SG CHARTERED PROFESSIONAL ACCOUNTANTS

Client Identification and Verification Rules

Law Society of Yukon

March 4, 2026

Introduction

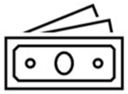
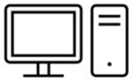
- SG LLP Chartered Professional Accountants:
  - Provide professional accounting services including accounting, taxation and assurance work as well as forensic accounting and litigation support
  - Law Society of Yukon auditors for several years and also work with other Canadian law societies

- Presenters:
  - Gustavo Jimenez, CPA, CGA, CFE – Partner
  - Sara Jimenez, CPA, CA, CFF, CFE – Partner
  - Jaden Hawryluk, BBA – Manager
  - Stephen Kinasevich, BComm – Senior Accountant

Agenda

- Prohibitions and Conditions
- Client Identification
- Client Verification
- Anti Money Laundering Rules – Cash Transactions
- Questions

Prohibitions and Conditions

1. Legal Document 
2. Deposits 
3. Withdrawals 
4. Monitoring 

Scenario's – Prohibitions and Conditions

- The lawyer provided legal services to their client Sally and issued an invoice for the services rendered. Sally provided a cheque to the lawyer for the invoiced amount. The lawyer deposited the cheque into trust and then transferred the amount to general for payment of services.

- The lawyer's client Jim provided a cheque that was deposited into the trust bank account for legal services to be completed. During the agreement, the lawyer disbursed funds from the general bank account on behalf of the client. The lawyer transferred funds from the trust account to the general bank account to reimburse themselves for the disbursed funds.

Key Takeaway: Prohibitions and Conditions

Avoid the risk, have DOCUMENTATION!

Client Identification – Who/When to Identify

You must identify your client whenever you are retained to provide legal services. Additionally, you must identify any third-parties providing trust funds or instructions.

Minimal exceptions apply:

- when you provide legal services to your employer (i.e. in-house counsel);
- when you are acting as an agent for another lawyer who has already identified the client; **Get a copy of the identification performed!**
- when you are acting for a client who has been referred to you by another lawyer who has already identified the client; or **Get a copy of the identification performed!**
- when you are providing legal services as part of a duty counsel program sponsored by a non-profit organization, **except** where the legal services involve a financial transaction.

SG CHARTERED PROFESSIONAL ACCOUNTANTS

Client Identification – Individuals

What to record?

- The client’s full name;
- The client’s home address and home telephone number;
- The client’s occupation(s); and
- The address and telephone number of the client’s place or work/employment.

- For further clarity:
  - “Occupation” does not need to be in employment. (I.e. retired, unemployed, stay-at-home mom/dad, etc.)
  - **<u>Nothing</u> should be left blank.**

SG CHARTERED PROFESSIONAL ACCOUNTANTS

Client Identification – Corporations

What to record?

- The client's full name, business address, and business telephone number;
- The organization's business number and the place of its incorporation;
- The general nature of the type of business or business activities; and
- The name, position and contact information for the individual who is authorized to give instructions to the lawyer for the given matter.

- For further clarity:
  - "Contact information" includes everything required to identify an individual.
  - **<u>Nothing</u> should be left blank.**

Client Identification Form Example

- Which lines have a violation?

Client Identification and Verification
(For use where client, third party, beneficiary is an individual)

Law Firm Name: SG Law Office

PART 1 - IDENTIFICATION OF CLIENT

1. **IDENTIFICATION OF INDIVIDUAL CLIENT (Rule 171(a))**

Need to record the full name → a) Full legal name: Sidney C

b) Residential address: 104 Elliott St Whitehorse YK Y1A 0M2

Missing → c) Residential phone no:

Not a proper address → d) Business address: PPG Paints Arena

e) Business phone no.: (412) 642-1800

f) Cell phone no.: (867) 668-4231

g) Email address: sidney.crosby@gmail.com

h) Employment/ Occupation: Hockey Player

Scenario 1

- Your client, Cora, is currently in jail. Her mother, Melissa, provides you with a $20,000 retainer to cover legal fees and bail. Who do you need to identify?

Both Cora (the client) and Melissa (the third-party providing funds).

Scenario 2

- ABC Ltd. is a corporate client looking to purchase a new office condo in downtown Whitehorse. Susan, the CEO is your primary point of contact for the transaction. You receive $150,000 from ABC Ltd., $500,000 from the Royal Bank of Canada, and $50,000 from Elliot, CFO of ABC Inc. Who do you need to identify?

ABC Ltd. (the client), Susan (individual instructing on behalf of the corporation), and Elliot (third-party providing funds personally).

Client Verification

1) When is it required?

- upon engaging in or gives instructions in respect of the receiving, paying or transferring of funds

2) Whose identity to verify?

- individual client
- organizational client
- individual(s) authorized to provide and give instructions on behalf of the organization

3) What must be verified?

- information about the source of funds (savings, settlement proceeds, etc.)
- names of all directors of the organization
- names and addresses of all beneficial owners of the organization (> or = 25%)

Client Verification – Source Documents

1) Individual Client

- government issued ID containing the individuals name and photograph – must be current and valid!
- Canadian credit file (3+ years) containing the name, address and date of birth
- information from a reliable source containing two of the following: name, address, date of birth, deposit account, credit card, or other loan amount with a financial institution

2) Organizational Client

- certificate of corporate status issued by a public body
- copy from a public body confirming requirement to file annually
- copy of a similar record from a public body confirm the organizations existence
- copy of constating documents confirming its existence

***3rd party verification checks on virtual verifications – fake ID?!?

SG CHARTERED PROFESSIONAL ACCOUNTANTS

Client Verification – Exemptions

1) Client

- financial institution, public body or reporting issuer

2) Source of Funds

- paid by or to a financial institution, public body or reporting issuer
- received from the trust account of another lawyer
- received from a peace officer, law enforcement agency, or a public official acting in their official capacity
- paid or received to pay a fine, penalty, or bail
- paid or received for professional fee, disbursements, or expenses

Scenario's – Client Verification

- Amanda walked into the law firm and engaged the firm for legal services regarding a criminal matter. Amanda provided a retainer of $2,000 that is to be used toward professional fees charged on account. The law firm did not verify the ID of Amanda.

- Hamandeep and Gurpreet own a small building company and have engaged the law firm for legal services on a real estate transaction. Hamandeep is the president and Gurpreet is the vice president who are both authorized to instruct the lawyer on the matter. The company provided a retainer of $50,000 to be used towards professional fees and the purchase of vacant land. The law firm has verified the company details and the ID of Hamandeep since he is the president.

Key Takeaways: Client Identification and Verification (CIV)

Client Identification = completion of a separate form collecting the identification information NOT taking copies of ID

Client Verification = obtaining evidence over the information collected in the identification form which includes copies of IDs, corporate searches, etc.

Anti Money Laundering - Cash

- You must not receive cash in an aggregate amount greater that $7,500CAD in the same client matter.

- Exceptions:
  - Cash is from a financial institution, law enforcement, or a public official acting in their official capacity;
  - To pay a fine, penalty, or bail; or
  - For professional fees, disbursements or expenses.
- **Any refunds related to cash received must be made in <u>cash</u>. No exceptions.**

Anti Money Laundering – Cash Receipts

- Your trust accounting recordings must include the method by which money is received in trust for a client.

- Additionally, you must maintain a separate book of duplicate receipts for cash. Each receipt must include the following:
  - Date cash is received;
  - The person from whom cash is received from;
  - The amount of cash received;
  - The client <u>and</u> applicable matter/file number for whom cash is received;
  - The **signature** of the person from whom cash is received; and
  - The **signature** of the individual authorized to receive cash.

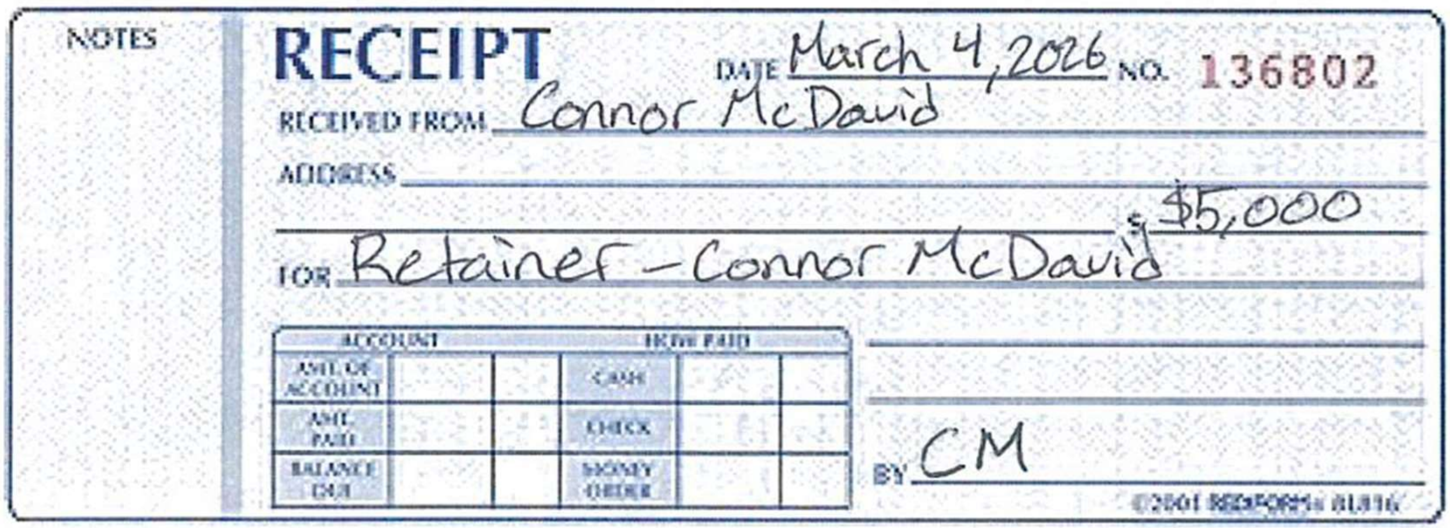
Scenario 1 – Cash Receipt

- What violations do you see?

No matter number.

Signature of the person from whom cash is received is incorrect. Initials are not acceptable.

No signature of the individual authorized to receive cash.



NOTES

RECEIPT

DATE March 4, 2026 NO. 136802

RECEIVED FROM Connor McDavid

ADDRESS

$ $5,000

FOR Retainer – Connor McDavid

ACCOUNT			HOW PAID		
AMT. OF ACCOUNT			CASH		
AMT. PAID			CHECK		
BALANCE DUE			MONEY ORDER		

BY CM

Scenario 2

- You receive $30,000 of aggregate cash in matter #2026. You bill your client, Sean, for $18,000 worth of legal fees and disbursements. As you prepare his refund, Sean asks that an $8,000 cheque be made out to a numbered corporation registered in British Columbia. He states that he is out of the country and would like the remaining $4,000 sent to him via EFT.

Scenario 3

- Your client, Cora, is currently in jail. Her mother, Melissa, provides you with a $30,000 cash retainer to cover legal fees and bail. As of file closing, you notice the matter has $3,000 remaining in trust that you must refund. Who should you refund?

  A) Cora (your client)
  B) Melissa (third-party who provided the cash)
  C) Split between Cora and Melissa ($1,500 each)
  D) Unknown

Questions???

- Where to go for additional information:
  - Law Society of Yukon website Client Identification & Verification - Law Society of Yukon
  - Federation of Law Societies of Canada Fighting Money Laundering and Terrorist Financing - Federation of Law Societies of Canada

SG LLP Chartered Professional Accountants
1302 10 Avenue SE, Calgary, AB T2G 0W9

sgaccountants.ca   (403) 613-3078