

# WTF is AML?

(And why should crypto  
companies care?)

Presented by:

Amber D. Scott

Founder, CEO & Chief AML Ninja



# Cypherpunk Love

- Privacy is the power to selectively reveal oneself to the world (A Cypherpunk's Manifesto)
- You have my consent for photos, videos etc. but you do not have consent from everyone in the audience.

# Hefty Disclaimers

- I am not a lawyer and nothing that I say should be interpreted as legal advice.
- I do not represent any government or government agency. Nothing that I say should be interpreted as an official government statement or position.
- If you have questions about a particular situation or company that involve people's names or confidential information, come and chat me up after the presentation instead of asking in a public forum.
- Information should be free. If you want to use any aspect of this presentation, I'll send you a copy. I'd love to be credited for my work, but when I'm not I probably won't notice and I definitely won't send an army of lawyers.

# What's Happening?

- In 2014, Bill-C-31 stated that “dealing in virtual currency” would be regulated as money services business (MSB)... but that wouldn't be in force until there were amendments to other legislation...
- Draft amendments have been published here:  
<http://www.gazette.gc.ca/rp-pr/p1/2018/2018-06-09/html/reg1-eng.html>

# Process and Timelines

- Draft published: June 9, 2018
- Comment Period: 90 days
- Then what: Department of Finance goes back to the bat cave to read, synthesize, update... and publish a final version (expected soon-ish).
- After that: when the final version is published, there will be a 12 month transition period to comply.

# MSB Basics

## **Compliance Program**

- Compliance Officer
- Policies & Procedures
- Risk Assessment
- Training
- Effectiveness Review

## **Operations**

- Customer Identification & Information
- Recordkeeping
- Reporting
- MSB Registration

Learn more about MSBs:

<http://www.fintrac.gc.ca/msb-esm/intro-eng.asp>



# Virtual Currency

- (a) a digital currency that is not a fiat currency and that can be readily exchanged for funds or for another virtual currency that can be readily exchanged for funds; or
- (b) information that enables a person or entity to have access to a digital currency referred to in paragraph (a).

# Not Virtual Currency

**funds** means

- (a) cash and other fiat currencies, and securities, negotiable instruments or other financial instruments that indicate a title or right to or interest in them; or
- (b) information that enables a person or entity to have access to a fiat currency other than cash.
- For greater certainty, it does not include virtual currency.  
(fonds)

**fiat currency** means a currency that is issued by a country and is designated as legal tender in that country. (monnaie fiduciaire)



# “Dealing in Virtual Currency”

- Not defined, but contextually appears to refer to:
  - Exchange,
  - Sending, and/or
  - Receiving.

On behalf of another person or entity...

# Astute Exclusions

- (a) a transfer or receipt of virtual currency as compensation for the validation of a transaction that is recorded in a distributed ledger; or
- (b) an exchange, transfer or receipt of a nominal amount of virtual currency for the sole purpose of validating another transaction or a transfer of information .

# Virtual Currency Exchange Transaction

- ...means an exchange, at the request of another person or entity, of virtual currency for funds, funds for virtual currency or one virtual currency for another.
- Requires the creation of a virtual currency exchange transaction ticket.
- Requires identification if the value is CAD 1,000 or more.

# Large Virtual Currency Transactions

- Valued at CAD 10,000 or more (within a 24-hour period) by or on behalf of the same person or entity.
- Requires a determination of whether the transaction is being conducted on one's own behalf (and compels the collection of additional information if not).

# Politically Exposed Persons

- Requirements to determine if a person is a politically exposed person (PEP), either domestic or foreign, the head of an international organization (HIO, family member, or close associate) for virtual currency transactions valued at CAD 100,000 or more.
- If so, source of virtual currency (specifically) and wealth (generally) must be established.

# Foreign Companies

- Included in the amendments if they are providing MSB services (including dealing in virtual currencies) to Canadian customers.

# Do you want to talk about Quadriga?

- What could other crypto companies have done differently?
- What should we be doing differently now?
- Is immediate and harsh regulation imminent as a result?

# Free to a good home... Supplier Vetting Forms

## Enhanced Due Diligence Questionnaire

This form is completed at account opening, and periodically for as long as there is an ongoing relationship.

A failure to complete this form in an accurate and timely manner may be cause for the termination of accounts.

Name of the Organization: \_\_\_\_\_

Primary Business (What does the organization do?): \_\_\_\_\_

Additional Business Activities: \_\_\_\_\_

Are any of the business activities regulated activities for anti-money laundering (AML) in Canada, including accountants, British Columbia notaries, casinos, dealers in precious metal and stones, financial institutions, life insurance, money services businesses, real estate, and/or securities dealers? If so, please specify which: \_\_\_\_\_

What proportion of the business placed with us (from 0% to 100%) stems from these regulated activities? \_\_\_\_\_

If you are conducting AML regulated business, please attach the following documents, or provide an explanation of the reason that these have not been included.

| Item (Please include the most recent versions for each) | Notes (complete if not attached) |
|---|----------------------------------|
| Evidence of the appointment of a Compliance Officer     |                                  |
| Compliance Officer CV or evidence of qualifications     |                                  |

- Highly modified version of the Wolfsburg questionnaire, emulating the processes used by banks.
- This is not a perfect solution, but it can help you demonstrate that you've done some due diligence.





# Questions?

Please note:

**We're on a tight timeline.**

Questions should be actual questions.

If you want me to listen to a diatribe about how regulation is not always logical or inline with technology, you must first ply me with high end wine.

I'm a big fan of old vine varietals from the Russian River Valley, and sushi.

# Contact

Amber D. Scott

[Amber@outliercanada.com](mailto:Amber@outliercanada.com)

[www.outliercanada.com](http://www.outliercanada.com)

(416) 919-1623

@OutlierCanada

 outlier

