



Stefan Kristjanson
President and Chief Operating Officer, Canada

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DELIVERED BY EMAIL

Director General
Financial Systems Division
Financial Sector Policy Branch
Department of Finance Canada
James Michael Flaherty Building
90 Elgin Street
Ottawa ON K1A 0G5
Email: fin.fc-cf.fin@canada.ca

The Great-West Life Assurance Company, together with its subsidiaries, London Life and Canada Life, is a leading Canadian insurer, with interests in life insurance and health insurance, investment, retirement savings and reinsurance business, primarily in Canada and Europe. Its domestic subsidiaries also include Quadrus Investment Services Ltd., a securities (mutual fund) dealer, and GWL Realty Advisors, a real estate investment advisor company. In these comments, "Great-West" is to be understood as referring to all these entities.

The life and health insurance industry is a significant economic and social contributor in Canada. It protects over 28 million Canadians and makes \$88 billion a year in benefit payments to residents in Canada (of which more than 90 per cent goes to living policyholders as annuity, disability, supplementary health or other benefits and the remaining 10 per cent goes to beneficiaries as death claims). As one of Canada's leading life and health insurance providers, Great-West has approximately 13 million Canadian customers, paying out approximately \$9.1 billion in benefits per year and manages approximately \$100 billion in retirement and investment holdings for Canadians.

Great-West complies with the *Proceeds of Crime Anti-Money Laundering and Terrorist Financing Act* and its associated Regulations, as well as the *Criminal Code*. In accordance with these Canadian laws, Great-West has established and implemented a comprehensive anti-money laundering and anti-terrorist financing ("AML/ATF") program. This program serves as the basis for meeting our reporting, record keeping, client identification and know-your-client requirements in order to deter and detect potential money laundering and terrorist financing.

Great-West supports initiatives that seek to improve Canada's AML/ATF Regime. As such, we are pleased to have the opportunity to provide our comments on the Department's February 7th consultation paper, "Reviewing Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime".

Chapter 1 - Legislative and Regulatory Gaps

Corporate Transparency

We support an enhanced and comprehensive framework for corporate transparency. Corporate registries (federal and provincial) should collect similar “know your client” information from corporations that match the AML/ATF legislative requirements and include, at the least: name, address, nature of principal business, officers, signatories, power to bind, directors as well as details on beneficial ownership, control and corporate structure. Corporations should be held accountable to keep this information current and accurate, and changes should be communicated to the government-maintained registries without delay.

This type of comprehensive framework would be of significant benefit to all reporting entities as a means to validate the existence, and obtain and confirm the beneficial ownership, control and structure information, of their corporate clients.

Access by authorized reporting entities, with their client’s consent, to the corporate registries would improve the ability to rely on “know your client” information and would avoid the need for each reporting entity to replicate the work of confirming corporate client information and determining beneficial ownership. Furthermore, each corporation would only need to provide their information to a corporate registry rather than to each reporting entity for all financial relationships, thus reducing regulatory burden on every corporation in Canada as well.

Politically Exposed Persons (PEP) Determination of Beneficial Owners

Reporting entities already generate significant false positives on their screening of clients against third party PEP databases due to the relative inaccessibility of PEP date of birth (DOB) information in the marketplace. Previous Canadian Life and Health Insurance Association (CLHIA) submissions suggesting improvements to the AML/ATF regime have recommended that the government explore options for making DOBs of domestic PEPs more widely accessible to reporting entities. While not without its privacy drawbacks, it seems reasonable that individuals holding such offices or positions sacrifice some privacy upon choosing to run for office or accepting a position vulnerable to corruption.

Accepting that PEP screening is challenged due to incomplete PEP DOB information, this task would be exponentially more difficult if we were to screen beneficial owners (from whom DOB is not collected) against third party databases where DOB information is scarce for PEPs. Unless the Government intends on also collecting DOB information for beneficial owners as part of its new corporate transparency framework, reporting entities would be faced with enormous false positives and no effective manner to confirm or eliminate potential matches.

The next logical step in any enhanced framework for corporate transparency would have the competent authority responsible for the corporate registry also perform the screening of beneficial owners (as well as officers and directors) for PEPs and sanctions/terrorists. Any matches would be flagged accordingly to assist with the reporting entities’ client risk assessments. This would follow a “touch it once” rule that would again significantly reduce the regulatory and reporting burden for both reporting entities and corporations alike.

Clarify the Definition of Politically Exposed Domestic Person (PEPs)

Great-West appreciates any efforts to further clarify the definition of domestic PEPs. We have also faced many situations where determinations of clients who might be foreign PEPs was made particularly difficult by a lack of information to confirm whether a particular foreign organization matched the definition of “agency”. Any additional clarification that would assist in the PEP determinations of “head of a government agency” would be valuable.

Standardize Record Keeping and Client Identification

Great-West does not currently face many challenges with varied dollar amount thresholds but does understand the difficulties in socializing any complex regulation across its business lines and distribution channels. However, Great-West does believe that the Regime should consider a dollar threshold minimum for suspicious transaction reporting. Considering the relatively low conversion rate of suspicious transaction reports (STRs) to enforcement/disruption action, it seems clear that many low amount STRs are never forwarded past the intelligence stage. Great-West recognizes that intelligence collected by FINTRAC is used for other purposes (i.e., trends, network analysis, etc.) but there should also be a cost-benefit analysis completed on the relative value of lower amount STRs. Filing thresholds such as those applied by the Financial Crimes Enforcement Network in the United States should be considered.

Chapter 2 - Enhancing the Exchange of Information While Protecting Canadians' Rights

Engagement Model for Information Sharing with the Private Sector

Insurance companies face situations where they are filing multiple suspicious transaction reports on repetitive monthly or annual premium payments based on indications of criminal predicate behaviour by a client. In many cases, it is not based on conviction but only on arrest and/or charge information that was made public by law enforcement through media releases. Unfortunately, more often than not, the results of cases are not made public, especially if the charges are stayed or prosecution is otherwise abandoned early in the process. This leaves reporting entities in the dark about the strength of the criminal behaviour indicator previously identified. Mechanisms need to exist whereby reporting entities can access the status of charges, especially when they were made public by law enforcement in the first place. The Chief Anti-Money Laundering Officer of Great-West has attempted to use the *Access to Information Act* to obtain the status of charges without success. Law enforcement should find a legal method to share, or at least make more widely accessible, charge information that is or ought to be in the public realm.

Chapter 3 – Strengthening Intelligence Capacity and Enforcement

Geographic Targeting Orders

Great-West would appreciate any formalization of the processes where high risk geographic areas are defined and identified in Canada. Reporting entities would be much better served if the current patchwork of elements to consider for geographic risk assessments was complemented by geographic targeting orders specific to affected reporting sectors.

Other Identified Vulnerabilities – Bank Drafts

Through significant experience in dealing with bank drafts, Great-West has noticed a significant discrepancy in processes used by issuing institutions. Canada Post and CIBC are examples of institutions that include the purchaser/remitter/payor name (typed) on the face of their bank drafts. There are other institutions, including some major domestic banks, which do not include the purchaser name on their bank drafts. This leaves the receiving institution vulnerable, especially when the amounts are large, to accepting funds from an unknown source. Regulations generally exist that force financial institutions to know with whom they are dealing before any bank draft purchase is completed. Therefore, a helpful extension would be a legal requirement that all institutions issuing bank drafts must include the purchaser's name on the face of any draft they issue.

Chapter 4 – Modernizing the Framework and its Supervision

Enhancing and Strengthening Identification Methods

Great-West has availed itself of the newer measures to ascertain the identity of its clients (especially the credit file method), and appreciates any method that makes identification of its clients more efficient. Great-West believes that regulations need to continue to remain flexible and adaptive in an environment of rapid development and emerging technologies.

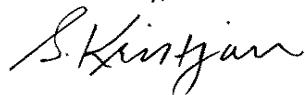
Consultation Process for the Development of Guidance

The Great-West Life Assurance Company is the insurance industry representative on the main Advisory Committee on Money Laundering and Terrorist Financing (ACMLTF), and participates on 2 of the 3 ACMLTF working groups (National Risk Assessment, and Guidance and Policy Interpretation). The Company's contributions are carefully considered by Finance and FINTRAC personnel as part of the consultation process. Moreover, it believes any efforts by OSFI and FINTRAC to collaborate on guidance to be valuable, and it agrees that guidance is significantly strengthened when OSFI and FINTRAC are able to consult and discuss their development of guidance with the insurance industry at its various stages.

Conclusion

Great-West is a strong supporter of the Canadian anti-money laundering and anti-terrorist financing Regime. As always, we appreciate and thank you for the opportunity to provide input and suggestions to advance the efficiency and effectiveness of the Regime so that our collective resources are better aligned to support the objectives of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. We would be happy to further discuss any matter raised in the consultation paper or to provide additional comments, should you so request.

Yours sincerely,



Stefan Kristjanson