

Advisory

Applications to Form Credit Unions, Insurance Companies, or Trust Companies and Reviews Regarding Detection and Deterrence of Money Laundering and Terrorist Financing

Date: February 13, 2023
Distribution: All Interested Applicants
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PURPOSE

BCFSA's mandate includes supervising financial institutions to ensure their safety, soundness, and compliance with federal and provincial legal and regulatory requirements. The ability of criminals and criminal organizations to use financial institutions to launder funds, along with the potential risk to the reputations of the financial institutions and ultimately their safety and soundness, is an important concern and priority for BCFSA.

APPLICATION REVIEW AND AML/ATF EVALUATION

BCFSA evaluates applications regarding the formation of provincially incorporated financial institutions against outlined requirements¹. In addition, BCFSA reviews applications to form a provincially incorporated financial institution to the standard of current best practices regarding detection and deterrence of money laundering and terrorist financing. All applications are reviewed for Anti-Money Laundering and Anti-Terrorist Financing ("AML/ATF") compliance and practices for all directors, senior officers, as well as significant shareholders, investors, initial depositors, policyholders, and trust beneficiaries.

BCFSA reviews applications to become a provincially incorporated financial institution to ensure they are not engaged in or at significant risk of transactions or other business with sanctioned individuals, entities or countries identified by appropriate government agencies, law enforcement, regulators, or United Nations resolutions. AML/ATF reviews also ensure that all directors, senior officers, as well as significant shareholders, investors, initial depositors, policyholders, and trust beneficiaries of financial institutions incorporated in British Columbia are subject to enhanced due diligence review as well as source of funds and source of wealth inquiries.

As an ongoing matter, provincially incorporated financial institutions are required by law where applicable to comply with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and its Regulations, as well as the *Criminal Code of Canada*. BCFSA remains committed to the prudential

¹ These requirements are outlined at the following links. BCFSA is currently undertaking a review of all requirements to form a provincially incorporated financial institution and these will be updated in due course. Credit Unions: [CU-2006-01 Formation of a Credit Union in British Columbia](#)
Insurance Companies: [Incorporating an Insurance Company and Obtaining a Business Authorization in British Columbia](#)
Trust Companies: [Incorporating a Trust Company and Obtaining a Business Authorization in British Columbia](#)

oversight of AML/ATF risks that could affect the financial soundness of provincially incorporated financial institutions.

To the extent possible, BCFSa has established guidelines, policies, and procedures that align with the framework of AML/ATF preventative measures set out in the international Financial Action Task Force (“FATF”) recommendations and with those of the Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”), the Office of the Superintendent of Financial Institutions (“OSFI”) Canada, and the Basel Committee on Banking Supervision. BCFSa supervises provincially incorporated financial institutions against these established processes and guidance.

ADDITIONAL INFORMATION

If you have questions about this Advisory, contact BCFSa’s Approvals team at statapprovals@bcfsa.ca.