



VIA EMAIL ONLY ([fin.fc-cf.fin@canada.ca](mailto:fin.fc-cf.fin@canada.ca))

**April 27, 2018**

Director General  
Financial Systems Division  
Financial Sector Policy Branch  
Department of Finance Canada  
James Michael Flaherty Building  
90 Elgin Street  
Ottawa ON K1A 0G5

**Re: “Reviewing Canada’s Anti-Money Laundering and Anti-Terrorist Financing Regime,” published February 7, 2018 (the “Paper”)**

Dear Sirs/Mesdames:

Hyperwallet Systems Inc. (“Hyperwallet”) is grateful for the opportunity to provide submissions on the Paper and assist the reviewing Parliamentary committee in its efforts to develop forward policy and promote legislative change.

#### **Hyperwallet’s Business**

Hyperwallet offers a combination of technology and payment services to businesses. A typical customer is a small- or medium-sized enterprise generating sales through the efforts of a global fleet of independent salespeople who earn commission. Hyperwallet’s solutions bridge information and geography gaps between our business payor and its payees, and we help deliver payments globally through a variety of means, including transfers to bank accounts or onto prepaid cards.

#### **The MSB Perspective**

As a money services business registered with FINTRAC and Quebec’s AMF, as well as being the affiliate of equivalently-regulated foreign entities, Hyperwallet’s brief submissions are generally confined to a few aspects of the PCMLTFA and Regulations affecting MSBs.

##### **1. Harmonized Regulation**

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MASS PAYMENTS, SIMPLIFIED

PCMLTFA has invariably triggered some form of registration, licensure or authorization with equivalent regulatory authorities in another home jurisdiction. For MSBs seeking economies of scale by centralizing core operations – including compliance activities – this inevitably yields challenges of incompatible or misaligned regulations. For example, the proposed Canadian Retail Payment Oversight framework already proposes a customer fund safeguarding regime that, when compared with safeguarding rules in the United Kingdom, may ultimately prevent a multinational business from achieving scale by linking their respective bank accounts together.

We believe that Canadian – indeed global – regulation must not only look to foreign regulations for modernization inspiration, but it must actively seek harmony with them. This includes, where possible, adopting common terminology and standards. A truly harmonized regulatory regime may not only incentivize the creation of domestic start-ups, but – more likely – will attract foreign businesses to expand their empire to Canada.

## 2. Verification

We concur with prevailing sentiment that the identify verification methods prescribed by the PCMLTFA have not kept up with modern expectations. Non-face-to-face interactions are now a default method of accessing financial services and not the exception. In addition, we must accept that the customers and other beneficiaries of such services will not be exclusively based domestically, and therefore acceptable sources of independent data for verification purposes must also be global. New “RegTech” solutions can accommodate the uploading of identification documents and achieve live verification across video. All such approaches should be entertained when considering regulatory improvements, provided that registrants mitigate attendant risks.

## 3. De-Risking

We are also keenly aware of the threat of de-risking by banking and other financial partners. We credit much of our success in building strong partnerships to developing and maintaining a robust AML program designed not just to meet the requirements of Canadian regulation but equivalent regulation in other major jurisdictions like the United States, the United Kingdom and Australia. In addition, our own focus on businesses, and not general consumers, differentiates us and our risk profile from more consumer-focused MSBs. Nevertheless, there is inherent sensitivity to MSBs within large institutions, in part because of the longstanding association of the very term MSB with cash-based, consumer focused businesses operating out of physical storefronts. On some level, the very word “money” in MSB suggests cash, which is often associated with consumer activity. Like ourselves, many modern MSBs do not handle any cash. Thus, a more generic or globally common term such as “payment service provider” or equivalent codified by

modernized regulations may be a subtle way of refreshing attitudes towards this type of reporting entity.

### Consent

We consent to the disclosure of the entirety of our submission.

### Conclusion

We hope these submissions provide value for the Parliamentary committee's review, and we welcome any further opportunity to discuss them. I can be reached at 1.604.900.2242 or at [raustin@hyperwallet.com](mailto:raustin@hyperwallet.com).

Sincerely,



Ryan Austin  
Deputy General Counsel and Senior Vice President, Regulatory Affairs  
Hyperwallet Systems Inc.

cc.: Mr. David Herron  
General Counsel  
Hyperwallet