



# **Anti-Money Laundering & Counter Terrorist Financing (AML/CTF) Training Course**

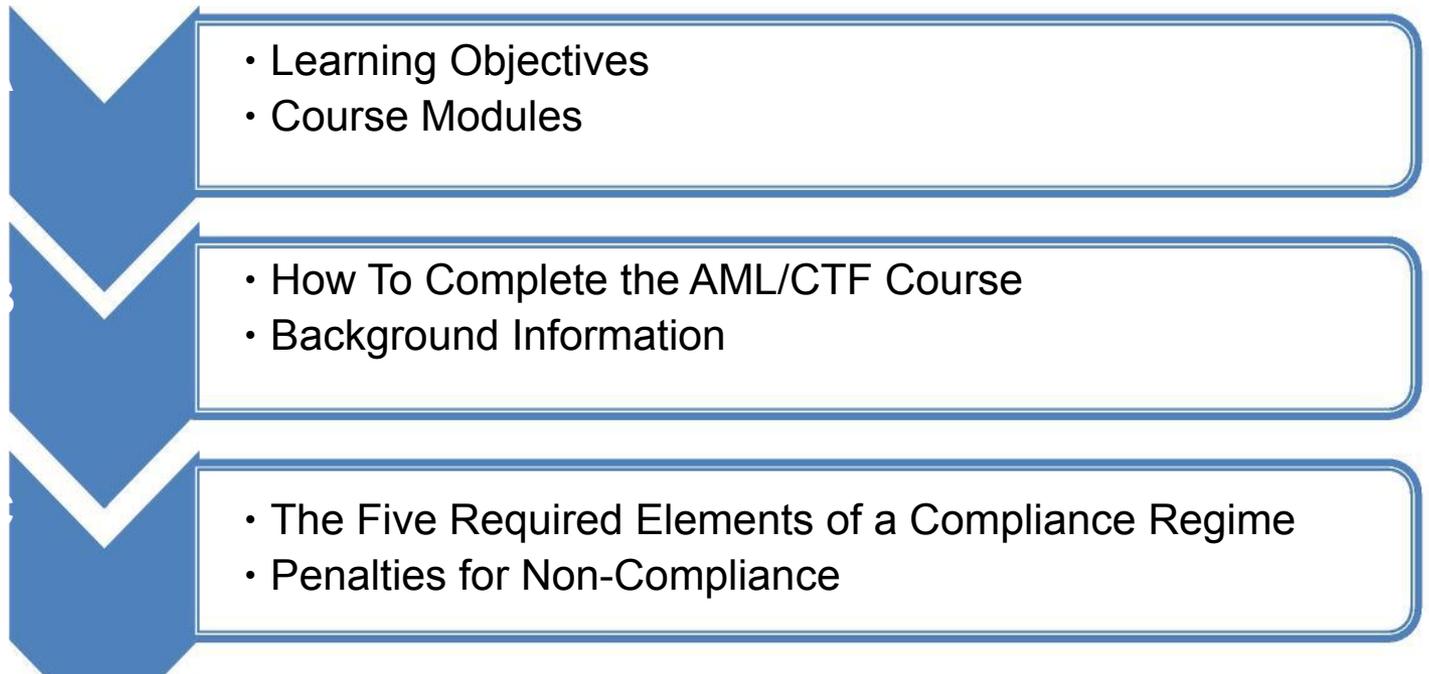
**CREA - Introduction**



## About This Anti-Money Laundering & Counter Terrorist Financing Training Course (AML/CTF):

The AMLTF course is designed to assist CREA members to comply in part with the training component under Canada's Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and supporting Regulations.

The following pages detail information regarding the AML/CTF course, such as:



## Learning Objectives:

Upon completion of the AML/CTF course, you will be able to:



- Define money laundering and terrorist financing and recognize how each are typically carried out.
- Identify the criminal elements commonly involved in money laundering and terrorist financing as well as government bodies involved in fighting these elements.
- Identify the main reports and associated reporting procedures set out in the PCMLTF Regulations and the instances that require them to be completed.
- Identify the record keeping and client identification requirements.

## Learning Objectives:

Upon completion of the AML/CTF course, you will be able to:



- Identify suspicious (completed or attempted) transactions and behaviours, and recognize the importance of “Know Your Client” (KYC) rules.
- State the various penalties for non-compliance.
- State the range of Administrative Monetary Penalties in respect of a violation.
- Identify the main components of a Compliance Regime and the main areas of a risk assessment approach.



## Course Modules:

The AML/CTF course consists of this **Introduction** module, and an additional five mandatory modules:

Module	Content
<b>Module One:</b>	About Money Laundering & Terrorist Financing
<b>Module Two:</b>	The Players
<b>Module Three:</b>	Reporting Requirements
<b>Module Four:</b>	Record Keeping & Client Identification Requirements
<b>Module Five:</b>	About Suspicious Transaction Indicators

**Progress through the course by completing all the modules in sequence.**

## FINTRAC: Did you know?

- In June 2021 there were significant changes made to the FINTRAC requirements that you should be aware of.
- These are new legislative requirements that become mandatory on April 1st 2022 (been in place since June last year).
- You must take Mandatory Fintrac Compliance Training and pass a test every two years.
- You can reach out to your office admin staff and they will let you know when you are due to renew it.

FINTRAC Training/Testing: <https://rlptraining.ca/fintrac-mandatory-training/>

Watch the CREA video for more info: <https://youtu.be/UsuDtdJMOXc>

For more information on the latest changes to FINTRAC requirements review the [FINTRAC FAQ document](#)

## FINTRAC: Recent updates become mandatory as of April 1st, 2022

- Do you know what a **HIO** or a **PEP** is?
- Have you attended any of the sessions offered through OREB?
- Time to find out! These are new legislative requirements that become mandatory on April 1st, 2022.

Short Video:

<https://www.youtube.com/watch?v=UsoDtdJMOXc>

**OREA** Ontario Real Estate Association  
Form 634  
for use in the Province of Ontario

**Politically Exposed Person/Head of International Organization Checklist/Record**

Follow the instructions below and complete questions as indicated. Try to answer all applicable questions as per your brokerage's policies and procedures. Please see brokerage's Compliance Officer if you have questions about when to complete this form.

1. Name of individual under review: .....

2A. Determine whether the individual is any of the following. Check all relevant boxes:

- Politically exposed foreign person (foreign PEP) or family member/close associate of one
- Politically exposed domestic person (domestic PEP) or family member/close associate of one
- Head of an international organization (HIO) or family member/close associate of one
- None of the Above

2B. Indicate how you made this determination:

- Asked individual
- Internet search
- Consulting a commercial PEP/HIO database that the agent's brokerage has subscribed to
- Other, explain: .....

3. Indicate the date when the determination above was made:  .....

If you selected None of the Above, there is no need to proceed further. Otherwise, proceed to step 4.

4. Position held by PEP or HIO or their family member/close associate: .....

5. Name of organization in which position is held: .....

6. Complete this question for clients. If you are not dealing with a client, proceed to step 7.

A. If domestic PEP/HIO:

Is client high risk according to brokerage policies and procedures?  Yes  No  
If no, no further action required.  
If yes, proceed to 6B.

B. If foreign PEP, or a high-risk domestic PEP/HIO, or a family member/close associate of one, indicate:

A. Source of the individual's wealth: .....

B. Verified that enhanced measures taken as per brokerage policies and procedures. Check this box when completed:

If individual also provided \$100,000 in cash or virtual currency, proceed to step 7. Otherwise, there is no need to proceed further.

7. If \$100,000 in cash or virtual currency has been received from this individual, complete this question.

A. If individual is domestic PEP/HIO, or family member/close associate of one:

Is individual high risk according to brokerage policies and procedures?  Yes  No  
If no, no further action required.  
If yes, proceed to 7B.

B. If foreign PEP, or a high-risk domestic PEP/HIO, or a family member/close associate of one, indicate:

- i. Source of cash or virtual currency: .....
- ii. Source of the individual's wealth: .....
- iii. Name of senior management that has reviewed transaction: .....
- iv. Date that senior management reviewed transaction:  .....

## Politically Exposed Person/Head of International Organization Checklist/Record

### Definitions:

- “Politically exposed foreign person” (foreign PEP): an individual holding one of the following offices in or on behalf of a foreign state:
  - o head of state or head of government member of the executive council of government or member of a legislature; deputy minister or equivalent rank; ambassador, or attaché or counsellor of an ambassador; military officer with a rank of general or above; president of a state-owned company or a state-owned bank; head of a government agency; judge of a supreme court, constitutional court or other court of last resort; or leader or president of a political party represented in a legislature.
- “Politically exposed domestic person” (domestic PEP): an individual who holds or has held within the last 5 years one of the following specific office or positions in or on behalf of the Canadian federal government, a Canadian provincial (or territorial) government, or a Canadian municipal government:
  - o Governor General, lieutenant governor or head of government; member of the Senate or House of Commons or member of a legislature; deputy minister or equivalent rank; ambassador, or attaché or counsellor of an ambassador; military officer with a rank of general or above; president of a corporation that is wholly owned directly by Her Majesty in right of Canada or a province; head of a government agency; judge of an appellate court in a province, the Federal Court of Appeal or the Supreme Court of Canada; leader or president of a political party represented in a legislature; or mayor.
- “Head of an international organization” (HIO): an individual who currently holds or has held within the last 5 years the specific office or position of head of an international organization and the international organization that they head or were head of is either:
  - o an international organization established by the governments of states; or
  - o an institution established by an international organization.
- “Family member”: a spouse or common law partner, biological or adoptive child, mother or father, mother or father of spouse or common law partner, or sibling.
- “Close associate”: a person who is closely connected to a PEP or HIO for personal or business reasons. For example, they are in a romantic relationship with a PEP/HIO or are business partners with a PEP or HIO. FINTRAC Guidance includes additional examples.

For more information see Compliance Officer or FINTRAC Guidance *Politically exposed persons and heads of international organizations guidance for non-account-based reporting entity sectors and Politically exposed persons and heads of international organizations guidance.*

## Politically Exposed Person/Head of International Organization Checklist/Record

Follow the instructions below and complete questions as indicated. Try to answer all applicable questions as per your brokerage's policies and procedures. Please see brokerage's Compliance Officer if you have questions about when to complete this form.

1. Name of individual under review: .....
  - 2A. Determine whether the individual is any of the following. Check all relevant boxes:
    - Politically exposed foreign person (foreign PEP) or family member/close associate of one
    - Politically exposed domestic person (domestic PEP) or family member/close associate of one
    - Head of an international organization (HIO) or family member/close associate of one
    - None of the Above
  - 2B. Indicate how you made this determination:
    - Asked individual
    - Internet search
    - Consulting a commercial PEP/HIO database that the agent's brokerage has subscribed to
    - Other, explain: .....
  3. Indicate the date when the determination above was made: .....
- If you selected None of the Above, there is no need to proceed further. Otherwise, proceed to step 4.
4. Position held by PEP or HIO or their family member/close associate: .....
  5. Name of organization in which position is held: .....
  6. Complete this question for clients. If you are not dealing with a client, proceed to step 7.
    - A. If domestic PEP/HIO:
      - Is client high risk according to brokerage policies and procedures?  Yes  No
      - If no, no further action required.
      - If yes, proceed to 6B.
    - B. If foreign PEP, or a high-risk domestic PEP/HIO, or a family member/close associate of one, indicate:
      - A. Source of the individual's wealth: .....
      - B. Verified that enhanced measures taken as per brokerage policies and procedures. Check this box when completed:
- If individual also provided \$100,000 in cash or virtual currency, proceed to step 7. Otherwise, there is no need to proceed further.
7. If \$100,000 in cash or virtual currency has been received from this individual, complete this question.
    - A. If individual is domestic PEP/HIO, or family member/close associate of one:
      - Is individual high risk according to brokerage policies and procedures?  Yes  No
      - If no, no further action required.
      - If yes, proceed to 7B.
    - B. If foreign PEP, or a high-risk domestic PEP/HIO, or a family member/close associate of one, indicate:
      - i. Source of cash or virtual currency: .....
      - ii. Source of the individual's wealth: .....
      - iii. Name of senior management that has reviewed transaction: .....
      - iv. Date that senior management reviewed transaction: .....



## FINTRAC Compliance Officer

The FINTRAC Compliance Officer for Royal LePage Team Realty is:

**Ryan Kennedy**

Royal LePage Team Realty

FINTRAC Compliance Officer

24 Lansdowne Ave. Carleton Place,

Ontario, K7C 2T8

Phone: 613-729-4386

[RKennedy@rlpottawa.com](mailto:RKennedy@rlpottawa.com)

## FINTRAC Updates

On June 30, 2016, amendments to the regulations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* were registered. The amendments primarily impact REALTORS® in four ways:

- The regulations change the way agents ascertain the identity of individual clients. There are now three methods for identification:
  - Using a single piece of government-issued photo identification ("**Photo ID Method**");
  - Verifying that the Client's name, date of birth and address match information obtained from a Canadian credit bureau that has been in existence for at least three years ("**Credit File Method**"); and
  - Using two original, valid and current documents or information from independent and reliable sources ("**Dual Process Method**").

The Credit File Method and Dual Process Method may be used for non-face-to-face identification.

## FINTRAC Updates

- A record of when identification information from an agent/mandatory was referred to will now have to be kept.
- The regulations expand on existing obligations to keep a record when reasonable measures are used by agents to satisfy certain obligations under the law. The reasonable measure record obligations are reflected in:
  - o New sections A.4 and B.1 in the Individual Identification Information Record;
  - o New sections A.3 and B.1 in the Corporation/Entity Identification Information Record; and
  - o New section E of the Receipt of Funds Record (which has also been reorganized to reflect additional FINTRAC guidance).
  - o New records related to large cash transactions and suspicious transactions (see FAQ entitled *What are the new reasonable record obligations relating to suspicious transactions and large cash transactions?*)
- Clients that have been identified by the brokerage in the past do not need to be identified again if the agent/broker does not have doubts about the information that was previously obtained.

## Background:

- In 2000, Canada introduced comprehensive legislative changes to the Proceeds of Crime (Money Laundering) Act.
- In 2000, creation of the Financial Transaction and Reports Analysis Centre of Canada (FINTRAC).
- In 2001, the Act was amended again to include terrorist financing, thereby changing the name to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations (PCMLTFR).
- In December 2006, the Act was amended again to include new and enhanced reporting, record-keeping, compliance, money service business registration, civil penalties, and risk assessment requirements.
- In 2010, tax evasion became a 'designated offence' (July 12). This means that, in the context of money laundering, it is just like drug trafficking, fraud, and almost every other serious offence.
- Regulations amending the PCMLTFR came into effect February 1, 2014, to better **ascertain the identity of and understand clients and related business relationships**.
- New methods to verify the identity of individuals came into effect January 23, 2018.



## What is a Money Laundering Offence?

- Under Canadian law, a money laundering offence involves various acts committed with the intention to conceal or convert property or the proceeds of property (such as money) knowing or believing that these were derived from the commission of a designated offence. In this context, a designated offence means most serious offences under the *Criminal Code* or any other federal Act.
- It includes, but is not limited to those relating to illegal drug trafficking, bribery, fraud, forgery, murder, robbery, counterfeit money, stock manipulation, tax evasion and copyright infringement.
- A money laundering offence may also extend to property or proceeds derived from illegal activities that took place outside Canada.

## What is a Terrorist Activity Financing Offence?

- Under Canadian law, terrorist activity financing offences make it a crime to knowingly collect or provide property, such as funds, either directly or indirectly, to carry out terrorist crimes.
- This includes inviting someone else to provide property for this purpose. It also includes the use or possession of property to facilitate or carry out terrorist activities.
- Only suspicion that a transaction is related to a *terrorist activity financing offence* triggers a requirement to report the suspicious transaction to FINTRAC as related to terrorist activity financing.

## Compliance regime

Real estate brokers and sales representatives must comply with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations (PCMLTFR). You must ensure that an internal **Compliance Regime** is in place that contains the following **five components**:

### Required Components of A Compliance Regime:

- |  |   |
|--|---|
| <b>1. Compliance Officer (CO)</b>            | The appointment of a person who is responsible for the implementation of the compliance program   |
| <b>2. Compliance Policies and Procedures</b> | The development and application of written <b>compliance policies and procedures</b> that are kept up-to-date, and include enhanced measures to mitigate high risks |
| <b>3. Risk Assessment</b>                    | A <b>risk assessment</b> of your business activities and relationships  |
-

## Required Components of A Compliance Regime:

### 4. Ongoing Compliance Training Program

The development and maintenance of a **written ongoing compliance training program** for employees, agents, and others authorized to act on your behalf

### 5. Effectiveness Review

The institution and documentation of an **effectiveness review** of your compliance program (policies and procedures, risk assessment and training program) every two years (minimum) for the purpose of testing its overall effectiveness



## What is a Risk Assessment?

An analysis of potential risks and vulnerabilities that could expose your business to ML/TF activities. This assessment will allow you to identify your inherent risk and will assist you and those authorized to act on your behalf in developing mitigation measures to deal with these risks

- the **risk assessment** of the business activities using certain factors;
- the **risk-mitigation** to implement controls to handle identified risks;
- keeping **client identification** and **business relationship information** up to date;
- the **ongoing monitoring of business relationships and perform enhanced monitoring of high-risk business relationships.**



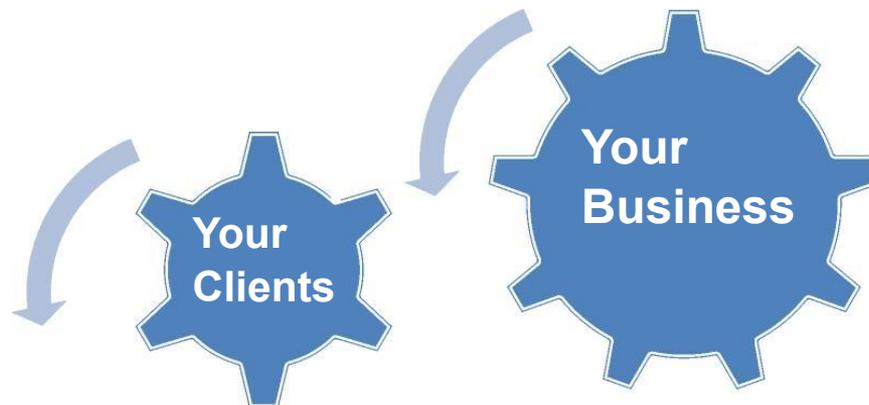
## Performing a Risk Assessment

You may want to perform the risk assessment for your business in two stages:

- **Stage 1:** Business-based risk assessment of your products and services, and the geographic location in which **your business operates**.
- **Stage 2:** Relationships-based risk assessment of products and services your clients utilize as well as the geographic locations in which they operate or do business.

Risk assessments are usually done by the compliance department. You should be aware who in your organization has this responsibility.

It all starts with a risk assessment of the business



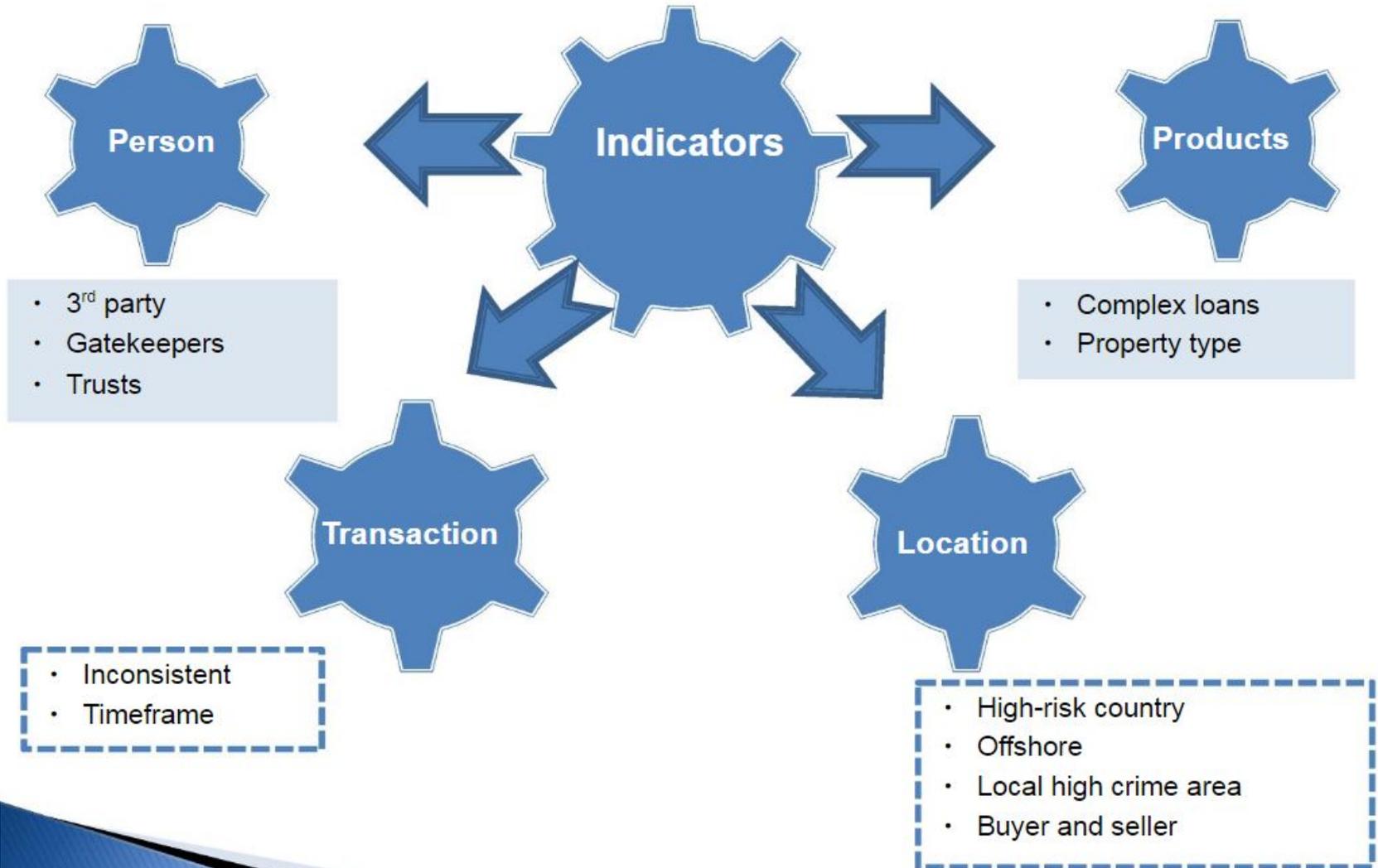


## Risk Assessment Factors To be considered:

- your products and services and the delivery channels through which they are offered;
- the geographic locations where you conduct your activities and the geographic locations of your clients;
- other relevant factors related to your business; and
- your clients and the business relationships you have with them.



## ML Indicators:



## Risk Mitigation Strategies

When your risk assessment determines that risk is high for money laundering or terrorist financing, **senior management must develop written risk-mitigation strategies** (policies and procedures designed to mitigate high risks) and apply them for high risks situations.

The approach to the management of risk and risk-mitigation requires the leadership and engagement of your Compliance Officer, Audit, and Senior Management towards the detection and deterrence of money laundering and terrorist financing.

Senior management is ultimately responsible for making management decisions related to policies, procedures, and processes that mitigate and control the risks of money laundering and terrorist financing within a business.

## Compliance Regime

Every real estate brokerage compliance officer shall report on their 'Compliance Regime' in writing to a senior brokerage official within **30 days after assessment** of their Regime. That report includes:

- the findings of the review;
- any updates made to the policies and procedures within the reporting period, including:
  - reasonable measures to keep client identification information up-to-date
  - detecting transactions for reporting to FINTRAC
  - mitigating risks
- the status of the implementation of the updates to those policies and procedures.

## Penalties for Non-Compliance

Non-compliance with Part 1 of the *Proceeds of Crime (Money Laundering) Terrorist Financing Act* may result in criminal or administrative penalties.

### Criminal Penalties:

- Failure to report suspicious transactions: up to \$2 million and/or 5 years imprisonment.
- Failure to report a large cash transaction or an electronic funds transfer: up to \$500,000 for the first offence, \$1 million for subsequent offences.
- Failure to meet record keeping requirements: up to \$500,000 and/or 5 years imprisonment.
- Failure to provide assistance or provide information during compliance examination: up to \$500,000 and/or 5 years imprisonment.
- Disclosing the fact that a suspicious transaction report was made, or disclosing the contents of such a report (“tipping off”), with the intent to prejudice a criminal investigation: up to 2 years imprisonment.

Failure to comply with the PCMLTFA and its Regulations can lead to criminal charges against you if you are a person or entity.

## Civil Penalties:

Since December 30, 2008, FINTRAC has legislative authority to issue an Administrative Monetary penalty (AMP) to reporting entities that are in non-compliance with Canada's *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

Each violation is classified as a minor, serious or very serious violation. The history of compliance by the realtor or brokerage with the *PC(ML)TF Act* will be taken into account in determining the amount of a penalty.

### Range:

Subject to the Act, the range of penalties in respect of a violation is:

- a. \$1 to \$1,000 in the case of a 'minor' violation;
- b. \$1 to \$100,000 in the case of a 'serious' violation;  
and
- c. \$1 to \$500,000 in the case of a 'very serious' violation.

**Can AMPs be issued against a specific person within a reporting entity or are AMPs only applied against the entity itself?**

FINTRAC can only issue AMPs against the person or entity who is the subject of the obligations under Part 1 of the Act. In the case of a corporation or partnership it is the entity that is subject to the obligations under Part 1 of the Act. In the case of a sole proprietorship, it is the owner/operator of the business who is subject to those obligations.



**Introductory Module Complete**



You are now ready to proceed to

***Module 1: Money Laundering and Terrorist Financing.***

**Good Luck!**