



## **Violation related to the appointment of a Compliance Officer**

Did you know that failing to appoint a Compliance Officer is a serious offence that can lead to an administrative monetary penalty (“AMP”) of up to \$100,000? But just naming someone a Compliance Officer is not enough. FINTRAC issues deficiencies and penalties based on the qualifications, role definition and performance of the Compliance Officer.

Appointing a designated person to the role of Compliance Officer is necessary to ensure that there is proper and consistent oversight of a reporting entity’s anti money laundering (“AML”) and counter terrorist financing (“CTF”) compliance program. Appointing a Compliance Officer is the first step in creating an effective AML/CTF compliance program that meets the standards of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (“PCMLTFA”) and the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations (“PCMLTFR”).

Like all penalties, deficiencies are issued based on FINTRAC’s perception of the “harm” of the violation. FINTRAC has set out levels of harm in a guideline to help reporting entities understand its assessment process.

- Level 4 – Failure to ensure that the appointed person has adequate knowledge \$25,000
- Level 3 – Failure to provide the appointed person with authority and resources \$50,000
- Level 2 – Failure to ensure that the appointed person performs all the necessary duties \$75,000
- Level 1 – Failure to appoint a person responsible for the implementation of the compliance program \$100,000

The Compliance Officer (“CO”) is the captain of the ship when it comes to AML compliance. Without a CO there is no designated person responsible for making sure your reporting entity stays the course in meeting evolving regulatory obligations. Not having a compliance officer – or even having a compliance officer with right qualifications and authority – can lead to deficiencies in record keeping, reporting, verifying identities or other obligations. These deficiencies could result in the determination that a reporting entity’s entire compliance program is deficient, which could lead to further AMPs and weaken the entire financial system.

Learn more about the risks of failing to appoint a compliance officer at <https://www.fintrac-canafe.gc.ca/pen/guides/cp-eng#s3>. We routinely provide intensive Compliance Officer training and effectiveness reviews of their work for our clients.

For more information, visit FINTRAC’s [guide on harm done](#) or visit our website at [The AML Shop](#) or email: [Contactus@theamlshop.ca](mailto:Contactus@theamlshop.ca).