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**Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF)
Policies and Procedures**

The objective of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act is to help detect and deter money laundering and the financing of terrorist activities. The following outlines the minimum regulatory requirements applicable to **Maria Chekmareva** business operations.

1. RECORDS TO BE KEPT

MY policies and procedures follow FINTRAC guidelines. I follow FINTRAC Guideline: “Record keeping requirements for life insurance companies, brokers and agents” for guidance on the records I keep and the general exceptions to record keeping that are followed. A recent copy is included in the compliance manual for easy reference. To meet MY obligations, the following records are kept:

1. Client Identification Records
2. Suspicious Transaction Report Records
3. Reasonable Measures Records
4. Large Cash Transaction Records

Maria Chekmareva does not accept any cash transactions. However, in the event a large cash transaction is attempted, a large cash transaction report would be made.

I have an obligation to ensure the following client information records are obtained and kept. Also see section 3 “Client Information Records”.

I. Individual Policies

For all non-exempt applications (see “When to identify individuals and confirm the existence of entities – Life insurance companies, brokers and agents”) that are to be owned by an individual the following client information is to be recorded and filed:

- client’s name;
- address;
- nature of the client’s principal business or occupation;
- date of birth;
- copy of document indicating type of identification used to confirm the identity, with the reference number, expiry date, place of issue and date of verification.

II. Corporate ownership

For all non-exempt policies owned by a corporation, the following information is to be recorded and filed:

- name and address of corporation;
- nature of its principal business;
- names of the corporation’s directors;
- the names and addresses of all individuals who directly or indirectly own or control 25% or more of the shares of the corporation;

- information on the ownership, control and structure of the corporation
- if paper record confirms existence- a copy must be retained
- if electronic record confirms existence- corporations registration number and the type and source of the record.

III. Other Entities

For other entities, such as non-corporate entities and charitable organizations, information to determine the existence of the entity and other important information relating to the organization must be recorded and filed. See FINTRAC Guideline: Methods to identify individuals and confirm the existence of entities for the specific details that must be obtained.

IV. Third Party Determination Record

A third party is an individual or entity other than the individual who conducts the transaction. When dealing with a third-party determination the following information will be recorded and filed:

- Third Party's Name
- Third Party's address
- Third Party's date of birth
- Third Party's principal business
- The nature of the relationship between the owner and the third party.
- Any suspicions of third-party involvement

If Third Party is a corporation, the following is to be recorded and filed:

- All of the above information (except date of birth)
- Incorporation number
- Place of incorporation

V. Business Relationship Records

A business relationship is entered into when two or more transactions occur within 5 years where the transaction would require **us** to ascertain the identity of an individual or confirm an entity. When a business relationship is created, a record must be kept of:

- The purpose and intended nature of the relationship; and
- Any ongoing monitoring of the relationships

Once **Maria Chekmareva has** entered into a business relationship with a client, I have to keep a record of the purpose and intended nature of the business relationship. I also have to review this information on a periodic basis and keep it up to date.

Here is a short, non-exhaustive list of examples of purpose and intended nature of a business relationship:

- Financial planning and advice
- Capital preservation
- Estate planning and preservation

VI. Politically Exposed Persons (PEP) and Heads of International Organization (HIO) Records

Also see FINTRAC Guideline: Politically exposed persons and heads of international organizations – Life insurance companies, brokers and agents.

For all confirmed foreign PEPs, their family members or close associates and for all high-risk domestic PEP and HIOs, their family members or close associates, the following records will be kept and filed:

- the office or position of the PEP or HIO;
- the name of the organization or institution of the PEP or HIO;
- the source of the funds, if known, that were used for the transaction;
- the date you determined the individual to be a PEP, HIO, their family member or close associate;
- the name of the member of senior management who reviewed the transaction,
- the date the transaction was reviewed.

We will include in the record, the nature of the relationship between you and the PEP or HIO, if deemed applicable.

These PEP and HIO account records will be retained for at least five years from the day the account to which they relate is closed.

VII.Suspicious Transaction Report Records

For all suspicious transactions, a copy of the report MUST be kept. See FINTRAC Guideline: Record keeping requirements for life insurance companies, brokers and agents

VIII.On-Going Monitoring Records

We will keep a record of the measures taken for ongoing monitoring, which includes:

- the procedures that are in place to perform periodic ongoing monitoring;
- the procedures that are in place to perform the enhanced measures for high-risk clients;
- the information that is gathered as a result of the ongoing monitoring; and
- the information that is gathered as a result of the enhanced measures for high-risk clients.

Records of the ongoing monitoring measures taken will be retained for at least five years from the date they were created.

2. ASCERTAINING CLIENT IDENTITY (VERIFICATION OF OWNER)

MY policies and procedures follow FINTRAC Guideline “When to identify individuals and confirm the existence of entities – Life insurance companies, brokers and agents” for guidance on client identity and the general exceptions to client identification that are followed. A recent copy is included in MY compliance manual for easy reference.

Maria Chekmareva is required to take reasonable measures to verify the identification of the following individuals or entities:

1. any individual or entity who purchases any insurance policy; and
2. every individual or entity with whom it conducts a transaction required to be reported as suspicious;

This is to be done unless I have already ascertained the client’s identity in a prior transaction. Identification must be obtained within 30 days of creating the client information record.

MY policies and procedures follow FINTRAC Guideline “Methods to identify individuals and confirm the existence of entities” for guidance on how to identify individual clients and entities.

A. Individuals:

I verify the identity of individuals by viewing non-expired government photo identification. I take note of the client identification details, reference number, expiry date, place of issue and date of verification.

Examples of accepted valid and not expired forms of identification include:

- drivers licence
- passport
- permanent resident card
- secure certificate of Indian status
- SIN

I also use the dual identification process and verify the identity of individuals by viewing two original, valid, and current documents from independent and reliable sources. I take note of the client identification details, the name of each source, type, account or reference number and date of verification.

Examples of independent and reliable source documents include:

- vehicle registration
- property tax assessments
- credit card or bank statements

I can also obtain a credit file report from a Canadian credit reporting agency such as Equifax or Transunion. The, the credit file will:

- match the name, address and date of birth that the individual provided;
- be from Canada; foreign credit files are not acceptable;
- have been in existence for at least three years.

B. Children:

I verify the identity of children under 12 years of age by verifying the identity of the parent or guardian using the methods described above. For children between the ages of 12 and 15 the identity is verified by viewing the child's passport and noting the client identification details, reference number, expiry date, place of issue and date of verification. If a passport is unavailable, I would rely on one source of independent and reliable information (see above examples) that contains the name and address of the parent or guardian AND one source that contains the child's name and date of birth (primarily the birth certificate).

C. Corporations and other Entities

I verify the existence of corporations by viewing current and reliable documents that provide identification information on all directors of the corporation, including their occupations, name and address of all beneficial owners who have 25% or more interest in the corporation and information that indicates ownership, control and structure of the corporation.

Acceptable documents to confirm a corporation's existence include:

- certificate of corporate status, a record that has to be filed annually under provincial securities legislation
- corporation's annual report signed by an independent audit firm

- letter of notice of assessment from a municipal
- provincial, territorial or federal government, articles of incorporation
- annual returns
- shareholder agreements

For non-corporate entities reasonable measures are taken to confirm the entities beneficial ownership. This is done through viewing articles of incorporation, annual returns or shareholders agreements and noting the applicable information.

If it is difficult to determine details, I will obtain a written statement from the person who has signed the application for the entity to confirm accuracy of information provided. I will also take reasonable measures to ascertain the identity of the most senior managing officer. This will be treated as a **high risk**.

For charitable organizations or Not-for-Profit, I check the Canadian Revenue Agency (CRA) website to determine if it is a registered charity or not.

To use the CRA website to determine if it is registered charity or not:

- log on to www.cra-arc.gc.ca
- click on “Charities and Giving” tab
- click on “Find Information about a Charity” link
- Click on “Search for Charity in Charities listing” link
- Enter the information

If it is not registered as a charity, I ask if the organization solicits donations or not and document the answer.

In the event we are involved with a Trust, I would obtain the names and addresses of all trustees, all known beneficiaries and settlors of the Trust. This is done through viewing the Trust Deed or Trust Statement.

3. DETERMINATION OF POLITICALLY EXPOSED PERSONS (PEPs) and HEADS OF INTERNATIONAL ORGANIZATIONS (HIO)

As outlined in FINTRAC Guideline “Politically exposed persons and heads of international organizations – Life insurance companies, brokers and agents”, for all lump sum payments of \$100,000 for an annuity or life insurance policy, reasonable measures (such as asking the client or consulting a credible source about the individual in question) are to be taken to determine whether I am dealing with a politically exposed person, the head of an international organization or the family member or close associate of such people. This must be done within 30 days after the transaction occurred.

A **foreign PEP** is as a person who holds or has held one of the following offices or positions or on behalf of a foreign state:

- Head of state or head of government
- Member of the executive council of government or member of the legislature;
- Deputy minister or equivalent rank;
- Ambassador or attaché or counsellor of an ambassador;

- Military officer with rank of general or above;
- President of a state-owned company or state-owned bank;
- Head of a government agency;
- Judge;
- Leader or president of a politically party represented in a legislature

A **domestic PEP** is a person who holds or has held within the last 5 years a specific office or position in or on behalf of the Canadian government, a Canadian provincial government, or a Canadian municipal government:

- Governor General, lieutenant governor or head of government;
- member of the Senate or House of Commons or member of a legislature;
- deputy minister or equivalent rank;
- ambassador, or attaché or counsellor of an ambassador;
- military officer with a rank of general or above;
- president of a corporation that is wholly owned directly by Her Majesty in right of Canada or a province;
- head of a government agency;
- judge of an appellate court in a province, the Federal Court of Appeal or the Supreme Court of Canada;
- leader or president of a political party represented in a legislature; or
- mayor.

A person ceases to be a domestic PEP 5 years after they have left office.

The **head of an international organization** is a person who is either:

1. the head of an international organization established by the governments of states; or
2. the head of an institution established by an international organization.

An international organization is an organization set up by the governments of more than one country.

Once a person is no longer the head of an international organization, or the head of an institution established by an international organization, that person is no longer a HIO.

If a person is a foreign PEP, domestic PEP or HIO, then certain **family members** must also be regarded as PEPs or HIOs. These family members are:

- their mother or father;
- their child;
- their spouse or common-law partner;
- their spouse's or common-law partner's mother or father; and
- their brother, sister, half brother or half-sister (that is, any other child of the individual's mother or father).

An individual or family member described above is a politically exposed foreign person regardless of their citizenship, residence status or birth place.

A **close associate** is an individual who is closely connected to a PEP or HIO for personal or business reasons. The term "close associate" is not intended to capture every person who has been associated with a PEP or HIO.

Some examples of a close association for personal or business reasons include a person who is:

- joint on a policy where one of the holders may be a PEP or HIO;
- an owner who makes a deposit of \$100,000 or more and the payee is a PEP or HIO;
- business partners with, or who beneficially owns or controls a business with, a PEP or HIO;
- in a romantic relationship with a PEP or HIO, such as a boyfriend, girlfriend or mistress;
- involved in financial transactions with a PEP or a HIO;
- a prominent member of the same political party or union as a PEP or HIO;
- serving as a member of the same board as a PEP or HIO; or
- closely carrying out charitable works with a PEP or HIO.

All clients I determine are foreign PEPs, or a family member or close associate of a foreign PEP will automatically be **high risk**. As such, I will also take reasonable measures to determine:

- the source of the funds for the transaction, and
- have a member of senior management review the transaction

If I determine that the person is a domestic PEP, a HIO, or their family member or close associate, I will perform a risk assessment of the person. If I determine that the person is a high risk for a money laundering or a terrorist financing offence, I will take reasonable measures to determine:

- the source of the funds for the transaction, and
- have a member of senior management review the transaction.

If the client is determined to not be high risk, no further actions need to be taken.

4. THIRD PARTY DETERMINATION

MY policies and procedures follow **FINTRAC Guideline “Third party determination requirements”**. A recent copy is included in MY compliance manual for easy reference.

I will take reasonable measures to determine if there is a third party who is instructing the client to conduct an activity or a transaction.

The reasonable measures will depend on the context of the situation and therefore could differ from one situation to the next. At minimum reasonable measures would include retrieving the information already contained in files or elsewhere within MY business environment, or obtaining the information directly from the client.

If it is determined that there is in fact a third party, the following information is to be kept and filed:

- the third party's name, address and principal business or occupation;
- if the third party is an individual, the third party's date of birth;
- the incorporation number and place of incorporation if the third party is a corporation; and

- the nature of the relationship between the third party and either the person who gave you the cash if you are doing this because of a large cash transaction or the organization entering into a service agreement.

Examples of third-party relationships are your client's accountant, agent, customer, employee, friend, legal counsel or relative.

5. ONGOING MONITORING OF BUSINESS RELATIONSHIP AND RELATED RECORDS

MY policies and procedures follow FINTRAC Guidelines "Ongoing monitoring requirements" for guidance on ongoing monitoring of business relationships and related records. A recent copy is included in MY compliance manual for easy reference.

Risk-Based Approach to monitoring customers and business relationships

For any clients and business, relationships identified as having a higher AML/ATF risk profile must be monitored in a manner appropriate to the level of risk.

Use MY risk assessment of the client to determine how frequently they are to be monitored. An individual written assessment is not required for each client, as long as I can demonstrate that the client is in the correct risk category. I have to perform ongoing monitoring of each business relationship to:

- detect suspicious transactions that have to be reported;
- keep client identification, beneficial ownership information, and the purpose and intended nature of the business relationship up to date;
- reassess the level of risk associated with the client's transactions and activities; and
- determine whether the transactions or activities are consistent with the information previously obtained about the client, including the risk assessment of the client.

In order to keep client and beneficial ownership information up to date, I may update the information on record every time the client conducts a transaction that requires the client identity to be confirmed.

In the context of monitoring on a periodic basis, monitoring will vary depending on the risk assessment of the client. As part of MY ongoing monitoring obligations, I must monitor all business relationships, and must monitor business relationships deemed high-risk more frequently, as well as update client identification information and adopt any other appropriate enhanced measures.

Here is a non-exhaustive list of enhanced measures I would take to mitigate the risk in cases of high-risk business relationships:

- Obtaining additional information on the client (e.g. occupation, volume of assets, information available through public databases, Internet, etc.).
- Obtaining information on the source of funds or source of wealth of the client.
- Obtaining information on the reasons for intended or conducted transactions.
- Obtaining the approval of senior management to enter into or maintain the business relationship.
- Identifying patterns of transactions that need further examination.
- Requiring the first payment to be carried out through an account in the client's name with a bank subject to similar client due diligence standards.

- Increased monitoring of transactions of higher-risk products, services and channels.
- Establishing more stringent thresholds for ascertaining identification.
- Gathering additional documents, data or information; or taking additional steps to verify the documents obtained.
- Establishing transaction limits.
- Increasing awareness of high-risk activities and transactions.
- Increasing internal controls of high-risk business relationships.
- Obtaining the approval of senior management at the transaction level for products and services that are new for that client.

The measure chosen will depend on the assessment of the actual situation.

6. RECORD RETENTION REQUIREMENTS

All records must be kept in such a way that they can be provided to FINTRAC within 30 days of any request to examine them.

If I keep records electronically I will ensure that a paper copy can be readily produced from it.

The following records must be retained for a period of at least 5 years following the day on which the last business transaction is conducted:

- Client information records;
- Certificated of corporate status;
- Records that must be filed annually under applicable provincial securities legislation;
- Partnership agreements and articles of association; or
- Any similar records that ascertain the existence of a corporate or non-corporate entity.

7. TRANSACTION REPORTING REQUIREMENTS

Suspicious Transaction or Attempted Transaction Report (STR)

For any situation where there are reasonable grounds to suspect that the transaction or attempted transaction is related to a money laundering or terrorist activity financing offense **notify the Compliance Officer immediately**.

MY policies and procedures follow FINTRAC guidelines. I follow **Guideline 2, subsection 6, 7, 8.1 and 8.2** for guidance on client identity and the general exceptions to client identification that are followed. A recent copy is included in MY compliance manual for easy reference.

Once the compliance officer has determined reasonable grounds to suspect that a transaction is related to a money laundering offence or a terrorist activity financing offence, a suspicious transaction report must be sent to FINTRAC as soon as practicable.

You are not allowed to inform anyone, including the client, about the contents of a suspicious transaction report or even that you have made such a report.

Before the transaction is reported, take reasonable measures to identify the individual who conducted it. This does not apply in the following circumstances:

- If you had already identified the individual as required and you have no doubts about that previous identification information; or
- If you believe that doing so would inform the individual that you are submitting a suspicious transaction report

For comprehensive instructions for filing a STATR, click here:
<http://www.fintrac.gc.ca/publications/guide/Guide3A/str-eng.asp>

Once a report has been sent to FINTRAC, a copy **MUST** be filed.

Appendix 1

Financial Transactions and Reports Analysis Centre of Canada

FINTRAC Guideline: “When to identify individuals and confirm the existence of entities – Life insurance companies, brokers and agents”

In addition to the exceptions explained throughout this Guideline, the following general exceptions apply to client identification requirements:

1. You do not have to re-identify an individual or re-confirm the existence of an entity if you previously did so using the methods specified in the Regulations in place at the time and kept the associated records, so long as you have no doubts about the information used.
2. You do not have to identify an individual or confirm the existence of an entity in respect of one of the following:
 - the purchase of a policy that is an exempt policy (that is, a policy issued for insurance protection and not for significant investment purposes as defined in subsection 306(1) of the Income Tax Regulations);
 - the purchase of a group life insurance policy that does not provide a cash surrender value or a savings component;
 - the purchase of an immediate or deferred annuity that is paid for entirely with funds that are directly transferred from a registered pension plan or from a pension plan that is required to be registered under the Pension Benefits Standards Act, 1985 or similar provincial legislation;
 - the purchase of an immediate or deferred annuity that is paid for entirely with the funds from the proceeds of a group life insurance policy; or
3. the purchase of a registered annuity policy or a registered retirement income fund. If the corporation for which you have to keep a client information record is a securities dealer, you do not have to verify the names of the corporation’s directors.
4. In the case of a group plan, you do not have to identify individual members of the plan if the member’s contributions are made by the sponsor of the plan or by payroll deduction, and you have already confirmed the existence of the entity that is the plan sponsor.
5. If you conduct a transaction for a public body or very large corporation, you do not have to identify them. The same is true regarding a subsidiary of either of those types of entities, if the financial statements of the subsidiary are consolidated with those of the public body or very large corporation.
6. You do not have to identify the individual who conducts a large cash transaction if the cash is received from a financial entity or public body.
7. You do not have to identify an individual if you have reasonable grounds to believe that another life insurance company, broker or agent identified the individual in accordance with the Regulations, for the same transaction or a transaction that is part of a series of transactions that includes the original transaction.
8. You do not have to identify a client if you deal in reinsurance. However, this does not apply to suspicious transactions.
9. You do not have to take reasonable measures to identify the individual who conducts or attempts to conduct a suspicious transaction only if:
10. You have already identified the individual as required and have no doubts about the identification information; or

11. You believe that identifying the individual would inform them that you are submitting a Suspicious Transaction Report.