

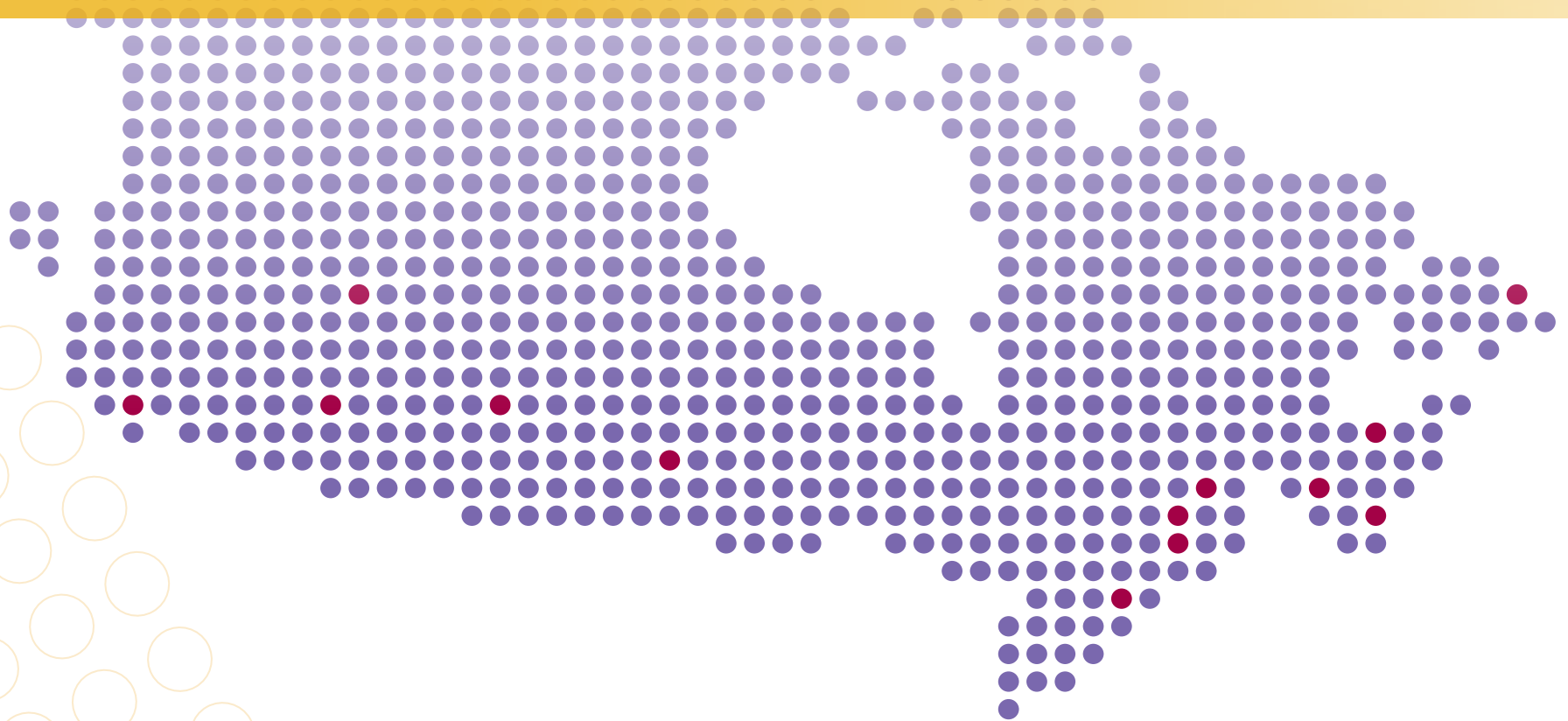


Grant Thornton

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Canada's compliance officers speak out

National Anti-Money Laundering survey report 2015



Executive summary

Capturing the collective voice of compliance officers

When it comes to compliance with Canada's anti-money laundering (AML) and anti-terrorist financing (ATF) rules, regulated entities labour under a significant burden. To understand the ways in which they are addressing these mandates, the National AML services team at Grant Thornton LLP recently conducted a survey of over 300 people working in compliance roles in entities regulated by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). While these respondents hold varying roles (see profile section below), we refer to them collectively here as compliance officers.

This survey is the first time that the collective voice of Canadian AML compliance professionals has been captured. Notably, that voice comes from almost every major sector of the regulated entity universe, including OSFI-regulated financial institutions, credit unions, money services businesses (MSBs), securities firms/dealers, insurance companies and real estate firms.

In addition to providing consolidated survey responses so you can get a sense of the pulse of the current compliance landscape, this report also breaks down several responses by sector, highlighting relevant sectorial differences where they exist. By taking this approach, we believe you will see your sector realities reflected in the pages of this report, while also gaining insight into how your peers are performing.

HIGHLIGHTS OF THE REPORT INCLUDE:

- **Variable compliance resources:** Although all regulated entities are expected to comply with similar requirements, not all sectors are dedicating equivalent resources to compliance. Compliance officers at financial institutions, for instance, report spending over 33% of their time exclusively on AML compliance, while only 12% of credit union respondents do the same. That number drops to 7% for securities dealers. The contrast demonstrates that size and scale do have an impact and perhaps some sectors are ahead of others.
- **Compliance gaps remain:** Despite the strides regulated entities are making, program gaps remain. In general, most boards lack a mandated AML function and do not yet well understand the organization's tolerance for risk. Compliance staff members are not consistently visiting their various locations and training is

rarely tailored to the needs of different roles. Most significantly, a percentage of respondents indicated they have no unusual transaction reporting process—and no high-risk clients. These responses suggest that some organizations have weaknesses in their risk assessment process.

- **Risk identification:** The work to keep risk assessments updated and relevant varies by sector. Most respondents are making efforts to update assessments annually. Fairly consistently across sectors, respondents are primarily relying on front line staff to identify suspicious transactions.
- **Support is at hand:** On the plus side, the majority of survey respondents feel that they are well-supported by management and say compliance is viewed as an important function within their organizations. This bodes well for entities that continue to face rising and more complex regulatory requirements.

As the survey responses show, some of Canada's regulated entities are well along the maturity curve when it comes to AML compliance (note: throughout this report, references to AML include ATF). Yet more work remains to be done. It is our hope that this report will validate the direction you are already taking, while highlighting additional opportunities for improvement that you may want to explore.

Special thanks to all of the compliance officers who took the time to respond to our survey and provide us with their opinions on the current state of the AML compliance landscape. We are confident their insight will give you a better understanding of how AML compliance across the country is unfolding.

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As money laundering and terrorist financing activities become increasingly sophisticated and complex, it is becoming essential for compliance officers to allocate adequate resources to these issues. This section of the National AML survey report looks at the priorities of Canada's AML compliance officers, compliance processes, whether organizations are prioritizing AML/ATF compliance, the costs of compliance and trends in training, recordkeeping and transaction monitoring.

Priorities of Canada's AML compliance officers

Canada's compliance officers face a complex regulatory landscape that requires them to divide their attention among a wide range of mandates. To understand where their focus lies, we asked survey participants to indicate which laws or compliance issues take highest priority for them.

RESPONSES BY SECTOR

- Perhaps not surprisingly, **credit union, financial institution and insurance** respondents said their highest priorities were to comply with Canadian AML laws, as well as a host of industry regulations issued by organizations such as the Office of the Superintendent of Financial Institutions (OSFI), and provincial regulators, including, for example, the Deposit Insurance Corporation of Canada (DICO) and BC's Financial Institutions Commission (FICOM).
- Compliance with Canadian AML laws also took highest priority among **MSBs**, followed by compliance with foreign AML laws.
- The list of priorities differed somewhat for **securities dealers**, with respondents indicating that their primary compliance focus was with provincial securities legislation and dealing with provincial regulators, as well as the Investment Industry Regulatory Organization of Canada (IIROC). Only then does their attention turn to Canadian AML laws and other industry regulations.
- Finally, while we had limited response from the **real estate** sector, AML/ATF compliance did not rank as a top priority among our respondents, who were focused instead on first complying with industry regulations and provincial legislation.

OBSERVATIONS

These results seem to show that securities dealers and real estate firms are not placing an equivalent level of importance on AML compliance as do other regulated sectors. In addition, only credit union respondents indicated that cyber security was a top three issue. All other sectors relegated it to a lower priority status. This may be due to the fact that credit unions are more likely to address cyber security through their compliance departments, given their size, while larger organizations may have other functions to address this issue.



Approach to compliance

To put AML/ATF compliance into context, we asked respondents to share some details about their approach to compliance generally.

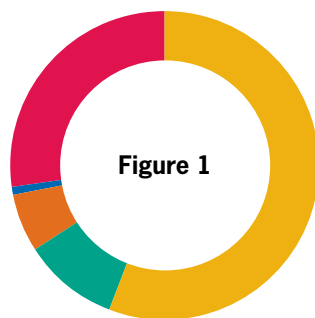
HERE'S WHAT WE LEARNED

- **Compliance visits:** Among organizations with multiple locations (branches, agents or offices), 56% of respondents said compliance staff had visited these locations within the last six months. Roughly 16% had made visits more than six months previous, but within the past two years. However, almost 27% indicated that compliance staff had never visited branch or agent locations. Among financial institutions and credit unions, only 11% and 14%, respectively, had never made visits to another location. Those numbers were considerably higher in other sectors, however, with 29% of MSBs and a full 42% of securities dealers saying they had never made visits to a branch or agent location (see Figures 1, 2).
- **Approach to regulatory compliance:** Across sectors, 59% of respondents said they are making coordinated efforts to meet multiple regulatory mandates at the same time, with an additional 3% saying they rely on a regulatory compliance management process to achieve this goal. However, 22% of respondents still look at each set of regulations separately, while 16% feel that coordinated regulatory compliance does not apply to their organizations.

OBSERVATIONS

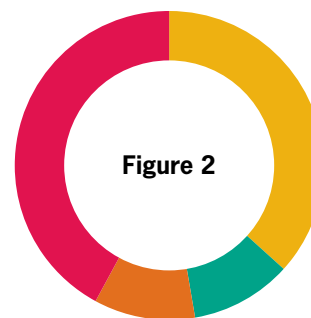
Compliance staff members at MSBs and securities dealers, in particular, are making few—if any—regular visits to other locations. This can hamper the compliance function's ability to gauge how well frontline employees understand corporate compliance policies and procedures and their regulatory obligations. To ensure a consistent application of compliance policies across the enterprise, we recommend that compliance officers commit to visiting staff and agents, and reviewing branch operations, on at least an annual basis.

The disparate approach to coordinating regulatory compliance is also worth noting. Experience has shown that a siloed approach to regulatory compliance can increase compliance costs and result in process inefficiencies. Conversely, organizations that take a coordinated approach to meeting multiple regulatory mandates often gain the ability to turn compliance from a box-checking initiative into a competitive differentiator.



Compliance visits—MSBs

- 56% Less than six months
- 10% More than six months and less than one year
- 6% More than one year and less than two years
- 1% More than two years
- 27% Never visited



Compliance visits—securities dealers

- 37% Less than six months
- 11% More than six months and less than one year
- 10% More than one year and less than two years
- 0% More than two years
- 42% Never visited

Reporting structures

To obtain a sense of the role that compliance plays within regulated entities in general, we asked respondents to indicate who they report to and how frequently the board of directors (and/or the audit or other committees) meets to discuss compliance issues.



HERE'S WHAT WE LEARNED

- **Reporting structures:** On average, 35% of compliance officers report to senior or executive management, 28% report directly to the owner(s) of the regulated entity and 21% report to the board of directors. There is, however, some variation on a sectorial basis. Among credit unions, for instance, while 47% of compliance officers report to senior or executive management, a full 26% indicate they report to the audit committee or a designated board member.
- **Board involvement:** Although 21% of the organizations surveyed do not have a board of directors, 37% said the compliance officer meets with the board (and/or another committee) on a regular basis. In 19% of the cases, the compliance officer is actually a member of the board. On the flip side, 23% of respondents said they meet only with designated individuals of the board and/or other committees, meet with the board and/or other committees on an irregular basis, are never involved in board or committee meetings or are simply unsure of the process followed.

OBSERVATIONS

While compliance officers quite consistently report to senior/executive management, the owner(s) of the regulated entity or the board of directors, a small number of organizations do not involve the board and/or audit committee with compliance. Today's heightened expectations demand that compliance be driven not only from the compliance department, but from all personnel—from the board and executive management to frontline staff. As such, the lack of regular board oversight represents a potential gap—not only for the organization itself, but for individual board members who could be held personally liable as a result of failures in their AML/ATF regimes.

We asked compliance officers if they earned a bonus as part of their compensation. 37% reported they were not eligible for a bonus; 21% reported that their bonus was based on sales, revenue and client targets; 14% preferred not to say; 10% said a bonus is arbitrarily decided by management; 8% did not know; and 10% reported that it's based on other criteria including audit results.

AML/ATF as an organizational priority

We asked survey participants to describe both the compliance officer's role and the board's approach relative to AML/ATF compliance.

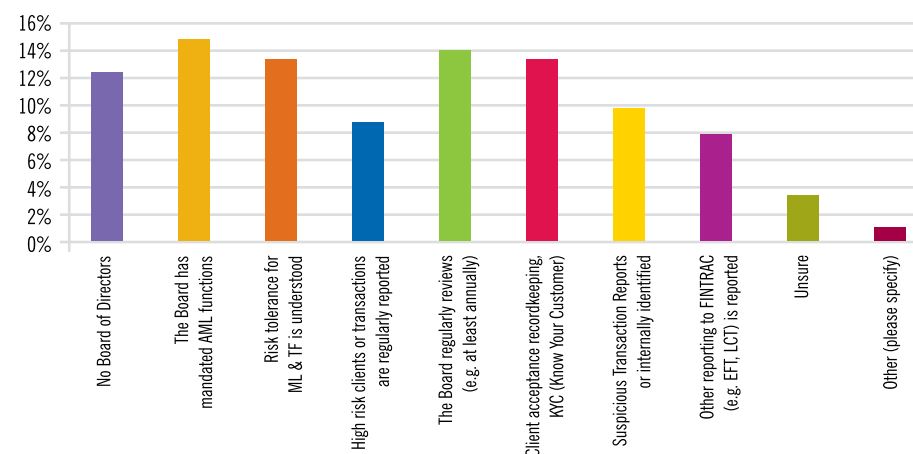


HERE'S WHAT WE LEARNED

- **The compliance officer's role:** In 47% of the organizations surveyed, the compliance officer has final say when it comes to AML/ATF risk management. An additional 28% said the compliance officer advises on the course of action, but others make the final decision. And roughly 20% of respondent organizations indicated that responsibility for AML risk management shifts depending on the specific issue being addressed. In those cases, decisions may be made by the Chief AML Officer, the board of directors, or the CFO and CEO jointly.
- **The board's role:** When it comes to AML compliance, the board seems to be playing a relatively minor role at most regulated entities. Only 15% of respondents said their board has a mandated AML function; only 18% said the board regularly reviews the company's risk assessments or the risk assessment updates; and only 13% said the board regularly reviews client acceptance, recordkeeping and Know Your Client (KYC) procedures. Moreover, almost 83% of respondents report that the board does not fully understand the organization's tolerance for money laundering and terrorist financing risk (see Figure 3).

Figure 3

How does the board of directors operate with respect to compliance? (Select all that apply)



OBSERVATIONS

It appears that a majority of organizations (75%) rely either predominantly or exclusively on their compliance officers to manage AML risk, often with limited senior management or board oversight. This may represent a regulatory risk, especially as regulators are increasingly holding senior managers and the board to a higher level of accountability when it comes to the oversight of the AML compliance program, conducting AML risk assessments and adhering to related business policies. To strengthen their AML compliance programs, Canada's regulated entities should ensure that key aspects of their compliance regimes are reviewed more regularly by senior management and/or the board of directors.

Costs of compliance

It comes as no surprise that regulated entities expect the costs of compliance to continue rising in the coming years.

HERE'S WHAT WE LEARNED

- Over this past year, 87% of respondents said the costs of compliance have gone up. While 33% of those respondents were uncertain of the extent of the increase, 13% indicated costs had not risen by more than 25%, and another 13% said they went up by between 25% and 100%.
- While 33% of survey respondents expect compliance costs to remain stable over the next year, 42% expect marginal cost increases, while 21% say costs will rise by more than 25% (see Figure 4).
- Most of those costs, however, will not be going to hire more compliance staff. While 28% of respondents plan to increase staffing over the next year, 47% will be maintaining the current size of their compliance departments, with another 14% saying they would like to increase staff but have no plans to do so.

Figure 4

	PLAN TO INCREASE COMPLIANCE STAFFING	WANT TO INCREASE COMPLIANCE STAFF BUT NO BUDGET
Credit unions	10%	20%
Financial institutions	44%	13%
Securities dealers	21%	14%
MSBs	29%	13%



AML training

Given how rapidly the AML universe is evolving, training is taking on added importance for regulated entities. Yet improvements can still be made.



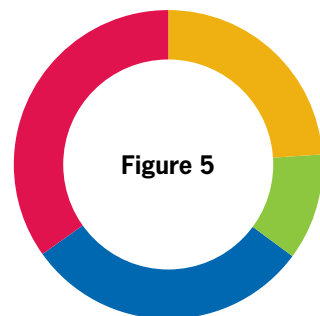
HERE'S WHAT WE LEARNED

- **Sources of AML knowledge:** Canada's compliance officers typically rely on internal and external sources to enhance their AML knowledge: (1) regulators, formal associations and networks (i.e. OSFI, IIROC, FINTRAC, ACAMS...); and (2) internal resources provided by the company. Only a very small percentage of respondents also turn to third-party professionals, informal networks or industry colleagues.
- **Frequency of employee training:** When it comes to AML training, the majority of respondents are on top of their game, with 57% providing annual employee training, 13% providing semi-annual training, 12% providing quarterly training and 7% providing monthly training. This left only 11% of respondents with no set training schedule or no formal plan.

- **Types of training:** A full 71% of respondent organizations provide internally-developed training, 17% of which is web-based. The remainder of respondents attend external conferences, rely on third-party web-based training or access in-person training from external sources.
- **Board training:** Yet, when it comes to keeping the board up-to-date, training processes appear to falter. While 35% of boards receive AML training tailored to their role, 30% are receiving the same training as other employees and 11% receive no training at all (see Figure 5).

OBSERVATIONS

Although the vast majority of regulated entities provide ongoing AML training for their employees, few are tailoring their training programs to the needs of specific groups—especially senior management or boards. As the regulatory environment becomes more complex and onerous, organizations need to focus on offering more specialized training to help these groups better understand their obligations for assessing risk, setting the entity's risk tolerance, and implementing policies and procedures to mitigate the identified risks. They may also want to more deliberately ensure their compliance personnel are supported with additional external training and certification opportunities.



Describe the training received by the company's board of directors

- The organization does not have a board of directors
- No training for the board of directors
- The board receives training that is identical as other employees
- The board receives specifically designed training regarding their governance role

Recordkeeping and transaction monitoring

Recordkeeping and transaction monitoring are two critical pillars of mitigating money laundering and terrorist financing risks, as well as complying with the legislation. Here, we look at some of the systems organizations are using to meet these mandates.

HERE'S WHAT WE LEARNED

- **Recordkeeping/KYC:** While a majority of companies (61%) rely on proprietary, off-the-shelf or customized off-the-shelf automated systems to manage their AML recordkeeping, over 22% of respondents still use a manual, paper-based system. The remainder fall somewhere in between, generally relying on a combination of computerized systems (such as Excel) and manual processes.
- **Transaction monitoring:** The transition to automated systems is even slower for transaction monitoring, with only 57% of companies using automation. Conversely, 23% perform manual reviews, 17% rely on systems like Excel and almost 2% report simply not monitoring at all.

OBSERVATIONS

With each passing year, money launderers, terrorist organizations and, now more often, cybercriminals rely on increasingly sophisticated tactics to perpetrate their crimes. To identify these transactions and counter this threat, regulated entities must use equivalently sophisticated detection techniques. This calls into question the viability of continuing to rely on manual processes to monitor and identify suspicious transactions. To strengthen their AML processes, regulated entities should consider implementing automated systems to better monitor their customers' transactions.



Understanding money laundering risk

- 10** Risk assessments
- 11** Risk rating
- 12** Identifying risky business
- 13** Current and emerging risks
- 14** Addressing risk

To keep pace with changing risk profiles, regulated entities need a fulsome understanding of both current and emerging money laundering and terrorist financing risks. This section of the National AML survey report looks at organizational approaches to developing risk assessments, discusses approaches to identifying suspicious activity and risk rating clients, and pinpoints the current and emerging risks compliance officers are monitoring.

Risk assessments

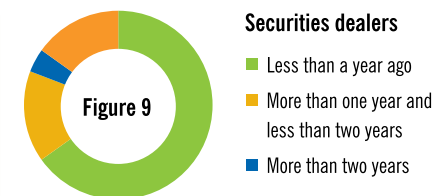
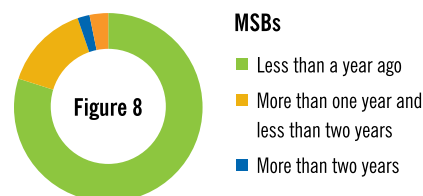
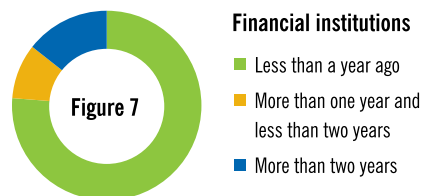
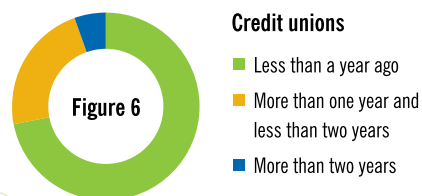
To develop an effective AML compliance regime, all regulated entities are required to analyze the potential threats and vulnerabilities to money laundering and terrorist financing to which their business is exposed. This risk assessment should take into account both business-based risks (those associated with products, services, delivery channels and geographic locations) and relationship-based risks (those that may involve potentially high-risk clients). To gain insight into their processes, we asked survey participants about their approaches to identifying and assessing risk.

HERE'S WHAT WE LEARNED

- While the majority of respondents (62%) conduct internal or self-developed risk assessments, 22% rely on external assistance and an additional 10% outsource the entire initiative to consultants.
- Respondent organizations are also largely making efforts to keep their risk assessments current, with 73% saying that they updated their risk assessment less than a year ago. Notably, however, 7% of organizations continue to rely on a risk assessment that is at least two years old, and a surprising 6% said they have either never updated their risk assessment or that they have no risk assessment at all.
- Once again, these responses differ by sector. For instance, while 80% of MSBs said their risk assessments were updated in the past year, 3% said it had never been updated or does not exist. Among securities dealers, only 65% updated their risk assessment less than one year ago, and a full 15% said it had never been updated or they don't have one at all (see Figures 6 to 9).

OBSERVATIONS

In recent years, the risk of money laundering and terrorist financing has become increasingly pervasive, extending not only to a growing list of geographic locations but to a range of new products, services and delivery channels. To keep pace with rapidly evolving threat typologies, regulated entities should strongly consider updating their risk assessments on at least an annual basis. Those that do not—or that lack a risk assessment at all—are at risk not only of regulatory non-compliance and administrative monetary penalties, but of heightened exposure to money laundering and terrorist financing risks as well. Organizations should be scanning and researching their business and operational environment to ensure they have adequately considered new and emerging risks (i.e. virtual currencies, mobile/online accessibility, emerging payment processors and platforms).



Risk rating

In addition to developing a documented risk assessment, regulated entities are also required to risk rate their clients (although a formal written assessment regarding each client’s risk rating is not required). To learn how companies are approaching this requirement, we asked survey participants about their processes.



HERE’S WHAT WE LEARNED

The vast majority (83%) of respondents individually risk rate their clients by either using a formula or arbitrarily, using indicators. Five percent risk rate their clients by group, rather than by individual client. However, the remaining 12% of respondents reported that they do not individually risk rate clients at all (see Figure 10).

OBSERVATIONS

Aside from being mandatory, risk rating is a critical measure for identifying higher risk clients and ultimately detecting and preventing money laundering and terrorist financing activity. As such, all regulated entities should engage in some form of client risk rating and develop mitigating controls to deal with higher risk clients.

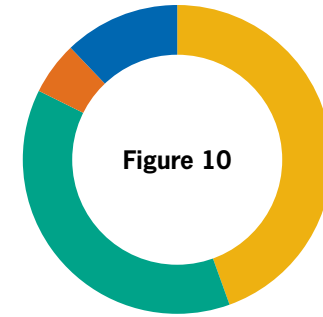


Figure 10

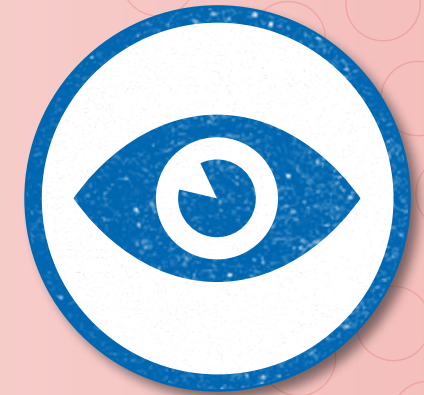
Do you individually risk rate clients?

- Yes, using formula/calculated method
- Yes, arbitrarily using indicators
- Yes, but by group and not by individual client
- No

Figure 11

	YES CLIENTS INDIVIDUALLY RISK RATED	NO CLIENTS NOT INDIVIDUALLY RISK RATED
MSBs	93%	7%
Financial institutions	90%	10%
Credit unions	94%	6%
Securities dealers	65%	35%

Identifying risky business



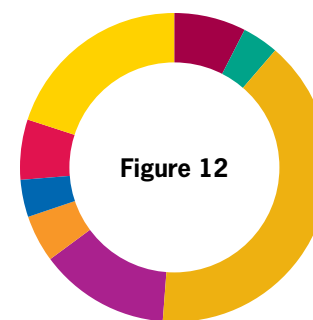
Yet another regulatory mandate under the PCMLTFA is the requirement to report suspicious transactions that may be related to a money laundering or terrorist financing offence. We asked survey participants to tell us about their suspicious transaction reporting processes.

HERE'S WHAT WE LEARNED

- **Identification of suspicious activity:** Across sectors, respondents most frequently rely on their frontline staff to identify potentially suspicious activity. The next most important source for this information is compliance staff, with automated system monitoring falling into last place.
- **Frequency of reporting:** Roughly 40% of respondents indicated that, over the last year, their organizations had not submitted any suspicious transaction reports (STRs), with an additional 16% of respondents saying they had submitted fewer than six. Approximately 20% of respondents submitted between six and 20 STRs this past year; 16% submitted between 20 and 100; 6% submitted between 100 and 500; and 2% submitted more than 500 STRs.
- **STRs as a percentage of unusual transactions:** Some organizations require staff to report unusual activity, which is reviewed by the compliance department before a suspicious transaction report is submitted to FINTRAC; in fact, 87% of the organizations surveyed use this approach. We tried to assess how regulated entities are differentiating between unusual and suspicious transactions. Notably, 11% of respondents do not differentiate—all unusual activity results in an STR, and an additional 19% say that 75% to 90% of their unusual transactions result in an STR. On the opposite end of the spectrum, 30% of respondents say that fewer than 50% of their unusual transactions result in an STR (see Figure 11).

OBSERVATIONS

While some organizations are reporting all transactions identified as unusual, others appear to be going through a process of investigation and due diligence—and reporting only when transactions are considered suspicious. This may indicate that some organizations have more mature identification, monitoring and/or training processes that allow them to more efficiently assess which transactions do not align with the organization's tolerance for risk. We recommend that organizations that identify unusual activity focus their efforts on tracking the conversion rate or flow through rate (e.g. the number of transactions identified as unusual internally compared to the number which are ultimately reported externally as STRs) to try to make the identification process as efficient as possible.



Number of STRs as a percentage of unusual (or red flagged) transactions

- There is no unusual transaction reporting process - all unusual activity results in an STR
- There is an unusual transaction reporting process and all unusual transactions result in an STR
- No STRs were submitted
- Approximately 90% of all unusual transactions result in an STR
- Approximately 75% of all unusual transactions result in an STR
- Approximately 50% of all unusual transactions result in an STR
- Approximately 25% of all unusual transactions result in an STR
- Less than 10% of all unusual transactions result in an STR

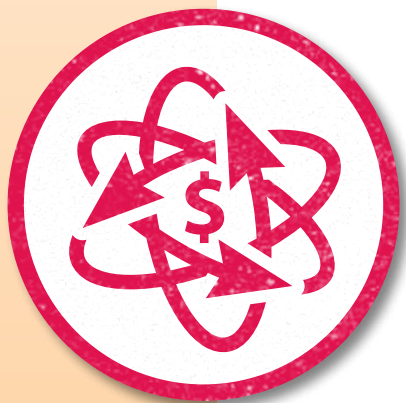
Current and emerging risks

To understand how regulated entities perceive the risk landscape, we asked them to rank organizational risks from highest to lowest priority.

HERE'S WHAT WE LEARNED

In order of priority, regulated entities are most concerned about the following:

1. Understanding the source of their clients' funds
2. Gaining knowledge of the beneficial owners of their corporate clients
3. Trade-based money laundering activity
4. New products and services
5. Monitoring clients that transact across several lines of business
6. Cybercrime and fraudulent schemes targeting the organization
7. Unregulated activity the organization has with its clients



When it comes to ranking longer-term risks, respondent priorities were as follows:

1. Adequately assessing money laundering and terrorist financing risk in the organization
2. Regulatory fines or penalties against the organization
3. Resources for compliance
4. Keeping current with global regulatory regimes
5. Regulatory fines or penalties against the compliance officer
6. Acceptance of virtual currencies

To understand how compliance officers are managing their own professional risk, we asked if they had liability insurance directly related to their role. 17% said yes, it was paid for by their employer; 3% said yes, they paid directly; 66% said no; and 14% reported that they were unsure if they had coverage through employment.

Addressing risk

Once organizations identify and assess AML risks, risk rate clients and develop a process to identify suspicious transactions, they must next decide how to address the risks they identify.

HERE'S HOW SURVEY PARTICIPANTS ARE RESPONDING

- **Enhanced due diligence:** Respondent organizations report using a combination of approaches to conduct enhanced due diligence, including requesting additional information from the client (re: source of funds, relationship to beneficiaries, etc.); requesting additional documentation (i.e. contracts, agreements, account statements, receipts from other financial entities, etc.); manually selecting transactions for further analysis; and/or conducting automated, periodic analysis. Roughly 2.4% of respondents said they have no enhanced due diligence procedures in place.
- **Accepting high risk clients:** 30% of organizations reported that their organizations do not accept high risk clients, however a full 61% do so, with specific procedures in place. An additional 4% of respondents accept high risk clients without specific acceptance procedures in place, while 2% do not risk rate clients and so lack the ability to identify those that may present a higher risk.
- **Monitoring high risk clients:** Once again, respondent organizations rely on several methods to monitor high risk clients and/or their transactions—including conducting a review when the client performs a transaction; conducting monthly, quarterly, bi-annual or annual reviews; or reviewing high risk clients or their transactions on a more sporadic basis. Notably, some financial institutions (10%), MSBs (6%) and securities dealers (27%) indicated they do not have high risk clients.
- **Identifying product/service risk:** When it comes to launching new products and services, 67% of organizations involve compliance at the outset, during the planning stage, while 14% involve compliance when the product or service is ready to launch. Over 12%, however, say they have no formal process to bring in compliance.

OBSERVATIONS

Although regulated entities appear to be taking a wide variety of steps to address identified risks, process gaps still remain. Six percent of respondents accept high risk clients with no procedures in place, or cannot even identify potentially high risk clients—exposing the organization to both significant risk and potential liability. Roughly 12% of companies continue to introduce new projects and services without running them through AML compliance—opening the door to vulnerability. And several securities dealers, financial institutions and MSBs say they have no high risk clients at all. In these cases, entities that do not accept high risk clients must be able to demonstrate that they have adequately scrutinized their customers to support this claim.

Who asks clients for more information?

When respondent organizations need to follow up with clients as part of their enhanced due diligence process, inquiries are most frequently made by their customer relationship staff (39.5%), followed by their compliance staff (19%). An additional 39.5% of respondents choose the personnel to follow up depending on each specific situation, while 2% are unsure of their organization's procedure.

The voice of Canada's AML compliance officers



In this section of the National AML survey report, we look at compliance officers' opinions regarding the strength of Canada's PCMLTFA—both for their organizations and for other regulated entities. We also explore how well supported compliance officers feel.

16 Here's what we learned

Here's what we learned

HERE'S HOW SURVEY PARTICIPANTS ARE RESPONDING

- **Adequacy of the PCMLTFA:** Not surprisingly, 67% of survey respondents felt Canada's legislation adequately combats money laundering and terrorist financing for their organization. Roughly 25% said the regulations are excessive, while 8% said they do not go far enough. When it comes to their opinion on the regulations for other regulated industries, however, only 39% of respondents said the regulations were adequate, and 14% felt more regulations were needed for those other industries.
- **Management support:** Positively, 84% of respondents report that management views compliance as an important function to mitigate organizational risk and 74% say management is very supportive of the function. That said, 14% of respondents said management is indifferent to compliance (but recognizes its necessity) and 18% say they are only "somewhat supported" by management.
- **Compliance priorities:** In terms of their priorities, compliance officers say they require additional resources (personnel, IT, external support, etc.) and greater support from management, although a percentage of respondents did feel they had more than enough resources and support (see Figure 13).

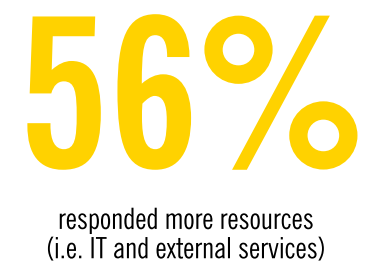
OBSERVATIONS

It is interesting to note that the discrepancy between how survey respondents perceive the adequacy of the PCMLTFA relative to their own organizations versus other regulated industries may indicate that compliance officers lack a full understanding of the rules and requirements that apply to sectors other than their own. Additional knowledge in this area is recommended given the interrelationships between Canada's regulated entities. This may indicate that compliance officers are ready to focus on more external risk factors (i.e. other sectors) now that the compliance infrastructure is built within their own organization. We are starting to see indications of this as we interact with various groups across different sectors.

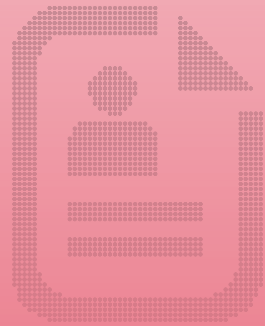
In terms of receiving management support, we were pleasantly surprised to see that most respondents felt well supported. This is not yet universally true, however. Where management support remains weak, compliance officers will continue to struggle to meet their ever-evolving mandates.

Figure 13

In your opinion, what are the main priorities for your organization?



Profile of participants



18 About the individual respondents

19 About the respondent organizations

We surveyed over 300 people working in compliance roles in entities regulated by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). This section outlines other details about the respondents.

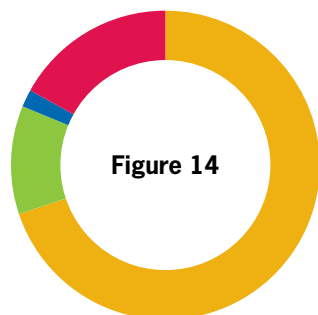
About the individual respondents

DESIGNATIONS BY SECTOR

- **Financial institutions:** 42% are CAMS-certified (Certified Anti-Money Laundering Specialists); 42% reported no designation; 26% have an accounting, law or MBA designation
- **Credit unions:** 33% have CAMS; 17% have CPA/CA or other accounting; 50% reported no designation
- **MSBs:** 18% have CAMS; 48% reported no designation; 23% have an accounting, law or MBA designation
- **Securities dealers:** 30% have CPA/CA or other accounting; 25% have an MBA; only 15% have CAMS; 30% have no designation

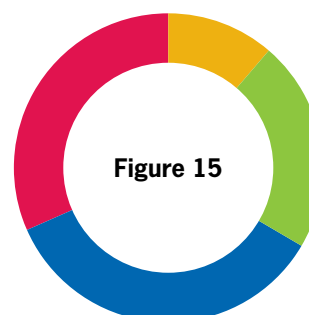
YEARS IN COMPLIANCE, BY SECTOR

- **Financial institutions:** 44% have over 10 years' experience, 30% have five to 10 years, and 11% have two to five. As expected, this sector boasts both the most senior compliance officers and the highest willingness to take on and train new staff.
- **Credit unions:** 36% have more than 10 years of experience, 28% have five to 10 years and an additional 28% have two to five years.
- **MSBs:** 41% have five to 10 years of experience and 27% reported more than 10 years' experience. This high level of experience relative to other sectors may be partly due to the high proportion of MSBs whose owners/operators are responsible for compliance.
- **Securities dealers:** 32% have more than 10 years of experience, 36% have five to 10 years and 25% have two to five years.



What is your title with respect to compliance?

- Compliance Officer/Chief Compliance Officer
- Compliance Manager
- Compliance Analyst
- Other



How many years have you worked in compliance?

- Less than two years
- Two to five years
- Five to ten years
- More than ten years

About the individual respondents (continued)

TIME AND TITLES, BY SECTOR

- Financial institutions:** Similar to credit unions, 22% of respondents report holding no other roles outside compliance, while 33% spent all their time on AML compliance. Given the relative size of financial institutions compared to credit unions, it is interesting that they do not have a higher percentage of staff solely dedicated to AML compliance.
- Credit unions:** 20% of respondents whose only role is compliance spend all their time on AML compliance, while an additional 12% of respondents also hold a Vice President role over other operations.
- MSBs:** With 40% of compliance officers also holding the role of president/owner, it's no surprise that only 24% of respondents spend all their time on AML compliance.
- Securities dealers:** Although 21% of respondents have no role other than compliance, only 7% report spending all their time on AML compliance. This is a notable trend given the risks associated with this sector, especially with regard to understanding the source of client funds.

Tip

As regulated entities grow in size, they need to seriously consider better separation of duties between operations and compliance.

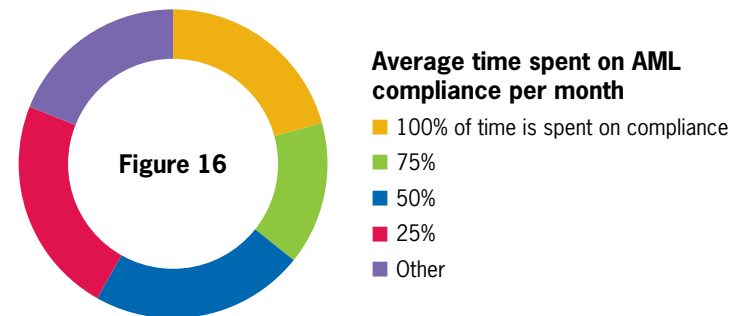
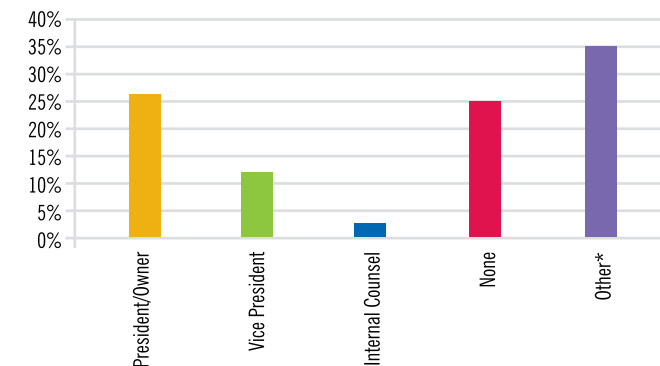


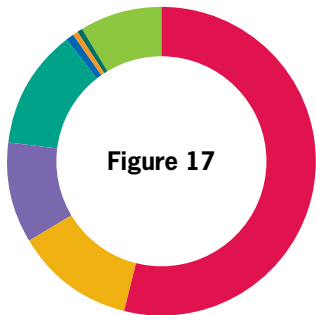
Figure 20

Titles/positions held in addition to compliance



* Other includes: corporate secretary, accounting and services manager, privacy officer, general manager, risk management, manager deposit and wealth services.

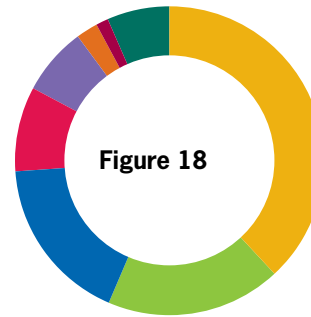
About the respondent organizations



Organization type

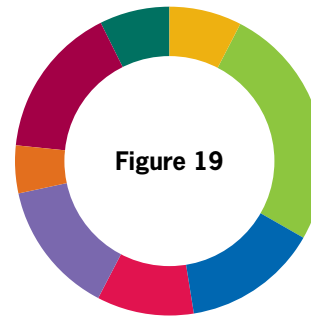
What is your organization type?

- Money services business (foreign exchange, money remittance and other services)
- Securities firm/securities dealer
- Credit union
- Financial institution
- Insurance
- Real estate
- Precious metals and stones dealer (sale of bullion and coins)
- Other



Number of branches

- Single office operation only
- One branch
- Less than five
- Five to 10
- 10 to 20
- 20 to 50
- 50 to 100
- 100 or more



Total number of staff

- One
- Two to five
- Five to 10
- 10 to 20
- 20 to 50
- 50 to 100
- 100 or 1,000
- 1,000 or more

About the respondent organizations (continued)

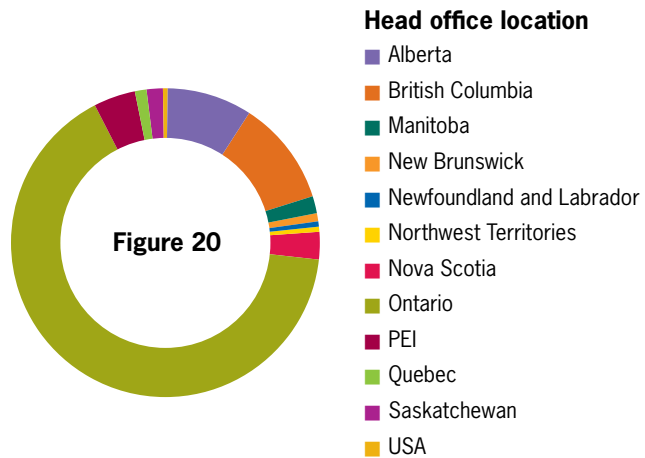
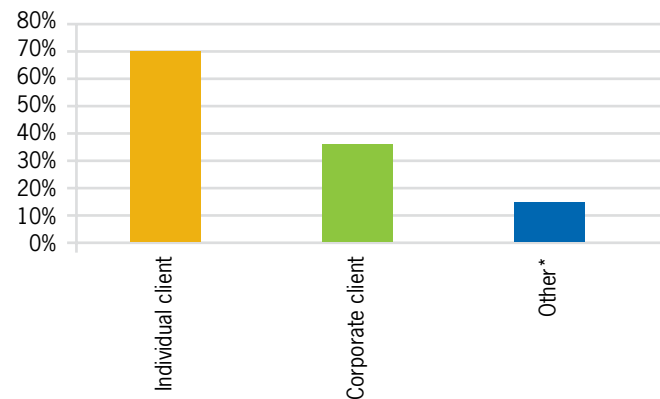
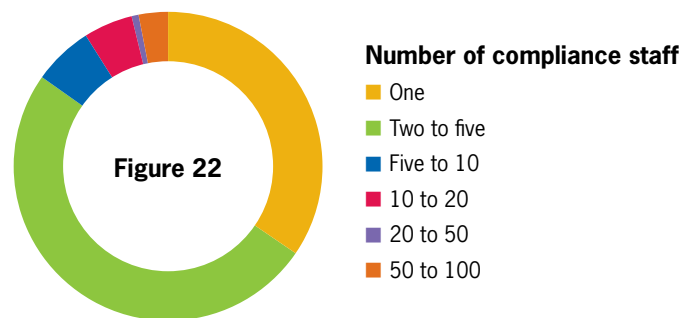


Figure 21

What types of clients do you serve in Canada?



* Other includes: Trusts and not-for-profits



Our national anti-money laundering services:

METHODOLOGY

The national AML/ATF survey was developed by the Grant Thornton National Anti-Money Laundering services team, with input and feedback from AML professionals and compliance officers across a range of regulated entities. We thank them for their feedback and time.

Survey responses were collected between November 18, 2014 and March 31, 2015 and aggregated into the quantitative findings shared in this report.

302 chief AML officers, compliance officers, compliance managers, compliance analysts and other titled respondents primarily from regulated entities across Canada responded to this survey.

Grant Thornton offers leading advisory services in anti-money laundering and terrorist financing deterrence (AML/TFD) to regional, national, multi-jurisdictional and global organizations—both public and private. Our AML practice assists businesses and government institutions in navigating the current regulatory environment by developing comprehensive and effective AML programs.

Our national team—consisting of certified AML specialists, forensic accountants, fraud investigators, former risk management specialist bankers, former police officers, and data analytics and computer specialists—are available to assist you. We have experience in the following types of projects:

- AML/TFD policy and procedure development at both the industry/association level and for individual organizations
- Regulatory preparation and remediation work, including program design, methodology, training and transaction monitoring
- Investigations of proceeds of crime, including tracing of funds and net worth analysis
- Development of tailored typologies for automated and frontline monitoring of suspicious transactions
- Compliance program effectiveness reviews for both internal and external reporting
- Design and gap analysis of compliance programs
- Research and determination of money laundering and terrorist financing risk factors across business and economic sectors
- Identification of specific alarm triggers for electronic monitoring and reporting
- Reporting directly to senior management, boards of directors, audit committees and regulators on the results of work

For more information on how we can help you meet your compliance needs, contact a member of our AML services team. We are here to help.

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