



Securities Transfer Association of Canada

Lara Donaldson
President

September 7, 2018

VIA EMAIL

Ms. Lisa Pezzack
Director General, Financial Systems Division
Financial Sector Policy Branch
Department of Finance
90 Elgin Street
Ottawa, Ontario K1A 0G5
Email: fin.fc-cf.fin@canada.ca

Dear Ms. Pezzack:

Re: Canada Gazette, Part I, Volume 152, Number 23: Regulations Amending Certain Regulations Made Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, 2018

The Securities Transfer Association of Canada (“STAC”) welcomes the opportunity to provide comments on the proposed Regulations Amending Certain Regulations Made Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, 2018 (the “Regulations”) as published on the Canada Gazette, Part I, Volume 152, Number 23 on June 9, 2018.

STAC is a non-profit association of Canadian transfer agents that, among others, has the following purposes:

- To promote professional conduct and uniform procedures among its members and others;
- To provide membership to firms engaged as transfer agents or registrars in the field of the issuance, transfer and registration of securities and associated functions;
- To study, develop, implement and encourage new and improved requirements and practices within the securities industry;
- To assist members with problems of a technical or operational nature;
- To develop solutions to complex industry-wide problems;
- To provide a forum and to act as a representative and spokesperson for the positions and opinions of its members, and, where appropriate, its clients and the holders of securities;

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- To exercise any and all powers required to meet the needs and the obligations of this Association;
- To provide members and others with information and comments of an educational and technical nature relating to the securities transfer and corporate trust industry; and
- To ensure that its activities in relation to these purposes are communicated to all Members.

STAC members' clients consist primarily of public and private companies ("issuer") for which they act as transfer agent and registrar. In the vast majority of these cases, these clients trade their securities issues on listed stock exchanges or on over the counter bulletin boards. Further, as transfer agent and registrar, STAC members' primary function is to keep records of the shareholders of its various clients. The definition of "client" for a transfer agent who acts as an agent for an issuer, generally speaking, does not extend to the issuer's individual investors or shareholders, except in instances where they either participate in a dividend reinvestment plan or employee share ownership plan offered by an issuer or are a party to a non-regulatory escrow agreement.

STAC wishes to comment as follows:

Beneficial Ownership Information and Corporate Transparency

STAC members deal with legal owners of securities, and do not have direct access to the records of beneficial owners. Like most major financial markets, Canada has adopted an intermediated holding system for securities of most companies. A central securities depository takes custody of security certificates or maintains electronic records of securities holdings (i.e., is the legal owner of the security). The depository maintains accounts for participant financial institutions, which in turn maintain accounts for their clients. Their clients can be the beneficial owner of the security or other intermediaries. Therefore, the transfer agent and issuer do not have direct access to information about the ultimate beneficial owner of the security. Although there are processes in place to ensure that all beneficial owners receive communications and other information from the issuer, the issuer is dependent on intermediaries to complete this process. The issuer and its transfer agent do not have direct access to records of beneficial owners.

The increased scope of requirements in the Regulations relating to beneficial owners will be burdensome on STAC members, as they will require STAC members to collect and verify information about beneficial owners that is either not available, or not readily available, to them. Therefore, a central repository of up-to-date beneficial ownership information would be necessary in STAC's efforts to collect beneficial ownership information for private corporations, trusts and other legal entities.

Electronic Fund Transfers

STAC members perform a variety of corporate services that require the transfer of funds electronically. Such services include, but are not limited to, dividend payments to shareholders, interest payments to debtholders, escrow release payments and payments in connection with corporate actions and reorganizations. STAC members act in an agency capacity and are not deposit taking institutions. The broadening of the requirement to report EFT transactions to include transactions that are not tied to a client request could prove to be overly onerous on STAC members.

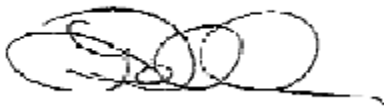
STAC members are requesting clarification of the definition of "electronic funds transfer", specifically the exception in subsection (e) that states that the defined term excludes a transmission of instructions for the transfer of funds "when both the persons or entities that initiate and receive the transmission are acting to clear or settle payment obligations."

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STAC members are concerned that if the above mentioned payments are not captured within the exception included in subsection (e) of the definition of electronic fund transfers that the reporting requirements will be overly onerous for STAC members and has the potential to overwhelm FINTRAC with a large volume of data which may not provide any additional value to FINTRAC. STAC members would appreciate more guidance on the term "payment obligations".

We appreciate the opportunity to comment on the draft Regulations, and we would be pleased to discuss these comments and provide additional feedback as the Department of Finance continues its efforts in the evolution of Canada's Anti-Money Laundering and Anti-Terrorist Financing regime.



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