

ANTI-MONEY LAUNDERING AND TERRORIST FINANCING AMENDMENTS AT A GLANCE

The Law Society has approved by-law amendments to fight money laundering and terrorist financing. These amendments:

- Apply to **all licensees**
- Come into effect **January 1, 2022**
- **Enhance long-standing provisions to combat money laundering and terrorist financing**, requiring that licensees be alert and take steps to address potential dishonesty, fraud, crime, or illegal conduct by clients or others.



CLIENT IDENTIFICATION AND VERIFICATION

New Methods to Verify Identity

Two additional methods to verify client identity are now permitted – **Dual Process Method** and **Credit File Method**.

Exemptions from Verification for Certain Funds Removed

The exemptions from the client verification requirements when the funds are paid or received pursuant to a court order or as a settlement in a proceeding have been removed.

New Requirements when Verifying Identity of Minors

Licensees must take additional steps when verifying the identity of minors under 12 years of age and between 12 and 15 years of age.

Changes to Verification Requirements for Organizations

Where the client is an organization, licensees must verify the identity of the client and its corporate directors and make reasonable efforts to obtain certain ownership information.

The timing for verifying the identity of an organization is reduced from 60 to 30 days after the licensee engages in or gives instructions about the receipt, payment, or transfer of funds.

If the licensee is unable to identify or verify the identity of directors, shareholders, and owners of an entity, including beneficial owners, additional steps must be taken.

New Requirements When Using an Agent to Verify Identity

When the licensee is not meeting with the client in person, use of an agent is permitted but no longer required. The Dual Process or Credit File Method which do not require the licensee and client to be face-to-face could be used instead.

However, if using an agent to verify identity, the licensee and the agent must still have an agreement in writing prior to verifying the identity of the client. The licensee must also satisfy themselves that the information obtained by the agent is valid, current, and obtained using an approved method.

New Source of Funds Requirement

Where a retainer involves the receipt, payment, or transfer of funds, licensees must obtain and record the client's explanation for the source of funds and the date the information was obtained. If the payer is not the client, additional information about the payer and the reason that the client is not paying should also be obtained.

Where the information provided by the client is inconsistent with the terms of the retainer or what the licensee knows or thinks they know about the client, additional due diligence may be required. Such instances are likely to be rare.

New Monitoring Requirement

For on-going retainers involving the receipt, payment, or transfer of funds, licensees are required to periodically monitor the legal services they are providing to assess whether the client's instructions, the information obtained about the client's activities, and the source of funds used in the transaction are consistent with the purpose of the retainer and the information the licensee knows about the client.



CASH TRANSACTIONS

Tribunal Order Exception to Cash Threshold Removed

Licensees may no longer rely on the cash received pursuant to an order of a tribunal exception to receive or accept more than \$7,500 for any client file.



TRUST ACCOUNTING

Use of Trust Account Must Be Directly Related to Legal Services Provided

Consistent with rules that have been in place since 2011, licensees must not pay money into a trust account that is not directly related to legal services being provided by the licensee.

Money Must Not be Kept in Trust Beyond a Minimally Reasonable Period of Time

Licensees must not keep money in a trust account beyond a minimally reasonable amount of time after the legal services have been performed.



WANT MORE INFORMATION OR HAVE QUESTIONS?

- Resources will be available on the Law Society's [Anti-Money Laundering](#) and [Client Identification and Verification Requirements](#) pages.
- View the Law Society's free CPD Program, [The New Anti-Money Laundering Requirements: What You Need to Know Before January 1, 2022](#)".
- Contact the [Practice Management Helpline](#). To do so, call the Law Society at 416-947-3315 or 1-800-668-7380 extension 3315, Monday to Friday, 9:00 a.m. to 5:00 p.m. EST, and select the Helpline option.