Banking regulator increasing focus on money laundering as risks rise

The head of Canada’s banking regulator says he’s ramping up scrutiny of money laundering in the financial sector as risks increase.

Peter Routledge, who leads the Office of the Superintendent of Financial Institutions, said regulators and banks are having to watch out for anything unusual.

“The sophistication of money laundering techniques is a world of artificial intelligence, surveillance and spy-fight and all that,” he said on Friday.

“Unfortunately, the scale can’t be made to look that small in the next two or three years, that’s bigger than we need to grow and move, and we are moving,” he said.

Speaking at the Securities Financial Services Conference in Toronto, Routledge said the regulator is also increasing the focus of the area after parliament amended FinTRAC’s mandate in 2021 to specifically include monitoring for money laundering and the terrorist financing. Institutions protect against threats to their integrity and security.

FinTRAC, Canada’s financial intelligence agency, has also signalled increased scrutiny of the banking sector. Routledge said the agency levied a $7-million fine against CIBC for anti-money laundering and terrorist financing violations in the 2022-2023 financial year, as well as $1.3 million penalty against ABC for anti-money laundering and terrorist financing violations.

“Unfortunately, we cannot be too vigilant,” Routledge said as he referenced a 2021-2022 financial year, in which 1.1 million in total fines across all sectors were imposed.

Routledge said OSFI would be watching closely as Fintech: and the more integrated global economy: concentrates on money laundering.

“Not just what you are doing, but also taking its message to financial institutions that they need to step up efforts against the problem, he said in a media availability following the event.

“I can tell you firmly, going forward, we will certainly do that, and do so in a broad set of directions,” he said.

The regulator is also increasing focus on climate-related risks, such as they’re fundamentally a financial risk.

The regulator has already mandated banks to prepare climate disclosure statements and financial stress tests. The regulator will then inform any decisions on capital requirements and other potential measures, but it will be a multi-year process, he said.

“We don’t expect the perfect disclosure, nor are we expecting the perfect stress tests, but we expect results that are better than those in the past,” said Routledge.

The regulator is also reviewing how financial institutions are factoring climate risks into their capital requirements.

“Don’t see OSFI’s role as an institution meant to instill risk management within the financial institution, instead it should look to mitigate some of the risks and new emerging risks,” Routledge said.

The new role comes as OSFI has been mandated to explicitly include monitoring for money laundering and terrorist financing against threats to the integrity of the financial sector.

It’s a key measure of discretionary spending.

November’s retail sales amounted to $45 billion in November, accounting for 5.8 per cent of total retail sales.

The decrease was driven by declines in the four sectors Statistics Canada tracks. Sales at food and beverage retailers fell 0.2 per cent, while sales at food and beverage retailers fell 0.8 per cent.

“While grocery store prices are generally sticky, there are cost pressures from other areas and we expect to see prices rise in the coming months,” said Routledge.

OSFI’s role as digitization and the more integrated global economy.

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