

Compliance Update

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FALL 2019

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PROTECTING CLIENT INFORMATION

IA Financial and Manulife Financial shared the following information regarding recent discoveries of a massive theft of client personal data from large financial firms, we encourage Advisors to be proactive and review client validation procedures.

The procedures are designed to help Advisors avoid fraudulent attempts (or “account takeovers”) and to protect clients’ accounts. Taking effective measures to protect clients and your business can be the best defense if such a situation occurs.

Recognize account takeover attempts:

- Withdrawals or redemptions that don't align with client's long-term plans
- Receive requests for statements of holdings that the Advisor recently provided to the client
- Discover an unexpected mailing address change or a new banking relationship
- Receive client-generated rush requests – and have difficulty contacting them by phone to discuss the matter

With this in mind, Advisors must always verify the client's identity when receiving instructions by phone, email or any other method. It is possible that an individual has obtained the personal information of one of our clients and is attempting to pass himself or herself off as the client. Therefore, if Advisors receive transaction instructions not in person, for example, by email or otherwise, and in particular, requests for redemption or banking changes, Advisors must take the time to speak to the

client directly or meet with him or her to make sure it is a legitimate request. Send only encrypted client account information and never share login or password information.

If, after taking steps to verify the client's identity, the Advisor still has doubts, do not disclose any personal information rather contact your Compliance Officer. Your Compliance Officer is expected in turn, to contact Global Pacific's Compliance Officer.

Mandatory Best Practice - We take this opportunity to remind advisors that if they are sending an email that includes personal information, the best practice is to use a secure system.

POLICY & PROCEDURE MANUAL (PPM) NEW UPDATES

Updates are being made and distributed to subscribing advisors to insert to the Advisor's personalized PPM. For all Advisors, the following changes apply to the PPM.

Changes include the addition of annual tracking logs for 1) Privacy Policy Review, 2) Privacy Breach Policy Review, 3) Privacy Policy Staff Training, 4) AML/ATF FINTRAC Policy Review, and 5) AML/ATF FINTRAC Training. The Policies have been updated to include use of these logs.

The definition of Politically Exposed Person (PEP) and Head of an International Organization (HIO) has been enhanced to include “a close associate” to a PEP or HIO.

For example, as part of the risk assessment processes, the advisor may determine that some individuals, not prescribed as family members, could now be considered as a ‘close associate’ of a PEP or HIO.

IFB INDUSTRY UPDATE 2019 – FINTRAC UPDATES

On February 7th, FINTRAC, the Financial Transactions and Reports Analysis Centre of Canada, issued notice that it has developed several new documents to better inform advisors and businesses of its approach to assessing compliance, and how it determines the calculation of any monetary penalties. These documents do not set out any new obligations, but are intended to increase transparency for businesses which are required to have a FINTRAC compliance regime. Independent life insurance agents/brokers are required, by law, to have a FINTRAC compliance regime.

Independent Financial Brokers of Canada (IFB) members should review the documents and, in particular, the detailed information to better understand what to expect, if the Advisor’s business is selected for a FINTRAC compliance examination.

The new documents provided are:

A - FINTRAC Compliance Framework, which provides an overview of the obligations and steps FINTRAC takes when assessing a reporting entity’s (Advisors) compliance.

See <https://www.fintrac-canafe.gc.ca/guidance-directives/overview-apercu/cpf/cpf-eng.pdf>

B - FINTRAC Assessment Manual, which details how compliance examinations are conducted, and what



businesses can do to prepare for an examination.

See <https://www.fintrac-canafe.gc.ca/guidance-directives/exam-examen/cam/cam-eng.pdf>

C - Revised Administrative Monetary Penalties (AMPs) policy, which describes FINTRAC’s approach to determining a penalty, and provides a sample penalty calculation.

See <https://www.fintrac-canafe.gc.ca/pen/2-eng>

D - Notice on Voluntary Self-Declaration of Non-Compliance, which describes FINTRAC’s approach when a business voluntarily declares its non-compliance with the Canada’s Proceeds of Crime (Anti-Money Laundering) and Terrorist Financing Act. **Important: Advisors are to work with their Compliance Officer and Global Pacific’s Compliance Officer if a declaration has been missed as an oversight.**

See <https://www.fintrac-canafe.gc.ca/guidance-directives/exam-examen/vsdonc/1-eng>

Disclaimer: IFB Bulletins are provided for informational purposes for the convenience of IFB members. They are not intended to be a comprehensive review of the topics discussed, or to be used as a substitute for professional advice.

APEXA UPDATE 2019

The insurance industry has centralized the contracting and compliance data to aid in the complicated industry practice for Advisor Contracting. The APEXA process is ‘initiated’ when the Advisor requires a new advisor contract or a change to an existing contract.

APEXA is a web based process to centralize all Advisors’ Contracting, Licensing and Errors & Omissions (E & O) Insurance documents.

Global will assist Advisors through the steps to complete their APEXA profile. Advisors must update their profile with E & O info, Provincial license (s) info on each renewal and where there are material changes are to report such as address, pay instructions and banking details.

COMPLIANCE ATTESTATION – JUNE 1 ANNUALLY

Along with the timeline for BC Annual License renewals, Advisors must sign and return to our Global Pacific

Contracting Team their Annual Attestation of Compliance Obligations. Please be prompt to take care of the return document for this Compliance Requirement before June 1st each year.

When Advisors sign this important attestation document, they are attesting to having met the following compliance component requirements and having implemented them into their practice.

- Code of Ethics and Business Conduct
- Disclosure to Prospective Clients of the Advisor
- Needs Based Sales Practice
- Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)
- Privacy Policy
- Complaint Handling
- Provided Annual Attestation of Compliance

ANNUAL TRAINING WITH ACCREDITATION - ANTI MONEY LAUNDERING / ANTI-TERRORIST FINANCING (AML/ATF)

Annually, Advisors must schedule and pass an AML/ATF Training course to obtain certification. In July, the updated Training Video and Online Exam were made available to our Advisors and Staff on the Global Pacific website. Achieving annual certification is mandatory for all licensees. During a Compliance Assessment, advisors MUST provide their annual certificates so keep them in a safe, long term location.

In addition to the Global Pacific website, there are many equivalent accredited courses available to advisors to achieve this important certification. Always obtain the certificate for passing the exam.

See <https://globalpacific.com/resource-centre/professional-development/ce-tests>

PREPAREDNESS FOR COMPLIANCE ASSESSMENT

Keep a Compliant Client File and be ready for your first and next Compliance Assessment. Providing copies of the requested documents by the due date is mandatory. Don't delay to notify Global Pacific Compliance when the Assessment email request is received.

Global Pacific's Compliance Officer will provide guidance. Call with questions.



The assessment will review:

- Advisor Disclosure
- Privacy Commitment
- Reason Why letter
- Errors and Omissions Insurance
- Continuing Education Credits (if applicable by licensing jurisdiction)
- Anti-money laundering and Privacy compliance programs and written policies
- Suitability of a select number of sales files to include the following items:

- fact-find
- needs analysis
- risk assessment
- life insurance replacement declaration & written analysis
- notes capturing discussions with clients
- other relevant and supporting documentation (illustrations, presentations, correspondence, etc.)

REASON WHY LETTER EFFECTIVE JULY 1ST, 2018 - REMINDER

The Reason Why Letter has been mandatory since July 2018. A letter or email communication is required for advisors to send to their clients after each sale. A Reason Why Letter is to provide clients with documentation to review the product purchased and confirm product suitability. This industry requirement will help clients understand what they purchased, why they made the purchase, and how the products intended objective meets their needs.

This brief, easy-to-understand letter or email helps protect Advisors and their business, builds trust with clients and is an important aspect of sales suitability documentation. Sample client letters have been uploaded to the Global website documents library for

use.

<http://globalpacific.com/bulletins/global-pacific-financial-services-ltd/2018-06-26/new-reason-why-letters-effect-ive-july-1-2018>

FSCO UPDATE ON REGULATORY AND ADMINISTRATIVE MATTERS - FRONTING

The practice known as "fronting", is being taken very seriously by FSCO. Persons involved in such practices have been and will continue to be subject to enforcement action. The term covers situations where an agent holds a licence but chooses to have another agent who did not actually complete the transaction sign as the agent of record, or where an unlicensed person arranges the business and has a licensed person sign on their behalf.

Last year, following separate advisory board hearings, five agents had their licenses revoked as a result of one agent writing insurance policies through the use of other agents "fronting" on his behalf. More recently, an agent was charged with and pleaded guilty to paying commissions to an unlicensed person. The agent did the business transaction in her name, on persons she had not met, and split the commissions with an unlicensed person who had actually completed the transaction.

It is unwise and inappropriate for an agent to "front" business generated by someone else. Agents should not allow themselves to be used by someone else. Not only is fronting improper from a consumer standpoint,

but if something goes wrong, it is the agent who will be held accountable. Agents who have participated in such arrangements in the past have not only lost their licences, but have also frequently been left with substantial chargebacks.

https://www.fSCO.gov.on.ca/en/insurance/lifehealthbulletins/Archives/Pages/lh-01_99.aspx

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