



# Requirements for White Label ABM Cash Owners

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## Table of Contents

1. Introduction .....	3
2. Background.....	3
3. White Label ABM Cash Owners - Applicability .....	4
3.1. Cash Owner – Risk Rating .....	4
3.2. Identification of Individual Cash Owners.....	4
3.3. Banking Information - Individual Cash Owners.....	5
4. Identification of Entities - Cash Owners.....	5
4.1. Record Keeping Requirements for Entities – Cash Owners.....	6
4.2. Banking Information - Cash Owner- Entities.....	6
5. Source of Funds: Declaration.....	6
6. Criminal Record Check .....	7
7. Annual Reviews .....	8
7.1. Specific Documents to be Reviewed .....	8
7.2. Prescribed Checklist.....	8
7.3. Acquirer’s Responsibility for the Review.....	8
7.4. Auditors Responsibility for Reporting.....	9
7.5. Auditor’s Special Reporting .....	9
7.6. Storage of Documents to be reviewed.....	9
8. Acquirer as the Cash Owner .....	10

## 1. INTRODUCTION

On March 1, 2009, Interac Association adopted a set of Regulations designed to establish protocols for the collection and review of information relative to White Label ABMs.<sup>1</sup> This document is being provided to the Canadian ABM industry for informational purposes. Interac Association members and their business partners should not use this document as an alternative to assessing and ensuring their compliance with the Interac Association's Regulations.

## 2. BACKGROUND

In February 2008, the Financial Action Task Force (FATF), the international body responsible for setting standards for anti-money laundering, released its their report entitled "Anti-Money Laundering and Combating the Financing of Terrorism regime in Canada". The report identified White Label ABMs as an industry sector where additional controls should be implemented to mitigate the risk of money laundering. In response to those findings, a number of meetings were held among Interac Association, Visa, MasterCard, ATMIA, law enforcement agencies (RCMP and OPP), the Department of Finance and Financial Transaction Reports Analysis Center of Canada (FINTRAC). Interac Association also invited participants from within the White Label industry to these joint industry meetings to discuss what controls should be considered, and subsequently implemented to address the concerns expressed in FATF's report.

This joint-industry group collectively agreed to a set of anti-money laundering requirements for White Label ABM "Cash Owners"<sup>2</sup>. These requirements were later formulated into Interac Association Regulations designed to specifically address the following areas:

- customer due diligence requirements (know your customer requirements)
- source of funds
- requirements for criminal background checks
- annual reviews to monitor compliance.

Interac Association Regulations contain specific provisions requiring that White Label ABM Acquirers<sup>3</sup> verify the identity of all White Label Cash Owners and obtain a source of funds document for any White Label ABM they connect to the Shared Cash Dispense (SCD) Network.<sup>4</sup>

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<sup>1</sup> For the purposes of this document, a White label ABM is any ABM loaded with funds from a Cash Owner

<sup>2</sup> The term "Cash Owner" is defined in the Regulations and discussed later in the document, but in essence the term is intended to cover those who own or otherwise possess the cash that is loaded into an ABM connected to the Interac Association's Shared Cash Dispensing (SCD) Service.

<sup>3</sup> For the purposes of this document an Acquirer is a Member of Interac Association that connects an ABM to the IMN to facilitate transactions between a Cardholder and their Issuer.

<sup>4</sup> The Shared Cash Dispensing Service Network is the service that allows Canadians to withdraw money from an ABM that doesn't belong to their financial institution.

### **3. WHITE LABEL ABM CASH OWNERS - APPLICABILITY**

The Regulations apply to all “White Label ABM Cash Owners”. A White Label ABM Cash Owner is defined as any person or entity that has declared itself to be either the owner of the cash or the person or entity that possesses the cash that is loaded into an ABM connected to the SCD service. A White Label ABM Cash Owner may also be the holder of the account through which the funds from the ABM is settled.

The term “Cash Owner” would not apply where the individual or entity can demonstrate to the Acquirer’s reasonable satisfaction that it is a regulated Financial Institution or a registered Canadian casino that holds a valid gaming certificate or lottery license.

#### **3.1. CASH OWNER – RISK RATING**

Cash Owners are categorized as either “low risk” or “high risk” based on specific criteria contained within the Regulations. A Cash Owner categorized as a low risk is not required to have a criminal background check.

To be deemed a “low risk”, a Cash Owner must satisfy at least one of the following criteria:

- a) own the cash for one (1) ABM connected to the SCD Service
- b) own the cash for two (2) to four (4) ABMs connected to the SCD Service where the total average daily settlement volume in aggregate of these ABMs is less than \$5,000
- c) has account records that establish a consistent and circular flow of funds used for loading in an ABM(s)
- d) is a publicly traded company
- e) has been certified and can provide a copy of an official Provincial or Federal gaming certificate or lottery license

Any person or entity that does not meet any of the requirements for a low risk Cash Owner as described above will be designated by the Acquirer as a “high risk” Cash Owner. A criminal record check must be obtained for all high risk Cash Owners by the Acquirer.

#### **3.2. IDENTIFICATION OF INDIVIDUAL CASH OWNERS**

Where the Cash Owner is an individual person, this person’s identity must be verified by the Acquirer as required under the Regulations. Such documentation would include one or more pieces of valid and signed government-issued identification, provided that the request to provide such identification does not violate federal, provincial or territorial legislation. In the case of a

valid foreign passport, the document must be verified by a Canadian federal law enforcement agency.

In addition an Acquirer must ensure that it (or its Acquirer Business Partners or ISOs) maintain on file complete address information for each individual Cash Owner with whom it has a relationship. This address information would include the following:

- Full name and civic address (Post Office Box is not acceptable)
- Primary contact phone number
- E-mail address (if available)
- Occupation
- Date of Birth
- Type and number of ID documents (e.g. driver's license) used to verify identity; and
- Information regarding the type of business arrangement; (e.g. whether or not they own the business premises and the ABM; renting the ABM only; etc.).

### **3.3. BANKING INFORMATION - INDIVIDUAL CASH OWNERS**

An Acquirer must maintain a record of a Cash Owners bank account information that indicates where settled ABM funds are to be deposited. This information must include the name and address of the Canadian Financial Institution where the account is held and the Deposit Account Number. Non-Canadian Financial Institutions are not permitted. The Acquirer must also obtain documentation from the Cash Owner that establishes the validity of the account. This would typically include the routing and transit numbers from, a void cheque, bank statement, letter, etc. It should be noted that this information is not acceptable as a means to verify the identity of a Cash Owner.

## **4. IDENTIFICATION OF ENTITIES - CASH OWNERS**

A Cash Owner's corporate existence, or that of any entity that has declared itself as the Cash Owner, must be verified by the Acquirer using one of the following methods:

- Conducting a corporate search and obtain valid articles of incorporation, (where applicable).
- Collecting valid documentation, which may include at least one of the following:
  - a record that has to be filed annually under provincial or Canadian securities legislation;
  - a notice/letter of assessment from a municipal, provincial, territorial or federal government; or
  - legal status documents (e.g. certificate of corporate status, partnership agreement, trust deed, etc.).

#### **4.1. RECORD KEEPING REQUIREMENTS FOR ENTITIES – CASH OWNERS**

The following documentation must be kept on file:

- Entity Name
- Address; civic address (Post Office Box not acceptable)
- Name of person declared as the Cash Owner on the source of funds declaration
- Name of Primary Contact if different than person signing Cash Owner source of funds declaration
- Primary Contact Phone number
- E-mail address (if available);
- Occupation of person declared as the Cash Owner on the source of funds declaration
- Principal business, incorporation or registration number (and jurisdiction of incorporation or registration) and
- Name and address and date of birth of all directors and owners of 25% or more of the shares of the entity

#### **4.2. BANKING INFORMATION - CASH OWNER- ENTITIES**

An Acquirer must keep on file the bank account information for the account into which a Cash Owner's ABM funds are deposited. This information must include the name and address of the Canadian Financial Institution (branch office) where the account is held and the Deposit Account Number, non-Canadian Financial Institutions are not permitted. The Acquirer must also obtain certain Financial Institution issued documentation establishing the validity of the account. This must include the routing and transit numbers from, a void cheque, bank statement, letter, etc. It should be noted that this information is not sufficient to verify the identity of the Cash Owner.

#### **5. SOURCE OF FUNDS: DECLARATION**

The Acquirer is responsible for obtaining a source of funds declaration from each and every Cash Owner and ABM it connects to the SCD Service.

In addition to providing specific information about the source of the funds that are loaded into an ABM the source of funds declaration must also provide the following information:

- Terminal ID and serial number of the ABM
- Brand and model of the ABM
- Maximum cash load capacity of machine
- Address of ABM, name of business location and location description (e.g. shopping mall, convenience store, etc.)
- Name of location provider operating the ABM, address, phone number and email address (if available)
- Method used to transport cash for loading into the ABM(s) (e.g. armoured car, other)

- Where multiple sources of cash are used, information on each source of funds must be provided.

A source of funds declaration must be maintained with each White Label ABM Cash Owner's documentation and for each ABM that is connected to the SCD Service.

Specific events or triggers will require that a new source of funds must be completed. This would include but not be limited to the following items:

- New ABM contract signing (including transfer of contract to a new owner);
- ABM contract renewal/extension;
- Change in ABM vault cash deposit / account;
- Change in source of funds, including all sources of funds where multiple sources of funds are used (e.g. new deposit account, new armoured car service, etc.);
- Change in a merchant's business partner that directly handles the funds (e.g., armoured car service);
- ABM is sold (a new contract must be put in place);
- Replacement of the ABM;
- Change in Cash Owner's Acquirer

## **6. CRIMINAL RECORD CHECK**

A criminal record check must be obtained on all Cash Owners that fall within the high risk category.

Where the Cash Owner is a not a publicly traded entity, a criminal record check must be obtained on those directors and owners with 25% or more of the voting shares of the entity, and on any person who signs a contract related to the processing transactions from that ABM.

No Acquirer or its Acquirer Business Partner or ISO shall enter into a contract or connect any ABM with any party where, by virtue of having performed the due diligence requirements, the Acquirer or Acquirer Business Partner or ISO knows or has reason to know that the Cash Owner may pose a material risk to the security or integrity of the SCD Service.

The criminal record check must establish that the Cash Owner does not have any indictable convictions for the list of offences outlined in the Regulations.

## **7. ANNUAL REVIEWS**

The Regulations require that the Acquirer complete an annual compliance review (the “Review”), which is intended to confirm that documentation has been collected and maintained in accordance with the Regulations. This Review is designed to provide a level of assurance that due diligence has been performed in accordance with the Regulations.

These Reviews must be performed by an independent auditor who is responsible for the review assignment, and who must hold one or more of the following professional designations:

- Professional Accounting designation (e.g. C.A., CGA, CMA) from an accredited professional accounting association;

The following individuals may not perform the Review:

- a White Label ABM Acquirer’s internal auditor
- an internal auditor of a company that owns or leases an ABM
- an internal auditor of the registered Cash Owner
- any accredited auditor that could not declare their independence

### **7.1. SPECIFIC DOCUMENTS TO BE REVIEWED**

Documents to be reviewed as part of the Review include:

- The criteria used for categorizing a Cash Owner as a low or high risk Cash Owner
- Customer due diligence or know your customer information as specified in the Regulations
- Cash Owner Banking Information
- Cash Owner Criminal Background Check – where applicable
- Completed Cash Owner source of funds declaration form

### **7.2. PRESCRIBED CHECKLIST**

Interac Association has developed a prescribed checklist that must be used by a qualified auditor during the course of the Review. This checklist has been designed to align with the specific requirements contained in the Regulations.

The intent of using the check list is to reduce the risk of any misinterpretations of the requirements during the course of a Review.

### **7.3. ACQUIRER’S RESPONSIBILITY FOR THE REVIEW**

Under the Association’s Regulations, the Acquirer is responsible for ensuring that Reviews by a qualified auditor are conducted for each Cash Owner it connects to the SCD Service.



#### **7.4. AUDITORS RESPONSIBILITY FOR REPORTING**

Regardless of who may have engaged the auditor to perform the Review, the auditor shall remain accountable to the Acquirer who is responsible for having the Review completed. The letter of engagement with a qualified auditor must reflect this requirement.

Auditors must provide a copy of the completed checklist to the Acquirer responsible for the Review. In all cases the completed checklist must be filed with the responsible Acquirer. It may not be filed/stored with the Cash Owner unless the Cash Owner is a member of Interac Association.

#### **7.5. AUDITOR'S SPECIAL REPORTING**

If during the course of a Review, a Cash Owner is found to be out of compliance with the Regulations, the auditor is required to notify the Acquirer and the Association without delay and provide a copy of the Review Checklist clearly indicating the nature of the non-compliance.

Such reporting is also be required if an auditor were to uncover (or finds information that may indicate) the occurrence of suspicious or possible criminal activity. In this specific instance reporting should be made directly to the Association and not the Acquirer.

These special reporting requirements must be included in the auditor's engagement letter for the Review.

#### **7.6. STORAGE OF DOCUMENTS TO BE REVIEWED**

Cash Owner due diligence documents and the source of funds declaration form(s) must be stored in a secure manner. The Acquirer is responsible for the collection and storage of these documents. The Acquirer may, at its discretion, contract with its Acquirer Business Partner, ISO, or any other responsible party to undertake the collection and storage of these documents. However the Acquirer will continue to remain responsible for the collection and safe storage of these documents. These documents may not be stored with the Cash Owner unless the Cash Owner is a Member of Interac Association.

Where the Acquirer has contracted with its Acquirer Business Partner, ISO, or any other responsible party for the collection and storage of these documents, the contract must contain a clause clearly indicating that these documents will be made available to the Acquirer within 30 business days of any request to do so.

## **8. ACQUIRER AS THE CASH OWNER**

Where the Acquirer is also the Cash Owner, customer due diligence is to be performed on the entity or individual as part of the new membership process and supporting documentation is to be filed with the Association.

Where the Acquirer meets the definitions of a Cash Owner, a source of funds declaration must be completed and will be held on file with the Association.

Reviews will be conducted on the Acquirer in accordance with the Association's Regulations