



# Equifax Canada: Your Authority for New AML Guidelines

Valuable insights gained by  
premier credit bureau to help  
ensure compliance

“Equifax strives to help regulators understand our business and the rules that govern it and likewise we are working diligently to understand the spirit and intent of the regulations and guidance, not just the written words. This places Equifax in a unique position to assist our customers beyond providing comprehensive compliance solutions. ”

— Julia Szadkowski, Attorney, Equifax Canada Co.

On June 17, 2016, new guidelines for the *Proceeds of Crime (Money Laundering) Anti-Terrorist Financing Act* (PCMLTFA) were released. Equifax has been following the development of the new regulations and guidance closely. Equifax provided information about its own compliance regime and data practices to FINTRAC and the Department of Finance to help the regulators assess the value and use of Canadian credit files for identity verification. Under the new guidelines, a registered Canadian credit bureau is a reliable source that can be used to help reporting entities implement the revised identity verification methods set out in the new guidelines.

As the leading global provider of insights and information that help customers make informed credit decisions, Equifax is committed to promoting awareness, clarity, and understanding about FINTRAC’s new guidelines “Methods to ascertain the identity of individual clients” (the “Guidelines”). We aim to work with reporting entities to help determine how best to comply with the new Guidelines within the specified time frame.

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## What are the new Guidelines?

The key criticisms of the former FINTRAC guidelines for identity verification, in particular, Guideline 6: Record Keeping and Client Identification, include that the guidelines were too prescriptive and reporting entities, although implementing robust overall compliance regimes, found it difficult to clearly meet the requirements. Additionally, there was concern that with rapidly changing technology and business practices, the former guidelines were too restrictive and onerous to account for the changing needs of business while ensuring appropriate measure of client verification could be taken.

As a result of amendments to the governing regulations enacted by the Department of Finance, FINTRAC developed the new Guidelines with the aim of giving reporting entities more flexibility and greater clarification for identity verification.

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## The new guidelines now stipulate:

- A clear basis for reporting entities to understand their obligations on how to implement the various identity verification methods;
- Expanded options for verification methods;
- An expanded situational framework where regulated entities can rely on identity verification previously undertaken by another person, even if that person is not regulated by the PCMLTFA; and,
- A simplified method to verify and record an individual's identity with a standard methodology including both single source and dual source verification method.

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## Using a Credit File to Comply with the Single Source Method

1. In that past, the credit file could be used as one of two methods to verify identify or on its own in limited circumstances. Under the new Guidelines, a credit file, on its own, may be used to complete identity verification provided that the following conditions are met: Credit file and application must match the following;
  - Name;
  - Address; and
  - Date of Birth
2. Credit file must be from Canada
3. Credit file has been in existence for three or more years

In respect of the Credit File, in order to meet requirements for auditing purposes, reporting entities have the following recordkeeping obligations:

1. Client's name;
2. Name of bureau holding the file;
3. Reference number of the credit file ; and
4. Date the file was consulted or searched (file access date)

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## How does the Credit File and the Canadian Credit Bureau fit into the Dual Source Method?

The Credit File and the Canadian Credit Bureau fit into the Dual Source Method in two (2) ways:

1. The credit file can be used as one of two sources required under the Dual Method; or
2. A Canadian Credit Bureau can provide a reporting entity with an "Identification Product" that will qualify as meeting the Dual Method Requirements. This Identification Product is a net new method of performing identity verification under the new Guidelines.

### 1. The Credit File as one of two sources under the Dual Method

More specifically, when reporting entities fail to meet the requirements of Single Source Method, they need to employ the Dual Source Method. In the context of using a Canadian credit file under the Single Source Method, this may arise where:

1. The credit file is less than 3 years old;
2. The reporting entity failed to satisfy the verification requirement when pulling a credit file that is three years old or older; or
3. Where a reporting entity has chosen to always implement the dual source method.

In any of the above cases, the reporting entity may use a Canadian Credit file that is at least 6 months old and another independent and reliable source:

- One source is used to verify client's **name** and **address** and a second source and the second source is used to verify their **name** and **date of birth**; OR
- One source is used to verify client's **name** and **address** and a second source is used to verify their **name** and confirm a **financial account**; OR
- One source is used to verify client's name and date of birth and a second source is used to verify their **name** and confirm a **financial account**.

## 2. An identification Product from a Canadian Credit Bureau

Alternatively, the Dual Source Method may also be fulfilled by obtaining an Identification Product from a Canadian credit bureau. Under this method, the Canadian credit bureau is not the source but rather the aggregator of reliable sources that are currently reporting prescribed information (described above) into the bureau.

In all cases, if relying on a document, it must be valid, original, and current and if relying on information from a source, it must be valid and current.

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### When do reporting entities need to be compliant with the new guidelines?

Although the new Guideline took effect June 17, 2016, there is a transition period of one year where reporting entities can use the new Guideline or use the former guidance documents to ascertain a clients' identity. By June 30th, 2017, all reporting entities must comply with the new Guideline.

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### Why do reporting entities need to comply?

It's the law and reporting entities compliance helps FINTRAC prevent and deter fraudulent criminal and even terrorist-driven transactions from happening. Reporting entities that do not comply with the new guidelines by the prescribed date, and fail to accurately report and keep a record of client identification are subject to new criminal and monetary penalties.

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### What is Equifax's role in the new guidelines?

As the leading registered credit bureau in Canada, Equifax aims to provide solutions that help reporting entities implement their compliance strategies and fulfill their requirements under the new regulations and guidelines with ease. Equifax is a reliable source of the information that reporting entities need to fulfill their obligations.

Equifax has direct knowledge and insight into the development of the new Guidelines and has a unique expertise necessary to help reporting entities fortify their compliance. Product specialists took that knowledge and are engineering a solution to deliver actionable results to help their clients to identify risks while also meeting compliance requirements.

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## What is the Equifax AML Compliance Solution?

Equifax has updated their source methods so that they seamlessly flow into the waterfall methodology. For single source method, Equifax now has smart markers to alert if search criteria have been met. For dual source method, Equifax will create a new report detailing the search match criteria that was inputted versus the match output. These new features will fit seamlessly in with reporting entities automated processes while maintaining a reasonable pass rate.

With minimal change to the current user interface, Equifax's solution will be in a class by itself having been researched and developed alongside the regulators and closely aligns with FINTRAC's intent and expectations.

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## What does this solution mean for Equifax's Customers?

Equifax is your trusted AML compliance partner. Anticipating the questions their customers would have, Equifax spoke directly to the regulators for clarity and insight. Equifax will continue this approach of monitoring regulatory developments and confirming ambiguities directly with the best sources of information to ensure on-going understanding and compliance for Equifax customers.

Equifax customers can be confident that they are receiving the information and insight from a trusted partner who is willing to go to the front line to help mitigate customer risk.

“Equifax, as a registered Canadian credit bureau, is a reliable source under the guidelines and is also considered an aggregator of independent and reliable sources under the guidelines. Our solutions can help you implement your strategy for complying with both the single and dual method of verification now required under the new regulations and guidance.”

– Tara Zecevic, Vice President Customer Insight, Equifax Canada Co.

# TIMELINE

