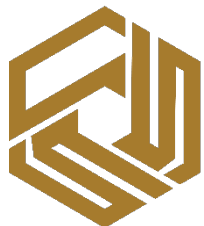




**CRAWFORD
SMITH &
SWALLOW**

Chartered Professional Accountants LLP

Crawford Smith & Swallow CSS AML/ATF Risk Assessment Manual



**CRAWFORD
SMITH &
SWALLOW**

Chartered Professional
Accountants LLP

**FINTRAC
CANAFE**



**Financial Transactions and
Reports Analysis Centre of Canada**

**Centre d'analyse des opérations
et déclarations financières du Canada**

CSS AML/ATF Risk Assessment Manual

Table of Contents

<u>1.</u>	<u>INTRODUCTION</u>	<u>5</u>
	<i>Purpose</i>	<i>5</i>
	<i>Legislative Background</i>	<i>5</i>
	<i>Risk-Based Approach.....</i>	<i>6</i>
	<i>Why Accounting Firms Are Vulnerable.....</i>	<i>7</i>
	<i>National Risk Context.....</i>	<i>7</i>
	<i>Objectives of the Risk Assessment Program</i>	<i>8</i>
	<i>Scope of this Manual.....</i>	<i>8</i>
	<i>Regulatory Expectations and Professional Responsibility.....</i>	<i>9</i>
	<i>Review and Maintenance.....</i>	<i>9</i>
<u>2.</u>	<u>CSS PRACTICE OVERVIEW</u>	<u>10</u>
	<i>Purpose</i>	<i>10</i>
	<i>Firm Background</i>	<i>10</i>
	<i>Organizational Structure.....</i>	<i>11</i>
	<i>AML/ATF Governance Structure</i>	<i>11</i>
	<i>Office Locations.....</i>	<i>12</i>
	<i>Services Provided.....</i>	<i>13</i>
	<i>Client Demographics</i>	<i>13</i>
	<i>Risk-Based Application of KYC and CDD.....</i>	<i>14</i>
	<i>Client Acquisition and Retention</i>	<i>15</i>
	<i>Delivery Channels.....</i>	<i>15</i>
	<i>Technology Environment.....</i>	<i>15</i>
	<i>Third-Party Service Providers</i>	<i>16</i>
	<i>Business Relationship Model.....</i>	<i>16</i>
	<i>Summary of Key Practice Risks.....</i>	<i>17</i>
<u>3.</u>	<u>RISK ASSESSMENT FRAMEWORK & METHODOLOGY</u>	<u>18</u>
	<i>Purpose</i>	<i>18</i>
	<i>Risk Assessment Framework</i>	<i>18</i>
	<i>Inherent Risk and Residual Risk.....</i>	<i>18</i>
	<i>Risk Rating Categories</i>	<i>19</i>



	<i>High-Risk Override Methodology</i>	<i>19</i>
	<i>Use of Professional Judgment</i>	<i>20</i>
	<i>Risk Classification Quick Reference</i>	<i>20</i>
	<i>Integration with CSS Compliance Documents</i>	<i>22</i>
	<i>Risk Assessment Lifecycle</i>	<i>23</i>
	<i>Relationship Between Firm-Wide and Client Risk</i>	<i>24</i>
4.	<u>REPORTING ENTITY RISK ASSESSMENT</u>	<u>25</u>
	<i>Purpose</i>	<i>25</i>
	<i>Service Risk Assessment</i>	<i>26</i>
	<i>Delivery Channel Risk Assessment</i>	<i>27</i>
	<i>Geographic Risk Assessment</i>	<i>27</i>
	<i>Client Base Risk Assessment</i>	<i>28</i>
	<i>Technology and Operational Risk Assessment</i>	<i>28</i>
	<i>Reporting Entity Risk Assessment Summary Table</i>	<i>28</i>
	<i>Reporting Entity Risk Conclusion</i>	<i>30</i>
5.	<u>CLIENT AND BUSINESS RELATIONSHIP RISK ASSESSMENT</u>	<u>31</u>
	<i>Purpose</i>	<i>31</i>
	<i>Risk-Based Client Assessment</i>	<i>31</i>
	<i>Know Your Client (KYC) & Customer Due Diligence (CDD) Requirements</i>	<i>31</i>
	<i>Individual Clients</i>	<i>32</i>
	<i>Entity Clients</i>	<i>32</i>
	<i>Trusts and Estates</i>	<i>33</i>
	<i>Business Relationships</i>	<i>33</i>
	<i>Risk Classification</i>	<i>33</i>
	<i>Enhanced Due Diligence and High-Risk Clients</i>	<i>34</i>
	<i>Ongoing Monitoring and Reassessment</i>	<i>34</i>
	<i>Client and Business Relationship Risk Conclusion</i>	<i>34</i>
6.	<u>HIGH-RISK INDICATORS & AUTOMATIC ESCALATION EVENTS</u>	<u>35</u>
	<i>Purpose</i>	<i>35</i>
	<i>High-Risk Indicators</i>	<i>35</i>
	<i>Politically Exposed Persons, Heads of International Organizations & Sanctions Concerns</i>	<i>35</i>
	<i>Beneficial Ownership and Source of Funds Concerns</i>	<i>36</i>
	<i>High-Risk Overrides and Escalation</i>	<i>36</i>



7.	<u>RISK MITIGATION MEASURES.....</u>	<u>37</u>
	<i>Purpose</i>	<i>37</i>
	<i>Risk-Based Mitigation Approach.....</i>	<i>37</i>
	<i>Compliance Controls</i>	<i>37</i>
	<i>Know Your Client and Customer Due Diligence Controls</i>	<i>37</i>
	<i>Enhanced Due Diligence.....</i>	<i>38</i>
	<i>Residual Risk.....</i>	<i>38</i>
	<i>Risk Mitigation Conclusion.....</i>	<i>39</i>
8.	<u>RISK ASSESSMENT GOVERNANCE</u>	<u>40</u>
	<i>Purpose</i>	<i>40</i>
	<i>Ongoing Risk Assessment Activities</i>	<i>40</i>
	<i>Governance and Oversight.....</i>	<i>40</i>
	<i>Review and Continuous Improvement</i>	<i>41</i>
	<i>Risk Assessment Governance Conclusion.....</i>	<i>41</i>
9.	<u>APPENDICES</u>	<u>42</u>
	<i>Appendix A: CSS Individual Identification Verification Form.....</i>	<i>42</i>
	<i>Appendix B: CSS Entity & Beneficial Ownership Identification Verification Form.....</i>	<i>42</i>
	<i>Appendix C: CSS Client On-Boarding Risk Questionnaire</i>	<i>43</i>
	<i>Appendix D: CSS Monitoring Record</i>	<i>43</i>
	<i>Appendix E: CSS AML/ATF Risk Assessment, Due Diligence & Escalation Workflow</i>	<i>43</i>
	<i>Appendix F: GLOSSARY OF TERMS & ABBREVIATIONS.....</i>	<i>45</i>

1. Introduction

Purpose

The Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and its associated Regulations require reporting entities to identify, assess, document, and mitigate risks relating to money laundering (ML) and terrorist financing (TF). As a designated accounting firm under the legislation, Crawford Smith & Swallow LLP ("CSS" or the "Firm") is required to maintain a documented Risk Assessment Program as part of its overall Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Compliance Program.

The purpose of this Risk Assessment Manual ("RAM") is to document the Firm's assessment of money laundering and terrorist financing risks associated with its services, clients, delivery channels, geographic locations, business relationships, and operational activities. The Manual further establishes the controls, mitigation measures, monitoring activities, and governance processes implemented by CSS to reduce identified risks to an acceptable level while maintaining compliance with applicable legislative and regulatory requirements.

This Risk Assessment Manual supports Crawford Smith & Swallow's Know Your Client (KYC) and Customer Due Diligence (CDD) obligations under the PCMLTFA and associated Regulations. Risk ratings established through this assessment framework determine the level of client verification, beneficial ownership verification, ongoing monitoring, enhanced due diligence, and recordkeeping measures applied to each client relationship.

This Manual serves both as a regulatory compliance document and as a practical operational guide for partners, managers, and employees responsible for implementing the Firm's AML/ATF obligations.

The Risk Assessment Program described in this Manual is operationalized through the following integrated compliance documents:

- CSS AML/ATF Compliance Policy Manual;
- CSS FINTRAC / AML Client On-Boarding Risk Questionnaire;
- CSS Monitoring Record;
- CSS Individual Verification Form;
- CSS Entity & Beneficial Ownership Verification Form;
- CSS Risk Assessment Screening Guide;
- Any future compliance procedures, forms, or guidance approved by the Firm.

These documents collectively form the Firm's integrated AML/ATF risk management framework. Information obtained through the verification process is used to complete client risk assessments. Risk ratings assigned through the onboarding process determine the level of due diligence required. Ongoing monitoring activities support reassessment of risk throughout the client lifecycle. Together, these processes provide a structured and documented approach to managing ML/TF risks across the Firm.

Legislative Background

Canada's Anti-Money Laundering and Anti-Terrorist Financing regime is founded upon the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), which establishes the legislative framework for detecting, deterring, and preventing money laundering and terrorist financing activities.

The PCMLTFA created the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Canada's financial intelligence unit. FINTRAC is responsible for administering and enforcing compliance with the legislation and collecting, analyzing, and disclosing financial intelligence relating to suspected money laundering, terrorist financing, sanctions evasion, and threats to the security of Canada.

The legislation is supported by a series of Regulations and regulatory guidance documents that establish obligations relating to:

- Client identification and verification;
- Beneficial ownership determination;
- Risk assessment;
- Ongoing monitoring;
- Record keeping;
- Reporting obligations;
- Compliance program requirements;
- Employee training and awareness.

As a reporting entity under the PCMLTFA, CSS is required to implement and maintain a comprehensive AML/ATF Compliance Program. This Risk Assessment Manual fulfills the risk assessment component of that program and supports the Firm's broader compliance framework.

Risk-Based Approach

FINTRAC's compliance framework is built upon the concept of a Risk-Based Approach (RBA).

The Risk-Based Approach recognizes that not all clients, services, transactions, industries, geographic locations, or delivery channels present the same degree of risk. Rather than applying identical controls to every situation, reporting entities are expected to identify higher-risk activities and apply enhanced measures where necessary.

The objective of the Risk-Based Approach is not to eliminate risk entirely. Rather, the objective is to understand risk, assess risk, implement appropriate controls, and ensure identified risks remain within the Firm's acceptable risk tolerance.

The Risk-Based Approach allows CSS to:

- Focus compliance resources where risk is greatest;
- Apply enhanced controls to higher-risk relationships;
- Conduct additional due diligence where warranted;
- Improve the effectiveness of ongoing monitoring;
- Support consistent decision-making across the Firm;
- Reduce unnecessary burden on lower-risk relationships.

This Manual establishes the methodology used by CSS to assess both Firm-wide and client-specific ML/TF risks and to implement controls that are proportionate to the level of risk identified.

Why Accounting Firms Are Vulnerable

Although accounting firms do not generally operate in the same manner as banks, securities dealers, or money services businesses, they occupy an important position within Canada's financial system.

Accountants are often referred to as "gatekeepers" because they possess specialized knowledge relating to:

- Taxation;
- Financial reporting;
- Corporate structures;
- Trusts and estates;
- Business transactions;
- Financial management;
- Asset transfers;
- Corporate reorganizations.

Clients frequently seek professional advice when establishing corporations, creating trusts, transferring assets, planning estates, restructuring businesses, or addressing complex tax matters.

Criminal organizations may attempt to misuse these legitimate professional services to:

- Conceal beneficial ownership;
- Obscure the origin of funds;
- Create complex ownership structures;
- Facilitate tax evasion;
- Move assets between jurisdictions;
- Create an appearance of legitimacy around unlawful activities.

In many instances, the professional services themselves are entirely legitimate. The risk arises when criminals seek to exploit legitimate professional expertise to support illegitimate objectives.

For this reason, accounting professionals are expected to maintain appropriate levels of professional skepticism, conduct meaningful due diligence, and remain alert to indicators of suspicious activity.

National Risk Context

The Department of Finance Canada's 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada identified the accounting sector as having a medium vulnerability to money laundering and terrorist financing risks. The assessment recognized that accounting professionals possess specialized knowledge and expertise that may be exploited by criminal actors seeking to:

- Conceal beneficial ownership;
- Create complex ownership structures;
- Facilitate tax evasion;
- Move assets across jurisdictions;
- Integrate illicit proceeds into legitimate business activities.

The assessment further identified the accounting profession's close interaction with other sectors recognized as vulnerable to money laundering, including:

- Financial institutions;
- Real estate;
- Securities markets;
- Trust and company service providers;
- Legal professionals;
- Cross-border commerce.

CSS recognizes these vulnerabilities and has designed its AML/ATF Compliance Program to address risks associated with both its services and client relationships.

Objectives of the Risk Assessment Program

The objectives of the CSS Risk Assessment Program are to:

- Identify inherent money laundering and terrorist financing risks;
- Assess the Firm's exposure to those risks;
- Establish appropriate mitigation measures;
- Support client risk classification decisions;
- Assist employees in identifying unusual activity;
- Support regulatory reporting obligations;
- Promote consistent decision-making across all offices;
- Facilitate ongoing monitoring activities;
- Support compliance testing and review activities;
- Foster a culture of compliance throughout the Firm.

The Program is designed to support professional judgment while promoting consistency, transparency, and accountability across the organization.

Scope of this Manual

This Risk Assessment Manual applies to all partners, managers, employees, contractors, temporary staff, and other individuals acting on behalf of Crawford Smith & Swallow LLP. The assessment encompasses:

- Services provided by the Firm;
- Delivery methods used to provide those services;
- Geographic locations of operations and clients;
- Client types and business relationships;
- Operational and organizational risks;
- Emerging risks and developing trends.

The Manual applies throughout the client lifecycle, including onboarding, service delivery, monitoring, reassessment, and disengagement activities. The requirements contained in this Manual are intended to

supplement, and not replace, the procedures contained within the Firm's AML/ATF Compliance Policy Manual and supporting compliance documents.

Regulatory Expectations and Professional Responsibility

The effectiveness of any AML/ATF Compliance Program depends upon the active participation of all personnel. Compliance with the Firm's AML/ATF obligations is not solely the responsibility of the CAMLO, Deputy CAMLO, or management team. All personnel involved in client service delivery have an important role in identifying unusual activity, gathering required information, maintaining appropriate documentation, and escalating concerns where necessary.

Employees and partners are expected to:

- Follow established compliance procedures;
- Complete required verification processes;
- Conduct risk assessments where required;
- Participate in compliance training;
- Maintain professional skepticism;
- Escalate concerns promptly.

Failure to comply with AML/ATF requirements may expose both the Firm and individual employees to regulatory, reputational, operational, and legal risks.

Review and Maintenance

Risk assessment is not a one-time exercise. The Firm recognizes that clients, services, technology, regulations, and criminal typologies evolve over time. Accordingly, this Manual shall be reviewed at least annually;

- Following significant legislative or regulatory changes;
- Following material changes to Firm operations;
- Following the introduction of new services;
- Following significant compliance findings;
- Following changes in identified risk exposure.

Updates shall be approved by the Managing Partner upon recommendation from the CAMLO and Deputy CAMLO. The most current version of this Manual shall be maintained within the Firm's compliance documentation repository and made available to all personnel with compliance responsibilities.

2. CSS PRACTICE OVERVIEW

Purpose

An effective Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Risk Assessment Program must be based upon a clear understanding of the reporting entity's business operations, service offerings, client base, geographic footprint, and operating environment.

FINTRAC expects reporting entities to assess money laundering (ML) and terrorist financing (TF) risks in the context of their actual business activities rather than relying solely on generic industry risks. Accordingly, this chapter provides an overview of Crawford Smith & Swallow LLP ("CSS" or the "Firm") and establishes the operational context used throughout this Risk Assessment Manual.

The information contained within this chapter forms the foundation for the Reporting Entity Risk Assessment described in Chapter 4 and assists in explaining why certain risks exist within the Firm's operating environment.

Understanding the Firm's business model assists in:

- Identifying inherent ML/TF risks;
- Evaluating the effectiveness of existing controls;
- Determining appropriate mitigation measures;
- Supporting employee awareness and training;
- Ensuring risk assessments remain relevant and proportionate.

Firm Background

Crawford Smith & Swallow LLP is a Chartered Professional Accounting firm with a history spanning more than eighty years in the Niagara Region. Throughout its history, the Firm has developed a reputation for providing professional accounting, taxation, advisory, assurance, and financial management services to individuals, businesses, trusts, estates, and organizations throughout Southern Ontario and beyond.

The Firm has grown through a combination of long-standing client relationships, community involvement, professional referrals, and a commitment to high-quality professional service.

Unlike financial institutions whose primary business involves the movement or custody of funds, CSS operates as a professional services organization. However, due to the nature of certain accounting, taxation, trust, estate, and advisory services, the Firm may encounter circumstances where money laundering or terrorist financing risks are present.

As a result, the Firm maintains a comprehensive AML/ATF Compliance Program designed to identify and mitigate those risks while supporting compliance with legislative and regulatory obligations.

Organizational Structure

CSS currently operates with:

- Four Equity Partners;
- Seven Income Partners;
- Approximately sixty full-time employees;
- Approximately three part-time employees;
- Seasonal and co-operative education students as required.

Services are delivered through a team-based structure consisting of partners, managers, professional staff, administrative personnel, and specialized support resources. The size and structure of the Firm allow for multiple levels of review and oversight while maintaining close relationships with clients and a strong understanding of client operations.

From an AML/ATF perspective, the Firm's organizational structure supports:

- Segregation of responsibilities;
- Multiple levels of review;
- Escalation of concerns;
- Ongoing monitoring activities;
- Consistent application of compliance procedures.

AML/ATF Governance Structure

The Firm's AML/ATF Compliance Program is overseen by designated compliance personnel who are responsible for ensuring compliance with the PCMLTFA and related requirements.

CHIEF ANTI-MONEY LAUNDERING OFFICER (CAMLO): DR. SUSANNE MACMAHON

Responsible for:

- Oversight of the AML/ATF Compliance Program;
- Regulatory reporting obligations;
- Maintenance of the Risk Assessment Program;
- Escalation reviews;
- Compliance monitoring;
- FINTRAC examination management;
- Annual compliance reporting.

DEPUTY CAMLO: JENNIFER BAILEY

Responsible for:

- Day-to-day compliance administration;

- Monitoring implementation of procedures;
- Training coordination;
- Escalation management;
- Documentation maintenance.

The CAMLO and Deputy CAMLO report directly to the Managing Partner regarding compliance matters and are authorized to require enhanced review, additional due diligence, or escalation of any client relationship where ML/TF concerns are identified. AML/ATF compliance is ultimately a shared responsibility across the Firm and requires participation from all personnel involved in client service delivery.

Office Locations

CSS operates from multiple locations throughout the Niagara Region, including:

- Niagara Falls, Ontario;
- Fort Erie, Ontario;
- St. Catharines, Ontario;
- Port Colborne, Ontario.
- NOTL, Ontario

The Firm's multi-office structure allows services to be delivered across a broad geographic area while maintaining a local presence within the communities served. From an AML/ATF perspective, the Firm's locations create certain unique considerations.

The Niagara Region includes:

- Major international border crossings;
- Commercial transportation routes;
- Shipping and port facilities;
- Significant tourism activity;
- Cross-border employment and investment activity;
- Access to major Canadian and United States financial centres.

While these characteristics support legitimate economic activity, they also increase exposure to cross-border financial transactions, international clients, foreign assets, and foreign ownership structures. These factors are considered throughout the Firm's risk assessment process.

Services Provided

CSS provides a broad range of professional services, including:			
Taxation Services	<ul style="list-style-type: none"> • Personal income tax preparation; • Corporate income tax preparation; • Trust and estate taxation; • Tax planning and advisory services; • Cross-border tax compliance; • U.S. tax preparation and advisory services. 	Accounting Services	<ul style="list-style-type: none"> • Monthly accounting services; • Bookkeeping; • Payroll administration; • Financial statement preparation. • Compilation engagements.
Assurance Services	<ul style="list-style-type: none"> • Audit engagements; • Review engagements; 	Advisory Services	<ul style="list-style-type: none"> • Business transition planning; • Family enterprise advisory; • Fractional CFO services; • Business valuations; • Economic loss quantification.
Estate and Wealth Services	<ul style="list-style-type: none"> • Estate administration support; • Executor and trustee support; • Wealth management support services. 		

Not all services present the same degree of ML/TF risk. Services involving movement of funds, trust activities, complex ownership structures, or cross-border transactions generally present higher inherent risks than traditional tax preparation or advisory engagements.

Accordingly, service-specific risk assessments are addressed in greater detail in Chapter 4 of this Manual.

Client Demographics

The majority of CSS clients are located within Southern Ontario and maintain ongoing business relationships with the Firm.

The client base includes:			
Individual Clients	<ul style="list-style-type: none"> • Employees; • Retirees; • Professionals; • Investors; • High-net-worth individuals; • Owner-managed business owners. 	Trusts and Estates	<ul style="list-style-type: none"> • Family trusts; • Inter-vivos trusts; • Testamentary trusts; • Estate files.
Corporate Clients	<ul style="list-style-type: none"> • Private corporations; • Family-owned businesses; • Holding companies; • Professional corporations; • Operating companies 	Organizations	<ul style="list-style-type: none"> • Charities; • Not-for-profit organizations; • Partnerships; • Associations; • Foundations; • Community organizations.

The Firm also serves a limited number of international and non-resident clients, including clients requiring U.S. tax compliance services and cross-border advisory support. Although most clients reside within Canada, the Firm recognizes that foreign ownership, offshore assets, and international financial activity may increase ML/TF risks and require additional scrutiny.

Risk-Based Application of KYC and CDD

Risk assessments conducted under this Manual directly inform the application of Know Your Client (KYC) and Customer Due Diligence (CDD) measures. Where higher money laundering or terrorist financing risks are identified, Crawford Smith & Swallow applies enhanced due diligence measures, increased monitoring frequencies, and additional verification requirements proportionate to the assessed risk.

Refer to:

- **Appendix A:** CSS Individual Identification Verification 2026
- **Appendix B:** CSS Entity & Beneficial Ownership Identification Verification 2026.
- **Appendix C:** CSS Client On-Boarding Risk Questionnaire
- **Appendix D:** CSS Monitoring Record 2026
- **Appendix E:** CSS AML/ATF Risk Assessment, Due Diligence & Escalation Workflow

Client Acquisition and Retention

Historically, the majority of new clients have been acquired through:

- Existing client referrals;
- Professional referrals;
- Community relationships;
- Reputation-based marketing.

A smaller percentage of clients originate through:

- Advertising;
- Website inquiries;
- Walk-in requests;
- Other marketing activities.

Referral-based business generally provides a greater level of comfort regarding prospective clients. However, referral status alone does not reduce AML/ATF obligations. All prospective clients remain subject to:

- Client identification procedures;
- Beneficial ownership verification;
- Risk assessment requirements;
- Ongoing monitoring obligations.

Similarly, existing clients remain subject to reassessment and monitoring requirements throughout the duration of the business relationship.

Delivery Channels

CSS provides services through a variety of delivery channels, including:

- **In-person meetings**, traditionally the primary method of client interaction;
- **Virtual meetings**, including video conferencing and online collaboration tools;
- **Telephone communications**, used for ongoing client communication and support;
- **Electronic communications**, including email, secure document portals, and electronic information exchange.

Technology Environment

CSS relies extensively on technology to support service delivery, document management, communication, and compliance activities. Technology systems may include:

- Tax preparation software;
- Practice management systems;
- Document management systems;
- Secure client portals;

- Cloud-based applications;
- Video conferencing platforms;
- Electronic records management systems.

Technology enhances efficiency and supports record retention; however, it also introduces risks relating to:

- Cybersecurity;
- Unauthorized access;
- Data integrity;
- Information security;
- Business continuity.

The Firm maintains policies and controls designed to manage these risks and protect confidential client information.

Third-Party Service Providers

The Firm relies on a variety of third-party service providers to support operations and service delivery.

Examples may include:

- Software vendors;
- Cloud service providers;
- Information technology consultants;
- Telecommunications providers;
- Professional service providers.

While third-party providers contribute to operational efficiency, they may also create additional compliance, privacy, cybersecurity, and operational risks. Accordingly, the Firm considers third-party reliance as part of its overall Reporting Entity Risk Assessment.

Business Relationship Model

Many CSS clients maintain long-term business relationships with the Firm involving recurring services over multiple years. Business relationships are particularly important within the Firm's AML/ATF framework because they provide:

- Greater understanding of client activities;
- Enhanced ability to identify unusual behaviour;
- Increased knowledge of ownership structures;
- Better awareness of changes in risk profiles.

At the same time, long-term relationships can create a risk of over-familiarity. Employees and partners must remain professionally skeptical and continue to apply risk assessment procedures regardless of the duration of the relationship.

The Firm's Monitoring Record and periodic review requirements have been designed to ensure that long-term relationships continue to receive appropriate scrutiny.

Summary of Key Practice Risks

Based upon the Firm's operational profile, the following factors represent the most significant inherent ML/TF risks facing CSS:

- Cross-border tax engagements;
- U.S. resident tax clients;
- Trust account activities;
- Receipt or transfer of funds;
- Complex ownership structures;
- Trusts and estate arrangements;
- Beneficial ownership transparency concerns;
- Foreign ownership interests;
- Third-party involvement concerns;
- Sanctions and PEP/HIO exposure.

These risks form the basis for the detailed risk assessment methodology and reporting entity risk assessment framework described in the chapters that follow.

3. RISK ASSESSMENT FRAMEWORK & METHODOLOGY

Purpose

The purpose of this chapter is to establish the framework used by Crawford Smith & Swallow LLP ("CSS" or the "Firm") to identify, assess, document, monitor, and mitigate money laundering (ML) and terrorist financing (TF) risks.

The Firm's methodology is designed to satisfy the requirements of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), FINTRAC guidance, and industry best practices while remaining practical and proportionate to the Firm's operations.

The methodology described in this chapter applies to both the Reporting Entity Risk Assessment described in Chapter 4 and the Client and Business Relationship Risk Assessment described in Chapter 5.

Risk Assessment Framework

CSS utilizes a risk-based approach that considers:

- Services provided;
- Client characteristics;
- Business relationships;
- Delivery channels;
- Geographic exposure;
- Operational and organizational factors.

The objective is to identify elevated risks and ensure appropriate mitigation measures are implemented. Risk assessment is an ongoing process that begins during onboarding and continues throughout the duration of the client relationship.

Inherent Risk and Residual Risk

CSS evaluates both inherent risk and residual risk.

Inherent Risk

Inherent risk represents the level of ML/TF risk that exists before any controls or mitigation measures are applied. The inherent risk assessment focuses on the characteristics of the service, client, transaction, or activity itself.

- Cross-border taxation;
- Trust structures;
- Foreign ownership;
- Trust account activity;
- PEP relationships.

Residual Risk

Residual risk represents the level of risk remaining after controls and mitigation measures have been applied. Residual risk is the level of risk the Firm ultimately accepts and manages.

- Client identification;
- Beneficial ownership verification;
- PEP screening;
- Enhanced Due Diligence;
- Ongoing monitoring;
- Partner review;
- CAMLO involvement.

Risk Rating Categories

CSS utilizes four risk classifications. Risk ratings are assigned using information obtained through verification procedures, onboarding assessments, professional judgment, and ongoing monitoring.

1. Minimal / N/A Risk	2. Low Risk	3. Medium Risk	4. High Risk
Only if the engagement is Advisory/N/A under the RAM AND there is no funds movement, trust account activity, ownership concern, or other risk indicator.	Straightforward, local, transparent, known relationship with no medium/high indicators. Basic screening plus simplified monitoring.	Any medium-risk service or indicator with no high-risk override. Standard Know Your Client (KYC)/Client Due Diligence (CDD) is required.	Any high-risk override, Politically Exposed Person (PEP)/ Head of an International Organization (HIO), listed/sanctioned person, suspicious activity, refusal to provide information, opaque ownership, or high-risk service. Expanded/Enhanced Know Your Client (KYC)/Enhanced Due Diligence (EDD) is required.

High-Risk Override Methodology

The Firm has established automatic High-Risk Override criteria. Where any High-Risk Override condition exists, the client must automatically be classified as High Risk regardless of questionnaire scoring results.

Examples include:

- PEP or HIO status;
- Listed or sanctioned person concerns;
- Suspicious transaction indicators;
- Existing STR concerns;



- Refusal to provide information;
- Opaque ownership structures;
- Third-party involvement concerns;
- Trust account activity;
- Unexplained source of funds;
- U.S.-resident tax clients with elevated risk factors;
- Foreign clients with elevated risk factors.

The purpose of the override process is to ensure significant risk indicators cannot be inadvertently diluted through scoring methodologies.

Use of Professional Judgment

Risk assessment is not purely a mathematical exercise.

While questionnaires, screening tools, and risk indicators provide structure and consistency, professional judgment remains an important component of the Firm's methodology.

Employees, managers, and partners are expected to consider:

- The totality of circumstances;
- Client behaviour;
- Engagement characteristics;
- Ownership transparency;
- Source-of-funds information;
- Industry-specific risks;
- Emerging concerns.

Professional judgment should supplement, not replace, documented risk assessment procedures.

Where professional judgment results in a conclusion that differs from a questionnaire score, the rationale should be documented in the client file.

Risk Classification Quick Reference

To promote consistency in the application of the CSS AML/ATF Risk Assessment Framework, the following Risk Classification Quick Reference summarizes the risk categories used throughout the Firm's AML/ATF Compliance Program. These classifications assist personnel in determining the appropriate level of client due diligence, monitoring, escalation, and documentation required based on the money laundering and terrorist financing (ML/TF) risks identified during onboarding and throughout the client relationship. Risk classifications are assigned using professional judgment and the criteria set out in this Manual, the Client On-Boarding Risk Questionnaire, the RAM-Based FINTRAC CSS Risk Assessment Screening Guide, and any applicable High-Risk Override indicators. The risk classification assigned to a client or engagement may change over time as new information becomes available or as circumstances change and should be reassessed whenever a trigger event or material change in risk is identified.

NOTE: A Source of Funds/Wealth Review is required where the Firm identifies elevated risk indicators, including unexplained wealth, unusual asset transfers, complex ownership structures, significant foreign assets, trust or estate funding concerns, third-party funding, cash-intensive activity, or other circumstances where the origin of funds or wealth is not readily understood.

RISK CLASSIFICATION QUICK REFERENCE

Referencing the CSS Risk Assessment Manual.

RISK CLASSIFICATION	DUE DILIGENCE REQUIREMENTS	MONITORING FREQUENCY	ESCALATION REQUIREMENT
 MINIMAL / N/A RISK This classification applies to advisory-only engagements where: <ul style="list-style-type: none"> No funds movement occurs No trust activity exists No significant AML/ATF risk indicators are present The engagement is limited in scope The Firm's exposure to ML/TF risk is minimal 	<ul style="list-style-type: none"> Basic client identification where required Limited documentation No enhanced due diligence required No ongoing CDD requirements unless circumstances change 	 Trigger-event basis only Monitoring occurs when: <ul style="list-style-type: none"> Services change Scope expands Risk indicators emerge New information becomes available 	 Reassess if scope changes Escalation may be required if: <ul style="list-style-type: none"> Additional services are requested Funds movement becomes involved New risk factors arise
 LOW RISK Typical Characteristics <ul style="list-style-type: none"> Transparent ownership structure Canadian resident Established business or employment history Clear source of funds Standard accounting and tax services No significant risk indicators No High-Risk Override conditions 	SIMPLIFIED MONITORING Includes: <ul style="list-style-type: none"> Complete basic screening and document Perform standard identity verification Assign low risk classification Simplified monitoring 	 Every 3 years Or earlier if: <ul style="list-style-type: none"> Circumstances change Trigger events occur New risk factors emerge 	 Escalate unusual concerns to: Deputy CAMLO Examples: <ul style="list-style-type: none"> Unusual client behaviour Ownership concerns Source of funds questions
 MEDIUM RISK Typical Characteristics <ul style="list-style-type: none"> More complex ownership structures Cross-border elements Foreign connections Additional risk indicators Limited transparency in certain areas Increased compliance considerations 	Standard Client Due Diligence (CDD) Includes: <ul style="list-style-type: none"> Standard Identity verification Beneficial ownership verification Understand Nature of Business / Relationship Client risk assessment Standard documentation 	 Every 2 years Or earlier if: <ul style="list-style-type: none"> Trigger events occur Risk factors increase Compliance concerns arise 	 Escalate unusual concerns to: Deputy CAMLO Examples: <ul style="list-style-type: none"> Concerns develop Risk profile changes Additional guidance is required
 High Risk Typical Characteristics <ul style="list-style-type: none"> More complex ownership structures Cross-border elements Foreign connections Additional risk indicators Limited transparency in certain areas Increased compliance considerations 	Enhanced Due Diligence (EDD) Includes: <ul style="list-style-type: none"> Source of Funds Review Source of Wealth Review Beneficial Ownership Review Ownership / Control Review Enhanced Verification CAMLO Review Additional Documentation Requirements 	 Minimum Annual Review More frequently if: <ul style="list-style-type: none"> Risk factors increase Compliance requires enhanced monitoring CAMLO directs additional review 	 Escalate unusual concerns to: CAMLO or Deputy CAMLO Review Required Escalation is mandatory when: <ul style="list-style-type: none"> High-risk indicators are identified High-Risk Override applies Suspicious activity is suspected Significant AML/ATF concerns arise

KEY PRINCIPLE

Higher Risk = Higher Oversight

As client risk increases:

- Due diligence requirements increase
- Monitoring frequency increases
- Documentation requirements increase
- Escalation expectations increase
- Compliance oversight increases

Personnel should escalate concerns whenever uncertainty exists rather than attempting to independently resolve significant AML/ATF issues.



IMPORTANT: Risk classification is a CSS internal AML/ATF control. FINTRAC legal obligations are triggered only where CSS engages in or gives instructions for prescribed activities. Internal Medium or High Risk does not automatically mean a FINTRAC report is required.

Integration with CSS Compliance Documents

The Risk Assessment Program operates in conjunction with several supporting compliance documents.

CLIENT VERIFICATION FORMS (APPENDIX A & B)

The Individual Verification Form and Entity & Beneficial Ownership Verification Form establish client identity and ownership information.

These documents provide the foundational information required to complete risk assessments.

Where To Find It

<https://portal.crawfordss.com>

CLIENT ON-BOARDING RISK QUESTIONNAIRE (APPENDIX C)

The Questionnaire serves as the Firm's primary client risk classification tool. Information obtained through verification procedures is used to complete the Questionnaire and assign a client risk rating.

Where To Find It

<https://portal.crawfordss.com>

MONITORING RECORD (APPENDIX D)

The Monitoring Record documents ongoing monitoring activities and reassessment efforts. Monitoring outcomes may result in changes to client risk ratings and mitigation measures.

Where To Find It

<https://portal.crawfordss.com>

RISK ASSESSMENT SCREENING GUIDE (APPENDIX E – PART B)

The Screening Guide provides operational support and assists personnel in identifying potential risk classifications and escalation requirements. The Screening Guide does not replace professional judgment or the Questionnaire.

Where To Find It

<https://portal.crawfordss.com>

CSS ENHANCED DUE DILIGENCE RECORD

CSS Enhanced Due Diligence Record documents Enhanced Due Diligence reviews performed for High-Risk clients, High-Risk Overrides, PEP/HIO determinations, source of funds concerns, ownership transparency concerns, and other elevated risk situations.

Where To Find It

<https://portal.crawfordss.com>

AML/ATF COMPLIANCE POLICY MANUAL

The Policy Manual establishes the Firm's broader compliance framework and provides detailed procedures supporting the Risk Assessment Program. Together, these documents create an integrated compliance system that supports consistent risk management throughout the Firm.

Where To Find It

<https://portal.crawfordss.com>

Risk Assessment Lifecycle

The Firm's risk assessment process follows the client lifecycle:

Step 1: Identification

- Obtain and verify client identity and beneficial ownership information.

Step 2: Risk Assessment

- Complete the Client On-Boarding Risk Questionnaire and determine the appropriate risk classification.

Step 3: Mitigation

- Apply controls appropriate to the assigned risk level.

Step 4: Monitoring

- Conduct ongoing monitoring and document reviews using the Monitoring Record.

Step 5: Reassessment

- Reassess risk when trigger events occur or scheduled review periods are reached.

Step 6: Escalation

- Escalate concerns to the CAMLO where required and determine whether additional controls, reporting obligations, or disengagement decisions are necessary.

This lifecycle ensures that risk assessment remains active throughout the duration of every business relationship.



Relationship Between Firm-Wide and Client Risk

1. The Reporting Entity Risk Assessment described in Chapter 4 evaluates the ML/TF risks associated with CSS as a reporting entity.
2. The Client and Business Relationship Risk Assessment described in Chapter 5 evaluates risks associated with individual clients and engagements.
3. The Firm-wide assessment helps determine what controls are necessary across the organization.
4. The client assessment determines what level of due diligence is required for a specific relationship.

Together, these assessments form the foundation of the CSS Risk Assessment Program.

4. REPORTING ENTITY RISK ASSESSMENT

Purpose

This chapter documents the assessment of money laundering and terrorist financing ("ML/TF") risks associated with Crawford Smith & Swallow LLP ("CSS" or the "Firm") as a reporting entity under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act ("PCMLTFA").

The assessment considers the nature of the Firm's services, client base, delivery channels, geographic exposure, technology environment, and operational characteristics. The objective is to identify areas where the Firm may be vulnerable to ML/TF risks and to ensure that appropriate controls are implemented to mitigate those risks.

This assessment differs from the Client and Business Relationship Risk Assessment described in Chapter 5. Whereas Chapter 5 focuses on the risk presented by individual clients and engagements, this chapter evaluates the Firm's overall exposure arising from its business operations and service offerings. The assessment has been conducted using the Risk Assessment Framework and Methodology described in Chapter 3 and reflects the Firm's current operating environment as described in Chapter 2.

The Firm evaluates ML/TF risk through five primary categories:

<p>Services</p> <p>Certain services present greater opportunities for criminals to misuse professional expertise or gain access to financial systems.</p>	<ul style="list-style-type: none"> • Trust account activity; • Receipt or payment of funds; • Cross-border taxation; • Estate administration; • Trust arrangements; • Complex corporate structures. 	<p>Clients</p> <p>Different client types present different levels of risk.</p>	<ul style="list-style-type: none"> • Individuals; • Corporations; • Trusts; • Estates; • Non-profit organizations; • Foreign clients; • Politically Exposed Persons (PEPs); • High-net-worth individuals.
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Delivery Channels The manner in which services are delivered may impact the Firm's ability to understand clients and verify information.	<ul style="list-style-type: none">• In-person meetings;• Virtual meetings;• Telephone-only relationships;• Electronic communications.	Geographic Exposure	<ul style="list-style-type: none">• Client location;• Ownership location;• Source of funds;• Cross-border activity;• Sanctioned jurisdictions;• High-risk foreign jurisdictions.
Other Operational Factors	<ul style="list-style-type: none">• Staff turnover;• New technologies;• Cybersecurity concerns;• Third-party service providers;• Regulatory changes;• Economic sanctions.		

Service Risk Assessment

The services provided by the Firm represent one of the most significant factors influencing its overall ML/TF risk profile. Certain services inherently present greater exposure because they involve more complex ownership arrangements, cross-border considerations, trust relationships, or increased visibility into client financial activities. CSS provides taxation, accounting, assurance, advisory, trust and estate support, business transition planning, valuation services, economic loss quantification, fractional CFO services, and U.S. tax compliance services. While these engagements are provided for legitimate business and personal purposes, the Firm recognizes that professional accounting services may be attractive to individuals seeking to conceal ownership, obscure the source of funds, evade tax obligations, or create an appearance of legitimacy around unlawful activities.

Personal income tax compliance services generally present a lower level of inherent ML/TF risk because ownership and control are typically transparent and the source of income can often be corroborated through supporting documentation. Corporate taxation engagements may involve multiple shareholders, holding companies, related-party transactions, and ownership structures that require a more detailed understanding of beneficial ownership and control. Trust and estate engagements present a higher level of inherent complexity because legal ownership, beneficial ownership, and control may be exercised by different individuals. Trustees, beneficiaries, executors, and settlors may each hold distinct rights and responsibilities within a structure. As a result, these engagements require enhanced attention to ownership transparency, the purpose of the arrangement, and the source of assets involved.

The Firm's cross-border and U.S. tax practice introduces additional complexity due to foreign reporting obligations, international financial activity, foreign assets, and dual-residency considerations. While these engagements are common within the Firm's practice and are frequently associated with legitimate

commercial activity, they require enhanced awareness of jurisdictional risks and source-of-funds considerations.

After considering the nature of its services and the controls implemented by the Firm, CSS has assessed its overall **Service Risk as Medium**.

Delivery Channel Risk Assessment

CSS delivers services through a combination of in-person meetings, virtual meetings, telephone communications, secure client portals, electronic document exchange, and email correspondence.

Historically, most client relationships were established and maintained through in-person interaction. While face-to-face meetings remain common, technological developments have increased the use of remote communication and digital document exchange. These delivery methods provide operational efficiencies and improve accessibility for clients; however, they may also reduce opportunities to observe client behaviour directly or obtain information through informal interaction. The Firm recognizes that remote interactions may create additional challenges relating to identity verification, beneficial ownership understanding, and the assessment of unusual behaviour. These risks are mitigated through documented verification procedures, standardized onboarding processes, professional judgment, and ongoing monitoring requirements.

Given the nature of the Firm's client base and existing controls, CSS has assessed its overall **Delivery Channel Risk as Low to Medium**.

Geographic Risk Assessment

The Firm's primary area of operation is Southern Ontario, with offices located throughout the Niagara Region. The majority of clients reside in Canada and operate within jurisdictions that are subject to well-established regulatory and legal frameworks.

Nevertheless, the Firm's location within a significant cross-border economic region introduces additional considerations. The Niagara Region contains major international border crossings, transportation corridors, tourism-related economic activity, and commercial relationships extending into the United States. These factors increase the likelihood that the Firm will encounter clients with foreign assets, foreign ownership interests, cross-border operations, or international reporting obligations. The Firm also provides services to certain non-resident clients and maintains a U.S. tax practice. While these relationships are generally legitimate and consistent with the Firm's service offerings, they introduce additional complexity relating to ownership transparency, jurisdictional considerations, and source-of-funds assessment.

After considering its geographic footprint, client locations, and service offerings, CSS has assessed its overall **Geographic Risk as Medium**.

Client Base Risk Assessment

The Firm serves a diverse client base consisting primarily of individuals, owner-managed businesses, corporations, trusts, estates, and non-profit organizations. The majority of client relationships are long-standing and originate through referrals, community relationships, or professional recommendations. These characteristics contribute positively to the Firm's understanding of its clients and often provide valuable context regarding client activities and business operations. At the same time, the Firm recognizes that long-standing relationships and referral sources do not eliminate ML/TF risk. Criminal actors frequently seek relationships with trusted advisors in order to enhance credibility and gain access to legitimate financial and professional systems. Accordingly, all clients remain subject to the Firm's identification, verification, risk assessment, and monitoring requirements regardless of the duration of the relationship.

Because the Firm serves corporations, trusts, estates, and clients with cross-border activities, the client base presents a moderate level of complexity from an AML/ATF perspective. CSS has therefore assessed its overall **Client Base Risk as Medium**.

Technology and Operational Risk Assessment

The Firm relies extensively on technology to support service delivery, document management, communication, record retention, and compliance activities. This includes tax preparation software, document management systems, secure client portals, cloud-based applications, and electronic communication platforms. Technology enhances operational efficiency and supports compliance requirements; however, it also introduces risks relating to cybersecurity, unauthorized access, information integrity, privacy obligations, and business continuity. The Firm also recognizes operational risks associated with employee turnover, reliance on third-party service providers, changing regulatory requirements, and evolving financial crime typologies. These risks are mitigated through policies and procedures, training, supervision, compliance oversight, and periodic review of the AML/ATF Compliance Program.

After considering these factors, CSS has assessed its overall **Operational Risk as Medium**.

Reporting Entity Risk Assessment Summary Table

CSS has assessed its reporting-entity ML/TF risk by considering services, delivery channels, geographic exposure, client base, technology/operations, sanctions exposure, third-party service providers, staff turnover/training, and emerging risks.

Risk Area	CSS Assessment	Key Rationale	Key Controls	Residual Risk
Services	Medium	CSS provides tax, accounting, assurance, advisory, estate/wealth, U.S. tax, and trust-related services. Higher risk arises where services involve funds movement, trust activity, complex ownership, or cross-border matters.	KYC/CDD, risk questionnaire, CAMLO escalation, monitoring record	Medium
Delivery Channels	Low to Medium	Services may be delivered in person, virtually, by phone, by portal, or by email. Remote delivery can reduce direct observation.	Identity verification procedures, secure portal, documented onboarding	Low to Medium
Geography	Medium	Niagara Region includes international border crossings, tourism, port/transport activity, U.S. proximity, foreign assets, and cross-border client matters.	Geographic risk review, source-of-funds review, enhanced review where needed	Medium
Client Base	Medium	Most clients are local and known, but CSS also serves business clients, trusts/estates, U.S./cross-border clients, and clients with complex ownership across Canada.	Client risk rating, PEP/HIO/sanctions screening, beneficial ownership review	Medium
Operational / Technology	Low to Medium	Use of electronic records, portals, software, and multi-office processes creates process-control risk.	Staff training, compliance oversight, file documentation, effectiveness testing	Low to Medium
Sanctions / Listed Persons	Medium to High where present	Any listed person, sanctions, terrorist property, or sanctions-evasion concern requires immediate escalation.	Screening, stop/escalate rule, CAMLO review, LPEPR consideration	Low to Medium after controls
Overall Reporting Entity Risk	Medium	CSS's controls reduce but do not eliminate ML/TF exposure.	Integrated AML/ATF program	Medium

Reporting Entity Risk Conclusion

After consideration of its services, delivery channels, geographic exposure, client base, technology environment, and operational characteristics, CSS has determined that its overall **Reporting Entity Residual Risk Rating is Medium.**

This rating reflects the complexity associated with trust and estate engagements, corporate structures, cross-border taxation services, and certain advisory engagements, balanced against strong client identification procedures, beneficial ownership verification requirements, documented onboarding processes, ongoing monitoring activities, employee training, and CAMLO oversight. The Firm believes that existing controls appropriately mitigate identified risks and maintain overall exposure within the Firm's established risk tolerance.

5. CLIENT AND BUSINESS RELATIONSHIP RISK ASSESSMENT

Purpose

The purpose of this chapter is to establish the framework used by Crawford Smith & Swallow LLP (“CSS” or the “Firm”) to assess the money laundering and terrorist financing (“ML/TF”) risks associated with individual clients and business relationships.

While Chapter 4 evaluates risks associated with the Firm as a reporting entity, this chapter focuses on the risks presented by specific clients, ownership structures, engagements, and ongoing business relationships. The objective of the Client and Business Relationship Risk Assessment is to ensure that the Firm understands who its clients are, how ownership and control are structured, the purpose of the relationship, and whether circumstances exist that require enhanced due diligence, monitoring, or escalation.

The assessment process described in this chapter is supported by the Individual Verification Form, Entity & Beneficial Ownership Verification Form, Client On-Boarding Risk Questionnaire, Monitoring Record, Risk Assessment Screening Guide, and AML/ATF Compliance Policy Manual.

Risk-Based Client Assessment

CSS applies a risk-based approach to all client relationships. Not all clients present the same level of ML/TF risk, and the Firm recognizes that different levels of due diligence may be appropriate depending on the nature of the relationship.

Risk assessments are completed during onboarding and are reviewed periodically throughout the client lifecycle. The assessment considers factors such as client type, ownership structure, geographic exposure, service requirements, source-of-funds considerations, and other risk indicators identified through the onboarding process.

The Client On-Boarding Risk Questionnaire serves as the Firm’s primary tool for documenting and assigning client risk ratings. Information obtained through verification procedures and professional discussions with the client is used to complete the assessment and determine the appropriate level of monitoring and oversight.

Know Your Client (KYC) & Customer Due Diligence (CDD) Requirements

Prior to establishing or continuing a business relationship, Crawford Smith & Swallow conducts KYC procedures in accordance with applicable legislative and regulatory requirements.

KYC measures include:

- Client identification and verification
- Beneficial ownership determination
- Politically Exposed Person (PEP) screening
- Head of International Organization (HIO) screening
- Sanctions screening
- Assessment of the nature and purpose of the business relationship

Information obtained through KYC procedures is incorporated into the client risk assessment process.

Customer Due Diligence (CDD) measures are applied throughout the client relationship. The level of due diligence performed is proportionate to the assessed risk and may include enhanced measures where higher risk indicators are identified. Remote onboarding does not require the Dual Process Method where identity has been verified using an authenticated Government-Issued Photo Identification Method.

Refer to:

- Appendix A: Individual Verification Form
- Appendix B: Entity & Beneficial Ownership Verification Form
- Appendix C: Client On-Boarding Risk Questionnaire
- Appendix D: Risk Assessment Screening Guide
- Appendix E: Monitoring Record
- Appendix F: Escalation & Reporting Workflow

Individual Clients

CSS has determined that individual clients generally present a lower level of inherent ML/TF risk than many entity clients because ownership and control can typically be identified and verified directly.

In most circumstances, the Firm is able to establish the client's identity, understand the purpose of the engagement, and assess the source of income or assets relevant to the services being provided. Many individual clients maintain long-standing relationships with the Firm and seek services relating to personal taxation, financial reporting, estate matters, or advisory needs.

Nevertheless, individual clients may present elevated risks where factors such as foreign residency, significant international assets, politically exposed person status, unexplained wealth, or unusual source-of-funds concerns are identified. In such circumstances, additional review and documentation may be required.

Entity Clients

Entity clients include corporations, professional corporations, holding companies, partnerships, and other legal entities.

These relationships frequently present a higher level of inherent complexity because ownership and control may not be immediately apparent. The Firm recognizes that legal ownership does not always reflect beneficial ownership and that layered ownership arrangements may obscure the individuals who ultimately control an entity.

Accordingly, the Firm places significant emphasis on beneficial ownership verification and requires completion of the Entity & Beneficial Ownership Verification Form where applicable.

Factors that may increase risk include foreign ownership interests, multiple layers of ownership, nominee arrangements, unexplained complexity, and difficulty obtaining ownership information. Where such circumstances exist, additional due diligence may be required before services are provided.

Trusts and Estates

Trusts and estates represent a distinct category of client relationship due to the complexity of the ownership and control arrangements involved.

Unlike many individual or corporate relationships, trusts and estates may involve multiple parties with different legal rights and responsibilities. Trustees, executors, beneficiaries, settlors, and protectors may each play a role in the administration or control of assets.

The Firm recognizes that trusts are frequently used for legitimate estate planning, tax planning, and asset management purposes. However, because ownership and control may be separated, these relationships require enhanced understanding of the purpose of the arrangement, the source of assets involved, and the parties who ultimately benefit.

Trust and estate engagements therefore receive increased scrutiny during onboarding and monitoring activities.

Business Relationships

Many CSS clients maintain ongoing business relationships with the Firm involving recurring services provided over multiple years.

Long-term relationships allow the Firm to develop a deeper understanding of client activities, ownership structures, financial circumstances, and operational characteristics. This understanding supports the Firm's ability to identify unusual behaviour, changes in circumstances, or emerging risk factors.

However, the Firm recognizes that familiarity must never replace professional skepticism. Existing clients remain subject to ongoing monitoring, reassessment, and escalation requirements regardless of the duration of the relationship.

The existence of a long-standing relationship should be viewed as a source of information rather than a substitute for due diligence.

Risk Classification

Following completion of the onboarding process, clients are assigned one of four risk classifications:

- N/A & Advisory;
- Low Risk;
- Medium Risk; and
- High Risk.

The assigned rating reflects the Firm's assessment of the client's overall ML/TF risk profile and determines the level of due diligence, monitoring, and review required.

Risk ratings are not permanent and may change over time as additional information becomes available or circumstances evolve.

Enhanced Due Diligence and High-Risk Clients

Certain clients present a level of risk that requires Enhanced Due Diligence ("EDD").

Enhanced Due Diligence may be required where the Firm identifies politically exposed persons, sanctions concerns, suspicious activity indicators, foreign ownership complexities, source-of-funds concerns, unusual ownership structures, or other significant risk indicators.

Where EDD is required, the Firm may obtain additional information regarding ownership, source of funds, source of wealth, intended activities, or other matters necessary to understand the relationship and manage identified risks.

High-risk relationships are subject to increased oversight and may require CAMLO involvement.

Ongoing Monitoring and Reassessment

Client risk assessment is an ongoing process rather than a one-time event. Ongoing monitoring forms part of Crawford Smith & Swallow LLP's Customer Due Diligence ("CDD") framework and includes periodic review of client information, beneficial ownership information, risk indicators, changes in services provided, and the overall business relationship. Monitoring activities are documented through the Monitoring Record and support the Firm's ongoing assessment of money laundering and terrorist financing risk throughout the client lifecycle.

The Firm's understanding of a client may change over time as services evolve, ownership changes occur, new information becomes available, or monitoring activities identify additional risk factors. Accordingly, risk assessments must be reviewed and updated when trigger events occur or when scheduled monitoring activities are performed. The Monitoring Record serves as the primary tool used to document these reviews and ensure that client information remains current.

Where reassessment identifies elevated risks, additional controls or enhanced due diligence measures may be implemented.

Client and Business Relationship Risk Conclusion

The Client and Business Relationship Risk Assessment framework enables CSS to assess clients consistently, document risk-based decisions, and apply appropriate controls throughout the client lifecycle.

By integrating verification procedures, onboarding assessments, monitoring activities, and professional judgment, the Firm seeks to ensure that client relationships remain appropriately understood, documented, and monitored in accordance with the requirements of the PCMLTFA and the Firm's AML/ATF Compliance Program.

6. High-Risk Indicators & Automatic Escalation Events

Purpose

The purpose of this chapter is to identify circumstances that may indicate elevated money laundering and terrorist financing ("ML/TF") risk and to establish the situations in which additional review, escalation, or Enhanced Due Diligence ("EDD") is required.

The Firm recognizes that not every unusual circumstance is indicative of suspicious activity. However, certain characteristics, behaviours, ownership structures, transactions, or relationships may increase the likelihood that a client or engagement could be misused for unlawful purposes. The identification of these indicators forms an important component of the Firm's risk-based approach and supports the consistent application of enhanced controls where appropriate.

The indicators described in this chapter should be considered together with the Client On-Boarding Risk Questionnaire, Risk Assessment Screening Guide, Monitoring Record, and AML/ATF Compliance Policy Manual.

High-Risk Indicators

High-risk indicators may arise from the nature of the client, the ownership structure, the services requested, the source of funds involved, or the behaviour demonstrated during the course of the relationship.

The Firm recognizes that elevated risk may exist where there is limited transparency regarding ownership or control, difficulty understanding the purpose of an engagement, reluctance to provide information, unusual transaction activity, or circumstances that are inconsistent with the Firm's understanding of the client. Certain industries, business activities, ownership arrangements, and geographic connections may also present increased ML/TF risks and require additional review.

The presence of a single indicator does not necessarily mean that suspicious activity exists. However, where multiple indicators are present, the Firm may determine that Enhanced Due Diligence or escalation is required.

Politically Exposed Persons, Heads of International Organizations & Sanctions Concerns

Politically Exposed Persons ("PEPs"), Heads of International Organizations ("HIOs"), their family members, and close associates may present elevated ML/TF risks due to the potential for corruption, bribery, abuse of public office, or misuse of influence. Similarly, clients, beneficial owners, transactions, or jurisdictions connected to sanctions measures may present significant legal, regulatory, and reputational risks.

The existence of a PEP, HIO, or sanctions-related concern does not automatically prohibit the Firm from providing services. However, these circumstances require enhanced review, documentation, and oversight in accordance with the Firm's AML/ATF Compliance Program.

Beneficial Ownership and Source of Funds Concerns

A clear understanding of ownership and control is fundamental to the Firm's ability to assess risk effectively.

Elevated risk may arise where ownership structures are unusually complex, beneficial owners cannot be readily identified, information provided by the client is incomplete or contradictory, or there are indications that ownership arrangements have been structured to reduce transparency. The Firm also recognizes that concerns relating to the source of funds or source of wealth may indicate elevated ML/TF risk. Situations involving unexplained wealth, unusual financial activity, unsupported transactions, or inconsistent information may require additional review and documentation.

Geographic exposure may contribute to elevated ML/TF risk and may require additional due diligence measures. Depending on the circumstances, such measures may include enhanced review of ownership structures, source of funds information, source of wealth information, business activities, or other information necessary to understand and manage identified risks.

High-Risk Overrides and Escalation

The Firm has established specific circumstances that automatically result in a High-Risk classification regardless of any score generated through the Client On-Boarding Risk Questionnaire.

These High-Risk Overrides are documented within the Risk Assessment Screening Guide and are intended to ensure that significant risks receive appropriate attention and cannot be inadvertently minimized through scoring methodologies. Where a High-Risk Override condition is identified, or where significant concerns arise during onboarding or ongoing monitoring, the matter shall be escalated to the CAMLO or Deputy CAMLO for review.

The objective of escalation is to ensure that elevated risks are assessed consistently, documented appropriately, and managed through controls proportionate to the level of risk identified.

7. RISK MITIGATION MEASURES

Purpose

The purpose of this chapter is to describe how Crawford Smith & Swallow LLP ("CSS" or the "Firm") manages and mitigates the money laundering and terrorist financing risks identified through its Risk Assessment Program.

Risk assessment alone does not reduce risk. The effectiveness of the Firm's AML/ATF Compliance Program depends upon the controls implemented to address identified vulnerabilities and maintain risk within the Firm's established risk tolerance.

Risk-Based Mitigation Approach

The Firm applies mitigation measures that are proportionate to the level of risk identified. Clients and engagements assessed as presenting lower levels of risk are generally subject to standard identification, verification, documentation, and monitoring requirements. As risk increases, the Firm applies additional controls designed to improve its understanding of the client, the purpose of the relationship, and the source of funds involved.

This approach ensures that compliance efforts remain focused on areas presenting the greatest potential exposure to ML/TF risks.

Compliance Controls

The Firm maintains a comprehensive AML/ATF Compliance Program consisting of policies and procedures, client identification requirements, beneficial ownership verification processes, onboarding assessments, ongoing monitoring activities, employee training, escalation procedures, reporting obligations, and compliance oversight. These controls are designed to operate together and support a consistent approach to risk management across all offices, service lines, and client relationships.

The detailed operational requirements governing these controls are contained within the AML/ATF Compliance Policy Manual and associated compliance documents.

Know Your Client and Customer Due Diligence Controls

The Firm mitigates identified money laundering and terrorist financing risks through the application of Know Your Client ("KYC") and Customer Due Diligence ("CDD") measures.

These controls support the Firm's ability to understand the identity of its clients, the nature and purpose of client relationships, and the risks associated with those relationships.

KYC and CDD measures include:

- Client identification and verification;
- Beneficial ownership verification, where applicable;
- Assessment of the nature and purpose of the business relationship;
- Politically Exposed Person ("PEP") and Head of International Organization ("HIO") determinations;
- Sanctions screening and related reviews;
- Source of funds inquiries where warranted;
- Source of wealth inquiries where warranted;
- Ongoing monitoring activities;
- Periodic updating of client information; and
- Enhanced Due Diligence measures for higher-risk relationships.

These controls are implemented through the Individual Verification Form, Entity & Beneficial Ownership Verification Form, Client On-Boarding Risk Questionnaire, Monitoring Record, Risk Assessment Screening Guide, and the requirements contained within the AML/ATF Compliance Policy Manual.

Enhanced Due Diligence

Where elevated risks are identified, the Firm applies Enhanced Due Diligence measures appropriate to the circumstances. Enhanced Due Diligence may include obtaining additional information regarding ownership structures, source of funds, source of wealth, business activities, intended use of services, or other matters necessary to understand and manage identified risks.

The nature and extent of Enhanced Due Diligence will depend upon the specific risks presented by the relationship.

Residual Risk

The purpose of the Firm's mitigation measures is not to eliminate all money laundering and terrorist financing risk. Rather, the objective is to reduce identified risks to a level that is understood, documented, and consistent with the Firm's risk tolerance.

Residual risk represents the level of risk that remains after controls, monitoring activities, due diligence measures, escalation procedures, and other mitigation efforts have been applied.

When determining whether a residual risk level is acceptable, the Firm may consider:

- The effectiveness of existing controls;
- The quality of available client information;
- The nature of the services provided;
- Ownership transparency;
- Monitoring results;
- Escalation outcomes; and
- Any identified concerns relating to source of funds, beneficial ownership, sanctions exposure, or unusual activity.

Where residual risk remains unacceptably high, the Firm may apply additional controls, restrict services, decline an engagement, or terminate an existing business relationship.

Risk Mitigation Conclusion

The Firm recognizes that no compliance framework can eliminate all risk. The objective of the Risk Assessment Program is therefore to identify risks, assess their significance, and implement reasonable controls designed to reduce residual risk to an acceptable level.

Through the application of risk-based controls, ongoing oversight, employee awareness, and compliance monitoring, CSS seeks to maintain an effective and proportionate AML/ATF Compliance Program.

8. RISK ASSESSMENT GOVERNANCE

Purpose

The purpose of this chapter is to establish the governance framework supporting the CSS Risk Assessment Program and to describe how the Firm maintains the ongoing effectiveness of its risk assessment processes.

The Firm recognizes that risk assessment is not a one-time exercise. Clients, services, ownership structures, technologies, regulatory requirements, and ML/TF typologies continue to evolve. Accordingly, the Risk Assessment Program must be reviewed and updated periodically to ensure that it remains current and effective.

Ongoing Risk Assessment Activities

Risk assessment activities occur throughout the client lifecycle and are not limited to the onboarding process. Information obtained through client interactions, monitoring activities, ownership reviews, service changes, and professional discussions may affect the Firm's understanding of risk and may require reassessment.

Trigger events requiring consideration of risk reassessment include:

- ownership changes
- beneficial ownership changes
- service changes
- unusual activity
- sanctions hits
- PEP/HIO changes
- adverse media
- source-of-funds concerns
- monitoring concerns

The Monitoring Record supports the documentation of these activities and assists the Firm in maintaining current and accurate risk assessments.

Governance and Oversight

The Risk Assessment Program operates as part of the Firm's broader AML/ATF Compliance Program. The Managing Partner provides overall governance and oversight of the compliance framework. The CAMLO and Deputy CAMLO are responsible for the administration, maintenance, and ongoing effectiveness of the Risk Assessment Program and supporting compliance documentation.

All personnel involved in client service activities contribute to the effectiveness of the Risk Assessment Program through the consistent application of the Firm's policies, procedures, and compliance requirements.

Review and Continuous Improvement

The Risk Assessment Manual shall be reviewed at least annually and whenever significant changes occur within the Firm, its services, regulatory requirements, or the broader ML/TF risk environment. The Firm also recognizes the importance of periodic testing and independent review of its AML/ATF Compliance Program. Findings arising from internal reviews, regulatory examinations, compliance testing, training activities, and external effectiveness reviews should be incorporated into future updates of the Risk Assessment Program where appropriate.

The objective of these reviews is to ensure that the Risk Assessment Program remains practical, current, and aligned with both regulatory expectations and the Firm's operational environment.

Risk Assessment Governance Conclusion

The Risk Assessment Program forms a key component of the Firm's AML/ATF Compliance Framework. Through effective governance, ongoing monitoring, periodic review, and continuous improvement, CSS seeks to ensure that its risk assessment processes remain relevant, proportionate, and responsive to emerging risks.

By integrating the Risk Assessment Manual with the AML/ATF Compliance Policy Manual, Client On-Boarding Risk Questionnaire, Monitoring Record, Verification Forms, and Risk Assessment Screening Guide, the Firm maintains a coordinated and consistent approach to managing ML/TF risks across its operations.

9. APPENDICES

The appendices to this Risk Assessment Manual form part of Crawford Smith & Swallow LLP's integrated Anti-Money Laundering and Anti-Terrorist Financing ("AML/ATF") Compliance Program. They are intended to support the practical application of the risk assessment framework described throughout this Manual and provide the operational tools used to identify, assess, monitor, and manage money laundering and terrorist financing ("ML/TF") risks.

The appendices should not be viewed as standalone documents. Rather, they operate together with the AML/ATF Compliance Policy Manual and this Risk Assessment Manual to create a coordinated and risk-based compliance framework.

The documents contained within the appendices support different stages of the client lifecycle:

- ****Verification and Identification**** Establishing the identity of clients and beneficial owners;
- ****Risk Assessment**** Assessing the ML/TF risk associated with a client or engagement;
- ****Risk Classification**** Determining the appropriate risk rating and identifying High-Risk Override conditions;
- ****Monitoring and Reassessment**** Maintaining current information and reassessing risk throughout the business relationship; and
- ****Escalation and Governance**** Supporting consistent decision-making, oversight, and compliance administration.

The appendices should generally be used in the following order:

Appendix A: CSS Individual Identification Verification Form

The Individual Verification Form is used to verify the identity of individual clients and forms part of the Firm's Know Your Client ("KYC") and Client Due Diligence ("CDD") procedures.

Where To Find It

<https://portal.crawfordss.com>

Appendix B: CSS Entity & Beneficial Ownership Identification Verification Form

The Entity & Beneficial Ownership Verification Form is used to verify organizations and identify the individuals who ultimately own or control those entities. Information obtained through this process supports both risk assessment and beneficial ownership requirements.

Where To Find It

<https://portal.crawfordss.com>

Appendix C: CSS Client On-Boarding Risk Questionnaire

The Client On-Boarding Risk Questionnaire is the Firm's primary client risk assessment tool. Information obtained through the verification process is used to complete the questionnaire and determine the client's initial risk classification.

Where To Find It

<https://portal.crawfordss.com>

Appendix D: CSS Monitoring Record

The Monitoring Record is used to document ongoing monitoring activities, identify changes in risk, assess trigger events, and support periodic reassessment of client relationships.

Where To Find It

<https://portal.crawfordss.com>

Appendix E: CSS AML/ATF Risk Assessment, Due Diligence & Escalation Workflow

The Workflow Appendix E provides a visual overview of how the Firm's AML/ATF Compliance Program operates. It illustrates the relationship between client identification, risk assessment, risk classification, monitoring, reassessment, escalation, and reporting considerations. The workflow is intended as a quick-reference guide for employees and should be used together with the supporting compliance documents described above. Where inconsistencies arise, the AML/ATF Compliance Policy Manual governs operational compliance requirements and reporting obligations.

OVERALL WORKFLOW OBJECTIVE

The Appendix E workflow is designed to ensure that:

1. Clients are appropriately risk assessed before services are provided.
2. Due diligence measures are applied proportionate to identified risk.
3. High-risk situations are escalated for review.
4. Regulatory reporting obligations are identified and addressed.
5. Ongoing monitoring is performed throughout the client relationship.
6. All compliance activities are documented in accordance with CSS AML/ATF policies and FINTRAC requirements.
 - This workflow forms an integral part of the CSS AML/ATF Compliance Program and should be read in conjunction with the Compliance Policy Manual, Risk Assessment Manual, Client On-Boarding Risk Questionnaire, Verification Forms, Monitoring Record, and related compliance procedures.

PART A: Client Onboarding & Risk Assessment Workflow

Part A outlines the initial client and engagement risk assessment process. This section is used to identify the nature of the client relationship, assess relevant risk factors, determine whether any High-Risk Override indicators are present, and assign the appropriate risk classification. The outcome of this assessment establishes the level of due diligence required and forms the basis for all subsequent compliance activities.

Where To Find It

<https://portal.crawfordss.com>

PART B: RAM-Based FINTRAC CSS Risk Assessment Screening

Part B outlines the due diligence requirements applicable to each risk classification. This section establishes the minimum identification, verification, beneficial ownership, source of funds, source of wealth, monitoring, and documentation requirements that must be completed based on the risk level assigned during the initial assessment. The objective is to ensure that due diligence measures remain proportionate to the level of ML/TF risk identified.

Where To Find It

<https://portal.crawfordss.com>

PART C: Ongoing Monitoring & Reassessment

Part C outlines the ongoing monitoring and reassessment requirements applicable to established client relationships. This section assists personnel in identifying changes in client information, ownership, services, risk factors, or business activities that may require reassessment of the client's risk classification. Ongoing monitoring supports the maintenance of accurate client information and ensures that changes in risk are identified and addressed on a timely basis throughout the relationship.

Where To Find It

<https://portal.crawfordss.com>

PART D: Trigger Events Requiring Reassessment

Client risk is not static and may change throughout the course of a relationship. Trigger events are circumstances or changes that may affect CSS's understanding of a client or the level of risk associated with the relationship. When a trigger event is identified, the client must be reassessed to determine whether the current risk classification remains appropriate and whether additional due diligence, monitoring, or escalation is required.

Where To Find It

<https://portal.crawfordss.com>

PART E: High Risk Indicator & Escalation Workflow

Part E outlines the escalation process to be followed when elevated risk indicators, trigger events, or compliance concerns are identified. This section assists personnel in determining when matters must be referred to the CAMLO or Deputy CAMLO for additional review and guidance. Escalation may be required for matters involving PEP/HIO exposure, sanctions concerns, suspicious activity indicators, ownership concerns, source of funds concerns, third-party involvement, or other significant risk factors.

Where To Find It

<https://portal.crawfordss.com>

PART F: Enhanced Due Diligence (EDD)

Enhanced Due Diligence (EDD) is applied when a client is classified as High Risk, a High-Risk Override is identified, a trigger event occurs, or additional review is directed by the Deputy CAMLO or CAMLO. The purpose of EDD is to obtain a better understanding of the client and any identified risk factors to ensure CSS can appropriately assess, manage, and monitor the relationship. All EDD activities should be completed in accordance with the EDD Workflow and documented using the Enhanced Due Diligence Record.

Where To Find It

<https://portal.crawfordss.com>

Together, Parts A through F provide the operational framework through which the Firm implements the risk assessment methodology described within this Manual and supports compliance with applicable AML/ATF legislative and regulatory requirements.

Appendix F: GLOSSARY OF TERMS & ABBREVIATIONS

Where a term is defined in the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), its Regulations, or FINTRAC guidance, the legislative or regulatory definition shall prevail in the event of any inconsistency with this Glossary.

ACCOUNTANTS AND ACCOUNTING FIRMS

Accountants and accounting firms: must fulfill specific obligations as required by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and associated Regulations to help combat money laundering and terrorist activity financing in Canada. Accountants and accounting firms are subject to the PCMLTFA when they engage in any of the following activities on behalf of a person or entity, or give instructions on behalf of a person or entity in respect of:

- receiving or paying funds or virtual currency;
- purchasing or selling securities, real property or immovables or business assets or entities; or transferring funds, virtual currency or securities by any means.

ADVISORY ENGAGEMENT

A professional engagement in which CSS provides advice, recommendations, planning, consulting, valuation, economic loss quantification, business transition, estate planning, tax planning, or similar professional services without directing or controlling client funds or assets.

AML: Anti-Money Laundering

The framework of laws, regulations, policies, procedures, controls, monitoring, and reporting measures is designed to prevent, detect, and deter money laundering.

AML/ATF: Anti-Money Laundering and Anti-Terrorist Financing

The combined compliance framework is intended to combat money laundering and terrorist financing.

AMLP: Administrative Monetary Penalty

A monetary penalty that may be imposed by FINTRAC for non-compliance with the PCMLTFA and associated Regulations.

ATF: Anti-Terrorist Financing

Measures designed to prevent the collection, movement, or use of funds for terrorist activities.

AUTO-HIGH RISK OVERRIDE

A risk classification rule requiring automatic assignment of a High-Risk rating when prescribed indicators are present.

BENEFICIAL OWNER

The natural person(s) who ultimately owns, controls, or directs an entity, directly or indirectly. **Beneficial Ownership** requirements under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and associated Regulations apply to all reporting entities (REs). They are the individuals who directly or indirectly own or control 25% or more of a corporation or an entity other than a corporation. In the case of a trust, they are the trustees, the known beneficiaries and the settlors of the trust. If the trust is a widely held trust or a publicly traded trust, they are the trustees and all persons who own or control, directly or indirectly, 25% or more of the units of the trust. Beneficial owners cannot be other corporations, trusts or other entities. They must be the individuals who are the owners or controllers of the entity.

BENEFICIAL OWNERSHIP INFORMATION

Information obtained regarding individuals who ultimately own or control an entity and the measures taken to verify that information.

BUSINESS RELATIONSHIP

A relationship established between CSS and a client where:

- *FINTRAC-prescribed activities occur; or*
- *an ongoing service relationship exists.*

Business relationships require ongoing monitoring.

CAMLO: Chief Anti-Money Laundering Officer

The individual appointed by CSS with overall responsibility for the AML/ATF Compliance Program.

CANADIAN SECURITY INTELLIGENCE SERVICE (CSIS)

Canadian Security Intelligence Service (CSIS) role is to investigate threats, analyze information and produce intelligence. It then reports to, and advises, the Government of Canada to protect the country and its citizens.

CASEWARE

The electronic practice management and engagement documentation system utilized by CSS.

CDD: Customer Due Diligence

Measures taken to identify, verify, understand, and assess a client and the risks associated with the relationship.

CLIENT IDENTIFICATION

Client identification: To verify the identity of a person use the government-issued photo identification method or the dual-process method.

Authentic: In respect of verifying identity, means genuine and having the character of an original, credible, and reliable document or record.

Valid: In respect of a document or information that is used to verify identity, appears legitimate or authentic and does not appear to have been altered or had any information redacted. The information must also be valid according to the issuer, for example if a passport is invalid because of a name change, it is not valid for FINTRAC purposes.

Current: In respect of a document or source of information that is used to verify identity, is up to date, and, in the case of a government-issued photo identification document, must not have been expired when the ID was verified.

To verify the identity of an entity use the confirmation of existence method. The record you refer to must be authentic, valid and current.

CLOSE ASSOCIATE

A person closely connected to a PEP or HIO through business, financial, personal, or professional relationships.

COMPLIANCE OFFICER

The individual responsible for overseeing implementation and administration of the AML/ATF Compliance Program.

COMPLIANCE PROGRAM

The AML/ATF framework required by the PCMLTFA consisting of:

- *Appointment of a Compliance Officer;*
- *Written Policies and Procedures;*
- *Risk Assessment;*
- *Ongoing Training Program;*
- *Effectiveness Review;*
- *Ongoing Compliance Monitoring and Controls.*

COMPLIANCE REVIEW

The formal review conducted to assess the effectiveness of the AML/ATF Compliance Program.

CROSS-BORDER CLIENT

A client with foreign residency, foreign operations, foreign ownership, foreign transactions, foreign assets, or other international connections.

CSS: Crawford Smith & Swallow LLP

CSS COMPLIANCE TEAM

The CAMLO, Deputy CAMLO, Partners, and other designated individuals responsible for administering AML/ATF compliance activities.

DEPUTY CAMLO

The individual appointed to support the CAMLO and assume delegated compliance responsibilities.

DOMESTIC PEP

A Politically Exposed Person who currently holds or has held a prescribed prominent public office in Canada.

DUAL PROCESS METHOD

A FINTRAC-approved identity verification method utilizing two independent and reliable sources.

EDD: Enhanced Due Diligence

Additional measures applied to higher-risk clients, transactions, or business relationships.

Examples include:

- *source of wealth review;*
- *source of funds verification;*
- *enhanced monitoring;*
- *management approval;*
- *additional documentation.*
- *Effectiveness Review*

An independent assessment conducted at least once every two years to determine whether the AML/ATF Compliance Program is functioning effectively.

ENGAGEMENT PARTNER

The CSS Partner responsible for oversight of a client relationship or engagement.

ESCALATION EVENT

Any circumstance requiring referral to the CAMLO or Deputy CAMLO.

Examples include:

- *suspicious activity;*
- *sanctions concerns;*
- *PEP/HIO exposure;*
- *unexplained ownership;*
- *refusal to provide information.*

ENTITY

A corporation, trust, partnership, association, organization, estate, or other legal structure.

FAMILY MEMBER (PEP/HIO)

A spouse, common-law partner, parent, child, sibling, or other prescribed family member of a PEP or HIO.

FATF: Financial Action Task Force

Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member countries. The objectives of the FATF are to set standards and promote effective implementation of

legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

FINTRAC: Financial Transactions and Reports Analysis Centre of Canada

Canada's financial intelligence unit responsible for administration and enforcement of the PCMLTFA. It was designed to enforce the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and its associated Regulations.

FOREIGN PEP

A Politically Exposed Person who currently holds or has held a prescribed prominent public office outside Canada.

FUNDS

Cash, currency, securities, negotiable instruments, virtual currency, or other financial assets.

GUIDELINES/GUIDANCE

Guidelines/Guidance are the plain language interpretation of the *Proceeds of Crime Money Laundering and Terrorist Financing Regulations* (PCMLTFR) and associated requirements that are published by FINTRAC.

HIGH-RISK CLIENT

A client assessed as presenting elevated ML/TF risk requiring Enhanced Due Diligence.

HIGH-RISK JURISDICTION

A country or geographic area identified as presenting elevated money laundering, terrorist financing, sanctions, corruption, or organized crime risk.

HIO: Head of an International Organization

An individual who leads an international organization established by governments.

IFIRM

The client management and workflow system utilized by CSS.

INDEPENDENT REVIEW

A review conducted by a person sufficiently independent of the activities being assessed.

INDIVIDUAL VERIFICATION FORM

The CSS form used to document client identification and identity verification of an individual.

KYC: Know Your Client

The process of identifying, verifying, and understanding a client and the nature of the relationship.

LARGE CASH TRANSACTION REPORT (LCTR)

A report submitted to FINTRAC regarding cash transactions meeting prescribed reporting thresholds.

LISTED PERSON

An individual or entity designated under sanctions, anti-terrorism, or related legislation.

LPEPR: Listed Person or Entity Property Report

Listed Person and Entity Property Reports (LPEPR) is a prescribed transaction that if you have property in your possession or control that you know is owned or controlled by or on behalf of a terrorist or sanctioned individual or group. This includes information about any transaction or proposed transaction relating to that property. This replaces the Terrorist Property Reports.

MEDIUM-RISK CLIENT

A client assessed as presenting moderate ML/TF risk requiring Standard Due Diligence.

ML: Money Laundering

The process of concealing, disguising, converting, transferring, or integrating proceeds derived from criminal activity.

ML/TF: Money Laundering and Terrorist Financing

The combined risks addressed by the AML/ATF regime.

MONITORING RECORD

The CSS document used to document ongoing monitoring activities and reassessment of client risk.

N/A RISK CLASSIFICATION

A classification used where FINTRAC obligations are not triggered and no meaningful ML/TF risk indicators are present.

ONGOING MONITORING

The process of reviewing a business relationship on a continuing basis to:

- *identify changes;*
- *detect unusual activity;*

- *reassess risk;*
- *maintain current information.*

PCMLTFA: Proceeds Of Crime (Money Laundering) and Terrorist Financing Act

Canada's primary AML/ATF legislation. Proceeds of Crime Money Laundering Terrorist Financing Act (PCMLTFA) is designed to help detect and deter money laundering and the financing of terrorist activities. It is also to facilitate investigations and prosecutions of money laundering and terrorist activity financing offences. This includes the reporting, record keeping, client identification and compliance program requirements for accountants and accounting firms.

PEP: Politically Exposed Person

An individual entrusted with a prominent public function in Canada or another country.

PRESCRIBED ACTIVITY

An activity that triggers obligations under the PCMLTFA for accountants and accounting firms.

Examples include:

- *receiving funds;*
- *paying funds;*
- *transferring funds;*
- *purchasing or selling business assets;*
- *purchasing or selling entities;*
- *purchasing or selling securities;*
- *purchasing or selling real property;*
- *dealing in virtual currency where applicable.*

RAM: Risk Assessment Manual

The CSS document used to identify, assess, document, and mitigate ML/TF risks.

RBA: Risk-Based Approach

The FINTRAC methodology requiring compliance measures to be proportionate to identified risk.

REASONABLE MEASURES

Actions taken to obtain, verify, or confirm information as required under the PCMLTFA and Regulations.

ROF: Receipt of Funds Record

The CSS record completed when prescribed funds are received in accordance with AML/ATF requirements.

REPORTING ENTITY

A person or organization subject to obligations under the PCMLTFA.

RESIDUAL RISK

The level of risk remaining after controls and mitigation measures have been implemented.

RISK ASSESSMENT

The process of identifying, measuring, documenting, and mitigating ML/TF risks.

RISK CLASSIFICATION

The final risk rating assigned to a client or business relationship.

Classifications include:

- *N/A*
- *Low Risk*
- *Medium Risk*
- *High Risk*

ROYAL CANADIAN MOUNTED POLICE (RCMP)

Royal Canadian Mounted Police (RCMP) is Canada's national police force.

SANCTIONS

Restrictions imposed under Canadian law against designated individuals, entities, countries, or organizations.

SIMPLIFIED DUE DILIGENCE

Reduced monitoring and documentation measures applied to lower-risk clients where permitted.

SOF: Source of Funds

The origin of money involved in a transaction or relationship.

Examples:

- *salary;*
- *inheritance;*
- *sale of property;*
- *investment proceeds.*

SOW: Source of Wealth

The origin of an individual's total accumulated wealth.

STANDARD DUE DILIGENCE

The normal level of client identification, verification, risk assessment, and monitoring required for medium-risk relationships.

STR: Suspicious Transaction Report

A report submitted to FINTRAC where there are reasonable grounds to suspect a completed or attempted transaction is related to ML/TF. Suspicious Transaction Report (STR) is a report to FINTRAC concerning financial transactions that you have **reasonable grounds to suspect** are related to the commission of a **money laundering/terrorist financing offence**. This includes transactions that you have reasonable grounds to suspect are related to the **attempted** commission of a money laundering offence.

A fact, for the purpose of completing an STR, is defined as an event, action, occurrence or element that exists or is known to have happened or existed it cannot be an opinion.

Context, for the purpose of completing an STR, is defined as information that clarifies the circumstances or explains a situation or transaction. This type of information is essential to differentiate between what may be suspicious and what may be reasonable in a given scenario.

Your suspicion of ML/TF will likely materialize from your assessment of multiple elements (transactions, facts, context, and any other related information that may or may not be an indicator of ML/TF). When these elements are viewed together, they create a picture that will either support or negate your suspicion of the commission of an ML/TF offence.

TF: Terrorist Financing

The collection, provision, movement, or use of funds intended to support terrorist activity or terrorist groups.

THIRD PARTY

A person or entity directing another person or entity to conduct a transaction on their behalf.

THIRD-PARTY DETERMINATION

The process of determining whether a transaction is being conducted on behalf of another person or entity.

TRUST

A legal arrangement in which trustees hold and administer property for beneficiaries.

TRUST ACCOUNT

A bank account maintained by CSS for the receipt, holding, or disbursement of client funds where permitted.

TRIGGER EVENT

An event requiring reassessment of client risk.

Examples include:

- *ownership changes;*
- *unusual transactions;*
- *sanctions concerns;*
- *adverse media;*
- *significant business changes;*
- *PEP/HIO identification.*

UBO: Ultimate Beneficial Owner

The natural person who ultimately owns or controls an entity.

UNKNOWN

- *A response used only where:*
- *information has not yet been obtained;*
- *information cannot reasonably be verified; or*
- *available information is insufficient to support a Yes or No answer.*

Unknown must not be used as a substitute for reasonable inquiry.

U.S. TAX CLIENT

A US Tax Client means a client requiring U.S. tax compliance or advisory services, including U.S. citizens, U.S. residents, green card holders, U.S. persons for tax purposes, or Canadian residents with significant U.S. tax exposure. Canadian-resident clients with U.S. tax exposure, such as ownership of U.S. real estate, U.S. investments, or U.S. filing obligations, may be considered U.S. Tax Clients. However, they are not automatically classified as High Risk solely because of U.S. tax exposure. Their risk classification should be based on the presence or absence of elevated risk factors, including ownership complexity, unclear source of funds, foreign asset concerns, unusual transactions, or reluctance to provide information.

U.S.-RESIDENT TAX CLIENT

U.S.-Resident Tax Client means a client who is resident in the United States for tax or ordinary residence purposes. A U.S. citizen living in Canada may be a U.S. Tax Client, but should not be treated as a U.S.-resident tax client solely because of U.S. citizenship.

VC: Virtual Currency

A digital representation of value that can be used for payment or investment purposes.

VIRTUAL VERIFICATION

Identity verification conducted without the individual being physically present using FINTRAC-approved methods.

WIRE TRANSFER

An electronic transfer of funds between financial institutions or payment service providers.