustees of relevant trusts (among other reporting bodies) that own real estate or hold certain other interests in land are required to file a transparency report identifying the beneficial owners with the British Columbia Land Owner Transparency Registry. The report must contain the: trustee or other reporting body's primary identification information; information required under section 19 of the Act in respect of each interest holder; information required to be reported under section 20 of the Act in respect of each settlor of the trust; and the reference number, if any, of the trust instrument registered under section 180 recognition of trust estates of the BC Land Title Act.

In addition, there are a number of fiduciary duties for trustees in Canada, such as duty of care, duty to act honestly, duty of loyalty, duty to account, the duty to act with prudence and diligence and in the interest of the beneficiaries and analogous obligations in the Civil Code of Québec, which require trustees to collect and hold BO information if those duties are to be fulfilled.

Reporting entities including trust companies, and lawyers providing legal services to trusts in respect of financial transactions must obtain and take reasonable measures to confirm the accuracy of trust basic and BO information under the PCMLTFR (ss. 89 and 138) and law society rules, respectively (see R.22).

Sub-criterion 25.4(b) - The obligation for trustees to obtain and hold adequate, accurate and up-to-date basic and BO information on parties to the trusts or other similar legal arrangements does not include an explicit requirement to look through parties that are themselves legal persons or arrangements to find the natural person(s) who is the ultimate beneficial owner unless required by the trust deed. However, trustees would reasonably be expected to do so to meet their fiduciary duties and obligations under tax legislation and other applicable statutes.

Sub-criterion 25.4(c) - Trustees are required to obtain and hold basic information on the regulated agents of, and service providers to the trust, by virtue of trustees' fiduciary duties under common law and equivalent obligations under the Civil Code of Québec. In particular a trustee must maintain copies of the trust's service providers' invoices and receipts for payment to satisfy their duty to account so that they are not held personally liable for the expenses. Additionally, authorized trust companies in Canada are subject to a regulatory and supervisory framework under which they maintain information on their service providers and regulated agents.

Criterion 25.5

Trustees filing beneficial ownership information as part of the T3 tax return at the federal level or the TP-646 return in Québec are required to retain records related to these for at least six years from the end of the last tax year to which they relate (federal ITA, subsection 230(1) and (4) and Québec Tax Administration Act (TAA), s. 35.1). If a person is not keeping adequate books and records, the federal Minister of National Revenue can direct the person to keep adequate books and records as required (ITA, s. 230(3)). The same principle applies in Québec (see TAA, s. 35). Exemptions to the tax filing requirements outlined under 25.4 apply.

Under trust law, a trustee has a duty to obey the terms of the trust and the law in all Canadian provinces and territories, which reinforces the requirement to comply with the above record-keeping requirements under tax law. Further, trustees must hold basic and beneficial ownership information in respect of the parties to the trust in order to comply with their fiduciary duties, duty to account and duty of care.

Under Québec's Act respecting the legal publicity of enterprises (ALPE), trusts operating a commercial enterprise must file a registration declaration containing basic and beneficial ownership information in respect of their ultimate beneficiaries with the Québec Enterprise Registrar. This declaration, which is made public by the Registrar, is kept by the Registrar permanently. Copies of such declaration can be obtained by anyone, any time, even after the trust has ended.

Under the PCMLTFA, reporting entities, including trust companies, serving as trustees of or providing financial services to a trust are required to retain records containing specified information in respect of the trust or the parties to the trust for a period of at least five years after: the account is closed; the last business transaction is conducted; or the day on which they were created.

Under federal and Québec income tax legislation, books and records must generally be maintained for six years. As a result, the trustees of express trusts subject to the enhanced trust reporting requirements are required to hold the trust basic and beneficial ownership information filed with Canadian tax authorities for a period of at least six years from the end of the last tax year to which they relate.

Lawyers in provincial and territorial law societies are subject to record-keeping requirements in legally binding and enforceable regulations or statutory instruments, made under provincial or territorial laws. In all law societies, the record retention period requirements to which lawyers are subject for both CDD records and financial records (including records of trust account transactions and cash transactions) exceed the five-year minimum set by FATF standards.

Criterion 25.6

Accurate

Section 138 of the PCMLTFR requires reporting entities, including but not limited to trust companies, to take measures to confirm the accuracy of trusts' beneficial ownership information.

In Québec, the registrant filed with the REQ must verify the legality and accuracy of the declarations filed with the registrar pursuant to c.25.4 (ALPE, s. 39). The registrant must take the necessary measures to locate the registrant's ultimate beneficiaries and to ascertain their identities (ALPE, s. 39.1). If a registrant discovers or is informed that a declaration filed is incomplete or contains inaccurate information, the registrant must make the appropriate correction by filing an updating declaration without delay (ALPE, s. 40). At any time, the Québec Enterprise Registrar may require that a registrant provide any information and document necessary to verify the accuracy of a declaration filed in the register (ALPE, s. 74.1). See CBCA, ss. 21.1(2)-(3) for analogous requirements applicable to corporations incorporated or continued under the CBCA required to verify the accuracy of ISC information, including where the ISC of the corporation is a trust.

Under s. 21 of British Columbia's LOTA, reporting bodies, including the trustees of relevant trusts, must take reasonable steps to obtain and confirm the accuracy of the information required to be reported in respect of each interest holder in land in transparency reports, specified information in respect of each settlor and any prescribed information (s. 21). Additionally, persons other than reporting bodies may apply to the administrator of the province's Land Owner Transparency Registry (LOTR) to request that corrections or changes be made to a filed transparency report, reported information or publicly accessible information to correct any inaccurate or incomplete information about the person (s. 42ff.). Further a person must, if requested in writing by the administrator or enforcement officer, verify that a transparency declaration, transparency report or other document or record filed, submitted, given or provided under LOTA is accurate and complete, and provide proof of same (s. 58).

Additionally, trustees are required to keep basic and beneficial ownership information in respect of the parties to the trust and basic information in respect of the regulated agents of, or service providers to, the trust accurate, by virtue of the trustees' fiduciary duties and duty to account under common law and analogous obligations under the Civil Code of Québec, (see c. 25.4, a) b) and c) for more details). The duty to account requires trustees to maintain and have available for inspection invoices and receipts from regulated service providers.

Up-to-date and within a reasonable period following any change

At a federal level and in Québec, the filing of the annual trust income tax returns, including basic and beneficial ownership information in respect of all reportable entities of a trust is annual. Trustees are required to report in a given tax filing changes that occurred since the prior tax filing, including changes to the BO information of all reportable entities to the trust. There is no specific requirement to update the information within a reasonable period following any change. Exemptions to these requirements under 25.4, which are limited and risk-based, also apply.

In cases where a trust owns or controls 25% or more of the shares of a corporation incorporated or continued under the Canada Business Corporations Act (CBCA), the individuals in control of the trust are considered the ISCs of the corporation and as such they will need to be included in the corporation's ISC register and records (since June 2019), and reported to Corporations Canada (since January 2024). Subsection 21.1 (2) of the CBCA requires corporations to ensure this information is up-to-date.

In Québec, relevant registrants, including trusts operating a commercial enterprise, as well as corporations in which 25% or more of the shares (in voting rights or fair market value) are held by a trust, are required to ensure information required to be contained in the register pursuant to c.25.4 is updated without delay if discovered to be inaccurate or incomplete (s. 40), updated within 30 days of a change (ALPE, s. 41) and file annual updating declarations confirming that the information contained in the register is accurate or bring any necessary changes (s. 45).

Under British Columbia's LOTA (s. 16), the trustee of the relevant trust or other reporting body must file an updated report each time the interest holders in land change within two months of the change.

Further, under subparagraph 157(b)(i) of the PCMLTFR, reporting entities (including trust companies) are required, when there is a high risk of ML or TF, to ensure that client identification information and beneficial ownership information is up to date. This would extend to trust basic / beneficial ownership information collected under s. 138 of the PCMLTFR.

Trustees' fiduciary duties under common law and equivalents under the Civil Code of Québec also require trustees to keep trust basic and BO information up-to-date. Under common law, a trustee is required to have "accounts always ready" and under Québec civil law, a trustee must render a summary account of the trustee's administration to the beneficiary at least once a year and must allow the beneficiary to examine the books and vouchers relating to the trust's administration at all times (CCQ, arts. 1351-52 and 1354).

Criterion 25.7

Sub-criterion 25.7(a) - Subject to the information below on trust companies, trustees are not required to disclose their trustee status to financial institutions and DNFBPs when forming a business relationship or carrying out a transaction. However, FIs and DNFBPs have obligations to conduct CDD and obtain BO information in order to engage in business and carry out financial transactions with trusts. Trustees' fiduciary duties as outlined under 25.4 also apply.

Trust companies are considered to be financial institutions and are subject to a strict regulatory and supervisory framework. In order to carry on business as a trust company, trust companies must register or obtain regulatory approval, are subject to naming restrictions (i.e., they must not include the word "fiduciaire", "fiducie", "fidéicommis", "fiduciary", "fiducie", "trust" or "trustco", as the case may be, in their name, unless they have the requisite regulatory approvals) and are listed in public registers maintained by the relevant federal and provincial regulators. As a result, their status as trustees would be known to any other financial institution or DNFBP with which they have business dealings.

Sub-criterion 25.7(b) - Trustees are not prevented by law or other enforceable means from providing competent authorities with trust related information, except where solicitor-client privilege or professional secrecy may prevent authorities from accessing such information. When a trustee makes a solicitor-client privilege or professional secrecy claim that seems improper, competent authorities can apply to a court of relevant jurisdiction to challenge that claim.

In Canada, trustees are required to comply with the obligations imposed on them by law and by the trust deed (e.g., Civil Code of Québec, art. 1308 and Jeffrey, [1948] O.R. 735). Various provisions under tax legislation (ss. 104(1) and (2) and ss. 230 to 237.5, in the context of the administration and the enforcement of the federal Income Tax Act and Québec Tax Administration Act, ss. 9.2 to 93) can be relied upon to require trustees to co-operate with competent authorities. Additionally, under subsection 62(2) of the PCMLTFA, reporting entities, including trust companies, are required to provide assistance to persons authorized by FINTRAC's Director in carrying out their responsibilities of ensuring the reporting entities' compliance with the PCMLTFA and to furnish them with any information with respect to the administration of the PCMLTFA or the regulations that the authorized persons may reasonably require.

Further, Criminal Code general production orders issued by a justice or judge may be obtained in relation to trustees or those holding equivalent positions in similar legal arrangements. Such orders may be used to obtain documents from a person that are a copy of a document that is in their possession or control when they receive the order, or to prepare and produce a document containing data that is in their possession or control at that time (subsections 487.014 to 487.016 of the Criminal Code). Criminal Code financial data production orders are also available, and may be used to compel financial institutions (including trust companies), and reporting entities under the PCMLTFA (including trust companies), to produce a document containing specified financial data that is in their possession or control when they receive the order, including account information (subsection 487.018 of the Criminal Code).

Preservation demands or orders under ss. 487.012 and 487.013 of the Criminal Code may also be deployed quickly to prevent the loss of computer data or information held by trustees. From a strategic perspective, they may also help expedite compliance with a subsequent production order by enabling recipients to begin collecting information in advance.

Sub-criterion 25.7(c) - Trustees are not prevented by law or enforceable means from providing financial institutions and DNFBPs, upon request, with the information referred to in the criterion, except in cases where solicitor-client privilege or professional secrecy may prevent financial institutions and DNFBPs from accessing such information. However, FIs and DNFBPs, including lawyers, all have obligations to conduct CDD and obtain BO information in order to engage in business with and carry out financial transactions with trusts.

Timely access to adequate, accurate and up-to-date information

Criterion 25.8

Canada has the following mechanisms to ensure information is adequate, accurate and up-to-date:

the annual trust income tax and information return, including basic and beneficial ownership information in respect of all reportable entities of a trust provide an opportunity for information to be updated on a fixed cycle, and between annual filings in certain circumstances. Basic and BO information can also be updated through the risk-based audit programs conducted by CRA and RQ.

the requirements listed under c.25.4 and c.25.6, including those under and the CBCA as they apply to trusts whose parties constitute ISCs of corporations, the BO CDD obligations under the PCMLTFA, the ALPE in Québec (as they apply to trusts operating a commercial enterprise and to corporations in which 25% or more of the shares (in voting rights or fair market value) are held by a trust) and the LOTA in BC.

While there is no overarching requirement under tax law to keep information updated within a reasonable timeframe after a change in beneficial ownership occurs in the interim period between annual tax filings, there are accuracy and timeliness mechanisms in place under corporate and land owner transparency laws as referenced above under 25.6 which apply in relevant cases, as well as other information, tools and registries available to Canadian tax authorities to access up-to-date information, as appropriate, Trustees' fiduciary duties as outlined under 25.4 and 25.6 also apply.

Criterion 25.9

Canadian competent authorities have access to basic and BO information through the following sources:

Sub-criterion 25.9(a) - CRA and Revenu Québec hold trust basic and beneficial ownership information reported to them in annual trust income tax filings. In Québec, the Québec Enterprise Registrar Registraire des entreprises du Québec) holds basic and beneficial ownership information in respect of the ultimate beneficiaries (i.e., beneficial owners) of relevant registrants, including trusts operating a commercial enterprise as well as corporations in which 25% or more of the shares are held by a trust (ALPE, ss. 3, 0.4, 0.5 21(8) and 33ff.). The British Columbia LOTR holds information relating to trusts and relevant interests in land (see LOTA, ss. 10ff). Exemptions outlined at 25.4, which are limited and risk-based, apply.

Sub-criterion 25.9(b) - Competent tax authorities at a federal level and in Québec (the Canada Revenue Agency and the Revenu Québec) obtain and hold trust basic and beneficial ownership information by virtue of the enhanced trust reporting rules described in c. 25.4a). Canadian tax authorities also have mechanisms to access information in respect of trust assets and income pursuant to their administration and enforcement powers.

Sub-criterion 25.9(c) - Reporting entities under the PCMLTFA framework are required to obtain and hold the information on customers that are trusts and keep such information accurate and up-to-date. Law enforcement may then access this information from reporting entities by means of production orders under the Criminal Code (see c. 25.10 for more details), and from FINTRAC using a s.60 PCMLTFA production order, or by disclosure to police by FINTRAC pursuant to s. 55(3) PCMLTFA or s. 65(1) PCMLTFA.

Criterion 25.10

Powers of competent authorities in Canada to obtain timely access to the information held by trustees and other parties include:

- Power of the justice or judge to order a person, financial institution or reporting entity under the PCMLTFA, other than a person under investigation, to produce specified documents or data in their possession or control at the specified time, including information about a trust and its beneficial owners, to any peace or public officer (487.014, 487.0141 and 487.018 of the

Criminal Code); see c. 25.7 for a description of preservation demands or orders in ss. 487.012 and 487.013 of the *Criminal Code*).

- Power of the law enforcement agencies or police to access taxpayer information, including trust basic and beneficial ownership information, held by the CRA and Revenu Québec) (s.241(4)(a), s. 241(4)(e)(v) and 241(9.5) of the federal ITA, s. 462.48(3) of the Criminal Code and ss. 69.0.0.12, 69.0.0.16 and 69.0.2 of Québec's TAA). Such information is generally provided within 30 days or less in accordance with the applicable judicial order, which can also require its provision within shorter timeframes.
- The CBCA empowers the Director of Corporations Canada (under section 21.301) to share all or part of the beneficial ownership information received from corporations governed by the CBCA with investigative bodies, including FINTRAC, the Canada Revenue Agency, and law enforcement agencies. The Director may also share beneficial ownership information with a provincial corporate registry or a provincial government department or agency that is responsible for corporate law in that province (CBCA, section 21.301). This is relevant where a trust owns or controls 25% or more of the shares of a corporation governed by the CBCA. Non-public BO information can be provided within one day of being requested.
- Powers for the investigative bodies to request that the Québec Enterprise Registrar (ss. 101, 116-123, ALPE) give access to non-public corporate beneficial ownership information, including beneficial ownership information of trusts operating a commercial enterprise and corporations in which 25% or more of the shares are held by a trust.
- Power of an officer within the meaning of the Police Act or a member of the Royal Canadian Mounted Police to inspect transparency records and search reported information under British Columbia's LOTA.
- Powers of specified regulators (e.g., FINTRAC, the British Columbia Securities Commission, and the BC Financial Services Authorities) and taxing authorities (e.g., the Canada Revenue Agency) to inspect transparency records and search reported information under BC's LOTA.

With regards to FIs and accountants and trust companies acting as trustees, LEAs may also obtain information available to FINTRAC in its capacity as FIU through a request for voluntary information records, as outlined under criterion 29.2.

Liability and sanctions

Criterion 25.11

Sub-criterion 25.11(a) - Responsibilities to comply with the requirements set out in Interpretative Note 25 (e.g., collect beneficial ownership information) are addressed by the PCMLTFA at federal level, federal and Québec tax legislation, the ALPE for Québec, the LOTA in BC and trustees' fiduciary duties.

Sub-criterion 25.11(b) - A trustee who fails to comply with the obligations described in criterion 25.4 to 25.7 can face:

Federal and Québec tax laws impose penalties for failure by a trustee to comply with the trust beneficial ownership reporting obligations, including for omitting information or providing false or misleading information (including under subsections 162(1), 162(2), 163(5) and (7) of the federal ITA; or sections 1045 or 1049.0.0.1 of the Québec Taxation Act; or subsections 59(1) or 59.0.2(1) of the Québec Tax Administration Act (TAA)).). For example, under the federal ITA, if a trustee, knowingly or under circumstances amounting to gross negligence makes — or participates in, assents to or acquiesces in, the making of — a false statement or omission in a T3 return or fails to file a T3 return, fails to file a return or fails to comply with a demand order from the CRA to file a T3 return, a penalty may apply in the amount of the greater of CAD 2 500 and 5 per cent of the highest fair market value of all the property held by the trust at any time in the year. At the federal level, failure to file or make a return can also lead to a fine of up to CAD 25 000 and/or

12 months' imprisonment (ITA, s. 238(1)). See c. 25.11 (c) for statutory references to additional penalties that may be imposed under tax laws.

In Québec, registrants that do not comply with the beneficial ownership reporting requirements could see their registration cancelled (ss. 59 and 73, ALPE) and face penalties if they file their annual updating declaration late (s. 87 ALPE) and fines going from CAD 500 to CAD 5 000 in the case of a natural person, and CAD 1 000 to CAD 10 000 in any other case (ss. 152-153, ALPE). The same fines apply to whoever files with the registrar a declaration or any other document that is false or misleading (s. 154, ALPE).

Administrative penalties may be imposed for trustees of relevant trusts and other reporting bodies who fail to file a transparency report required under British Columbia's LOTA, who file false or misleading information or contravene other requirements under the Act (see Part 4, Division 4 – Administrative Penalties for more details). Failure to file a transparency report or filing false or misleading information under BC's LOTA may also be sanctioned as an offence (see Part 6 – Offences).

Gaps at 25.4, .6 and .7 apply.

Under the PCMLFTR, failure to comply with the identification, verification or record keeping requirements is subject to a range of criminal and administrative sanctions (see write-up under R.35 for more details). Failure to comply with law society identification, verification or record-keeping requirements may lead to disciplinary proceedings and a range of administrative sanctions (see R.28). However, trustees outside of professions subject to the PCMLFTA or law society rules are not subject to AML/CFT rules.

A trustee's breach of fiduciary duties may give rise to claims by the beneficiary and legal liability of the trustee based on these claims. Sanctions for such breaches include: compensation and damage awards; restitution; denial of costs and trustee compensation; trustee removal or replacement; accounting for profits; tracing; orders to pass accounts; and imprisonment for civil contempt of court.

Sub-criterion 25.11(c) - For accountants, trusts companies and other reporting entities, when they act as trustees, the PCMLFTR sanctions may be applied by supervisory authorities. Additionally, for any trustee, failure to grant competent authorities timely access to trust related information (contravention of an order issued under ss. 487.013-487.018 of the Criminal Code) is a punishable offence under s. 498.019 of the Criminal Code. Penalties also apply under Canadian tax laws for failure to provide required trust information to tax authorities (in addition to the statutory authorities cited in c. 25.11a), see e.g., ss. 231.1, 231.2 and 231.7 of the federal ITA and ss. 61 and 61.2 of the Québec TAA).

International co-operation

Criterion 25.12

Canada provides a range of international co-operation in relation to information, including BO information, on trusts and other legal arrangements on the basis set out in R.37 and 40:

Sub-criterion 25.12(a) – Competent authorities do not prohibit or place unreasonable or unduly restrictive conditions on information exchange or assistance involving trusts, including when it involves fiscal (including tax) matters and bank secrecy (see c.37.3, 40.5(a) and 40.5(b).)

Sub-criterion 25.12(b), (c) – Canada can provide international co-operation in relation to basic and BO information to foreign competent authorities through various means. The competent authorities may exchange information on trusts with foreign counterparts based on the procedures outlined under recommendation 37 and 40. Basic and beneficial information in respect of trusts may also be exchanged with foreign competent authorities under information exchange clauses of Canada's bilateral tax treaties, exchange of information agreements and the Convention on Mutual Administrative Assistance in Tax Matters. For other basic information and information on stakeholders, competent authorities can use the powers and mechanisms described in R 37.1 (MLA), 40.1 (RCMP, other forms of co-operation) and 40.9,

40.11 (FINTRAC, exchange of information between FIUs; the legal basis for providing co-operation is in the PCMLTFA, s.56(1). This includes information on the beneficial ownership of trusts, and 40.17 to 40.19 (exchange of information between law enforcement authorities). Notably, FINTRAC exchanges information with foreign financial intelligence unites (FIUs) in accordance with the Egmont Group principles or under the terms of relevant MOUs.

Competent authorities can use their power in accordance with their domestic law, to obtain beneficial ownership information on behalf of foreign counterparts, pursuant to formal (MLA – R.37) and informal international co-operation (other forms of international co-operation - R.40). FINTRAC can collect BO information, including for disclosure to foreign counterparts, under PCMLTFA, s.56.1(2.1). The trust basic and beneficial ownership information that can be exchanged includes information reported to FINTRAC by reporting entities, information requested by law enforcement from reporting entities or trustees, and information reported by the trust or fiducie to the Canada Revenue Agency or Revenu Québec (see c. 25.4 and 25.9 above, and R.40).

Sub-criterion 25.12(d) - International requests can be made to the following: the Central Authority for Canada, the International Assistance Group at the Department of Justice Canada, for formal co-operation MLA requests); FINTRAC (through Egmont Group or memorandum of understanding with foreign countries, and through informal supervisory co-operation), the Canada Revenue Agency (pursuant to the instruments specified in c. 25.12b), above) and to RCMP and other LEAs.

> *Weighting and conclusion –* Canada has identified significant inherent vulnerabilities in relation to express trusts and has in place several mitigating measures to address these. Those measures include requirements at the federal level, and in Québec, to provide information on the beneficial ownership of trusts in tax returns. These obligations, which apply to most express trusts, are complemented by CDD requirements under the PCMLTFA framework and law society rules, relevant corporate and land BO reporting requirements in some jurisdictions as well as trustees' fiduciary duties and duty to account under both common law and Québec civil law. Competent authorities also generally have timely access to beneficial ownership information on trusts through these channels, and mechanisms exist for international co-operation. However, certain deficiencies remain. The assessment of risks would benefit from being more detailed regarding the risks of trusts administered in Canada versus those of foreign trusts with sufficient links to Canada. While there is no single, explicit obligation under federal or Québec income tax statutes to look through legal persons which are parties to a trust to determine their beneficial owners, trustees' fiduciary duties and other legal requirements under corporate and tax law and the PCMLTFA effectively create such requirements. Where solicitor-client privilege or professional secrecy applies, it may prevent disclosure of some information, although inappropriate non-disclosure can be challenged. While there are reporting requirements where trusts own certain percentages of corporations, obligations on the basis of such thresholds do not capture all possible trust relationships with legal persons, leaving some situations outside these requirements. There are some measures to ensure that BO information is accurate and up to date. Recommendation 25 is rated **largely compliant.**

Recommendation 26 – Regulation and supervision of financial institutions

In the 2016 MER, Canada was rated LC with R.26 due to the fact that Provincial regulators had not adopted fitness and propriety requirements for persons owning or controlling financial entities after market entry to the same extent as what is achieved at federal level.

Criterion 26.1

FINTRAC is the AML/CFT supervisor for all reporting entities subject to the PCMLTFA. Since 2021, FINTRAC has assumed the overall responsibility for AML/CFT supervision and monitoring of federally regulated financial institutions (FRFIs) including banks, federal credit unions, insurance companies and trust and loan companies. It is estimated that more than 50% of Canada's financial sector market in terms of total assets is controlled by FRFIs. OSFI, the prudential regulator of FRFIs, oversees the prudential aspects of regulatory compliance management associated with ML/TF. FINTRAC conducts AML/CFT supervision of provincially regulated entities with the co-operation of other supervisors and has 15 domestic MoUs with domestic partners on the supervision of these FIs.

Market Entry

Criterion 26.2

Federal and provincial authorities are the primary regulators of most FIs with responsibility for prudential and conduct supervision including the licensing and registration of market entrants. FINTRAC is responsible for the registration and supervision of MSBs, along with Revenu Québec for MSBs operating in Québec while the latter supervises the MSB's compliance with tax requirements. Market entry rules for FRFIs are set out in the relevant federal governing legislation and the process is managed by OSFI. The Minister of Finance is responsible for approving Letters Patent creating domestic FRFIs, and for authorizing foreign banks and life insurance companies to operate branches in Canada by means of Ministerial Orders. OSFI is responsible for managing the process leading up to Ministerial actions. Authorized deposit taking is regulated both at the federal and provincial levels and it is not possible for the process to permit the creation or authorization of shell banks. Mortgage lenders have been regulated since October 2024, but market entry requirements are only applied to private mortgage lenders[129] in some provinces. Similarly, factoring, leasing or financing entities have been regulated since April 2025 under the PCMLTFA. However, there is no market entry control for factoring, leasing and financing entities, except for those engaging in motor vehicle leasing activities

Criterion 26.3

Federal and provincial regulators are responsible for carrying out fit-and-proper tests on persons concerned in the management or ownership of FIs in Canada. The measures are used to prevent criminals or their associates from holding a significant or controlling interest in a FI in Canada.

Federally regulated FIs: Fit and proper is a continuous expectation for OSFI. FRFI statutes outline that the Minister of Finance will consider a variety of factors in respect of applicants, their controlling owners, senior management and board of directors, including but not limited to their character and integrity, their competence, experience and business record. An initial test is undertaken as part of OSFI's application process. Fit and proper testing is then required to be carried out on an ongoing basis by FRFIs, especially for new senior officers and directors, where they need to ensure compliance with OSFI's Guideline E-17 "Background Checks on Directors and Senior Managers of Federally Regulated Entities". OSFI assesses FRFIs' compliance against this Guideline and has issued prudential findings on background checks conducted by FRFIs on responsible persons. Since 2014, FRFIs are also required to notify OSFI of plans to appoint or replace senior managers or directors.

Finally, OSFI continues to apply fit and proper checks in situations such as when a new shareholder meets a certain materiality threshold. Moreover, the Superintendent has discretionary legislative authority to veto proposed new appointments for FRFIs with prudential issues and remove existing senior managers based on issues including those with competence, business record, experience, conduct or character, etc.

[129] Refer to entity which is not a bank, CU/CP or trust and loan company but provides mortgage lending.

MSBs: Persons and entities operating and controlling MSBs are required to register with FINTRAC under the PCMLTF Registration Regulations. FINTRAC conducts criminal record checks when assessing applications for registration as MSBs and it can refuse or revoke registrations where a person has been convicted of certain criminal offenses. Measures to strengthen the MSB federal registration framework were implemented since April 2025, to include new regulatory obligations to require MSBs to submit criminal record checks upon registration; to obtain and review criminal record checks for their agents; to set out associated record keeping and retention requirements for these criminal record check obligations. A new criminal offence for the operation of unregistered MSB was also introduced.

In addition, any person or entity that wants to operate an MSB in Québec for payment must hold a licence issued by Revenu Québec under the Money Service Business Act. To get the licence, the MSB must get the security clearance reports issued by the Sûreté du Québec for itself and for each person associated with it.

Provincially regulated FIs: Fit-and-proper requirements apply in the securities sector. The Canadian Investment Regulatory Organisation (CIRO), a self-regulatory organization that oversees investment dealers, mutual fund dealers and trading activity on Canada's debt and equity marketplaces, evaluates whether an individual is "fit and proper" for approval/registration and/or whether the individual's approval is otherwise not in the public interest. Included in the criteria are the evaluation of an individual's integrity and criminal record. CIRO adopted a new procedure to test the fit and proper for approved mutual fund dealers and investment dealers in 2021 (IIROC Registration – The Fit and Proper Test for Approved Persons notice). Provincial securities regulators apply similar criteria pursuant to the requirements issued by the Canadian Securities Administrators (CSA) for individual owning or controlling the securities firms, and representatives of other types of securities firms.

For other provincially regulated FIs (i.e. life insurance companies, loan and trust companies and credit unions), provincial regulators generally apply fit-and-proper controls to assess the suitability of persons who act as directors of the FIs. However, specifications of fit-and-proper requirements for persons holding management functions or owning or controlling financial entities after market entry are different across provinces, and there is not explicit requirement or clear regulatory guidance indicating such a requirement for some provinces, although the requirement is applied in practice in most of them.

New sector scope under the PCMLTFA since 2024: Persons or entities engaging in the business of armoured cars, cheque cashing or acquiring white-label ATMs are regarded as engaging in MSB business and should follow the same registration requirements applied to MSBs. As mentioned in c26.2, mortgage lenders, factoring, leasing or financing entities have been regulated since October 2024 and April 2025 under the PCMLTFA respectively. However, there is no market entry control in some provinces for private mortgage lenders; and for factoring, leasing and financing entities, except for those engaging in motor vehicle leasing activities and hence fit-and-proper requirements are not applied to persons owning or controlling the entities o

Risk-based approach to supervision and monitoring

Criterion 26.4

FINTRAC is the AML/CFT supervisor of all reporting entities under the PCMLTFA (including both Core Principles institutions and other financial institutions) which are regulated and subject to supervision and monitoring for their compliance with AML/CFT requirements. In the most recent assessment of the effectiveness of banking supervision of Canada issued in August 2025, the IMF found that banking supervision in Canada is well-functioning and mature. Canada was found to comply or largely comply with most of the relevant Core Principles except for those related to the independence and autonomy of OSFI (BCP2), effectiveness of AML/CFT supervision and sanctioning framework (BCP29) which were rated as "materially non-compliant". For the insurance and securities sectors, OSFI and the provincial regulators

were found to largely comply with the implementation of the relevant Core Principles in the insurance and securities sectors based on the latest IMF findings. Other financial institutions are supervised by FINTRAC for their compliance with the PCMLTFA. FINTRAC also receives information from provincial regulators arising from their prudential/conduct supervisory activities that may be relevant to AML/CFT compliance. MSBs are registered and supervised by FINTRAC for compliance with the PCMLTFA.

Criterion 26.5

FINTRAC uses a Supervision Risk Model (SRM) to assess the inherent ML/TF risk profile of individual FIs for the purpose of targeting supervision. The risk level of each sector in the NRA is one of the indicators in the SRM. In addition to the SRM assessment results, FINTRAC takes into consideration intelligence and information from various sources in determining the ML/TF risk profile of individual FIs. These include public data, intelligence notices from the Tactical and Strategic Intelligence unit, monetary threshold reports, additional information from regulatory partners, and non-compliance reports voluntarily filed by FIs; and information collected through supervisory activities (e.g. risk questionnaire past compliance assessments). Based on the assessments on combination of the SRM and various sources of information and intelligence mentioned above, FINTRAC determines the annual operational plan to guide different types of supervisory activities across FIs. FINTRAC describes this as a dynamic and flexible approach for selection entities for supervisory activities and determination of the type and intensity of the activity. The annual operational plans contain the resource level of supervisory teams of FINTRAC, and high-level descriptions of various factors considered (e.g. guiding documents to identify risk and to guide FINTRAC's monitoring and examination activities including the NRA, sector's Risk outlook, external factors, etc). There is no documentation to demonstrate the link between identified ML/TF risks and the frequency and intensity of the AML/CFT supervision. In addition, the information used to identify and assess the ML/TF risks of individual FIs fall short of the elements of factors (a) and (c). Detailed assessment is set out below.

Sub-criterion 26.5(a) - The design of SRM does not cater for an FI which did not file any STR or monetary threshold reports in the past three years ("non-reporter"). There are a group of non-reporters whose inherent risk profiles are not assessed to support the risk-based supervision even taking into account various sources of information or intelligence collected on an ongoing basis mentioned in the first paragraph. Under the SRM, an FI which submitted STRs or monetary threshold reports in the past 3 years is assigned a risk score across a spectrum of Very High, High, Medium or Low Risk based on the assessed risk level informed by eleven indicators. Non-reporters are assessed as either "potentially high risk" or "no flag". A non-reporter is flagged as "potentially high risk" if it meets certain conditions, i.e. it is flagged in another FI's STR; its geographic location is in a high-risk location or jurisdiction prescribed by FINTRAC; or any intelligence /adverse news or information suggesting potentially high ML/TF risks of the FI. The inherent risk of a non-reporter with "no flag" is regarded as "being consistent with the sectoral risk level in the NRA" by default, which essentially meant that the ML/TF risk profile of each of these non-reporters is not differentiated or assessed. Other inputs for complementing the assessment of risk profile of FIs do not cover all non-reporters. They include:

(i) various sources of intelligence and information mentioned in the first paragraph in FINTRAC's ongoing surveillance process. Information received or collected for risk assessment is ad hoc and is driven by event or intelligence, and only covers a small portion of FIs;

(ii) information collected through supervisory activities (e.g. risk questionnaire, past compliance assessments). Supervisory activities, including risk questionnaire and monitoring meetings, onsite examinations and other desk based reviewed are applied selectively and do not cover all FIs.

Sub-criterion 26.5(b) - Sector risk ratings based on the NRA are covered in the annual operational plans. Sectoral risk rating is also one of the indicators in the SRM.

Sub-criterion 26.5(c) - There is no documentation to demonstrate that supervisory activities of different level of intensity are applied based on the characteristics of FIs or groups. For banks, FINTRAC prescribes

quarterly meetings with D-SIBs and annual meetings with other banks as part of its ongoing supervisory engagement activities. Other than that, supervisory activities of different levels of intensity (i.e. on-site examinations, desk-based reviews on risk questionnaires and score cards) are applied across all sectors, or different types of FIs within the same sectors.

Criterion 26.6

FINTRAC updates the risk profiles of FIs at least annually, using a combination of the SRM, data reported in STR and threshold reports, strategic intelligence, (including intelligence notices), supervision and compliance history, adverse media reporting, information provided by other regulators and sectoral risk assessments. This information feeds into the annual operational planning exercise which helps map the overall risk landscape and guide supervisory planning. FINTRAC continuously monitors risk throughout the year and for major developments in the management and operations of the FI, supported by the exchange of supervisory information with OSFI and provincial regulators. If new information (e.g., intelligence notices, compliance findings, information from regulators) suggests elevated risk in a particular area, such as emerging threats, resources are reallocated, and operational plans are amended to ensure appropriate mitigation.

Due to the shortcoming in the model design of the SRM, ML/TF risk profile of a non-reporter is not assessed or updated regularly unless it is flagged as potentially high risks under different circumstances, including various sources of intelligence and information collected in FINTRAC's ongoing surveillance process mentioned in c.26.5. There are still a large portion of non-reporters whose risk ratings are not assessed or regularly updated.

> *Weighting and conclusion –* There are gaps with respect to clarity of application of fit-and-proper requirements for persons holding management functions or owning or controlling FIs after market entry for some provinces; and the market entry controls for private mortgage lenders, factoring, leasing or financing entities. SRM does not cater for assessing the ML/TF risk profile of non-reporters to support risk-based supervision due to shortcomings in its design. Most of non-reporters are not risk assessed unless they are flagged in another FI's STR; its geographic location is in a high-risk location / jurisdiction; or various sources of information and intelligence in the ongoing surveillance process suggesting potentially high risks of the non-reporters. Supervision of banks was assessed as not being in line with the BCBS core principle 2 (independence, accountability, resourcing and legal protection for supervisors) and core principle 29 (abuse of financial services). Recommendation 26 is rated **partially compliant.**

Recommendation 27 – Powers of supervisors

In the 2016 MER, Canada was rated C with R.27.

Criterion 27.1

FINTRAC has authority to ensure compliance by all REs with Parts 1 and 1.1 of the PCMLTFA (s.40). OSFI and provincial supervisors also have supervisory powers over REs under their own supervisory remit under federal and provincial legislation: e.g. the OSFI Act indicates that the Superintendent has the powers and duties assigned to them under the Bank Act, the Trust and Loan Companies Act, the Co-operative Credit Associations Act and the Insurance Companies Act. The supervisory powers of the Superintendent are generally uniform under these Acts.

Criterion 27.2

FINTRAC has the authority to conduct inspections of FIs under the PCMLTFA. It can carry out on-site examinations of REs under PCMLTFA, s.62(1). Such examinations can be routine (with notice) but FINTRAC also has the authority to conduct unannounced examinations of REs under the PCMLTFA. OSFI has no mandate under the PCMLTFA, but it supervises FRFIs under the OSFI Act and FRFIs' governing legislation (e.g. Bank Act) to determine whether they are in sound financial condition, are managed safely and are complying with their governing statute law. The Canadian Investment Regulatory Organization and provincial regulators conduct audits of registered firms to ensure compliance with Canadian securities laws.

Criterion 27.3

FINTRAC is authorized under the PCMLTFA to compel production of any information relevant to monitoring compliance with AML/CFT requirements. It can enter any premises "at any reasonable time" (except a dwelling house) to access any record, computer system and to reproduce any record (PCMLTFA, ss.62(1) and (2)). FINTRAC also has the authority to require REs to provide any information that FINTRAC needs for compliance purposes (s.62). Required records must be kept in a way such that they may be provided to an authorized person within a 30-day period (PCMLTFR, s.149, (formerly s.70)). OSFI has general powers to compel information from REs it supervises under the OSFI Act (s.6) and federal governing legislation. While not mandated under the PCMLTFA, other regulators have the power to compel information under provincial or governing legislation to protect the public and market integrity. FINTRAC can exchange information on compliance by persons and entities to which with Parts 1 and 1.1 of the PCMLTFA applies with federal and provincial agencies that regulate such persons and entities.

Criterion 27.4

FINTRAC and OSFI have a range of supervisory tools to sanction REs for non-compliance. These tools include supervisory letters, action plans, staging by OSFI, compliance agreements, revocation of registration of MSBs by FINTRAC, imposition by OSFI of conditions or limitations on a FRFI's business (see e.g. s.54 of the Bank Act), application for a winding-up order in respect of a FRFI by the AG of Canada (see e.g. s.651 of the Bank Act) and criminal penalties. The PCMLTFA and Proceeds of Crime (Money Laundering) and Terrorist Financing Administrative Monetary Penalties Regulations provide FINTRAC with the power to apply AMPs to any persons and entities subject to the AML/CTF regime for non-compliance with the PCMLTFA. Other regulatory bodies, such as the Canadian Investment Regulatory Organization, have the power to conduct investigations and undertake enforcement action where necessary to protect the public and market integrity. In the case of the Canadian Investment Regulatory Organization, this includes the power to restrict, suspend and cancel registration. Further information is provided under the analysis of R.35.

Weighting and conclusion – Recommendation 27 is rated **compliant**.

Recommendation 28 – Regulation and supervision of DNFBPs

In the 2016 MER, Canada was rated PC with R.28. Deficiencies included that AML/CFT obligations were inoperative for legal counsels, legal firms, and Quebec notaries; that online gambling and TCSPs were not subject to AML/CFT obligations; that fit and proper requirements did not apply to DPMS and TCSPs, and did not apply properly to real estate brokerages.

Casinos

Criterion 28.1

Sub-criterion 28.1(a) - Gambling activities are illegal in Canada, except if conducted and managed by the province or pursuant to a license issued by the province on the basis of the Criminal Code, ss.207(1)(a) to (g). In June 2017, the PCMLTFA and PCMLTFR were amended to make clear that casinos and online casinos are subject to the requirements and to regulation by FINTRAC. PCMLTFA s. 5(k.1) states the application of the Act 'to the government of a province that, in accordance with paragraph 207(1)(a) of the Criminal Code, conducts and manages a lottery scheme, other than bingo or the sale of lottery tickets, that is accessible to the public through the Internet or other digital network, except if the network is an internal network within an establishment described in subparagraph (k)(ii).

Several provinces permit internet gambling (Alberta, British Columbia, Québec, Manitoba, Nova Scotia, Ontario, Prince Edward Island, New Brunswick, Newfoundland and Labrador, and Saskatchewan). Under the provincial legislation, lottery schemes performed through the Internet are required to be licensed and are regulated by provincial authorities.

It is prohibited to operate a casino on an international cruise ship in Canadian territorial waters unless specific criteria are satisfied, including a prohibition on the casino's operation within 5 nautical miles of a scheduled Canadian port of call (Criminal Code section 207.1). Canadian authorities underline that no Canadian-registered cruise lines with casinos operate in Canadian waters. In addition, Canada assesses ship-based casinos as low risk, with only 12 international cruise lines that offer casinos on their ships voyaging to or transiting through Canadian ports, which all close their casinos in Canadian waters. As a result, Canada has neither a domestic ship-casino sector nor a relevant supervised population requiring AML/CFT regulation in this area. Nevertheless, an international cruise ship operating a casino in accordance with the Criminal Code would not be subject to AML/CFT regulation or supervision by FINTRAC, as the PCMLTFA does not include such casinos. In any case, the non-coverage of ship-based casinos is a minor shortcoming, as *casinos* in the FATF Standards include ship-based casinos.

Sub-criterion 28.1(b) - All provinces and territories have regulation on terms and conditions for obtaining the license and a regulatory authority empowered to administer the relevant provincial legislation. Due-diligence requirements of the applicants (casino operator, key persons associated with the applicants and executive members) are part of the licensing process, where financial, business information, information referring to criminal proceedings, and reputational elements are required and subject to a review conducted by the competent provincial regulatory authorities. The licensing provisions make reference to due-diligence procedure related to an extensive notion of "associates" of the applicant, and when the applicant is a company or partnership controls are extended to partners, directors, as well as to any subject who directly or indirectly control the applicant or has a beneficial interest in the applicant. Notice of changes in directors, officers, associated of the registrants are submitted to the approval of the competent regulatory authority. Notification of charges and convictions of the licensee, as well as of its officers, shareholders, owners are required.

In respect of charities that require a license to conduct casino events eligibility requirements must be met both where a charitable model has been adopted and where a corporation model is in place.[130] Charitable events may be licensed also by a First Nations Authority under the agreement with the relevant provincial legislator (Manitoba, Saskatchewan), where the authority to issue license to charitable gaming has been delegated by the competent provincial authorities in favour of First Nations commissions. The terms and

[130] Where Lottery Corporations are empowered to conduct and manage gaming on behalf of the provincial government, group or organization can be licensed to hold a gaming event by the competent regulator. In British Columbia background investigations may be conducted also in respect of the eligible organisation, its directors, officers employees or associated (Section 80 (1) (g) (vi) of the Gaming Control Act. Audit of the licensee are performed conducted by the Charitable Gaming Audit Team of the Gaming Policy and Enforcement Branch.

conditions that apply to licenses off and on reserve are essentially the same. Audits are performed in order to ensure that the operators comply with the terms and conditions of the license. Under the relevant provincial legislation, the same provisions apply also to lottery schemes performed through Internet.

Licensing authorities do not have express AML/CFT responsibility to qualify as competent authorities.

Sub-criterion 28.1(c) - FINTRAC is the competent supervisory authority for compliance of casinos with AML/CFT requirements. To assist its supervision, it has signed the MOUs with the following casino regulators: Alcohol and Gaming Commission of Ontario (AGCO); British Columbia Gaming Policy Enforcement Branch (GPEB); and Saskatchewan Liquor and Gaming Authority (SLGA).

DNFBPs other than casinos

Criterion 28.2

FINTRAC is the designated competent authority for the AML/CFT supervision of all DNFBPs under PCMLTFA and PCMLTFR. FINTRAC supervises approximately 12 054 DNFBPs in total, including casinos (discussed under 28.1), trust and loan companies, accountants, dealers in precious metals and stones, BC Notaries, and real estate agents and developers. Lawyers and Québec notaries are not supervised and monitored by FINTRAC on account of a 2015 Supreme Court of Canada judgment rendering federal AML/CFT obligations inoperative in respect of lawyers and Québec notaries. Nevertheless, they are subject to the regulation and supervision of the provincial and territorial law societies. The law societies, which qualify as "self-regulatory bodies" within the meaning of FATF standards, rely on their legislative authority to regulate the legal profession in the public interest in order to impose certain AML/CFT requirements on lawyers and Québec notaries, which are set out in legally binding and enforceable regulations or statutory instruments made under provincial and territorial laws. The law societies are responsible for monitoring and ensuring lawyers' and Québec notaries' compliance with these AML/CFT requirements, including CDD requirements, limits on cash transactions, and trust accounting rules. *Law societies have not been formally designated in legislation as AML/CFT supervisors and there is no competent authority for the legal sector (other than BC notaries regulated under Canada's PCMLTFA framework)*.

Criterion 28.3

All the categories of DNFBPs that fall into the scope of the PCMLTFA framework are subject to systems for monitoring compliance with AML/CFT requirements, under the responsibility of FINTRAC. The law societies have implemented a compliance monitoring system ensuring lawyers' and Québec notaries' compliance with certain AML/CFT requirements, as underlined at c.28.2 and c.28.4.

Criterion 28.4

Sub-criterion 28.4(a) - FINTRAC powers to monitor and ensure compliance are the same for FIs and DNFBPs (PCMLTFA s. 62). For details, see R.27. As self-regulatory bodies, the law societies have the powers to monitor lawyers' and Québec notaries compliance with AML/CFT requirements set out in the regulations or statutory instruments made under the provincial and territorial law societies' enabling statutes (see Recommendation 22), including through law society audits, investigations, powers to compel lawyers and law firms to respond to inquiries by law societies during an investigation, and powers to compel the production of information and records, including information protected by solicitor-client privilege.

Sub-criterion 28.4(b) - The measures to prevent criminals or their associates from being accredited, or from owning, controlling interest or managing a DNFBPs vary across sectors.

DPMS: There are no federal or provincial/territorial market entry standards in place for DPMS, although some municipalities such as Toronto issue licenses to businesses that buy, sell or deal in gold and other precious metals and require a criminal record of the applicant.

TCSPs: It is estimated that around 2 800 company service providers are currently registered with Corporations Canada. Approximately 68% of them are law firms and 14% are accounting firms. There are no market entry standards for other company service providers, which is a minor deficiency.

Federally and provincially regulated trust companies are regulated under the PCMLTFA framework and must comply with licensing/registration and fit and proper requirements under their relevant provincial laws and regulations.

Accountants: The certification and regulation of accountants are conducted at the provincial and territorial level through Provincial Competent Authorities including Chartered Professional Accountant (CPA) bodies. Applicants and certified accountants must comply with provincial and territorial statutes, as well as rules of professional conduct set out by each provincial or territorial body, as shown in the table 1.

All provinces have market entry controls for individual applicants, which include requirements to meet competence and integrity requirements. The requirement is for the individual to be deemed of "good character" and/or "reputation" by the relevant regulatory CPA body[131], which empowers the regulator to refuse or suspend licensing for a wide range of factors, including criminality. The procedures for the enrolment generally includes education requirements and allows criminal record screening, though it is not always an explicit requirement.

Licensed accountants and members of firms[132] must comply with Professional Codes of Conduct, and shall notify the regulatory CPA body after having been convicted of certain criminal offences, including money laundering, which could lead to a suspension/cancellation of their license.

The provincial associations are in charge of ensuring professional standards also through investigation of complaints and enforcement actions. In the admission to membership disclosure of investigations and disciplinary proceedings is required and consent must be provided permitting the Registrar to access the relevant information.[133] Members are also required to promptly inform CPA after having been convicted of criminal offenses.[134]

Real Estate Agents: In respect of real estate agents, each province has suitability requirements for licensee that apply as individual,[135] which in most cases entail the provision of Certified Criminal Records Checks. The relevant provisions make reference both as a condition of refusal to issuing and to suspending or cancelling a license to the notion of "public interest,"[136] which empowers the regulatory authority to refuse or suspend licensing for a wide range of factors, including criminality. The integrity requirements in respect of corporations and partnerships are extended to the designated broker responsible for brokerage activities of the firm, and to the directors, officers and managers of the firm. However, the integrity requirements are not always expressly extended to all owners or partners.[137] Licensed brokerage firms are

[131] Alberta, www.canlii.org/en/qc/laws/stat/cqlr-c-c-48.1/latest/cqlr-c-c-48.1.html s.38.2, Chartered Professional Accountants Regulation, s.2; British Columbia, Chartered Professional Accountants Act, s.35; Ontario, Regulation 7-1: Admission to Membership, Obligations and Standing, s.3 Québec, Chartered Professional Accountants Act, s.48.1

[132] Registrants must notify CPA Manitoba if they are convicted of certain offences, including ML.

[133] Section 2 of Reg. 4-1 of CPA Ontario.

[134] Rule 102. 1 of the Rules of professional conduct CPA Ontario.

[135] No specific integrity requirement under the Real Estate Agents Licensing Act. The convictions of offenses against the CC shall be related to qualifications, functions or duties of the agent/salespersons (Section 18, (k) and are cause for suspension or cancellation of license.

[136] Manitoba, Section 11(1) of the Real Estate Brokers Act, New Brunswick, Section 10 (2) of the Real Estate Act; Prince Edward Islands, Section 4 (3) of the Real Estate Trading Act.

[137] In Saskatchewan, for example, under Section 26.1 (b) of the Real Estate Act the integrity requirements are limited to officers and directors. The same requirement is established in Nova Scotia under 12 (1) (b) of the Real Estate Trading Act.

145 New Brunswick, Section 15 (2) of the Real Estate Act (frauds, theft or misrepresentation). 146 See, for example in British Columbia, Real Estate Sector.

required to notify the regulator of changes to partners, managers, officers and directors. However, notification requirements are not always expressly extended to changes in ownership.[138]

BC provincial legislation establishes an express exemption regime for lawyers, trust companies and in some cases accountants, from the requirement to obtain a license in respect of real estate services provided in the course of their practice, given that they are already regulated and supervised by other regulatory bodies[139].

BC Notaries: Regarding BC Notaries, the Society of Notaries Public of BC regulates the profession in the public interest and is empowered to set enrolment standards for prospective applicants and maintain standards of professional and ethical conduct (Notaries Act of BC). Eligible applicants must apply to the Supreme Court of British Columbia for enrolment as a member. Enrolment for individual applicants is based on the satisfaction of the court that an applicant is a "fit person" for enrolment as a member. If the Court is satisfied that an applicant is a "fit person" for enrolment, it may order that the applicant be subject to an examination and, if found qualified, be enrolled as a member. The procedure for the enrolment includes education requirements and allows criminal record screening, even though it is not a requirement (Notaries Act, ss.5, 6 and 62).

Notary corporations are subject to a permit (Notaries *Act*, ss.57 and 58). The procedure implies controls on the voting shares members (that must be members of the Society in good standing, thus having passed the screening procedures related to disclosure of criminal records) as well as the non-voting members (who can be only members of the Society or relatives). Additionally, all directors of the corporation must be members in good standing and persons who will be practicing as notaries on behalf of the corporation must be members in good standing or under the direct supervision of members in good standing (Notaries Act, ss.57 and 58). The Society is empowered to impose fines, as well as take disciplinary action and revoke the permits (Notary Act, s.35). The Society may refuse to issue a permit to a notary corporation that has previously had its permit revoked or was a shareholder of a notary corporation that had previously had its permit revoked (Notaries Act, ss.62).

Lawyers: The practice of law in any jurisdiction in Canada is limited to only individuals with a valid license from one of the fourteen provincial and territorial law societies, responsible for regulating the legal profession in the public interest. The law societies set admission and licensing standards for prospective applicants, including educational requirements, licensing examinations, articling or other experiential training requirements, and fit and proper requirements.

All law societies require that individual applicants meet "good character" requirements to be licensed. Applicants must generally self-report any conduct or circumstances that may raise issues about their character, including prior convictions of criminal offences. A Canadian police clearance and/or reference letters may be required. Whether an applicant meets the "good character" requirement is subject to determination by each law society. Should any concerns arise, law societies may investigate and if not satisfied that the test is met, could hold a hearing. The onus is on the applicant to show that the requirement is met. Each law society has explicit rules or practices to prevent criminals or their associates from being licensed, for instance by checking applicants' criminal records.[140]

---

[138] Only change in officials and partners in New Brunswick, Section 15 (1) (b) and (c) of Real Estate Act partners in Prince Edward Island Section 14 of Real Estate Trading Act; British Columbia, Real Estate Services, only change in officer or directors, s.28(1)(b).

[139] See, for example in British Columbia, Real Estate Service Act, Section 3, (3) lett. e) and f) the exemption regime in favour of FI that has a trust business authorization under the Financial Institutions Act and practicing lawyers.

[140] *Ontario Law Society Act*, s. 27(2), Québec, *Loi sur le Barreau*, s. 45(2)) and 70(4), Québec *Notaries Act*, s. 12(2), British Columbia *Legal Profession Act*, s. 19(1)), Alberta *Legal Profession Act*, ss. 40(1)-(2), 41(1)(b), 42(2)(b) and 45(1)(b), Saskatchewan *Legal Profession Act, 1990*, ss. 4 and 24 and para. 10(d)-(f) and (r); Law Society of Saskatchewan Rules, paras. 703, 729(2)(a) and 729(3)(b) 815(1)(a); 821(1)(b), Manitoba Legal Profession Act, para. 17(5)(b); and Law Society of Manitoba Rules 5-4 (5.-4(1)(a)(iii), 5-12(1), 5-17(1), 5-24(2), 5-27.2(1), 5-28.1 and 5-28.2, New Brunswick *Law Society Act, 1996*, ss. 27(2),

In Canada, law firms can be structured in different ways, including as sole proprietorships, partnerships, limited liability partnerships, and law/professional corporations. Authorized forms of practice vary by province/territory. All provincial and territorial law societies impose restrictions on who can own a law firm and, where the law firm is established as a law/professional corporation, on who can serve as its directors or officers. These restrictions are set out in provincial and territorial laws.

In common law provinces and territories in which the practice of law in a limited liability partnership is authorized, only licensed lawyers may form a limited liability partnership for the purpose of practicing law. In common law provinces/territories that authorize the practice of law in a law/professional corporation, lawyers must generally obtain the approval of the law society to incorporate the corporation, as well as a permit, authorization or license. A law society will only issue a permit, authorization or licence to a law/professional corporation if certain conditions are met, including ownership and management restrictions. The restrictions ensure that only licensed legal professionals have control of law firms.

Ownership and management restrictions also apply to Québec lawyers and notaries practicing in limited liability partnerships (*sociétés en nom collectif à responsabilité limitée*) or joint-stock companies (*sociétés par actions*) with other regulated professionals.

Sub-criterion 28.4(c) - There are civil and criminal sanctions (Sections 73.1 to 73.24 of PCMLTFA) available for failure to comply with AML/CFT obligations for DNFBPs regulated under the PCMLTFA, as described under R.35, as well as the public notice of administrative monetary penalties imposed. The administrative monetary penalties' regime allows administrative sanctions to be applied to regulated entities although the maximum threshold raises doubts about the dissuasiveness and/or proportionality of sanctions for serious violations or repeat offenders. However, there is a range of measures available to supervisors to ensure compliance that are both proportionate and dissuasive.

Disciplinary sanctions are available to all Law Societies under their respective enabling statutes available for failure to comply with law society AML/CFT requirements (reprimands, fines, restrictions, suspension, revocation of licence). In all law societies, disciplinary hearings are generally open to the public and disciplinary decisions, including notices of suspension and disbarment, are made public, subject to certain limited exceptions. This publicity is intended to have a dissuasive effect. The British Columbia, Saskatchewan, and Newfoundland and Labrador Law Societies can impose AMPs for violating specific AML/CFT requirements, such as are the three that can impose administrative monetary penalties for the breach of certain AML/CFT requirements or related record keeping requirements without a disciplinary hearing. Nevertheless, the amounts of fines available to the law societies vary by region and are not considered proportionate and dissuasive sanctions.

All DNFBPs

Criterion 28.5

FINTRAC applies a risk-based Supervisory Framework that is both robust and adaptable, guiding its supervisory activities and enabling targeted assessments of reporting entities' compliance programs. At the core of the Supervisory Framework is the Risk Framework, which plays a critical role in shaping FINTRAC's supervisory planning. Each year, FINTRAC develops a risk-based supervision plan to guide its

28(1)(a), 28(2)(a); 28(3)(a); and General Rules under the Law Society Act, ss. 45(1) and 45.1, Newfoundland and Labrador *Law Society Act, 1999*, ss. 35(1)-(2); Nova Scotia www.canlii.org/en/ns/laws/stat/sns-2004-c-28/latest/sns-2004-c-28.html ss. 4(2)(a), 5(8)(b), 16(2), 19(1) and 28 and Nova Scotia Barristers' Society Regulations, ss. 3.3.1-3.3.2ff; Prince Edward Island *Legal Profession Act* and *The Regulations of the Law Society of Prince Edward Island*, ss. 15(10), 16(1)-(2), 17(1), 17.1, 34(b), 49(2), 49(5)(c), 53(2)(c), 6(c) and (8), Northwest Territories *Legal Profession Act*, s. 18(1)(b)(ii) and (c)(ii) and Rules of the Law Society of the Northwest Territories, s. 40(1), 41(1), 51(2), 52(2), 53(1) and 55; See Yukon *Legal Profession Act, 2017*, s. 13; Rules of the Law Society of Yukon, paras. 67(2)(b), 68(2)(b), 70(2)(c), 72(2)(b), 79(2)(a) and 3(a); Nunavut *Legal Profession Act*, para. 18(1)(b) and (2)(c); Nunavut *Rules of the Law Society of Nunavut*, ss. 39(1)(b), 39.3(2)(b); 40(1)(b), 49(2)(b), 50(1.1)(b)(i), 51, 59.1(2)(b).

examinations, meetings, and monitoring activities across all supervised sectors. This plan is built using both a top-down and bottom-up approach. The top-down component incorporates strategic priorities and sector-level risk assessments from Canada's NRA, while the bottom-up component draws on risk assessments from reporting entities, examination results, and intelligence. The supervision plan is flexible and continuously updated as new information becomes available, ensuring that FINTRAC's activities remain targeted and responsive to the evolving ML/TF vulnerabilities. Within the DNFBP sector, casinos, real estate, and DPMS are identified as the highest-risk sectors, while accountants and BC notaries are considered medium risk. FINTRAC allocates resources, accordingly, focusing on sectors most vulnerable to ML/TF. For more information, see IO.4.

There are no formal legal requirements prescribing that the law societies undertake the AML/CFT supervision of lawyers and law firms on a risk-sensitive basis. In practice, most law societies apply a risk-based approach to supervise and monitor the compliance of lawyers with law society rules, including through auditing practices and investigations. Such approaches would benefit from being more tailored to ML/TF risks. See IO4 for additional details.

> ***Weighting and conclusion –*** Ship-based casinos are not subject to AML/CFT regulation. FINTRAC supervises all DNFBPs under the PCMLTFA for compliance with AML/CFT obligations. Lawyers and Québec notaries are not subject to the federal AML/CFT framework and are subject to some AML/CFT requirements imposed and supervised by the law societies under provincial and territorial laws. Federal and provincial/territorial entry standards and fit-and-proper requirements are not applied to DPMS and to all company service providers, while the entry requirements applying to real estate agents contain a number of shortcomings and are not fully in line with FATF Standards. Other covered DNFBPs have measures to prevent criminals or their associates from being accredited, or from owning, controlling or managing DNFBPs. The maximum threshold civil and criminal sanctions available under the PCMLTFA for failure to comply with AML/CFT obligations for DNFBPs raises doubts about their dissuasiveness and/or proportionality for serious violations or repeat offenders. There are no formal legal requirements prescribing that the law societies undertake the AML/CFT supervision of lawyers and law firms on a risk-sensitive basis. Sanctions applicable to the legal profession are not proportionate and dissuasive. Deficiencies in high-risk sectors including DPMS, real estate and lawyers are heavily weighted for the rating. Recommendation 28 is rated **partially compliant.**

Recommendation 29 – Financial Intelligence Units (FIU)

In the 2016 MER, Canada was rated partially compliant largely due to Canada's FIU, FINTRAC, having limited access to some information.

Criterion 29.1

Canada established its administrative FIU – Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) in 2000. FINTRAC is the national centre for receiving, analysing and disseminating information in relation to the detection, prevention, and deterrence of ML, associated predicate offenses, TF activities and sanctions evasion (PCMLTFA, Part 3 s.40). Legislative amendments were made in 2024 to clarify sanctions evasion as part of FINTRAC's responsibilities, while expanding FINTRAC's role to contribute to public awareness and understanding of sanctions evasion (PCMLTFA, Part 3 s.40 (b)(d) and s.2(1)).

Criterion 29.2

FINTRAC serves as a national agency authorized to receive STRs and other systematic reporting required by the PCMLTFA and PCMLTFR. Terrorist Property Reports, renamed to Listed Person and Entity Property

Reports (LPEPR) in 2025 (PCMLTFA s.7.1); Large Cash Transaction Reports (LCTRs) of CAD 10 000 or more; Large Virtual Currency Transaction Reports (LVCTRs); electronic funds transfer reports (EFTRs) of CAD 10 000 or more (international transaction of funds coming in or going out from Canada); Casino Disbursement Reports (CDR) of CAD 10 000 or more; and physical cross-border currency reports (CBCRs) and seizures reports (CBSRs) from CBSC are captured reporting under the PCMLTFA.

Since 2024, amendments to the PCMLTFA clarify REs are to file a report to FINTRAC if they have reasonable grounds to suspect a transaction or attempted transaction relates to sanctions evasion (PCMLTFA Part 3, s.40 (b)(d)). LPEPRs are for entities listed under the Special Economic Measures Act, the Justice for Victims of Corrupt Foreign Officials Act and the United Nations Act (PCMLTFA s.7.1(1) and PCMLTF STR Regulations Schedule 2). These requirements are enhanced to additionally require REs to report property owned or controlled by persons/ entities subject to the above legislation.

Criterion 29.3

Canada introduced a legislative amendment to the PCMLTFA in 2021, authorising FINTRAC to request additional or missing information from REs that have already submitted a report (PCMLTFA s54(1.1)). This power allows FINTRAC to clarify or supplement information included in STRs and other systematic reporting. Schedule 1 of the PCMLTFR specifies extensive information required to be included in a report; however, the PCMLTFA authority does not extend to requesting additional information from a RE in the absence of a submitted report. This is a shortcoming. FINTRAC does capture a broad range of systematic reporting in its database that can be searched by analysts to identify additional reporting avenues. Other competent authorities' use of alternative proactive intelligence gathering techniques (see c.31.3) is also leveraged to obtain additional information. Despite these approaches that mitigate against conditional requirements of s54(1.1) of the PCMLTFA, FINTRAC cannot fully request additional information as needed to perform its analysis properly. Additional information must be for the purposes of analysis and assessment, which is in line with constitutional rights against unreasonable search and seizure.

FINTRAC has access to a wide range of databases including Canadian Police Information Centre (CPIC), the Public Safety Portal (PSP), RCMP's National Security systems, Sureté du Québec's criminal information, the Canada Anti-fraud Centre of the RCMP, and CSIS. Under information sharing authorities, FINTRAC receives CRA information through the voluntary information records (VIRs) sent from the CRA and Revenu Québec on their major investigations which includes tax information from tax authorities (PCMLTFA ss. 54 (1) (a)). Since 2021, FINTRAC can access land and ownership registries/ databases through free or paid access. More Recently, FINTRAC can access and receive Corporations Canada data and Beneficial Ownership information under the Corporations Act (Canada Business Corporations Act, s21.301). FINTRAC also has access to provincial corporate registries (PCMLTFA, s54(1)(b)).

Criterion 29.4

FINTRAC is empowered to conduct analysis and assessment of reports received from REs and information collected from other competent authorities (PCMLTFA, s.54(1)(a-c)). Since the 2024 amendments to the PCMLTFA (PCMLTFA Part 3, s.40 (b)(d)), FINTRAC also conducts operational analysis on sanctions evasion.

FINTRAC is required to conduct research into trends and developments on ML, TF activities, sanctions evasion (PCMLTFA Part 3, s.40 (b)(d)) and undertake strategic analysis (PCMLTFA, s58(1)(b)). Open and classified sources of information are used in the conduct of FINTRAC's analysis and strategic analysis is published in the form of Typologies and Trends Reports on a broad array of issues. These reports provide feedback to REs, respond to Canada's intelligence priorities and build an evidence base for new policy development.

Criterion 29.5

FINTRAC can disseminate designated information (PCMLTFA, s55(7)), either spontaneously (proactive) or in response to a VIR (reactive). The PCMLTFA, (s.55(3)) lists the competent authorities and LEAs[141] to whom FINTRAC is required to disclose information when it has reasonable grounds to suspect that designated information would be relevant to investigating or prosecuting a ML offence, a terrorist activity financing offence or a sanctions evasion offence. FINTRAC is required to disclose information to competent authorities and LEA[142] when it has reasonable grounds to suspect that designated information would be relevant to threats of National Security (PCMLTFA, s55.1(1)). Information is disseminated via secure channels typically through encrypted email.

Criterion 29.6

Information held by FINTRAC is securely protected and is disseminated in accordance with the PCMLTFA (s.40(c)). FINTRAC has internal procedures (FINTRAC's Privacy framework) governing the security and confidentiality of information by its staff members and limiting access to information, including access to the IT system, to those who have a need to know to effectively perform their duties.

Criterion 29.7

FINTRAC was established as an independent agency that acts at arm's length and is independent from LEAs and other entities to which it is authorized to disclose information under ss.55(3), 55.1(1) or 56.1(1) or (2) of the Act (PCMLTFA, s.40(a)). The Minister of Finance is responsible for FINTRAC (PCMLTFA s42(1)) for the purposes of protecting Canada's Financial system (PCMLTFA part 1.1). FINTRAC is operationally independent.

The Director of FINTRAC is appointed by the Governor in Council for a reappointed term of no more than five years with a maximum term of ten years. They have supervision over and direction of the Centre regarding the fulfilment of its mission and in administrative matters (staff and budget).

FINTRAC can engage independently with other domestic competent authorities and exchange information (PCMLTFA, s55.1(1) and s65(1)). Agreements or arrangements with foreign counterparts on the exchange of information legally require the approval of the Minister (PCMLTFA, s.56(2)). This legal provision is a feature of government accountability to ensure the Ministry of Finance protects the financial system. Canada reports such approval has never been denied. When engaging with foreign counterparts, FINTRAC can do so independently. FINTRAC is an independent agency under the responsibility of the Minister with legally established and distinct core functions (PCMLTFA, ss.42 and 54). It is not located within an existing structure of another authority.

The director of FINTRAC is the chief executive officer of the Centre, who has supervision over and direction of its work and employees and can exercise any power to perform any duty or function of the Centre (PCMLTFA, s.45(1)).

Criterion 29.8

FINTRAC has been a member of the Egmont Group since 2002.

> ***Weighting and conclusion –*** Canada has taken steps in addressing most of the deficiencies on Recommendation 29 identified in its previous MER. FINTRAC is an administrative FIU that captures

[141] Appropriate police force, Canada Revenue Agency, Revenu Québec, Canada Border Services Agency, Department of Citizenship and Immigration, Communication Security Establishment, Canadian Security Intelligence Service, Provincial Securities Regulators, Competition Bureau, Minister of Foreign Affairs, Department of Environment, Department of Fisheries and Oceans.

[142] Canadian Security Intelligence Service, appropriate police force, Canada Border Services Agency, Department of Citizenship and Immigration, Department of National Defence and the Canadian Forces, Office of the Superintendent of financial Institutions.

a wide range of reporting from REs and has access to various databases that enriches its operational and strategic analysis. FINTRAC's ability to request additional information is restricted due to conditional requirements of a report being submitted, which does not allow FINTRAC to perform its analysis properly as and when needed. When no report has been filed, FINTRAC can only seek additional information when leveraging other competent authorities' powers and searching through its database for alternate reports. Recommendation 29 is rated **largely compliant**.

Recommendation 30 – Responsibilities of law enforcement and investigative authorities

The FATF standards have changed for Recommendation 30 since Canada's last MER (2016). Canada was rated Compliant with R.30 in its 2016 MER.

Criterion 30.1

Canada broadly has three levels of law enforcement agency with varying levels of responsibility for the investigation of ML, predicate offences, and TF. The national police, RCMP-FP; provincial police (Ontario Provincial Police, Sûreté du Québec, RCMP Contract and Indigenous Policing (C&IP) in all other provinces and territories); and the municipal police services. Officers of these police forces are peace officers for the purpose of CC s.2. As Canada's national police force, RCMP-FP has a mandate to prevent, disrupt and investigate national security criminal offences to ensure public safety (Security Offences Act, s.6(1)) and is responsible for investigating ML, TF and predicate offences across Canada. Provincial police and municipal police can also investigate ML and predicate offences in their respective jurisdictions.

The RCMP is a federal, provincial, and municipal policing body, authorised under the RCMP Act and headed by a commissioner. RCMP's Federal Policing Criminal Operations - Financial Crime (FPCO-FC) element oversees RCMP's response to crimes that threaten the economic security and financial integrity of Canada, including ML. Investigative units related to ML, predicate offences and TF exist within RCMP-FP. Since 2015, RCMP has maintained Transnational and Serious Organised Crime (TSOC) and Federal Serious Organised Crime (FSOC) investigative units across Canada, which are governed by four Regional Commanders. These are specialist units aimed at tackling serious and organised crime, including predicate offences and ML. In 2019, additional resources were secured to enhance the RCMP's capacity to combat ML, leading to the establishment of four Integrated Money Laundering Investigative Teams (IMLITs) within RCMP-FP that are responsible for conducting ML investigation on the most complex professional money laundering networks.

Beyond RCMP (FP and C&IP), provincial police and municipal police also maintain dedicated units for investigating predicate offences and conducting financial investigations. All provincial and municipal police forces have the authority to investigate predicate offenses, including the RCMP when they are acting as provincial police (i.e., in provinces other than Ontario and Québec). Investigations into most serious or proceeds-generating crime investigations can be done by the RCMP-FP and provincial (including RCMP-C&IP) or municipal forces where such offences occur within their jurisdiction, either exclusively or in parallel, unless the Act of Parliament that establishes the offences specifies the law enforcement body(s) authorized to investigate (e.g., the Corruption of Foreign Public Officials Act).

All Canadian police forces can receive FINTRAC disclosures (PCMLTFA, s55.3).

The RCMP has the primary law enforcement responsibility to investigate both terrorism and TF (Security Offences Act, s6(1)). The Terrorist Financing Team of the RCMP's Federal Policing Criminal Operations (FPCO) is responsible for, inter alia, monitoring and co-ordinating major ongoing investigational projects related to terrorist organizations on financial and procurement infrastructures. In addition, Integrated National Security Enforcement Team (INSET) or a National Security Enforcement section (located in

provincial RCMP divisions where INSETs are not established), governed by the Federal Policing National Security (FPNS) unit, investigate TF activity. As per Chapter 12 of RCMP's Operational Policy, the FPNS unit prioritises the investigations, with a team of reviewers (RCMP analysts and CRA) monitoring and co-ordinating major ongoing TF projects. This review team is also responsible for liaising with domestic partners, such as FINTRAC, and foreign partner agencies to ensure investigative action and information sharing.

Criterion 30.2

Police officers are included within the definition of a "peace officer" (CC, s2). Peace officers may apply for most warrants and orders and/or be authorized to execute CC investigatory measures, including to conduct parallel financial investigations related to their criminal investigations. A police service may refer the ML/TF case to other police units for investigation, regardless of where the predicate offense occurred. For the CBSA it does not have the responsibility for pursuing financial investigations of predicate offenses included in the Immigration Refugee Protection Act (IRPA), the Customs Act and other border related legislations. A referral mechanism is in place for RCMP to follow up on the financial investigations (PCMLTFA, s.36(2)).

Criterion 30.3

Police forces at the federal, provincial, and municipal levels have mandates to carry out investigative measures to identify and trace criminal property. Peace officers are empowered with a wide range of measures under the CC that may be used to identify and trace criminal property (see criterion 4.2). Applications to initiate seizure and restraint of criminal property are referred to PPSC or relevant provincial prosecutors for forfeiture processes under the CC (e.g., ss. 462.37, 490.1) (and certain other federal statutes). Police may also make referrals to provincial civil forfeiture offices for applications to seize or restrain criminal property under relevant provincial civil forfeiture laws. Due to Canada's 'fine in lieu of forfeiture' approach, while PoCV may be identified and traced, it cannot be subject to provisional measures including seizure or restraint (see criterion 4.2).

Criterion 30.4

Competent authorities in Canada include the CRA (Income Tax Act (ITA), s220(2) and Excise Tax Act (ETA) s275(3)), Competition Bureau (Competition Act, ss.10-21) and Environment and Climate Change Canada (Canadian Environmental Protection Act 1999, s17-20 and s218), all of whom have the authority to conduct financial investigations related to their respective predicate offenses they investigate. Agencies with regulatory responsibilities that may conduct financial investigations (for example, the Department of Fisheries and Oceans) can refer matters to LEA to conduct criminal investigations.

Criterion 30.5

All police forces are responsible for investigating corruption (including bribery) and fraud offences under the Criminal Code in their respective jurisdictions (CC, s119-121). The RCMP is designated as the police service with responsibility for investigations of federal government officials suspected of corruption (except for Ontario and Québec where provincial police assume responsibility), and foreign bribery offences under section 6 of the Corruption of Foreign Public Officials Act. These offences are designated offences for the purpose of the Criminal Code's proceeds of crime provisions (CC, s462.3(1)) and are indictable offences for the offence-related property provisions (CC, s2). In the instances of foreign officials obtaining assets from corrupt activities abroad, RCMP can rapidly freeze and investigate (Freezing Assets of Corrupt Foreign Officials Act (FACFOA), s.4(1)). RCMP assist Global Affairs Canada in matters related to the seizure and restraint of property that is the subject of an order and the making of forfeiture orders under the Special Economic Measures Act (SEMA) where property in Canada is held or controlled (directly or indirectly) by a sanctioned foreign state or person (SEMA s.6.2(1)).

Weighting and conclusion – LEAs and other competent authorities have clear responsibilities and authorities for investigating ML, predicate offences and TF offences. Canada has competent authorities responsible for identifying, tracing, and initiating freezing and seizing of criminal property. For recovering property of corresponding value, Canada utilises fines in lieu of forfeiture (see Recommendation 4 for details of the shortcomings of this framework). However, competent authorities cannot proactively obtain freezing or seizing/restraint orders over PoCV to satisfy a fine in lieu of forfeiture. Recommendation 30 is rated **largely compliant**.

Recommendation 31 – Responsibilities of law enforcement and investigative authorities

The FATF standards have changed for Recommendation 31 since Canada's last MER (2016). Canada was rated largely compliant with R.31 in its 2016 MER.

Criterion 31.1

Canada's LEAs and competent authorities have the following powers to access necessary documents and information for use in ML, associated predicate offences and TF investigations, prosecutions and related actions. A justice or judge may order a person who is not under investigation to produce documents or data in their possession to the investigating officer (RCMP or competent authority) (CC s.487.014), produce information related to an account or account holder (financial data) (CC s.487.018), and keep an account open or active to assist with an investigation (CC s.487.0131). When combined with the production order for data on specified dates over the duration of the order (CC s.487.0141), these measures can provide for the production of data or documents regarding activity in an account on a regular basis while the production order is in effect.

A search warrant is available for peace and public officers to search any prescribed places for anything, including documents or data, that will afford evidence of the commission of an offence or that are intended to be used for the purpose of committing an offence (among other reasons) (CC s.487). The scope for searches of persons is narrower and is a minor shortcoming. Common law authorities permit certain searches of a person when conducting an arrest (*Cloutier v. Langlois*, [1990] 1 S.C.R. 158; *R v Nolet*, [2010] 1 S.C.R. 851); however, there is no equivalent search power to the warrants that permit searches of persons. Certain other authorities are set out in the *Criminal Code*, including the taking of bodily samples for DNA analysis or the taking of an impression (e.g., fingerprint, etc.) (CC ss.487.04 – 487.0911, s.487.092). Separately, the *Controlled Drugs and Substances Act* and the *Cannabis Act* provide an authority to search a person, in certain circumstances, for an item named in a warrant obtained under that Act where a peace officer is executing such a warrant, and without placing the person under arrest (CDSA s.11, CA s.87.

Law enforcement officers are authorised to obtain witness statements from persons voluntarily. In the instance where a witness refuses to testify, there are a range of mechanisms available under the Criminal Code. A subpoena is the most common means to compel the attendance of a witness in criminal proceedings (CC s.698-702). Where a person who has been compelled by a Court to give evidence does not comply with the order, a warrant may be issued for their arrest. Compelled questioning powers do exist, though their use in criminal investigations is heavily restricted by Constitutional principles.

A justice or judge may authorise an investigating officer (RCMP or competent authority) to seize evidence related to an investigation (CC s.487(1)). They can do so by using any device or means to collect evidence where, in particular, no other provision under the CC or another Act of Parliament can be relied on to authorize that investigative method.

Criterion 31.2

Canada's LEAs and competent authorities have the following range of investigative techniques available for the investigation of money laundering, associated predicate offences and terrorist financing.

Police officers can mount undercover operations to infiltrate crime syndicates and collect evidence for prosecution (CC s 25.1). Police are mandated under common law to preserve peace, prevent crime, and protect life and property (R v Mann, 2004 SCC 52, para 26), which includes the scope of undercover investigations (see R. v. Mack, 1988 SCC 24 (SCC) (considering entrapment by police in an undercover investigation).

Police in Canada can intercept communications in a number of circumstances, as provided for in Part VI of the *Criminal Code*, including with consent where there is a risk of serious bodily harm (CC ss184.1); with consent and an authorization from a judge (CC s.184.2(3)); and immediately in the case of imminent serious harm and where the urgency of the situation is such that an authorization could not be obtained (CC s184.4). Beyond these specific circumstances, LEAs may obtain an authorization from a Judge to intercept communications in relation to a list of offences (including ML, predicate offences to ML, and TF (the broader list of offences is set out at CC s. 183)) when it is in the best interests of the administration of justice to do so (CC ss. 185, 186). It is generally necessary for LEA to demonstrate, when obtaining an authorisation, that other investigative procedures have been tried or are unlikely to succeed, or would be impractical. This requirement does not apply to intercept the offence of sabotage, organized crime offences or an offence committed for the benefit of, at the direction of or in association with a criminal organization, foreign interference offences or a terrorism (including terrorism financing) offense (CC subs 186(1.1)).

Computer systems can be accessed with the consent of the owner, by a search warrant (CC s.487(2.1), CC s.462.321 in relation to digital assets), or under a General Warrant if the investigative technique that uses a computer system would not otherwise be covered by other authorizations under the *Criminal Code* or other Act of Parliament (CC s.487.01(1)).

Police are conferred with the power to conduct controlled delivery (CC s.25.1 – 25.4), the exercise of which is subject to RCMP's internal policy.

Criterion 31.3

Canadian LEAs and competent authorities have access to a range of information particularly in relation to criminal property and property of corresponding value. The following mechanisms are in place:

As per c.31.1(a), LEAs and competent authorities can obtain documents or data with production orders (CC s.487.014, 487.0141, 487.018). These can be used to obtain information on persons that hold or control accounts, but the timeframes for response are not considered timely. The CC does not specify a timeframe for responses. LEAs can be authorized to obtain the production of taxation-related documents or records from the CRA through section 462.48 of the *Criminal Code* for multiple serious crimes; however, the timeframes for response are not considered timely (typically a 30-day deadline). Separately, LEAs have access to the investigative powers set out elsewhere in 31.1 and in 31.2, which may support the identification and tracing of criminal property, though it is not apparent whether these can be used to obtain information on who holds or controls accounts.

To enhance the timeliness of its measures to identify whether natural or legal persons hold or control accounts, competent authorities have developed alternative proactive intelligence gathering techniques to rapidly confirm whether a person of interest to LEAs has dealings with a FI. Upon receipt of confirmation LEAs will apply for judicially authorised production order requiring the FI to produce relevant information. LEAs consult with FIs on completed production orders to ensure prioritisation of time sensitive information which can lead to subsequent disclosures as needed. While these techniques are considerably more timely

than formal measures, the longer timeframe for responses from production orders (and other formal mechanisms set out above) is considered a minor deficiency.

Warrants and production orders are normally obtained on an ex-parte basis. If the order is directed to a third party, a condition may be added specifically to prohibit the third party from revealing the fact of the warrant to the account holders (CC s.487.0191). In addition, an assistance order (CC s.487.02), can also be applied for by LEAs in relation to intercepts and warrants, to seek assistance from a person and request that he/she refrain from disclosing the information to the suspect.

Criterion 31.4

LEAs can ask for information from FINTRAC through VIRs. When FINTRAC receives a VIR and has relevant information, it may disclose the information if one or more of the disclosure thresholds in PCMLTFA are met (s.55(3), 55.1(1), 56.1). The list of agencies that a disclosure can be made to is outlined in the Act (PCMLTFA s.55(3)). FINTRAC can also proactively disclose information to LEAs and competent authorities (PCMLTFA s.55(3)).

> ***Weighting and conclusion –*** LEAs have almost the full range of powers and techniques to investigate ML, predicate offences, and TF, and these can be applied to the identification and tracing of criminal property and property of corresponding value. There is a minor shortcoming regarding the scope of the powers available to search persons. The mechanism for LEAs to identify whether a natural or legal person holds/controls accounts is not timely, and informal approaches such as alternative proactive intelligence gathering techniques are not a complete solution. Recommendation 31 is rated **largely compliant**.

Recommendation 32 – Cash couriers

In its 2008 MER, Canada was rated compliant with for former SR IX. In its 2016 MER, Canada was rated largely compliant with minor deficiencies regarding administrative sanctions (not proportionate and not dissuasive); a lack of clear processes to analyse and investigate cross-border seizures; and cross-border currency reports not being retained by the Canada Border Services Agency (CBSA) and could only be shared indirectly with foreign customs authorities through FIU international co-operation.

Criterion 32.1

Canada has implemented a declaration system (PCMLTFA part 2) for both incoming and outgoing physical cross-border transportation of currency and bearer negotiable instruments (BNI). A declaration is required for all physical cross-border transportations, whether by air, land, or marine; or through mail, courier and rail, or by any other means of transportation. The declaration obligation applies to both natural and legal persons acting on their own, or on behalf of a third party; and applies to the full range of currency and BNI, as defined in the Glossary to the FATF Recommendations.

Criterion 32.2

The reporting of currency and BNI equal to or greater than CAD 10 000 must be made in writing, and must be signed and submitted to a CBSA officer. The CBSA has developed three (3) forms to facilitate the capture of all data elements prescribed within Schedules 1, 2 and 3 of the Cross-border Currency and Monetary Instruments Reporting Regulations. The reporting requirement of the PCMLTFA is met once the completed report is reviewed and accepted by a CBSA Officer.

Criterion 32.3

This criterion is not applicable in the context of Canada, as it only applies to disclosure systems.

Criterion 32.4

Upon discovery of a false declaration of currency or BNIs, or a failure to declare, CBSA officers have the authority to request and obtain further information from the carrier with regard to the origin of the money and its intended use (PCMLTFA s.12(4)), and to ask for the documents supporting the legitimacy of the source of funds (PCMLTFA s.39.02(5) and 39.02(6)).

Criterion 32.5

When persons make a false declaration or fail to make a declaration, CBSA officers have the power to seize and forfeit the currency or monetary instruments (PCMLTFA s.18). Where the funds are reasonably suspected of being proceeds of crime, they cannot be returned, and the matter can be referred to LEAs. If officers determine there are no reasonable grounds to suspect the funds are proceeds of crime or terrorist financing, the officer may impose an administrative fine. Under revised penalty structures, penalty amounts are structured on a percentage of the CAD value of seized currency or monetary instruments. Threshold and corresponding penalties for the respective violation include:

- for a full disclosure of facts upon discovery of funds, 5% of the undeclared funds up to a maximum penalty of CAD 2 500;
- concealed funds other than by using a false compartment in a conveyance, or made a false declaration or has a previous seizure (other than for reasons of concealment or making false declarations), 25% of undeclared funds (no maximum); and
- concealed funds in false compartment in a conveyance, or previous seizure for any form of concealment or making false declarations, 50% of undeclared funds (no maximum).

The officer shall, on payment of a penalty in the prescribed amount, return the seized currency or monetary instruments to the individual from whom they were seized or to the lawful owner (PCMLTFA s.18).

For general offence provisions (PCMLTFA s 74(1)), where a person knowingly contravenes one of these, they are liable for a fine up to CAD 250 000 (CAD 500 000 if convicted on indictment) and/or imprisonment of up to 2 years less a day (up to 5 years less a day if convicted on indictment). Collectively, these penalties are considered proportionate and dissuasive.

Criterion 32.6

CBSA forwards all Cross-border Currency Reports submitted by importers or exporters as well as seizure reports to FINTRAC electronically. If the currency or monetary instruments have been seized under PCMLTFA, s.18, the report is sent without delay to FINTRAC, to undertake an analysis on seizure information.

Criterion 32.7

CBSA officers undertake customs as well as immigration matters. CBSA is allowed to communicate information to FINTRAC, to the appropriate police force and to the CRA (PCMLTFA s. 36). Reports and seizure reports are systematically sent to the FIU and reports are communicated to the RCMP. The RCMP has a formal MOU with CBSA and a Joint Border Strategy which stipulates the roles and responsibilities of each partner and how they will co-operate.

Criterion 32.8

Borders Services Officers (BSO) are to contact the RCMP for all instances (declared, undeclared, falsely declared) where BSO seized funds have reasonable grounds to suspect the funds are linked to proceeds of crime or terrorist financing. No terms of release are offered on funds that are suspected to be proceeds of crime within the meaning of CC, s.462.3(1) or TF (PCMLTFA, s.18(2)). These CBSA seizures are commonly referred to as Level 4 seizures. When the BSO has seized the currency/monetary instruments as forfeit under sec.18(1) of the PCMLTFA, they are to contact their regional intelligence office who contact RCMP (or LEA of jurisdiction). Based on information provided, RCMP make the determination on whether to attend the port of entry or not to further pursue a financial investigation or laying of criminal charges. This process is enforced under the CBSA Enforcement Manual Part 2, Chapter 2 introduced in January 2025.

Criterion 32.9

False declarations leading to seizures of currency and BNI are entered and maintained into the Integrated Customs Enforcement System. CBSA collects prescribed information on behalf of FINTRAC, and all completed reports are forwarded to FINTRAC who retain them (PCMLTFA sub.12(5)). Cross border seizure reports where ML/TF is suspected are provided to foreign counterparts if the CBSA has reasonable grounds to suspect that the information would be relevant to investigating or prosecuting a ML or a TF offense (PCMLTFA s.38 and s.38.1). FINTRAC can enter into an agreement to exchange information directly with its foreign counterparts to facilitate co-operation relating to Recommendations 36-40 (PCMLTFA 56.1).

Criterion 32.10

The information collected pursuant to the declaration obligation is subject to confidentiality (PCMLTFA s.36). There are no restrictions on the amount of money that can be imported into or exported from Canada; however, once the amount has reached or exceeded the threshold it must be reported.

Criterion 32.11

When there are reasonable grounds to believe that the funds are related to ML/TF or predicate offenses, the CBSA contacts the RCMP who may carry out subsequent criminal investigation and laying of charges under the CC. If the suspicion is confirmed, seizure and confiscation measures may be decided by the judicial authority under the conditions described in R.4.

> *Weighting and conclusion –* Recommendation 32 is rated **compliant**.

Recommendation 33 – Statistics

In its 2008 MER, Canada was assessed as LC with former R.32 because the absence of statistical information on ML investigations and sentencing, confiscation, response times for extradition and mutual legal assistance (MLA) requests, response times for requests to OSFI by its counterparts. Some changes were introduced in the standard as well as in Canada.

Criterion 33.1

The compilation of AML/CFT related statistics are co-ordinated by Finance Canada and provided by all regime partners including FINTRAC, the RCMP, the PPSC and Statistics Canada at the federal and provincial level. The authorities maintain a comprehensive set of statistics that appears suitable to assist in the evaluation of the effectiveness of its AML/CFT framework. As a consequence of the NRA process, the authorities have improved the usefulness of existing data sets and developed new ones. The authorities

intend to maintain the AML/CFT related statistics with a focus on periodically measuring the effectiveness of the AML/CFT regime.

Sub-criterion 33.1(a) - FINTRAC keeps statistics of STRs received and disseminated. Statistics on STRs received by regions is also available.

Sub-criterion 33.1(b) - Canada maintains acceptable statistics regarding ML/TF investigations, prosecutions and convictions. Statistical data on ML, proceeds of crime and TF investigations and prosecutions is generated at the national, federal and provincial levels. It is generated from various sources, such as Statistics Canada's Uniform Crime Reporting Survey (UCR), the RCMP Occurrence Data (a records management system), the Public Prosecution Service's iCase, its case management and timekeeping system. The RCMP has employed its Business Intelligence program to provide statistical information on ML/TF investigations that is more detailed than UCR. This information is derived from the RCMP's various Operational Record Management Systems.

Sub-criterion 33.1(c) - Canada maintains statistics on assets seized, forfeited and confiscated as proceeds of crime and offense-related property (the equivalent of "instruments" or "instrumentalities" in other countries). However, there is no legal requirement for the AG to keep statistics on seizures.

Sub-criterion 33.1(d) - Statistics on made and received mutual legal assistance or other international requests for co-operation are maintained by the Department of Justice Canada. These statistics are used by Justice Canada to track the timeliness of response and the nature of underlying predicate crime.

> *Weighting and conclusion –* Recommendation 33 is rated **compliant.**

Recommendation 34 – Guidance and feedback

In its 2016 MER, Canada was rated LC with R.34. More specific guidance was needed in certain sectors such as DNFBPs (in particular in the real estate and DPMS sectors) to ensure that they were aware of their AML/CFT obligations, the risks of ML/TF and ways to mitigate those risks. Further feedback was also required related to submitting suspicious transaction reports (STRs).

Criterion 34.1

Over the review period, FINTRAC has issued on its website updated guidance specific to financial institutions and DNFBP sub-sectors, including real estate and DPMS. The guidance documents cover requirements applying to each sector including AML/CFT obligations, STRs and guidance on risk assessments. In 2021, FINTRAC updated its guidance as a result of legislative changes to the PCMLTFA to help strengthen Canada's AML/CFT framework, including Know Your Client requirements for dealers in virtual currency.

In 2022, FINTRAC launched the Score Card initiative (formerly referred to as "report card"), an assessment tool used to evaluate the quality and timeliness of a reporting entity's threshold and suspicious transaction reporting. Insights from the Score Card also serve as a valuable feedback mechanism by providing reporting entities with information relating to their history, quality and timeliness of STRs to assist reporting entities in improving them.

FINTRAC has supplemented its guidance and feedback process with general and sector-specific outreach activities, including focused discussions with the FINTRAC Reporting Working Group, video learning resources, webinars, conferences, presentations, workshops, bilateral consultations and on-going engagement. Notably, a number of these activities focused on STRs.

Provincial and territorial law societies, the self-regulatory bodies responsible for regulating the Canadian legal profession in the public interest, along with the Federation of Law Societies of Canada, the national umbrella association of the law societies, have issued guidance and provided training to lawyers to help them understand and comply with law society AML/CFT requirements designed to combat ML/TF in the legal sector.

> *Weighting and conclusion –* Recommendation 34 is rated **compliant.**

Recommendation 35 – Sanctions

In its 2016 Mutual Evaluation Report (MER), Canada was rated Largely Compliant with R.35 mainly due to unclear dissuasiveness and/or proportionality of some of the sanctions, in particular the maximum Administrative Monetary Penalties (AMP) thresholds for serious violations.

Criterion 35.1

Regarding the requirements of Recommendations 9 to 23, FINTRAC is responsible for imposing civil AMPs for non-compliance of Reporting Entities (REs) (i.e. FIs and DNFBP which fall in scope under PCMLTFA) with the PCMLTFA and its regulations. Part V of the PCMLTFA lays out the penalties for criminal non-compliance with the Act.

With respect to criminal sanctions, the PCMLTFA covers a range of criminal offenses and a series of sanctions for contraventions of the provisions of the Act. Criminal penalties for non-compliance can lead up to CAD 2 million in fines and up to five years in prison. The criminal sanctions regime applies to most of the provisions in the PCMLTFA and regulations. LEAs can conduct investigations and lay criminal charges in cases of criminal non-compliance with the PCMLTFA.

With respect to civil sanctions, the PCMLTF AMP Regulations govern the imposition of administrative sanctions for non-compliance with the PCMLTFA and related regulations. They provide for penalties, classifying violations as minor, serious or very serious. The maximum penalty for a violation by a person is set at CAD 100 000 and CAD 500 000 for a reporting entity. Each individual violation can be subject to its own penalty and there is no cumulative penalty limit. While the current limits are considered sufficient for small to medium sized reporting entities, this has not been considered sufficiently proportionate and dissuasive for large entities, Canada has passed legislation[143] (Bill C-12, the Strengthening Canada's Immigration System and Borders Act) to substantially increase criminal and civil penalties, however it was not in effect at the end of the on-site visit.

Other non-monetary methods used by FINTRAC, in addition to the AMP procedure (which include public naming)[144], to apply corrective measures or sanction REs, are confined to issuing findings letters, requiring action plans, compliance meetings and enquiries, revocation of registration of MSBs and non-compliance case disclosures to LEAs. The range of measures adopted by FINTRAC to sanction reporting entities having non-compliance of different level of severity is limited.

OSFI relies on the authorities under OSFI Act to apply intervention and enforcement measures for any issues that raise prudential concerns or compromise the security and integrity at FRFIs. OSFI has a range of powers to complement FINTRAC's enforcement toolkit and the two agencies collaborate closely on joint supervisory remedial actions where PCMLTFA non-compliance identified in an FRFI by FINTRAC implicates broader prudential concerns such as risk management or governance of the institution. OSFI can apply

[143] On 26 March 2026

[144] Once an AMP is imposed, FINTRAC must make public the name of the reporting entity, the nature of the violation, and the amount of the penalty.

written interventions, staging, put in place compliance agreements and directions of compliance, place terms and conditions on a FRFI's business operations and direct independent auditors to extend the scope of their audit and guidance, which are all enforceable. The staging process is OSFI's primary supervisory tool and results in more intense and frequent supervision as a FRFI's risk profile increases. As staging increases regulatory cost for the FRFI, it acts as an important tool to promote desired supervisory outcomes. OSFI can also remove directors and/or officers from office, and/or take control of an FRFI in extreme cases of non-compliance with the FRFI's governing legislation, or if there is serious concern for the FRFI's financial soundness, integrity or security, which may include ML/TF considerations. OSFI also has the power to impose monetary penalties for non-compliance with provisions under a FRFI's governing legislation.

Other regulators, such as securities regulators, can also impose sanctions under securities legislation in circumstances where a market intermediary fails to meet legal requirements. The measures that can be taken include terminating the intermediary's license and imposing terms and conditions that restrict the intermediary's business. Sanctions can also be imposed on members for contraventions of self-regulatory organizations' requirements, including AML and supervision requirements.

Sanctions under PCMLTFA are not applicable to lawyers with respect to their compliance with the requirements under Recommendations 9 to 23. Lawyers are subject to the regulation of the provincial and territorial law societies which can impose sanctions for breaches with the AML/CFT obligations. Disciplinary sanctions are available to all law societies under their respective enabling statutes in relation to failure to comply with law society AML/CFT requirements, following disciplinary proceedings. These sanctions range in severity, including reprimands, fines, restrictions, suspension, revocation of licence (i.e., disbarment). In all law societies, disciplinary hearings are generally open to the public and disciplinary decisions, including notices of suspension and disbarment, are made public. This publicity is intended to have a dissuasive effect. British Columbia, Saskatchewan, and Newfoundland and Labrador Law Societies can impose AMPs for violating specific AML/CFT requirements, such as are the two that can impose administrative monetary penalties for the breach of certain AML/CFT requirements or related record keeping requirements. Nevertheless, the amounts of fines available to the law societies vary by region and are not considered proportionate and dissuasive sanctions.

Regarding the requirements for Recommendation 6, the United Nations Act provides that, when the UNSC passes a resolution imposing sanctions, such measures automatically become part of domestic law and sets out penalties for non-compliance with its provisions, which are available but have not been applied; specifically, the United Nations Act includes criminal offences and forfeiture provisions for contravention of its requirements, and the PCMLTFA includes administrative and criminal penalties related to sanctions evasion.

Regarding the requirements for Recommendation 8, Canada has a robust and sanctions regime for registered charities, grounded in s.168 of the Income Tax Act (ITA), and a more limited sanctions framework for tax-exempt non-profits whereby they can be referred to investigation but there is no evidence of a structured administrative sanctions regime, such as compliance orders, fines, or suspensions, being available or applied.

Criterion 35.2

PCMLTFA, s.78 provides that sanctions are applicable to any officer, director, or agent of the person or entity that directed, authorized, assented to, acquiesced in, or participated in its commission. Law firms must be established by lawyers and law firm management is exclusively composed of lawyers, who are subject to sanctions in all jurisdictions. In addition, the statutes governing law societies in some provinces expressly specify that law societies have the power to impose sanctions on law firms.

Weighting and conclusion – Canada has a sanctions framework that includes criminal and civil sanctions to deal with natural or legal persons that fail to comply with the AML/CFT requirements. However, the AML/CFT penalties currently available are not considered sufficiently proportionate and dissuasive for large reporting entities. The range of measures adopted by FINTRAC in addition to AMP to sanction reporting entities is considered limited, though they could be complemented by the measures adopted by OSFI and provincial regulators to a certain extent. The amounts of fines available to the law societies vary by region and not all law societies have the legislative authority to impose sanctions on law firms. These sanctions are not considered proportionate and dissuasive. Recommendation 35 is rated **largely compliant**.

Recommendation 36 – International instruments[145]

Canada was rated LC with former R.35 and SR I in the 2008 MER, because the ML offense did not cover all designated categories of predicate offenses and contained a purposive element that was not broad enough to meet the requirements of the Conventions, and because of inadequate measures to ascertain the identity of beneficial owners.

Criterion 36.1

Canada is party to the conventions listed in the standard.[146]

Criterion 36.2

Bill C-48 amended to the CC to meet the requirements of the Merida Convention, especially by providing for the forfeiture of property used in the commission of an act of corruption and to clarify that it may be direct or indirect, and that it is not necessary that the person who commits the corrupt act receive the benefit derived from the act. Canada also addressed the deficiencies identified in 2008 (see R.3 and 10).

Weighting and conclusion – Recommendation 36 is rated **compliant**.

Recommendation 37 – Mutual legal assistance

In its third MER, Canada was rated LC with former R.36 and SR. V due to concerns about Canada's ability to handle MLA requests in a timely and effective manner and about the lack of adequate data that would establish effective implementation. Canada's legal framework for MLA was supplemented by Canada's new Protecting Canadians from Online Crime Act (PCOCA, in force 9 March 2015). The requirements of the (new) R.37 are more detailed.

Criterion 37.1

Canada has a sound legal framework for international co-operation. The main instruments used are the Mutual Legal Assistance in Criminal Matters Act (MLACMA); the relevant international conventions, the Extradition Act; 57 bilateral treaties on MLA in criminal matters, extradition and asset sharing; and MOUs

[145] The UNCAC Implementation Review Mechanism (IRM), for which the UNODC serves as secretariat, is responsible for assessing the implementation of the UNCAC. The FATF assesses compliance with FATF Recommendation 36 which, in relation to the UNCAC, has a narrower scope and focus. In some cases, the findings may differ due to differences in the FATF and the IRM's respective methodologies, objectives and scope of the standards.

[146] Canada ratified the Vienna Convention on 5 July 1990, the Palermo Convention on 13 May 2002, and the Merida Convention on 2 October 2007, the Convention on the Suppression of Terrorist Financing Convention on 19 February 2002, and the Inter-American Convention against Terrorism. It has also signed the Council of Europe Convention on Cybercrime (2001), on 23 November 2001.

for the other forms of assistance to exchange financial intelligence, supervisory, law enforcement or other information with counterparts. These instruments allow the country to provide rapid and wide MLA. In the absence of a treaty, Canada is able to assist in simpler measures (interviewing witnesses or providing publicly available documents), or, based in the MLACMA, to enter in specific administrative arrangements, that would provide the framework for the assistance.

Criterion 37.2

Canada uses a central authority (the Minister of Justice, assisted by the International Assistance Group—IAG) for the transmission and execution of requests. There are clear processes for the prioritization and execution of mutual legal assistance requests, and an electronic case management system is used to manage the cases and monitor progress on requests.

Criterion 37.3

MLA is not prohibited or made subject to unduly restrictive conditions. Canada provides MLA with or without a treaty, although MLA without a treaty is less comprehensive. Requests must meet generally the "reasonable grounds to believe standard, in relation for example to MLACMA ss 12 (search warrant) and 18 (production orders). However, certain warrants (financial information, CC, s.487.018, tracing communications, and new s.487.015) may be obtained on the lower standard of "reasonable ground to suspect."

Criterion 37.4

Canada does not impose a restriction on MLA on the grounds that the offense is also considered to involve fiscal matters, nor on the grounds of secrecy or confidentiality requirements on FIs or DNFBPs.

Criterion 37.5

MLACMA, s.22.02 (2) states that the competent authority must apply *ex parte* for a production order that was requested on behalf of a state of entity. In addition to that, the international Conventions signed, ratified and implemented by Canada include specific clauses requiring the confidentiality of MLA requests be maintained.

Criterion 37.6

Canada does not require dual criminality to execute MLA requests for non-coercive actions.

Criterion 37.7

Dual criminality is required for the enforcement of foreign orders for restraint, seizure and forfeiture or property situated in Canada. MLACMA, ss.9.3 (3) (a) and (b) and 9.4 (1) (3) (5) (a) (b) and (c) allow the Attorney General of Canada to file the order so that it can be entered as a judgment that can be executed anywhere in Canada if the person has been charged with an offense within the jurisdiction of the requesting state, and the offense would be an indictable offense if it were committed in Canada. This applies regardless of the denomination and the category of offenses used.

Criterion 37.8

Most, but not all of the powers and investigative techniques that are at the Canadian LEAs' disposal are made available for use in response to requests for MLA. The relevant powers listed in core issue 37.1 are available to foreign authorities via an MLA request, including the compulsory taking of a witness statement (according to MLACMA, s.18). Search warrants are not possible to obtain via letters rogatory. However, the Minister may approve a request of a state or entity to have a search or a seizure, or to use any device of investigative technique (MLACMA, s.11). The competent authority who is provided with the documents of information shall apply *ex parte* for the warrant to a judge of the province in which the competent authority believes evidence may be found. Regarding the investigative techniques under core issue 37.2, undercover

operations and controlled delivery are possible through direct assistance between LEAs from the foreign country and Canada. Production orders to trace specified communication, transmission data, tracking data and financial data are possible by approval of the Minister in response to a foreign request. The authorities will not grant interception of communications (either telephone, emails or messaging) solely on the basis of a foreign request (this special investigative technique is not provided for in the MLACMA and will not be provided for in bilateral agreements. According to MLACMA, s.8.1, requests made under an agreement may only relate to the measures provided for in the bilateral agreement). The only possibility to intercept communications is within a Canadian investigation of the offences listed in section 183 of the Criminal Code, including organized crime, or a terrorism offense, which would require that the criminal conduct occurred, at least in part, in Canadian territory (including a conspiracy to commit an offense abroad). Foreign orders for restraint, seizure and confiscation can be directly enforced by the Attorney General before a superior court, as if it were a Canadian judicial order.

> ***Weighting and conclusion –*** The range of investigative measures available is insufficient. Recommendation 37 is rated **largely compliant**.

Recommendation 38 – Mutual legal assistance: freezing and confiscation

Canada was rated largely compliant with R.38 in the 2016 MER with a deficiency in not being able to respond to requests for seizure and confiscation of property of corresponding value.

Criterion 38.1

Bilateral treaties can reinforce expeditious responses, and search and seizure warrants allow for Canada to respond to widest possible range of circumstance (MLACMA, s.12(1)). Canada has the authority to execute an order, once filed as a judgement, anywhere in Canada (MLACMA, s9.3(2) and 9.4(3)) in response to requests by foreign countries with whom an agreement exists, or entities designated under the MLACMA (specifically international tribunals). Canada can also respond to tax related requests since 2018 (MLACMA, s.22.06) and requests relating to the seizure of digital assets (CC s.462.321(1) and MLACMA s.9.3) since 2023. The MLACMA provides coverage of requests in relation to identify, trace, evaluate, investigate, freeze, seize and confiscate offence-related property, proceeds of crime and instrumentalities used in or intended to be used in ML, predicate offences or TF (MLACMA, s.9.3(1), s9.3(4), s.9.4(1), s9.4(6), 18, 22.03). In 2018, the Ontario Court of Appeal (ONCA) found the term "proceeds of crime" in the context of freezing orders (MLACMA s.9.3), can be interpreted more broadly to include PoCV. In the case of *Canada (Attorney General) v Georgiou*, the law of the Requesting State defined "substitute property" to have the same meaning as PoCV as the subject matter property could not be located or had been transferred to a third party[147]. The court's ruling does not refer to orders of confiscation (MLACMA s.9.4); however, given the rationale set out in the ruling, Canada has provided MLA to enforce a foreign order for confiscation of PoCV in Ontario in 2022. This decision of one provincial court to interpret the term "proceeds of crime" more broadly as including PoCV, is persuasive, but not binding, in the remaining provinces and territories. Canada reports the Minister of Justice is prepared to authorize a foreign MLA request outside of Ontario; however, this has not been tested.

Furthermore, the possibility to freeze, seize and confiscate is subject to a dual criminality condition (MLACMA ss.9.3(3)(b), 9.4(5)(b)) and additional conditions (MLACMA ss.9.3(3)(a),9.4(5)(a), and 9.4(5)(c)).

[147] *Canada (Attorney General) v Georgiou*, 2018 ONCA 320, paragraph 25.

Criterion 38.2

Conviction based confiscation is governed by federal legislation (the MLACMA and CC), while non conviction based (NCB) matters are governed by provincial and territorial legislation. NCB confiscation is available in most Canadian provinces. A civil confiscation legislation regime has been adopted in all but two provinces and two territories (see c.4.9). Once a foreign order has been filed and entered as a judgment of a Canadian court pursuant to MLACMA, it has the same effect as a domestic seize, freeze or confiscation order (MLACMA s9.3(4) and s9.4(6)). The enforcement of foreign NCB confiscation orders is not possible under the MLACMA because they were not issued by a "court of criminal jurisdiction". In cases where the accused has died or absconded before the end of the foreign criminal proceedings, the MLACMA applies as the matter would still be criminal in nature. Should the IAG receive a request for assistance in a civil forfeiture matter, it will direct the foreign jurisdiction to the appropriate civil forfeiture authority for assistance[148]. Should a foreign jurisdiction seek to recover assets from Canada though NCB asset confiscation in non-criminal cases, it has two options: *i)* refer their entire investigation to a civil confiscation body in that province or territory for its consideration of whether to commence a civil confiscation proceeding to recover the asset. If successful, the foreign jurisdiction can negotiate the sharing of the proceeds of the confiscated asset with the civil confiscation body; or *ii)* hire private counsel to act on its behalf in the province where the property or asset is located.

Criterion 38.3

Conditions and procedures for enforcement of a foreign freeze, seize and confiscation orders (other than those pertaining to the International Criminal Court), pursuant to an MLA request are detailed in ss. 9.3(1) – 9.4(11) of the MLACMA. These provisions set out, for example, the effect of registering the order, the procedure for filing of amendments to the order, notice requirements, the application of the CC, Cannabis Act and Controlled Drugs and Substances Act, and grounds for refusal. Before an order is filed, the Attorney General must be satisfied that the person has been charged with or convicted of an offence within the jurisdiction of the state or entity; the offence would be an indictable offence if it were committed in Canada (MLACMA s.9.3(3) and s.9.4(5)); and the conviction and the order are not subject to further appeal (MLACMA s.9.4(5)). The MLACMA does not require a domestic investigation to enforce a foreign request.

Criterion 38.4

Canadian courts can issue confiscation and freezing orders for offence-related property located abroad (CC s.2, s.490.1(2.1) and s.490.8(3.1)) and for proceeds of crime (such as criminal property) located abroad (CC 462.3(1), s.462.33(3.1) and s.462.37(2.1)). Canadian courts cannot issue freezing, seizing and confiscation orders for PocV located abroad in the context of a domestic case. Where the property is located abroad, Canadian courts also have the option of a "fine in lieu" approach. Specifically, in those cases, Canadian courts may order the offender to pay a fine in an amount equal to the value of the property located in the foreign State. This approach may achieve the objective of depriving the offender of the benefits of their crime, but it has some limitations as there is no freezing, seizing or confiscation action against property. If the fine is not paid, it can be converted into a prison sentence.

Canadian courts can also issue special search warrants to allow for seizure of proceeds of crime (s. CC 462.32(2.1)) and digital assets (CC 462.321(3.1)), within Canada; however, Canadian courts have not opined on whether these special search warrants can be executed with respect to assets located abroad. MLA treaties facilitate MLA requests from Canada for the enforcement of orders for property located abroad. No domestic judicial review or validation is required before an order of a Canadian court is enforced via the MLA process. Courts at provincial and territorial level cannot issue NCB confiscation orders for property located abroad. However, should criminal property be identified outside of Canada within NCB

[148] Prince Edward Island, Newfoundland and Labrador, the Yukon and the Northwest Territories are yet to adopt civil *forfeiture* legislation.

proceedings, provincial civil forfeiture authorities can co-operate with the foreign jurisdiction to commence forfeiture proceedings and seek the sharing of proceeds, if successful.

Criterion 38.5

The mechanism for the management, preservation, and disposal (as required) of seized, frozen or confiscated property under the MLACMA is outlined in the Seized Property Management Act (SPMA) (SPMA s.4). The Minister of Public Services and Procurement (legally known as the Minister of Public Works and Government Services) is responsible for the custody and management of all property seized, frozen or confiscated pursuant to the MLA process and to a judicial authorization. The Minister manages property through the secure storage and maintenance of physical assets, inspections and appraisals, the use of specialized contractors for asset care, pre-forfeiture sales or disposal of assets, including when perishable or rapidly depreciating. In the context of civil forfeiture proceedings, property seized in the provincial level is managed by provincial authorities. Since 2019, pursuant to s. 4(1)(b.01) of the SPMA, the Seized Property Management Directorate of Public Services and Procurement Canada (SPMD) can also manage property on behalf of provinces or provincial authorities, if asked to do so.

Criterion 38.6

Canada's central authority, the Department of Justice Canada International Assistance Group (IAG), maintains a website that provides information on the MLA process. An asset recovery guide to assist countries with drafting a request to Canada is also available on the UNODC/World Bank Stolen Asset Recovery Initiative website. A centralised email address is available in the asset recovery guide and on the Department of Justice website, where queries can be directed to IAG. IAG counsel and staff are available to respond as required. Informal communications can also be directed to Canada's missions in Brussels and Paris. Other informal channels are also used to exchange information on the status of MLA requests. The Department of Justice Canada's electronic case management system allows the IAG to track the status of MLA asset recovery requests, which in turn, allows them to provide regular updates to foreign counterparts.

A supplemental request is only required if a new form of assistance is being requested. When additional information is available to clarify a request (for example information previously missed), an email with the additional information is sufficient. No supplemental request is required.

Criterion 38.7

Canada shares proceeds from the disposition of MLA confiscated property with other countries, on a mutual agreement basis (SPMA s.11). Canada has 16 bilateral asset sharing treaties with 12 countries, including a treaty that extends to six UK Overseas Territories, to facilitate this sharing. Where there are no pre-existing agreements, Canada offers to enter into specific agreements to allow for sharing of assets confiscated pursuant to an MLA request. This is not the case for NCB asset confiscation in non-criminal cases. To recover assets in these circumstances, foreign jurisdictions may either commence a civil confiscation proceeding in that province or territory or hire private counsel to act on its behalf in the province where the property or asset is located.

Costs incurred from managing property when enforcing a freezing, seizing or confiscation order are deducted prior to sharing proceeds from the disposition of confiscated property (Seized Property Disposition Regulations s.12 and Forfeited Property Sharing Regulations s.5).

Criterion 38.8

In addition to its 35 bilateral MLA treaties, Canada is party to 26 multilateral treaties containing MLA and Extradition provisions. Under the schedule to the MLACMA Canada can provide MLA to the International

Criminal Court and two international tribunals[149]. Canada shares results of MLA confiscations with 12 countries and 6 UK Overseas *Territories* through 16 bilateral assets sharing agreements. Canada has the blanket authority to negotiate asset sharing agreements and reports the process to conclude a sharing arrangement as not onerous. With respect to NCB confiscations, MOUs can be concluded between the relevant provincial civil forfeiture office and relevant agencies in the requesting jurisdiction to facilitate information and asset sharing. To enhance co-operation in asset recovery with non-treaty countries, Canada can also enter into specific administrative arrangement to respond to a request for court-ordered assistance (MLACMA s.6). Administrative arrangements are time-limited (no more than six months), case specific and assistance specific. Dual criminality requirement applies. During the period under review, Canada entered into 15 administrative arrangements.

> ***Weighting and conclusion –*** Since its last MER, Canada has made amendments to the CC and MLACMA and expanded its ability to recover assets located in Canada in connection to foreign criminal matters; however, deficiencies still remain. On the basis of new jurisprudence, Canada has frozen and confiscated PoCV in response to incoming MLA requests in Ontario. This decision of the court is persuasive, but not binding, for the other provinces and territories. Conviction based confiscations are possible through the MLA system, but Canadian courts at provincial/territorial level are not able to issue NCB confiscation orders valid abroad. Two alternatives are possible for incoming NCB asset recovery requests that apply in most provinces and territories (except in two provinces and two territories). Relevant provincial/territorial civil forfeiture authorities and relevant agencies in the requesting jurisdiction may conclude MOUs to facilitate information and asset sharing. Canada is limited to only share criminal confiscation with 12 countries, 6 UK overseas territories and third countries through specific administrative arrangements. Recommendation 38 is rated **largely compliant**.

Recommendation 39 – Extradition

Canada was rated LC with R.39 in the 2008 MER, mostly because of the difficulties in establishing the delay element, due to insufficient statistical data. The legal framework remains unchanged.

Criterion 39.1

Canada is able to execute extradition requests in relation to ML/TF without undue delay. Statistics provided to this assessment have shown that at least 40% of the requests are executed on a timely basis, what shows that the existing legal framework allows for extraditions without delay.

Sub-criterion 39.1(a) - Both ML and TF are extraditable offenses (Extradition Act, ss.3(1) (a) and (b) of the combined with CC, ss.83.02, 83.03, 83.04 and 462.31).

Sub-criterion 39.1(b) - Canada has a case management system and clear processes in place for timely execution of extradition including prioritization of urgent cases. The Extradition Act sets out timelines for specific steps to ensure minimal delays and requires judges to set an early date for the extradition hearing when the person has been provisionally arrested (s.21(1)(b)(3).

[149] 1) International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan citizens responsible for genocide and other such violations committed in the territory of neighbouring States, between 1 January 1994 and 31 December 1994, established by Resolution 955 (1994) of the Security Council of the United Nations, and 2) International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Law Committed in the Territory of the Former Yugoslavia since 1991, established by Resolution 827 (1993) of the Security Council of the United Nations.

Sub-criterion 39.1(c) - Canada does not place unreasonable or unduly conditions on the execution of extradition requests.

Criterion 39.2

Nationality does not constitute grounds for refusal to extradite under the Extradition Act, ss.44, 46, and 47 of the, but the Charter of Fundamental Rights and Freedoms gives Canadian citizens the right to remain in Canada. The Supreme Court decided in U.S. v. Cotroni that extradition is a reasonable limitation of the right to remain in Canada, and the decision whether to prosecute or not in Canada and allow the authorities in another country to seek extradition is made following consultations between the appropriate authorities in the two countries when various factors, including nationality, are considered in weighing the interests of the two countries in the prosecution. Historically, the result of most of these assessments has been to favour extradition, but when it is not, the Canadian citizen can be prosecuted in Canada.

Criterion 39.3

Dual criminality is required for extradition. It is not relevant whether the extraditable conduct is named, defined or characterized by the extradition partner in the same way as it is in Canada (Extradition Act, s.3(2)).

Criterion 39.4

Direct transmission of an extradition request to Canada's IAG or via Interpol is possible unless a treaty provides otherwise. Requests for provisional arrest may be made via Interpol by virtually all of Canada's extradition partners. The extradition process is simplified when the person consents to commit and surrender. Canada does not grant extradition based solely on a foreign warrant for arrest, such as in an Interpol Red Notice, or a foreign judgment, or in the absence of a treaty, based on reciprocity. There must be an assessment of the evidence, which takes place in the course of the judicial phase, which is followed by the Ministerial phase of the extradition proceedings.

> *Weighting and conclusion –* Recommendation 39 is rated **compliant**.

Recommendation 40 – Other forms of international co-operation

In the 4th round MER, Canada was rated Largely Compliant with R .40. The MER noted that Canada had a strong legal basis for international co-operation and concluded that there was room for improvement on non-MLA international co-operation. This recommendation is under review due to changes to the FATF Standards for which Canada has not previously been assessed.

General principles

Criterion 40.1

Canada's competent authorities can broadly provide international co-operation spontaneously or upon request related to ML/TF. FINTRAC as the FIU is authorised to disclose information to a foreign FIU spontaneously and to disclose designated information "in response to a request" (PCMLTFA, s.56). FINTRAC as a supervisory authority is authorised to disclose information to entities with which they have MoUs (PCMLTFA, s.65.1). As for the RCMP, common law, the Privacy Act (s.8(2)(f)) and Memoranda of understanding or Letters of agreements determines this ability. In the case of the CBSA PCMLTFA, art.38 and 38.1 as well as 39.3 and 39.31, and the Customs Act subsection 107(8) provide the determination.

Criterion 40.2

Sub-criterion 40.2(a) - Competent authorities have the legal basis to provide international co-operation (see c.40.1).

Sub-criterion 40.2(b) - Canada reports that nothing prevents competent authorities from using the most efficient means to co-operate.

Sub-criterion 40.2(c) - FINTRAC, CBSA, and RCMP all use clear and secure gateways, mechanisms and channels for the transmission and execution of international co-operation requests.

Sub-criterion 40.2(d) - FINTRAC as an FIU has in place processes for prioritizing and executing requests, responding to urgent requests mostly within 10 days. In regard to TF, the RCMP assesses and prioritizes all bilateral requests for information in accordance with the National Security Governance Framework which outlines clear policies and procedures to facilitate timely information sharing while upholding domestic and international obligations. This includes Canada's responsibility to avoid complicity in the mistreatment by foreign entities. The RCMP also maintains 24-7 "on-call" coverage for all FPNS business lines, including TF, with specific procedures for handling all requests. This capacity enables RCMP to effectively respond to requests for assistance in a timely manner. Canadian LEAs participate in CARIN, ARIN-CARIN and Interpol networks that have operating procedures to streamline incoming requests from international authorities. FINTRAC as a supervisory authority processes the request and provides a response in a matter of days.

Sub-criterion 40.2(e) - Competent authorities have clear processes for safeguarding the information received. FINTRAC policies and procedures for the safeguard of information apply to both the FIU and the supervisory side. RCMP has policies for handling requests and sharing or exchanging criminal intelligence and information with foreign partners and agencies (RCMP Operational manual Chapter 44.1s).

Criterion 40.3

Competent authorities need bilateral or multilateral arrangements to co-operate with foreign counterparts where a disclosure of personal information about an individual is involved. FINTRAC has signed 111 MOUs with foreign FIUs to share financial intelligence and eleven MOUs with six countries to share information between supervisory authorities. In its supervisory capacity, this is a small number of signed MOUs with foreign supervisors and is not wide ranging. With respect to FRFIs only, FINTRAC's supervisory co-operation and information sharing activity is also supported by OSFI's existing 30 MOUs.[150]

Foreign supervisors can still request information from FINTRAC via OSFI, and vice versa. A MOU between FINTRAC and OSFI allows the two authorities to exchange supervisory information with each other; and onward sharing with foreign supervisors. While OSFI's 30 MOUs provide an additional channel, these apply exclusively to FRFIs, and any co-operation via OSFI is restricted to OSFI's prudential information. These MOUs and the supervisory MOUs do not cover the widest range of foreign counterparts. CBSA has several MOUs and is signatory to 13 Customs Mutual Assistance Agreements with foreign countries or institutions, among other means to share information with other foreign partners. The RCMP has 190 MOUs (which includes Letters of agreements), of which 47 are with international partners. Canada reports that MOUs are being negotiated and signed in a timely fashion.

Criterion 40.4

FINTRAC provides feedback upon request to its foreign counterparts on the use and usefulness of the information obtained (PCMLTFA, ss.56.2 and 65.1(3)). Canadian authorities indicate that FINTRAC generally provides feedback to its foreign counterparts on the usefulness of the information obtained within five to seven days. The RCMP via its network of Liaison Officers (LOs) and Analysts Deployed Overseas (ADOs) maintains active and ongoing relationships with foreign counterparts. As part of this work, LOs and ADOs

[150] In 2019/20 and 2020/21, FINTRAC overtook full AML/CFT supervision and monitoring function for all financial institutions (FIs) in Canada (see Recommendation 26), which was previously shared with OSFI, meaning that all FIs and DNFBPs covered by the PCMLTFA are now monitored by FINTRAC for compliance with AML/CFT requirements.

consistently and continually provide feedback in a timely manner following receipt of assistance from foreign counterparts. The CBSA provides acknowledgement immediately upon receipt and additional feedback is provided in a timely manner.

Criterion 40.5

Competent authorities do not prohibit or place unreasonable or unduly restrictive conditions on information exchange or assistance on any of the four grounds listed in this criterion.

Criterion 40.6

Competent authorities have controls and safeguards to ensure that information exchanged is used for the intended purpose for, and by the authorities, for whom the information was provided (Privacy Act and Values and Ethics Code for the Public Service Code – FINTRAC as an FIU: PCMLTFA, p. 56 (3) and MOUs template; FINTRAC as a supervisory authority: PCMLTFA, s.65.1 (1) (b) and MOUs template; RCMP: Operational manual on information sharing; CBSA: Code of conduct, Customs Act, s107 and PCMLTFA part 2.1).

Criterion 40.7

Competent authorities are required to maintain appropriate confidentiality for any request for co-operation and the information exchanged, consistent with data protection obligations. The Access to Information Act exempts release of information obtained in confidence from the government of a foreign state or an institution thereof without consent of the foreign state. Competent authorities can refuse to provide information if the requesting competent authority cannot protect the information effectively.

Criterion 40.8

FINTRAC as an FIU, may conduct inquiries on behalf of foreign counterparts where an MOU exists, by accessing its databases (all report types, federal and provincial databases maintained for purposes related to LEA information or national security, and publicly available information) (PCMLTFA, s.56.1(2.1)). FINTRAC as a supervisory authority can conduct inquiries on behalf of foreign counterparts where an MOU exists (PCMLTFA, ss.65.1(1)(a) and 65.1(2)); however, is limited in sharing information with only six jurisdictions. OFSIs MOUs are restricted to FRFIs (see c.40.3). FINTRAC's 11 supervisory MOUs with six countries and 30 OSFI MOUs are limited to FRFI. The RCMP can use a number of criminal intelligence and police databases to conduct inquiries on behalf of foreign counterparts, under sharing protocols that protect the right to privacy of the individuals mentioned in the databases. CBSA can conduct queries on behalf of foreign counterparts and exchange information via international conventions or agreements such as Customs Mutual Assistance Agreements, World Trade Organization Trade Facilitation Agreement or Customs Mutual Assistance Agreement.

Exchange of Information between FIUs

Criterion 40.9

FINTRAC exchanges information with foreign FIUs in accordance with the Egmont Group principles or under the terms of the relevant MOU, regardless of the type of its counterpart FIU. The Center can exchange information if it has reasonable grounds to suspect that the information would be relevant to investigating or prosecuting a ML or TF offence, or an offence that is "substantially similar to either offence" ("legal threshold") (PCMLTFA, s.56(1)). References to money laundering broadly include predicate offences. Exchanges are possible only when a MOU has been signed with a foreign counterpart. An MOU is subject to formal approval of the Minister (PCMLTFA s 56(2)) which is a feature of government accountability to ensure the Ministry of Finance protects the financial system. Canada reports that such approval has never been denied.

Criterion 40.10

FINTRAC provides feedback on the usefulness of information obtained, when feedback is specifically requested by foreign FIUs (PCMLTFA, s.56), and whenever possible as well as on the outcome of the analysis conducted, based on the information provided.

Criterion 40.11

FINTRAC has the power to exchange with other FIUs:

Sub-criterion 40.11(a) - The information held in its database (c. 40.8), and additional information on the condition a report has been filed by the RE (PCMLTFA s 54(1.1) and s 54 (1) (c)). As per c.29.3, FINTRAC cannot request additional information from an RE in the absence of a submitted report. Despite additional approaches that mitigate against conditional requirements of s54(1.1) of the PCMLTFA (see c.29.3), FINTRAC cannot fully request additional information as needed to perform its analysis properly. Therefore, FINTRAC cannot request further information following a request from a foreign FIU, when there is no pre-existing report.

Sub-criterion 40.11(b) - The same information that FINTRAC has the power to obtain or access directly or indirectly at the domestic level (c.40.8), subject to the principle of reciprocity.

Criterion 40.12

As per c.4.3, Canada does not have specific legislative measures to enable immediate action to withhold consent or suspend transactions suspected of being ML, predicate offences or TF related. FINTRAC cannot respond to such a request from a foreign counterpart. To suspend transactions, a restraint order is to be sought by the court and at times this action might not be immediate. Whenever asked to suspend or withhold transactions from a foreign counterpart, FINTRAC can share this information with LEAs.

LEAs can only share information and leverage relationships with financial institutions through informal networks for indirect suspension of transactions by the FIs while awaiting a restraint order (see c.4.3). The decision to proceed with a suspension or withholding is limited to FIs and ultimately lies within their discretion. There is no formal designated authority with the power to take immediate action to withhold consent to or suspend a transaction following a request from a foreign counterpart.

Exchange of information between financial supervisors

Criterion 40.13

In 2019/20 and 2020/21, FINTRAC retrieved the full AML/CFT supervision and monitoring function for all federally regulated financial institutions in Canada, which was previously delegated to OSFI. OSFI, the prudential regulator of FRFIs, continues to oversee the prudential aspects of regulatory compliance management associated with ML/TF. The PCMLTFA allows FINTRAC to enter into information sharing arrangements or agreements under s.65(2) with any agency in a foreign state that has responsibility for verifying AML/CFT. To date, FINTRAC has entered into 11 supervisory MOUs with 6 countries. In addition, OSFI has 30 MOUs in place to support its prudential supervision of FRFIs and FINTRAC's supervision as appropriate. In the event an MOU is not in place, FINTRAC still has the ability to share information with international counterparts.

Criterion 40.14

FINTRAC, as the AML/CTF supervisor for entities covered by the PCMLTFA, has the authority to share with foreign supervisors (s 65.1(1)) compliance-related information that FINTRAC has in its direct possession about the compliance of persons and entities. The information that FINTRAC may exchange with foreign supervisors is defined by the supervisory MoU. Canadian authorities indicated that FINTRAC can exchange information domestically available, including information held by FIs.

Criterion 40.15

Sub-criterion 40.15(a) - FINTRAC does not require legislation to exchange regulatory information and currently exchanges such information.

Sub-criterion 40.15(b) - OSFI, under OSFI Act, s.22 can exchange supervisory information with foreign government agency or body that regulates or supervises FIs.

Sub-criterion 40.15(c) - PCMLTFA, subsection 65.1 enables FINTRAC to exchange supervisory information with other supervisors about the compliance of persons and entities, record keeping and reports. Through its supervisory examinations and compliance assessment reports, FINTRAC normally obtains information on REs' internal AML/CFT procedures and policies, CDD, customer files and sample accounts and transaction information. FINTRAC is able to exchange this information with other supervisors with whom FINTRAC has MOUs. FINTRAC currently has 10 such MOUs with six countries.

Criterion 40.16

FINTRAC can conduct inquiries on behalf of foreign counterparts with which it has an MOU under PCMLTFA, ss.65.1(1)(a) and 65.1(2). Although the PCMLTFA does not provide FINTRAC with the power to authorise the foreign counterpart to conduct inquiries on FINTRAC's behalf, where relevant, Canada reports that they can leverage the MOU relationship to request or provide entity-specific information.

Criterion 40.17

FINTRAC can enter into agreements or arrangement with other supervisors to exchange information pursuant to the PCMLTFA. Under such agreements or arrangements, there is an obligation to keep such information confidential and not further disclose the information. FINTRAC's MOU sets out the requirements for use and release and confidentiality of information exchanged between financial supervisors. It is provided in the MOU that information that has been exchanged will not be disclosed without the express consent of the requested authority. It is also provided that if an authority has a legal obligation to disclose information, it will notify and seek the consent of the other authority.

Exchange of information between law enforcement authorities

Criterion 40.18

Under article 44.1 of the RCMP Operational Manual on "Sharing of information with Foreign Law Enforcement," RCMP and other Canadian LEAs are able to exchange domestically available information with foreign counterparts for intelligence or investigative purposes relating to ML, associated predicate offenses or TF, including the identification and the tracing of proceeds and instrumentalities of crime. CBSA shares information and intelligence related to trade-based illicit financial flows, as well as currency and monetary instruments with its foreign partners directly and via FINTRAC.

Criterion 40.19

Sub-criterion 40.19(a) - Canadian LEAs (including RCMP and CBSA) are able to exchange domestically available information with foreign counterparts for intelligence or investigative purposes relating to ML, associated predicate offences or TF. This includes the identification and the tracing of proceeds and instrumentalities of crime (*CBSA* - Customs Act, subsection 107(8) and PCMLTFA ss. 39.3 and 39.31) *(RCMP* - Privacy Act*,* s.8(2)(f)). There are some minor shortcomings in the interpretation of the term "proceeds of crime" to include "property of corresponding value" consistently in all Canadian provinces and territories (see c.38.1). Mutual Legal Assistance Treaty (MLAT) requests pursuant to bilateral treaties and multilateral conventions provide a mechanism for the exchange of domestically available information between Canadian LEAs and international police agencies. This is complemented by INTERPOL Ottawa, CBSA's Liaison Officers Network (LOs), RCMPs' LOs and Analysts Deployed Overseas (ADOs). Obtaining evidence from non-co-operative Canadian witnesses for foreign proceedings is done by letters rogatory to compel

witnesses in Canada to produce documents and be examined under oath. This evidence can then be used at trial in the foreign proceeding.

Canada's constitutional division of powers gives oversight for criminal law to the federal government and oversight for property law to the provincial and territorial governments, therefore the federal MLA regime for criminal matters is unavailable for civil forfeiture assistance. Most of the Canadian provinces have already adopted civil confiscation legislation on a confiscation regime, except 2 provinces and 2 territories (covering less than 2 percent of population and economic activity). If Canada receives a request for NCB assistance, it will direct the counterpart to the appropriate civil forfeiture authority (see c 38.2).

In the case of CBSA, the Agency can spontaneously disclose or respond to foreign requests from foreign partners that articulate the grounds to suspect that non-compliance with customs or AML/CFT legislation has occurred in Canada and initiate regulatory proceedings accordingly. If the CBSA believes that customs prohibitions are occurring as a result of wilful non-compliance with the Customs Act, the Agency can proactively share or respond to foreign requests for information providing Canada and the country in question, providing that the request is in accordance with an international convention, agreement or other written arrangement between the Government of Canada or an institution of the Government of Canada and the government of the foreign state, or organization, community or institution of that state. The agreement does not have to deal exclusively with the exchange of customs information, but it must specifically allow for the disclosure of customs information.

Typically, Free-Trade or Customs Mutual Assistance Agreements are leveraged for these purposes. However, when Canada and the foreign country in question do not have a treaty-level agreement in place, other avenues for sharing are possible (e.g. organization-specific MoUs, or multi-lateral agreements such as the World Trade Organization *Trade Facilitation Agreement* where article 12 permits information exchange with member states when there are reasonable grounds to doubt the truth or accuracy of customs information).

Sub-criterion 40.19(b) - Canadian LEAs are able to commence domestic investigations or proceedings based on information received from foreign counterparts, in appropriate cases. Canadian law enforcement authorities can use the legislative authorities available under the *Criminal Code* and other Acts[151], including investigative techniques available in accordance with domestic law, to conduct inquiries and obtain information on behalf of and based on information received from foreign counterparts. Both the Possession of Proceeds of Crime and Money Laundering offence definitions allow that the offence need not to have occurred in Canada so long "as the act or omission anywhere that, if it had occurred in Canada, would have constituted a designated offence". This allows Canada's LEAs to utilize evidence from foreign counterparts to apply for search warrants and production orders for example to secure evidence.

Criterion 40.20

The RCMP and other Canadian law enforcement authorities are able to:

Sub-criterion 40.20(a) - Share relevant information regarding criminal property and property of corresponding value without a prior request (see RCMP's Operational Manual 44.1). The RCMP may request or initiate such sharing, regardless of the existence of an MOU, as long as it complies with the RCMP mandate and this directive, in order to: (1) prevent and/or reduce criminal activity, apprehend criminals and protect life and property; and (2) inform the foreign department or agency of criminal intelligence, including trends, relevant to its jurisdiction. As regards the CBSA, the PCMLTFA (s 39.3 and 39.31) and Custom Act (s 107(8)) contain specific information sharing provisions that allow for proactive and responsive information sharing with foreign partners, providing a Written Collaborative Agreement is in place.

[151] Controlled Drugs and Substances Act, the Security Offences Act, the Corruption of Foreign Public Officials Act, and the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, and various provincial policing acts. The RCMP are also authorized under the RCMP Act.

Sub-criterion 40.20(b) - Under the MLACMA (s.3(2), s.6(1), s.9(1), s.9.2(1), s.9.3(1), s.9.4(1), s.11(1), s.13, and s.18(1)), the RCMP and other Canadian law enforcement agencies can spontaneously exchange domestically available information for intelligence or investigative purposes and co-operate with foreign counterparts to identify and trace criminal property and property of corresponding value.

Criterion 40.21

Canadian LEAs can use the legislative powers available under the Criminal Code[152] and other Acts[153] including investigative techniques available in accordance with domestic law, to conduct inquiries and obtain information on behalf of foreign counterparts. Both the PPOC and ML offense definitions allow that the offense need not to have occurred in Canada "so long as the act or omission anywhere that, if it had occurred in Canada, would have constituted a designated offence." Canada extensively co-operates with foreign law enforcement counterparts based on multilateral agreements in the context of Interpol and on bilateral MOUs

Criterion 40.22

Canadian LEAs are able to form joint investigative teams to conduct co-operative investigations, and, when necessary, establish bilateral or multilateral arrangement to enable such joint investigations on the basis of RCMP Act s.4 and s.57(1-2) (and the RCMP Operational policy Chapter 15 provides guidance on joint forces operation). Joint Forces Operations (JFO) involve one or more police/enforcement agencies working with the RCMP on a continuing basis over a definite period. A JFO should be considered in major multi-jurisdictional cases that are in support of national priorities and must be consistent with the mandated responsibility of the particular resource.

Criterion 40.23

Sub-criterion 40.23(a) - The RCMP has and continues to participate in numerous one-off and ongoing multilateral networks to better facilitate rapid and constructive international co-operation in asset recovery including but not limited to: the Camden Asset Recovery Informal Network (CARIN), the Global Focal Point Conference on Asset Recovery, and the FATF-INTERPOL Roundtable Engagement on Asset Recovery.

Sub-criterion 40.23(b) - The RCMP participates in the CARIN. Over the past several years, a number of international co-operation efforts were conducted as a result of this network. CFOs also participate in CARIN in relation to cases involving non-criminal restraint and forfeiture, as such matters fall within the provincial sphere under Canada's constitutional division of powers. Canada also has observer status in the ARIN network of the Caribbean (ARIN-CARIB) and participates in the UK-backed International Anti-Corruption Co-ordination Centre, which includes within its mandate tackling laundering of the proceeds of crime stemming from corruption, bribery, embezzlement, or abuse of authority by politically exposed persons.

Exchange of information between non-counterparts

Criterion 40.24

Under the PCMLTFA, FINTRAC as an FIU and a supervisor may enter into an agreement or arrangement, in writing, with an institution or agency of a foreign state that "*has powers and duties, similar to those of the Centre,*" which seems to exclude diagonal co-operation. Nevertheless, Canadian authorities indicate than when FINTRAC receives a request from a non-counterpart, the Center addresses it either through its domestic partners or through the foreign FIU or supervisor. RCMP Operational Manual 44.1 outlines that sharing information will be managed on a case-by-case basis and there is no element that prevents RCMP to exchanging information indirectly. Canada reports that there is nothing to prevent the CBSA from

[152] CC, s.462.31 allows police to perform reverse sting operations to obtain information on ML cases and CC, s.462.32 to seize POC.

[153] Mutual Legal Assistance in Criminal Matters Act, RCMP Act and Canada Evidence Act.

receiving request for information relevant to the mandate and authorities of the CBSA from a foreign counterpart via FINTRAC. In this case, CBSA would follow-up directly with the foreign counterpart who originated the request to ensure all necessary elements are present in the request to consider a lawful release of information according to the applicable legislation. When they request information indirectly, FINTRAC and CBSA make it clear for what purpose and on whose behalf the request is made.

> ***Weighting and conclusion –*** Canada has a legal framework in place to facilitate international co-operation. Overall, most competent authorities are able to rapidly provide the widest possible range of international co-operation, with clear processes to execute requests, and no unreasonable restrictions. There is no competent authority with the power to take immediate action to withhold consent to or suspend a transaction suspected of being related to ML, predicate offences, or TF in response to a relevant request from a foreign counterpart. Competent authorities can only rely on informal networks with FIs to share the information and the decision to proceed with a suspension or withholding ultimately lies within the discretion of the FIs, while formal restraint orders are sought. This is a moderate shortcoming heavily weighted considering Canada's risk and context where fraud represents one of the major risks. FINTRAC's ability to request additional information is restricted due to conditional requirements of a report being submitted, which does not allow FINTRAC to perform its analysis properly as and when needed. This is a short shortcoming that has a negative impact on the FIU's ability to provide information as needed to foreign counterparts. Recommendation 40 is rated **largely compliant**.

Annex B. Technical compliance shortcomings

The Recommendations presented in green have been subject to a full assessment, reflecting either amendments to the FATF Standards or substantive changes made by the country to its legal, regulatory, or operational frameworks since its last mutual evaluation. The remaining Recommendations are based on pre-existing information from the country's most recent assessments and have not been reassessed in this review.

Recommendation	Rating*	Factor(s) underlying the rating
1) Assessing risks and applying a risk-based approach	Largely compliant	• Minor shortcomings in relation to the coverage of legal profession as they are not monitored for mitigation of ML/TF/PF risks. • Lack of clear articulation of threats and vulnerabilities to derive risks, transparent analysis of residual risks rantings and low-risk sectors.
2) National co-operation and co-ordination	Compliant	• All criteria are met.
3) Money laundering offence	Compliant	• All criteria are met.
4) Confiscation and provisional measures	Partially compliant	• PoCV cannot be secured through provisional measures. • Lack of enforceable powers to suspend transactions beyond voluntary arrangements with major FIs. • Limited NCBC at the federal level. • Mechanisms to enforce forfeiture orders do not extend to PoCV.
5) Terrorist financing offence	Compliant	• All criteria are met.
6) Targeted financial sanctions related to terrorism and terrorist financing	Compliant	• All criteria are met.
7) Targeted financial sanctions related to proliferation	Largely compliant	• Missing information on how to submit delisting requests to the UN on behalf of a designated person or entity. • Absence of a mechanism in place to monitor compliance by Fis and DNFBPs specifically with the UN sanctions provisions.
8) Non-profit organisations	Largely compliant	• Tax-exempt nonprofits have less well-articulated oversight systems when compared to those of registered charities.
9) Financial institutions secrecy laws	Compliant	• All criteria are met.
10) Customer due diligence	Largely compliant	• Exclusion of financial leasing, factoring and finance companies from scope of AML/CTF regime. • Minor deficiency of existence of numbered accounts whose use is governed only by regulatory guidance. • Minor deficiency of limited application, to natural persons only, of requirements to reconfirm identity where doubts arise about the information collected. • No explicit legal requirements to check source of funds. • No requirement to identify the beneficiary of a life insurance payout. • Minor deficiency of exceptions to the timing requirements for verifying identity are not clearly justified in terms of what is reasonably practicable or necessary to facilitate the normal. • Minor deficiency of the lack of a requirement to obtain the address and principal place of business of non-corporate legal persons and legal arrangements such as trusts.
11) Record-keeping	Largely compliant	• The legal obligation requiring REs to provide records to FINTRAC within 30 days does not constitute "swiftly", as the standard specifies.

12) Politically exposed persons	Largely compliant	• There is no obligation to obtain approval before establishing business relationships with PEPs
13) Correspondent banking	Compliant	• All criteria are met.
14) Money or value transfer services	Compliant	• All criteria are met.
15) New technologies	Largely compliant	• Minor deficiencies regarding the provision of widest possible international co-operation with regard to virtual assets and VASP activities.
16) Wire transfers	Largely compliant	• MTVS providers are not legally required to review transaction parties or ensure STRs are filed and shared with the FIUs of all affected countries.
17) Reliance on third parties	Compliant	• All criteria are met.
18) Internal controls and foreign branches and subsidiaries	Largely compliant	• No specific legal requirements in relation to screening procedures when hiring employees.
19) Higher-risk countries	Compliant	• All criteria are met.
20) Reporting of suspicious transactions	Compliant	• All criteria are met.
21) Tipping-off and confidentiality	Largely compliant	• The tipping off and confidentiality requirements do not explicitly extend to the reporting of suspicions related to ML predicate offenses.
22) DNFBPs: customer due diligence	Largely compliant	• Lawyers and law firms in Canada are not subject to requirements on PEPs and new technologies. • Lawyer's CDD requirements, obligations to keep a record of the verification of a client's identity, and third-party requirements are set out in regulation and not in law. • Lawyers are generally exempted from client verification requirements in relation to certain EFTs. • Not all company service providers are covered under the Canada's framework.
23) DNFBPs: other measures	Largely compliant	• Relevant DNFBPs, including legal counsels, legal firms, Québec notaries and some company service providers are not under AML/CFT obligations.
24) Transparency and beneficial ownership of legal persons	Partially compliant	• Lack of beneficial ownership registers in Ontario, BC and Alberta. • At a provincial level, the verification mechanisms on BO data held by corporations are not equivalent to those in place at the federal level, apart from in Québec. • Lack of beneficial ownership requirements in Alberta, creating a material gap in compliance.
25) Transparency and beneficial ownership of legal arrangements	Largely compliant	• Need for a more detailed assessment of risks regarding the risks of trusts administered in Canada versus those of foreign trusts with sufficient links to Canada. • Lack of explicit obligation under federal or Québec income tax statutes to look through legal persons which are parties to a trust to determine their beneficial owners. • Disclosure of information may be prevented where solicitor-client privilege or professional secrecy applies. • Not all possible trust relationships with legal persons are captured by reporting requirements.
26) Regulation and supervision of financial institutions	Partially compliant	• Gaps remain in provincial regulatory frameworks, notably in the application of fit-and-proper requirements after market entry and in entry controls for certain non-bank financial entities. • SRM does not cater for assessing the ML/TF risk profile of non-reporters to support risk-based supervision due to shortcomings in its design. • Supervision of banks was assessed as not being in line with the BCBS core principles 2 and 29.
27) Powers of supervisors	Compliant	• All criteria are met.
28) Regulation and supervision of DNFBPs	Partially compliant	• Ship-based casinos are not subject to AML/CFT regulations. • Lawyers and Québec notaries are not subject to the federal AML/CFT framework. • There are doubts regarding the maximum threshold for civil and criminal sanctions for serious violations or repeat offenders. • Other deficiencies in high-risk sectors including DPMS, real estate and lawyers.

29) Financial intelligence units	Largely compliant	• Requesting additional information is restricted due to conditional requirements of a report being submitted, which does not allow FINTRAC to perform its analysis properly as and when needed
30) Responsibilities of law enforcement and investigative authorities	Largely compliant	• Competent authorities cannot proactively obtain freezing or seizing/restraint orders over PoCV to satisfy a fine in lieu of forfeiture.
31) Powers of law enforcement and investigative authorities	Largely compliant	• Minor shortcoming regarding the scope of the powers available to search persons.
32) Cash couriers	Compliant	• All criteria are met.
33) Statistics	Compliant	• All criteria are met.
34) Guidance and feedback	Compliant	• All criteria are met.
35) Sanctions	Largely compliant	• AML/CFT penalties available are not considered sufficiently proportionate and dissuasive for large reporting entities. • The range of measures adopted by FINTRAC in addition to AMP to sanction reporting entities is considered limited. • Not all law societies have the legislative authority to impose sanctions on law firms.
36) International instruments	Compliant	• All criteria are met.
37) Mutual legal assistance	Largely compliant	• The MLACMA does not allow for the interception of communications (either telephone or messaging) based solely on a foreign request, what hampers foreign investigations.
38) Mutual legal assistance: freezing and confiscation	Largely compliant	• Executing foreign confiscations request for PoCV relies on a non-binding provincial court decision • Enforcement of foreign NCB confiscation orders is not possible under the MLACMA because they were not issued by a "court of criminal jurisdiction. • Freezing, seizing and confiscation orders for PocV located abroad cannot be issued in the context of a domestic case • Minor shorting for NCB asset confiscation in non-criminal cases • Canada is limited to share criminal confiscation with 12 countries, 6 UK overseas territories and third countries through specific administrative arrangements
39) Extradition	Compliant	• All criteria are met.
40) Other forms of international co-operation	Largely compliant	• MOUs do not cover the widest range of foreign counterparts • FINTRAC as a supervisory authority can conduct inquiries on behalf of foreign counterparts where an MOU exists; however, is limited in sharing information with only six jurisdictions. • FINTRAC cannot request additional information following a request from a foreign FIU, when there is no pre-existing report • There is no formal designated authority with the power to take immediate action to withhold consent to or suspend a transaction following a request from a foreign counterpart • Minor shortcomings in the interpretation of the term "proceeds of crime" to include "property of corresponding value" consistently in all Canadian provinces and territories.

Glossary of acronyms

Acronym	Definition
ACMLTF	Advisory Committee on Money Laundering
AGCO	Alcohol and Gaming Commission of Ontario
AMF	Autorité des Marchés Financiers
AML/CFT/CPF	Anti-Money Laundering, Combating the Financing of Terrorism and Combatting the Financing of Proliferation of Weapons of Mass Destruction
AMP	Administrative Monetary Penalty
API	Application Programming Interface
ARIN	Asset Recovery Network
AT	Assessment Team
BC	British Columbia
BCFSA	British Columbia Financial Services Authority
BCSC	British Columbia Securities Commission
BCLC	British Columbia Lottery Corporation
BFCC	CBSA's Border Financial Crime Centre
BO	Beneficial Ownership
CA	Central Authority
CACP	Canadian Association of Chiefs of Police
CAFC	Canadian Anti-Fraud Centre
CARIN	Camden Asset Recovery Inter Agency Network
CBCA	Canada Business Corporations Act
CBCR	Cross-Border Currency Reports
CBSA	Canada Border Services Agency
CBSR	Cross-Boder Seizure Reports
CC	Corporations Canada
CDD	Customer Due Diligence
CDR	Casino Disbursement Reports
CFO	Civil Forfeiture Offices
CIPC	Canadian Police Information Centre
CIRO	Canadian Investment Regulatory Organization
CIROC	Canadian Integrated Response to Organised Crime
CJA	Canadian Jewellers Association
CP	Caisses Populaires
CPF	Counter Proliferation Financing
CRA	Canada Revenue Agency
CRA-RAD	Canada Revenue Agency – Review and Analysis Division
CSA	Canadian Securities Administrators
CSIS	Canadian Security Intelligence Service
CSP	Company Service Providers
CU	Credit Unions
D-SIBs	Domestic Systemically Important Banks
DNFBP	Designated Non-Financial Business or Profession
DPMS	Dealers in Precious Metals and Stones
DPRK	Democratic People's Republic of Korea
EFTR	Electronic Funds Transfers Reports
FAMG	Forensic Accounting Management Group
FINTRAC	Financial Transactions and Reports Analysis Centre of Canada
FIU	Financial Intelligence Unit

FLSC	Federation of Law Societies of Canada
FMSB	Federal Money Services Business
FPT	Federal-Provincial-Territorial
FPNS	Federal Policing National Security (RCMP)
FRFI	Federally Regulated Financial Institutions
GAC	Global Affairs Canada
IAG	Department of Justice Canada International Assistance Group
IMVE	Ideologically Motivated Violent Extremism
IMLIP	Integrated Money Laundering Intelligence Partnership
IMLIT	Integrated Money Laundering Investigation Teams
INSET	Integrated National Security Enforcement Teams
IO	Immediate Outcome
ISC	Individuals with Significant Control
ISED	Innovation, Science and Economic Development Canada
ISF	International Supervisory Forum
IVTS	Informal Value Transfer Systems
JFO	Joint Force Operations
JOIC	Joint Operational Intelligence Cell
JUS	Department of Justice Canada
KRA	Key Recommended Actions
LCTR	Large Cash Transaction Reports
LEAs	Law Enforcement Agencies
LO	Liaison Officer
LPEPR	Listed Person or Entity Property Report
LPOC	Laundering Proceeds of Crime
LVCTR	Large Virtual Currency Transaction Reports
MD	Ministerial Directive
ML	Money Laundering
MLA	Mutual Legal Assistance
MLACMA	Mutual Legal Assistance in Criminal Matters Act
MOU	Memorandum of Understanding
MSB	Money Services Business
MVTS	Money or Value Transfer Service(s)
NCBC	Non-conviction-based confiscation
NCD	Non-Compliance Disclosure
NPO	Non-Profit Organisation
NRA	National Risk Assessment
NSES	National Security Enforcement Sections
OCG	Organized crime groups
OLG	Ontario Lottery Gaming Corporation
OSC	Ontario Securities Commission
OSFI	Office of the Superintendent of Financial Institutions
PA	Provisional arrest
PCO	Privy Council Office
PCMLTFA	Proceeds of Crime (Money Laundering) and Terrorist Financing Act
PCMLTFR	Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations
PEP	Politically Exposed Person
PF	Proliferation Financing/financing the proliferation of weapons of mass destruction
PML	Professional Money Laundering
PoCV	Property of Corresponding Value
PPOC	Possession of Property Obtained by Crime
PPOCPT	Possession of Property Obtained by Crime for the Purposes of Trafficking
PPP	Public-Private Partnerships

PPSC	Public Prosecution Service of Canada
PS	Public Safety Canada
PSPC	Public Services and Procurement Canada
R.	Recommendation
RCMP	Royal Canadian Mounted Police
RCMP-FPNS	RCMP's Federal Policing National Security
RE	Reporting Entities
REQ	Registre des Entreprises du Québec
SCC	Supreme Court of Canada
SCIP	Simultaneous Criminal Investigations Program
SE	Sanction evasion
SIRA-WG	Strategic Intelligence Risk Assessment Working Group
SNPBC	Society of Notaries Public of British Columbia
SOC	Serious organized crime (units)
SRM	Supervision Risk Model
SPPWG	Supervision Public-Private Working Group
STR	Suspicious Transaction Report
TBML	Trade Based Money Laundering
TF	Terrorist Financing
TPOC	Trafficking Property Obtained by Crime
TPR	Terrorist Property Reports
TFS	Targeted Financial Sanctions
UNA	United Nations Act
UNAQITR	United Nations Resolutions on the Taliban, ISIL and Al- Qaida
UNSCR	United Nations Security Council Resolutions
VASP	Virtual Asset Service Provider
VIR	Voluntary Information Record



© FATF

www.fatf-gafi.org

September 2026

Mutual Evaluation of Canada - Anti-money laundering and countering the financing of terrorism and proliferation financing measures

In this report: a summary of the anti-money laundering (AML)/countering the financing of terrorism (CFT)/counter-proliferation financing (CPF) measures in place in Canada at the time of an on-site visit in November 2025.

The report analyses the level of effectiveness of Canada's AML/CFT/CPF system, the level of compliance with the FATF 40 Recommendations and provides recommendations on how the system could be strengthened.