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MFDA Bulletin

Membership Information

For Distribution to Relevant Parties within your Firm

Client Identification Requirements under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act

The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) prescribes certain client identification and recordkeeping obligations for securities dealers including MFDA Members. Under the PCMLTFA, securities dealers must ascertain identity when opening an account for a client. The MFDA has been advised by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) that there is some confusion as to when the PCMLTFA requires securities dealers to obtain financial entity account information (e.g. bank account number) when opening an account. The purpose of this Bulletin is to provide clarification to MFDA Members in this regard.

Under the PCMLTFA Regulations, financial entity account information must be obtained for identification purposes when a client is not physically present to open a securities account. In this case, the securities dealer can either require a cleared cheque from the client or otherwise confirm that the client holds an account in his or her name with a financial entity. This account number must then be recorded on the signature card, the account operating agreement or the account application.

However, when a client is present at the opening of a securities account, the dealer is only required to identify the client by referring to an acceptable piece of government identification such as a birth certificate, driver's license, provincial health card or passport. Dealers are not required under the PCMLTFA Regulations to obtain financial entity account information in this situation. FINTRAC guidelines will be revised to reflect this clarification.

For further information MFDA Members may refer to FINTRAC's website at: <http://www.fintrac.gc.ca>.