

Sanctions evasion reporting under Canada's anti-money laundering and anti-terrorist financing regime

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On June 20, 2024, [Bill C-59, The Fall Economic Statement Implementation Act, 2023](#) (Bill C-59) received Royal Assent and became law in Canada, expanding Canada's federal anti-money laundering and anti-terrorist financing regime under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) to, effective August 19, 2024, require entities subject to the PCMLTFA to report to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) transactions suspected to be related to sanctions evasion.

Canada's sanctions regime

Canadian sanctions are imposed on designated countries, natural persons and entities (designated persons) under the United Nations Act, the Special Economic Measures Act and the Justice for Victims of Corrupt Foreign Officials Act (the Sergei Magnitsky Law). Canadian sanctions apply to all persons (natural persons and entities) in Canada and Canadians outside of Canada and prohibit dealings or restrict activities with designated persons.

Reporting entities must report to law enforcement, the federal government, and/or federal or provincial regulators, as required under Canadian sanctions legislation, their possession or control of property owned or controlled by a designated person.

PCMLTFA sanctions evasion amendments

The obligations in the PCMLTFA and its regulations apply to prescribed persons commonly referred to as reporting entities (including banks, mortgage lenders, and money services businesses). Bill C-59 amends the PCMLTFA to expand the sanctions reporting obligations of reporting entities to require reporting entities to, as of August 19, 2024, submit a suspicious transaction report to FINTRAC if there are reasonable grounds to suspect that a financial transaction that occurs or is attempted in the course of the reporting entity's activities is related to a sanctions evasion offence.

The PCMLTFA defines a “sanctions evasion offence” as “an offence arising from the contravention of a restriction or prohibition established by an order or a regulation made under the United Nations Act, the Special Economic Measures Act or the Justice for Victims of Corrupt Foreign Officials Act (Sergei Magnitsky Law).

FINTRAC guidance and special bulletin concerning sanctions evasion reporting

Reporting entities have a short period of time to familiarize themselves with their expanded sanctions reporting obligations. Accordingly, on June 25, 2024, FINTRAC published guidance, [Report suspected sanctions evasion](#) (the Guidance) and a [Special Bulletin on financial activity associated with suspected sanctions evasion](#) (the Special Bulletin).

The Guidance is to assist reporting entities in understanding and meeting their compliance obligations respecting reporting sanctions evasion, and the Special Bulletin **provides information on Canada's sanctions regulatory framework and is intended to** inform reporting entities on the characteristics of attempted or completed financial transactions related to suspected sanctions evasion in order to support their ability to meet their obligations under the PCMLTFA.

Guidance

The Guidance is brief, and it explains the sanctions evasion reporting requirement and details how reporting entities must report sanctions evasion-related transactions (by submitting suspicious transaction reports to FINTRAC). Suspicious transaction reports must be submitted to FINTRAC if a transaction is suspected of being related to a money laundering or terrorist financing offence. With the passing of Bill C-59, sanctions evasion offences must also be reported and, if the reporting entity suspects the transaction relates to all of the foregoing offences, FINTRAC requires only one suspicious transaction report to be submitted, detailing each of the suspected offences.

Special Bulletin

The Special Bulletin provides information on the characteristics of financial transactions related to suspected sanctions evasion, and FINTRAC states that the purpose of the Special Bulletin is to assist reporting entities in:

- Identifying and assessing money laundering, terrorist activity financing or sanctions evasion risks,
- Applying controls and measures to mitigate risks, and
- Effectively detect and report suspicious transactions to FINTRAC.

Characteristics of financial transactions associated with sanctions evasion identified in the Special Bulletin include:

- The use of intermediary jurisdictions,
- Evasion of import and export controls,
- Non-resident banking,

- The use of opaque corporate structures,
- The use of proxies and enablers,
- Virtual currencies and other alternative financial channels.

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