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Administrative Monetary Penalty on Royal Bank of Canada

From: [Financial Transactions and Reports Analysis Centre of Canada](#)
(FINTRAC)

[2023-12-05]

Royal Bank of Canada (RBC) was imposed an administrative monetary penalty of \$7,475,000 on November 3, 2023, for committing 3 violations. The violations were found during the course of a compliance examination in 2022. This penalty was imposed for administrative violations committed by RBC under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its associated Regulations, and not for criminal offences for money laundering or terrorist activity financing.

Nature of violation

Violation #1

Failure of a person or entity to report financial transactions that occurred in the course of its activities and in respect of which there are reasonable grounds to suspect that the transactions are related to the commission or the attempted commission of a money laundering or a terrorist activity financing offence, which is contrary to section 7 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and subsection 9(1) of the Proceeds of Crime (Money Laundering) and

Terrorist Financing Suspicious Transaction Reporting Regulations.

Royal Bank of Canada failed to submit 16 suspicious transaction reports (STRs), out of 130 case files reviewed, where there were reasonable grounds to suspect that transactions were related to the commission or attempted commission of a money laundering (ML) or terrorist activity financing (TF) offence. These instances of the 16 STRs include the following:

- Instances where the Bank was served with production orders on clients and where the Bank failed to escalate/refer the files for the purpose of determining whether an STR should be submitted to FINTRAC;
- Instances related to fraud where STRs were not sent to FINTRAC despite the presence of ML/TF indicators to support the establishment of reasonable grounds to suspect that transactions were related to the commission or attempted commission of an ML offence or a TF offence; and
- Instances where case investigations were closed citing that no STR was required without adequate review of the client activity against relevant ML/TF indicators.

Violation #2

Failure of a person or entity to report to the Centre, in the prescribed form and manner, suspicious transactions which is contrary to section 7 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and subsection 9(1) of the Proceeds of Crime (Money Laundering) and Terrorist Financing Suspicious Transaction Reporting Regulations.

FINTRAC's examination found that, prior to May 2021, the Bank was not filing separate STRs for different branch locations.

FINTRAC conducted a review of STRs submitted for a two-month sample and found that 29 out of 34 reports included transactions for multiple locations that were not reported on separate STRs contrary to FINTRAC's

published guidance and STR reporting schedules. Therefore, the location of the transactions reported in Part A was incorrect as the additional information was reported in Part G.

Violation #3

Failure of a person or entity to develop and apply written compliance policies and procedures that are kept up to date and, in the case of an entity, are approved by a senior officer, which is contrary to subsection 9.6(1) of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and paragraph 71(1)(b) of the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations.

FINTRAC determined that the Bank lacked appropriate and documented governance for developing, updating, and effectively implementing AML/ATF policies and procedures. In addition, several procedures related to the identification and reporting of STRs were found to be incomplete, inadequate, and in some cases not applicable.

Specifically, the Bank's policies and procedures provided inconsistent guidance on when an STR is to be reported to FINTRAC, including reference to the reasonable grounds to believe (RGB) threshold, a higher threshold than the reasonable grounds to suspect (RGS) threshold established under the PCMLTFA and associated regulations. Examples include documents that specify investigations need to determine that elements of an offence are present or that transactions are linked to an underlying offence.

In addition, the Bank did not have clear and comprehensive procedures for the receipt and escalation of files where the Bank was served with production orders, to ensure a determination could be made on whether an STR should be submitted to FINTRAC.

Related link

- [News release: FINTRAC imposes an administrative monetary penalty on Royal Bank of Canada](#)

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FINTRAC imposes an administrative monetary penalty on the Royal Bank of Canada

News release

December 5, 2023—Ottawa—Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)

FINTRAC announced today that it has imposed an administrative monetary penalty on the Royal Bank of Canada (RBC). Following a compliance examination in 2022, this bank was imposed an administrative monetary penalty of \$7,475,000 on November 3, 2023, for non-compliance with Part 1 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its associated Regulations.

Royal Bank of Canada was found to have committed the following three administrative violations:

- Failure to submit suspicious transaction reports where there were reasonable grounds to suspect that transactions were related to a money laundering offence;
- Failure to provide information in the prescribed form and manner in suspicious transactions reports; and
- Failure to keep written policies and procedures up to date.

This penalty was imposed for administrative violations committed by RBC under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its associated Regulations, and not for criminal offences for money laundering or terrorist activity financing.

Quote

“Canada’s Anti-Money Laundering and Anti-Terrorist Financing Regime is in place to protect the safety of Canadians and the security of Canada’s economy. FINTRAC will continue to work with businesses to help them understand and comply with their obligations under the Act. We will also be firm in ensuring that businesses continue to do their part and we will take appropriate actions when they are needed.”

— Sarah Paquet, Director and Chief Executive Officer, Financial Transactions and Reports Analysis Centre of Canada

Quick facts

- As Canada's financial intelligence unit and anti-money laundering and anti-terrorist financing supervisor, FINTRAC ensures that businesses subject to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act comply with their obligations under the Act and its Regulations. The Centre also analyzes information and discloses financial intelligence to police, law enforcement and national security agencies to assist their investigations of money laundering, terrorist activity financing and threats to the security of Canada.
- Casinos, financial entities, money services businesses, real estate brokers and sales representatives and several other business sectors are required under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act to keep certain records, identify clients, maintain a compliance regime and report certain financial transactions to FINTRAC.
- Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, administrative monetary penalties are meant to be non-punitive and are issued to encourage change in the non-compliant behaviour of businesses.
- In 2022–23, FINTRAC issued 6 Notices of Violation of non-compliance to businesses for a total of \$1,113,569.
- FINTRAC has imposed more than 125 penalties across most business sectors since it received the legislative authority to do so in 2008.

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