

FINTRAC INFORMATION FOR REALTOR® MEMBERS

**PROCEEDS OF CRIME
(MONEY LAUNDERING)
AND TERRORISM FINANCING
ACT AND REGULATIONS**

COMPLIANCE REGIME
Revised: May 2021



PROCEEDS OF CRIME (Money Laundering) AND TERRORISM FINANCING ACT AND REGULATIONS

COMPLIANCE REGIME

This step-by-step Compliance Regime manual is provided by CREA as a service to members to make compliance with FINTRAC easier. Its comprehensiveness responds to feedback received from both REALTOR® members and FINTRAC to assist members in meeting legal requirements.

Brokerages must tailor their compliance regime to reflect their specific risks to money laundering, terrorist financing, and to develop policies and procedures and risk mitigation strategies. As such, you should edit and complete each section of this manual to explain the policies and procedures specific to your brokerage. Once completed and tailored, this manual can be used to satisfy FINTRAC's requirement for documentation of a brokerage's policies and procedures.

This manual is designed to be easy-to-implement by brokerages following four steps:

- 1) Review the background reference text in black.**
- 2) Assess whether the general brokerage policy text in blue applies to the compliance regime in your brokerage and modify as necessary.**
- 3) Explain in the blank boxes provided specific policies and procedures that will be implemented in your brokerage. This could include instructions or steps that will be followed in your brokerage to implement the particular policy or procedure.**

For example, you can list, step-by-step, specific tasks that need to be performed by named individuals in your brokerage to complete the relevant procedure (i.e. "whenever an agent receives cash, phone Jim at 555-555-5555, Jim will fill out and file the report with FINTRAC", etc.).

Although some brokerages may find that the general brokerage policies included in this manual identify their brokerage's policies and procedures, FINTRAC may examine whether these policies and procedures are consistent with how the brokerage actually operates. If they are not consistent, FINTRAC may conclude that the brokerage's policies and procedures are deficient. Accordingly, we encourage you to think twice before leaving blank spaces in this manual. You may also wish to add "No additional policies and procedures" wherever there is a blank space to demonstrate to FINTRAC that you have thought about

each policy area in this manual and have concluded that no other policies are relevant to your brokerage.

- 4) Ensure you have completed the various checklists in this manual and have tailored the manual to your brokerage.**

This manual MUST REFLECT YOUR BUSINESS. If audited by FINTRAC, brokers should be prepared to demonstrate that the policies and procedures described in this manual are done in practice, and if any of your brokerage's policies or practices change, this manual needs to be updated.

For example, if you have a policy that says the Compliance Officer shall keep all copies of suspicious transaction reports in their filing cabinet, but you later decide to have the broker keep all copies of suspicious transaction reports instead, this manual should be updated to be consistent with the new practice.

This manual is provided as a service to members to more easily meet FINTRAC obligations. Its use is not mandatory. Instead, brokers may opt for an alternative method to document their brokerage's policies and procedures such as amending an existing FINTRAC-compliant policies and procedures manual.

Please note this manual is compiled based on the best information available to CREA. It should not be construed as legal advice. If you have further concerns, you may contact your Board, FINTRAC or consult your legal counsel.

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Compliance Regime: Key Details

Print out a blank copy of this page at least once every two years, complete it, and staple it to this manual.

| | | |
|---|------------|---|
| 1. Name of Broker: | | Team Realty Inc, Team Realty Adam Mills Inc, Hammer & Associates Inc, Inhaus Realty Inc, McElheran & Associates Inc, Natalie McGuire Realty Inc |
| 2. Name of Compliance Officer ¹ and Contact Details: | | Ryan Kennedy |
| | | 613-729-4386 |
| | | rkennedy@rlpottawa.com |
| 3. Name of Auditor ² and Contact Details: | | Ryan Kennedy |
| | | 613-729-4386 |
| | | rkennedy@rlpottawa.com |
| 4. Confirmation of Completion ³ /Update of this manual ⁴ | Signature: |  |
| | Date: | July 12, 2022 |
| 5. Confirmation of Regime Review by Auditor ⁵ | Signature: |  |
| | Date: | July 12, 2022 |
| 6. Confirmation of Risk Assessment by Broker ⁶ | Signature: |  |
| | Date: | July 12, 2022 |
| 7. Date of next Regime Review and Risk Assessment: | | July 2024 |
| <p>This manual is intended to be a living, breathing, manual that is consulted as needed by the Broker, the Broker's employees and agents, and the Compliance Officer.</p> | | |

¹ Identified on page 9.

² Identified on page 83.

³ To be signed when rows 1-5 on page 8 are completed. This includes appointment of a compliance officer, development of written policies and procedures, development of risk assessment and mitigation measures, and establishing a training program and plan.

⁴ This should be the date of whenever the manual is last updated. It may occur after the manual is first prepared but before the bi-annual review.

⁵ Please have your auditor sign and date that they have reviewed your regime. Details of the review should be documented. This needs to be done every two years from when the brokerage is first required to comply with the PCMLTFA. See Section 6 and Appendix J.

⁶ The broker should sign and date that they have completed and documented a risk assessment of risks to the brokerage of money laundering and terrorist financing. This needs to be done every two years from when the brokerage is first required to comply with the PCMLTFA. See Section 4 and Appendix F.

Table of Contents

- Compliance Regime: Key Details 3
- Introduction 6
- 1. Compliance Regime Obligations 6
- 2. Appointment of Compliance Officer 7
- 3. Policies and Procedures 10
 - 3.1. Record Keeping Obligations 11
 - 3.1.1. General Record Keeping Policy 11
 - 3.1.2. Client Information Records 14
 - 3.1.3. Receipt of Funds Record 32
 - 3.1.4. Large Cash Transaction Record..... 35
 - 3.1.5. Large Virtual Currency Transaction Record 38
 - 3.2. Reporting Obligations 39
 - 3.2.1. Types of Reports 39
 - 3.2.2. FINTRAC Obligations 40
 - 3.2.3. Large Cash Transaction Reports 41
 - 3.2.4. Large Virtual Currency Transaction Reports..... 43
 - 3.2.5. 24-Hour Rule 44
 - 3.2.6. Suspicious Transaction Reports 45
 - 3.2.7. Terrorist Property Reports 50
 - 3.3. Politically Exposed Persons and Heads of International Organizations..... 53
 - 3.4. Beneficial Ownership 59
 - 3.5. Ministerial Directives..... 62
- 4. Risk Assessment and Risk Mitigation 64
 - 4.1. Risk Mitigation 64
 - 4.2. Risk Assessment 68
- 5. Training Program/Plan 70
 - 5.1 Training Program..... 70
 - 5.2 Training Plan..... 71
- 6. Review Process 74

| | |
|--|----|
| 6.1. What Must be Reviewed | 74 |
| 6.2. Who May Perform the Review | 74 |
| 6.3. How to Conduct a Review | 74 |
| Appendices | 76 |
| Appendix A: Individual Identification Information Record | 77 |
| Appendix B: Corporation/Entity Identification Information Record | 78 |
| Appendix C: Template Letter to Obtain Corporate Information | 79 |
| Consent | 82 |
| Appendix D: Identification Mandatary/Agent Agreement form..... | 83 |
| Appendix E: Receipt of Funds Record..... | 84 |
| Appendix F: Risk Assessment Form | 85 |
| Appendix G: Sample Clusters for Client Risk Assessment | 86 |
| Appendix H: Compliance Training Program and Plan Worksheet..... | 94 |

Introduction

1. Compliance Regime Obligations

The PCMLTFA requires brokers to establish a compliance regime, which must contain several elements. The compliance regime must include:

1. The appointment of a Compliance Officer;
2. The development and application of written policies and procedures, including policies and procedures to deal with ministerial directives;
3. A risk assessment of risks to the brokerage related to money laundering and terrorist financing, as well as the documentation and implementation of mitigation measures to deal with those risks;
4. A training program/plan for all employees and agents, which involves two aspects:
 - a. developing and maintaining a written, ongoing compliance training program; and
 - b. instituting and documenting a plan for the ongoing compliance training program and delivering the training;
5. A review of the compliance policies and procedures, assessment of risks related to money laundering and terrorist financing and training program/plan, every two years (a.k.a. "effectiveness testing").

FINTRAC's *Compliance Program Requirements* state that the compliance regime should also include the processes and controls the broker has put in place to meet their requirements, including:

- when an obligation is triggered;
- the information that must be reported/recorded or considered;
- the procedures the broker has created to ensure that they fulfill a requirement; and
- the timelines associated with requirements and methods of reporting (if applicable).

The compliance regime must also explain the steps the brokerage will take for all obligations that require the broker, or their agents, to take reasonable measures. Completing this template manual is intended to assist brokers in fulfilling their compliance regime obligations. It should be approved by someone senior at the brokerage and kept up to date.

The following checklist shall be completed when the relevant portion of our compliance regime is completed:

| Obligation | Check when completed | Signature and Date ⁷ |
|--|---------------------------------------|---------------------------------|
| 1. Appointment of Compliance Officer | <input type="checkbox"/> | |
| 2. Development of written Policies and Procedures | <input type="checkbox"/> ⁸ | |
| 3. Risk Assessment and Mitigation Measures | <input type="checkbox"/> | |
| 4. Training Program/Plan | <input type="checkbox"/> | |
| 5. Review Procedures | <input type="checkbox"/> ⁹ | |

Each requirement is discussed in further detail on the following pages.

For more information see FINTRAC's *Compliance Program Requirements* <https://www.fintrac-canafe.gc.ca/guidance-directives/compliance-conformite/Guide4/4-eng>.

2. Appointment of Compliance Officer

Every broker must appoint someone to be responsible for implementing a compliance regime for their brokerage. This person is referred to as a Compliance Officer. While a broker can appoint any employee as its Compliance Officer, the broker is ultimately responsible for adherence to the PCMLTFA.

The Compliance Officer must:

- have the necessary authority and access to resources in order to implement an effective compliance program and make any desired changes;
- have knowledge of the brokerage's business's functions and structure;

⁷ This should be the date of when the relevant section of your policies and procedures manual is prepared. Updates to the manual by the Compliance Officer can be documented and dated on [page 3, "Compliance Regime: Key Details"](#), row 4, instead.

⁸ Check this when you have tailored this entire policies and procedures manual to your brokerage. Every row on pages 10-11, "Policies and Procedures" should have a checkmark next to it as well as every row in this checklist.

⁹ Check when you have first prepared policies and procedures prepared for your brokerage. For your bi-annual review complete the checklist on page 3 (The Key Details checklist) instead.

- have knowledge of the real estate sector's money laundering/terrorist financing risks and vulnerabilities as well as money laundering/terrorist financing trends and typologies; and
- understand the real estate sector's legal requirements under the PCMLTFA.

As a best practice:

- The Compliance Officer of a larger brokerage should not be directly involved in the receipt, transfer or payment of funds.
- The Compliance Officer should have independent oversight and be able to communicate directly with those parties who make decisions about the business such as senior management or the board of directors.

Our Compliance Officer is Ryan Kennedy.

The duties of the Compliance Officer are as follows **(alter as applicable to your brokerage)**:

- (a) to enroll with FINTRAC and obtain an ID number, logon id, and password for reporting purposes (It is not necessary to do this until you are faced with a situation that needs to be reported to FINTRAC);
- (b) to file any necessary reports with FINTRAC relating to suspicious transactions, large cash transactions, large virtual currency transactions or terrorist property;
- (c) to maintain associated records as required by FINTRAC;
- (d) to implement and administer a compliance regime for money laundering and terrorist property financing reporting; this includes the completion of the Compliance Assessment Report form when requested to do so by FINTRAC.¹⁰
- (e) to ensure that all employees/agents of the firm receive training and to keep a record indicating when those requiring such training received it;
- (f) to ensure that all employees/agents receive ongoing training as required to remain current with legislative changes or changes to our firm's policies and procedures;
- (g) to prepare any necessary forms to facilitate reporting by employees/agents within our organization to the Compliance Officer;
- (h) to maintain lists of terrorist individuals and organizations available on the identified web sites for review by the firm's staff/agents;
- (i) to assess the need to review compliance policies and procedures;
- (j) stay up-to-date on FINTRAC information by subscribing online to the "FINTRAC Mailing List" < <https://www.fintrac-canafe.gc.ca/contact-contactez/list-liste-eng>>;
- (k) to advise agents if a business relationship has been entered into with a client and what actions agents must perform as a result; and
- (l) for the purposes of ongoing monitoring, to review the purpose and intended nature of business relationships and conduct risk re-assessments of clients.

¹⁰ <https://www24.fintrac-canafe.gc.ca/cars-srec/public/registration/compliance-assessment-report/>.

Don't forget to mark and sign the checklist on page 8 once you've appointed a Compliance Officer!

For more information see FINTRAC's *Compliance Program Requirements*:
<https://www.fintrac-canafe.gc.ca/guidance-directives/compliance-conformite/Guide4/4-eng>.

3. Policies and Procedures

Written policies and procedures must be established by a broker for their brokerage.

The following checklist shall be signed and dated when the relevant portion of our policies and procedures is initially completed by our brokerage.¹¹

| Policy/Procedure | Check when completed | Signature | Date¹² |
|---|-----------------------------|--|--------------------------|
| Record Keeping | | | |
| General | <input type="checkbox"/> | | |
| Client Information Record | <input type="checkbox"/> | | |
| Updates to Client Information Record due to Business Relationship | <input type="checkbox"/> | | |
| Receipt of Funds Record | <input type="checkbox"/> | | |
| Large Cash Transaction | <input type="checkbox"/> | | |
| Large Virtual Currency Transaction Record | <input type="checkbox"/> | | |
| Reporting | | | |
| General | <input type="checkbox"/> | | |
| Large Cash Transaction Reports | <input type="checkbox"/> | | |
| Large Virtual Currency Transaction Reports | <input type="checkbox"/> | | |
| 24-hour Rule | <input type="checkbox"/> | | |
| Suspicious Transaction Reports | <input type="checkbox"/> | | |
| Terrorist Property Reports | <input type="checkbox"/> | | |
| Client Identification | N/A | Included under "Client Information Record" | |
| Ongoing Monitoring | N/A | Included under "Updates to Client Information Record due to Business Relationship" | |
| PEPS and HIO | <input type="checkbox"/> | | |

11 Note that you need to have policies and procedures for the Compliance Officer, Brokerage Risk Assessment, Risk Mitigation, Training Program/Plan and your Bi-annual Review also but this is documented by completing the checklist on page 8.

12 This should be the date of when the relevant section of your policies and procedures manual is prepared. Updates to the manual can be documented and dated on page 3 (row 4) instead.

| | | | |
|-------------------------------|--------------------------|--|--|
| Beneficial Ownership | <input type="checkbox"/> | | |
| Ministerial Directives | <input type="checkbox"/> | | |

For more information see FINTRAC’s *Compliance Program Requirements*:
<https://www.fintrac-canafe.gc.ca/guidance-directives/compliance-conformite/Guide4/4-eng>.

3.1. Record Keeping Obligations

3.1.1. General Record Keeping Policy

The PCMLTFA establishes that whenever a broker or agent acts as an agent in respect of the purchase or sale of real estate or immovables, they are required to create and maintain: Client Information Records¹³; Receipt of Funds Records; Large Cash Transaction Records; and Large Virtual Currency Transaction Records. Third party records, reasonable measure records, PEPS/HIO records and beneficial ownership records also need to be kept. Just a reminder, for simplicity, this manual refers to “agents” where actions are likely to be performed by real estate agents (for example, filling out records). However, brokers should keep in mind that they retain ultimate responsibility for the actions of their agents and so may want their Compliance Officer to create/maintain some of these records.

In order for a broker to assess their brokerage’s level of risk every two years, brokers are required to know their brokerage’s clients. One way of doing so is for agents to complete a record of each client’s level of risk. This can be documented on the Client Information Record. See Section 3.1.2.11 below for more information.

As of June 1, 2021, any time your brokerage is required by law to identify your client, this is considered an “activity” that causes the broker and their brokerage to enter into a “business relationship” with that client under the PCMLTFA. See Section 3.1.2.12 below for more information.

Important Note: Given the practical difficulty brokerages may experience in tracking “activities” that create a business relationship brokers may wish to assume that they are in a business relationship with all of their clients.

Regardless of whether brokers choose to keep track of their business relationships or simply assume they are in a business relationship with all their clients, brokers are required to keep the following additional records for clients with which they are in a business relationship. It is suggested these records be documented on CREA’s template Client Information Record form:

- A Record of the Purpose and Intended Nature of the Relationship with that Client (“Purpose Record”); and

13 Note that in this Manual, “Client Information Record” refers to both the Individual Identification Information Record and the Corporate/Entity Identification Record.

- A Record of the Measures the broker or their agents have taken to monitor the Business Relationship with that client (“Measures Record”) as well as update existing information on that client.

Note that if no subsequent activity requiring the client to be ID’ed occurs within a five year period the “business relationship” expires (although this will have little practical effect if the brokerage assumes they are in a business relationship with all their clients).

Brokers are also expected to keep copies of official corporate records and copies of reports they submit (Suspicious Transaction Reports, Terrorist Property Reports, Large Cash Transaction Reports, and Large Virtual Currency Transaction Reports), which will be discussed in the Reporting Obligations section in more detail. All records must be maintained by the broker for at least FIVE years as per the following retention periods:

In the case of Client Information Records and records to confirm the existence of an entity (including a corporation), these records have to be kept for five years from the day the last business transaction was conducted.

In the case of a copy of a suspicious transaction report or terrorist property report, the report has to be kept for a period of at least five years following the date the report was submitted.

All other records and reports must be kept for a period of at least five years following the date they were created.

The general brokerage policy with respect to record keeping shall be:

- **The Compliance Officer shall develop and implement a filing system for the keeping of forms or records required for compliance.**
- **All records prepared for compliance with FINTRAC are the property of the brokerage and shall be kept in a manner that permits the brokerage to access them within thirty (30) days of a request from FINTRAC for the brokerage to provide them.**

Our additional policies and procedures with respect to record keeping are described below:

| Brokerage-specific Record Keeping Policies and Procedures |
|---|
| <ol style="list-style-type: none"> 1. Client Information Records are to be kept in each transaction file. 2. In alliance with overall brokerage document retention policy, all records are to kept for ten (10) years. 3. Required Documentation (see required document matrix) for each file is reviewed on a per transaction basis by support staff once upon an accepted offer and again prior to invoicing. Documents not present/incomplete are requested from Sales Representatives. If continue to be unable to obtain, manager and/or compliance offices become involved to provide assistance or clarification. |
| Brokerage-specific Record Keeping Policies and Procedures (Cont’d) |

4. Client Information Records are to be kept in each transaction file.
5. In alliance with overall brokerage document retention policy, all records are to be kept for ten (10) years.
6. Required Documentation (see required document matrix) for each file is reviewed on a per transaction basis by support staff once upon an accepted offer and again prior to invoicing. Documents not present/incomplete are requested from Sales Representatives. If continue to be unable to obtain, manager and/or compliance offices become involved to provide assistance or clarification.
7. If unable to obtain client identification documentation, a suspicious transaction report is filed with FINTRAC.
8. When a bank draft is received, adequate record keeping procedure is to request the client's own account number and manually record on the Receipt of Funds Record (confirmed with FINTRAC – Mireille Verd on July 3, 2018)
9. Administrative staff review / process all transactions and require that all clients are identified. If documentation is missing a request is made to the agent. If having difficulties obtaining the manager and/or compliance office is involved for assistance or clarification

Team Realty will not release any commission payments owing for a transaction until necessary FINTRAC paperwork is on file

For more information see FINTRAC's *Record keeping requirements real estate brokers or sales representatives, and real estate developers*: <https://www.fintrac-canafe.gc.ca/guidance-directives/recordkeeping-document/record/real-eng>.

3.1.2. Client Information Records

Tip: Looking for information on Politically Exposed Persons and Beneficial Ownership? See Sections 3.3 and 3.4, respectively.

3.1.2.1. *Timing*

Agents are required to verify the identity of clients at the time of the transaction. The information that is required in order to verify a client's identity will vary depending on whether the client is an individual (a live human being), corporation, or other entity.

Tip: FINTRAC defines "time of the transaction" as the time when the deed is signed. However, since agents are often not present when transactions are closed, it would be prudent to verify the client's identity prior to closing, such as when a listing is accepted or when an offer is made. If the client is a corporation or other entity, their identity must be verified within 30 days of the transaction, i.e. within 30 days of signing the deed.

Note: Technically, there are separate verifying identity obligations and Client Information Record keeping obligations under the law. However, properly completed, CREA's template Client Information Record forms may be used to satisfy both obligations under the law.

3.1.2.2. *Individuals*

To verify the identity of an individual and record the required client information using CREA's template Individual Identification Information Record, agents must ID the individual using one of the methods described below, record the relevant information associated with the method of identification they are using, and record their client's name, address, date of birth, principal business or occupation and the date the individual's information is verified.

Tip: Be as descriptive as possible regarding the business or occupation. Record information that clearly describes it, rather than use a general term. For example, in the case of a consultant, the occupation recorded should reflect the area of consulting, such as "information technology consultant" or "consulting forester". As another example, in the case of a professional, the occupation should reflect the nature of the work, such as "petroleum engineer" or "family physician".

Agents must use one of three methods to ID the individual:

- Using a single piece of government-issued photo identification and comparing it to the individual, who must, in most cases, be present;
 - Note that it is possible to use this method of ID'ing when an individual is not physically present if you use technology capable of assessing a government-issued photo identification document's authenticity. See FINTRAC's Guideline: *Methods to identify individuals and confirm the existence of a corporation or an entity other than a corporation*:

<https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/Guide11/11-eng> for more information.

Examples: passports, driver's licences, provincial or territorial identity cards. For additional examples see FINTRAC's Guideline: *Methods to identify individuals and confirm the existence of a corporation or an entity other than a corporation*: <https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/Guide11/11-eng>. SIN cards are not acceptable.

Note: if you use this method to verify ID, your records must include the person's name, the date you referred to the document, the type of document referred to, its number, the jurisdiction and country of issue of the document, and, if applicable, its expiry date.

- Confirming that the client's name, date of birth and address match information obtained from a Canadian credit file that has been in existence for at least three years and derived from more than one source ("Credit File Method")

Note: if you use this method to verify ID, your records must include the person's name, the date you referred to the credit file, the source of the information and the number of the person's credit file.

- Using two reliable, valid and current documents or information from independent and reliable sources ("Dual Process Method"). Specifically, the agent must refer to documents/information from two of the following categories:
 - A. Documents or information from a reliable source that contain the client's name and address;

Example: Canada revenue notice of assessment; Federal, provincial, territorial and municipal benefits statements; CPP statements; record of employment; T4 statement; utility bill.
 - B. Documents or information from a reliable source that contain the client's name and date of birth; or

Example: birth certificate; marriage certificate; divorce documentation; permanent resident card; temporary driver's license; citizenship certificate.
 - C. Documents or information that contain the client's name and confirms that they have a deposit, prepaid payment product, credit card or other loan account with a financial entity.

Example: Credit card statement, bank statement, loan account statement, cheque processed by a financial institution

Note: if you use the "Dual Process Method" to verify ID, your records must contain the person's name, the date on which you did so, the source of the information, the type of information referred to and the account number included in it, or, if there is no account number included in it, a number associated with the information.

Tip: A reliable source is one that is well known and considered reputable. Note that you cannot use the same source to satisfy two categories – two sources are needed. Examples of reliable, independent sources are: a government, crown corporation, bank or utility provider.

Tip: Additional examples are included in FINTRAC's Guideline: *Methods to identify individuals and confirm the existence of a corporation or an entity other than a corporation*: <https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/Guide11/11-eng>.

Tip: Don't forget, as of June 1, 2021, when dealing with individual clients you now have to determine whether they are a politically exposed person. See Section 3.3 for more information.

3.1.2.3. Corporations and Other Entities

If the client is a corporation, agents are obligated to verify the identity of the corporation, to determine the corporation's name and address, and to determine the names of its directors. This information can be verified using the corporation's certificate of incorporation, a record that has to be filed annually under provincial securities legislation, or to the most recent version of any other record that confirms its existence as a corporation and contains its name and address and the names of its directors.

Tip: FINTRAC also requires the person conducting the transaction on behalf of the entity to be identified. This should be done using the Individual Identification Information Record.

Tip: Agents do not need to determine the names of a corporation's directors if the corporate client is a securities dealer.

The documents used to verify the existence of the corporation do not have to be in hard copy; an electronic document may be used.

You also need to keep a copy of the part of the official corporate records showing the provisions relating to the power to bind the corporation regarding the transaction.

If using an electronic record accessible to the public, the Corporation/Entity Identification Information Record should state the corporation registration number, the type of document referred to, and the source of the document. If using a paper copy of a record or an electronic record from a database not accessible to the public, then you must keep the record or a copy of it. A copy of CREA's template Corporation/Entity Identification Information Record may be inserted at Appendix B, is posted on REALTOR Link® and is available in WEBForms®. If you need to contact the corporation's accountant or lawyer to obtain the relevant information, you may wish to use the template letter listed at Appendix C, which is also posted on REALTOR Link®.

Tip: Don't forget that the receipt of funds, large cash, and large virtual currency record keeping requirements apply to corporations and other entities

as well. In these cases you need to ID the person giving you the funds as well. See Sections 3.1.3, 3.1.4 and 3.1.5.

If the client is another type of legal entity, the existence of the entity must be confirmed through appropriate records, such as a partnership agreement, articles of association, or to the most recent version of any other record that confirms its existence and contains its name and address.

If you use an electronic record accessible to the public to confirm the existence of the entity, the Corporation/Entity Identification Information Record must state the registration number of the entity, the type of record referred to and the source of the electronic record. If using a paper copy of a record or an electronic record from a database not accessible to the public, then you must keep the record or a copy of it.

Tip: Don't forget, as of June 1, 2021, when dealing with corporations and other entities you need to determine beneficial ownership. See Section 3.4 for more information.

3.1.2.4. Non Face-to-Face Identification

If an agent is not dealing with an individual face-to-face and therefore cannot personally verify the individual's identity, an agent or mandatary can be used to fulfill the Client Information Record obligation. If using an agent or mandatary, the PCMLTFA requires there to be an agreement in writing between the broker and the agent/mandatary outlining what is required of the agent/mandatary. The agent/mandatary must then obtain the client information pursuant to their agreement.

The real estate agent or broker must get all of the information that the agent or mandatary referred to in order to verify the person's identity as well as the information that the agent or mandatary got from the person as part of the ID process. And, the real estate agent or broker has to be satisfied that the information is valid and current and that the person's identity was verified in accordance with the PCMLTFA. A copy of CREA's template Identification Mandatary/Agent Agreement may be inserted at Appendix D, is posted on REALTOR Link and is available in WEBForms®. The agent or mandatary may then ID the client using the methods of identification described in Section 3.1.2.2.

Brokers or agents are also permitted to use the Credit File Method or Dual Process Method to identify clients in non-face-to-face situations. Refer to FINTRAC's Guideline: *Methods to identify individuals and confirm the existence of a corporation or an entity other than a corporation*, available at <https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/Guide11/11-eng>, for more information.

Additionally, note that it is possible to use the government-issued photo ID method of ID'ing when an individual is not physically present if you use technology capable of assessing a government-issued photo identification document's authenticity. See FINTRAC's Guideline: *Methods to identify individuals and confirm the existence of a corporation or an entity other than a corporation*: <https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/Guide11/11-eng> for more information as to what technology may qualify. However, simply looking at a photo ID through

video software such as Facetime, Skype or Zoom is insufficient (although FINTRAC has temporarily permitted such methods during the COVID-19 pandemic – see <https://www.fintrac-canafe.gc.ca/covid19/covid-2020-04-22-eng> for information).

3.1.2.5. *Reliance Method of Identification*

Starting on June 1, 2021, agents may use the reliance method of identification to ascertain the identify of an individual or entity. The reliance method allows agents to rely on ID taken by another reporting entity under the PCMLTFA such as real estate brokerages, banks, trust companies, etc.

To rely on this method, the agent must:

- as soon as feasible, obtain from the other reporting entity the information that was confirmed as being that of the individual or entity, and be satisfied that:
 - the information is valid and current; and
 - the other reporting entity verified the person's identity using the government-issued photo identification method, the credit file method or the dual-process method, or if the other reporting entity verified the person's identity prior to June 1, 2021, that they did so in accordance with the PCMLTFA and regulations that were in place at the time; and
- the agent's brokerage must have a written agreement or arrangement with the other reporting entity that upon request requires them to provide the agent or their brokerage, as soon as feasible, with all of the information that they referred to in order to verify the individual or entity's identity.

If an agent uses this method they must keep a record of:

- the individual or entity's name that was identified;
- the written agreement or arrangement with the other reporting entity for the purpose of verifying a person's identity; and
- the information that the other reporting entity referred to in order to verify the identity the person.

If this method is relied upon, the brokerage's compliance program's policies and procedures must describe the processes that will be followed when using the reliance method to verify an individual or entity's identity and how the brokerage and its agents will ensure that the information is valid and current.

3.1.2.6. *Enhanced Measures to Verify Identity (Individual or Entity)*

Note that the PCMLTFA requires that where a client is high risk enhanced measures be taken to verify their identity. Such measures could include:

- Requiring agents to ask high risk clients for an additional piece of identification if verifying the identity of an individual or checking an additional record if verifying the identity of an entity.

3.1.2.7. *Third Party Records*

When verifying the identity of clients, agents are required to take reasonable measures to determine if a third party is involved in the transaction. FINTRAC defines a third party as an individual or entity other than the individual or entity who conducts the transaction and which is providing instructions in regards to the transaction. A record must be kept of the information obtained. If there are any third parties, they can be listed in Section B.2 of the Corporation/Entity Identification Information Record or Individual Identification Information Record. Both forms may be inserted in the Appendix of this manual, posted on REALTOR Link® and are available in WEBForms®.

Example: if an individual "A" is conducting a transaction and they have Power of Attorney for another individual "B", then "A" would be considered the client for identification purposes and "B" would be the third party. Information about "B" would then be recorded in the Verification of Third Parties portion of the Individual Identification Information Record. Note, however, that FINTRAC has stated that B has to have the power to give instructions to A. If B is incapacitated then A would not be considered to be acting on behalf of a third party.

Note: The agent should take reasonable measures to ensure that the third party record details the relationship between the third party and the client, and, if it's about a corporation or another type of entity, its name, phone number, address, principal business, and its incorporation/registration number and jurisdiction/country of issue, or if it's for an individual, the third party's name, address and date of birth, and principal business or occupation.

Tip: where an agent cannot determine if there is a third party, but there are reasonable grounds to suspect there is a third party a record that indicates whether the client said there was a third party and that that describes why the agent suspects there is a third party must be kept. This is reflected in Section B.1 of the CREA's template Client Information Records.

3.1.2.8. *Unrepresented Parties*

Agents should also keep in mind that their obligation to verify the identity of parties to a transaction may, in some circumstances, extend beyond their own clients. If the agent is dealing with an unrepresented party (including mere poster sellers), they are expected to take reasonable measures to verify the identity of the unrepresented party. If unable to verify that party's identity, the agent should indicate in the Client Information Record that the required information is unavailable and describe the measures taken to obtain the information. The obligation to identify unrepresented parties is less onerous than the requirement agents have when identifying their own clients, in that an agent only needs to take reasonable measures to identify an unrepresented party.

Tip: if the unrepresented party refuses to be identified, a record describing the reasonable measures taken to identify the party must be kept. This may be

satisfied by completing Section A.4 in the Individual Identification Information Record and A.3 in the Corporate/Entity Identification Information Record.

3.1.2.9. Exchanging information

There is no obligation to exchange client information with other agents if both the buyer and seller in a transaction are represented.

3.1.2.10. Exceptions

There are two exceptions to an agent's client identification obligations. One, agents do not have to verify the identity of a client whose identity has been identified or existence confirmed in a past transaction and the agent has no doubts about the information that was previously used to verify the identity/confirm existence of the client. Two, agents do not need to complete a Client Information Record for certain public bodies and very large corporations (or, starting June 1, 2021, a very large trust or a consolidated subsidiary of these entities). A public body means any of the following: a Canadian provincial or federal department or Crown Agency; an incorporated Canadian municipal body (e.g. a town); or a Canadian hospital authority (*i.e.* an organization that operates a public hospital that is designated to be a hospital authority for GST/HST purposes).

Tip: If you don't have to verify the identity of an individual you still need to keep an Individual Identification Information Record for them but you don't need to complete Section A of the Individual Identification Information Record again. If you don't verify the identity for this reason it is a good idea to document this on the Individual Identification Information Record.

Tip: Keep in mind that even if exception one applies, you also still need to complete Sections C and D of the Individual Identification Information Record, if used by the brokerage (see Sections 3.1.2.11 and 3.1.2.12 below).

Tip: Keep in mind that transactions conducted with public bodies, very large corporations (or, starting June 1, 2021, a very large trust or a consolidated subsidiary of these entities) (exception two) do not form "business relationships" unless you simply want to assume you are in a business relationship with all clients.

Our policies and procedures with respect to our client ID and third party record obligations shall be:

- **Each agent shall verify the identity of every client at the time of the transaction and complete a Client Information Record (including the sections related to third party records) pursuant to the policies and procedures identified in Sections 3.1.2.1-3.1.2.10 of this manual.**

Our additional policies and procedures with respect to our client ID and third party record obligations are as follows:

| Category | Brokerage-specific Identification Policies and Procedures |
|--|---|
| Individuals | <ol style="list-style-type: none"> 1. All Client Information Records are to include the Risk Assessment and Purpose and Intended Nature (C & D). 2. If Purchaser on APS is listed as "Individual/Corporation" in Trust for a party to be name later, A Client Information Record is to be obtained / Third Party Section to be completed. 3. If Risk Assessment is determined to be High Risk, an additional piece of identification or additional record is to be requested to confirm the identity of an individual or an entity respectively. 4. It is highly recommended that Client Information Records are completed at the time a listing agreement or buyer representation contract is signed. 5. When a Mandatary is used – it is recommended to use a lawyer or a realtor 6. If an unrepresented party refuses to provide identification a suspicious transaction is filed. |
| Corporations/ Entities | |
| Third Parties | |
| Non-face-to-face meetings and Unrepresented Parties | |
| Reliance method of identification | |

For more information see FINTRAC's *Know your client requirements* at <https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/1-eng>.

3.1.2.11. Client Risk

FINTRAC has stated that brokers have an obligation to conduct a risk assessment of each client although such risk assessments do not have to be in writing. This requirement has existed for some time. Indeed, it is implicit in answering the questions on CREA's template Brokerage Risk Assessment Form pertaining to a broker's clients that the broker has considered the level of risk of money laundering and terrorist financing to the brokerage due to its clients.

For example, "Are client properties located in a high-crime rate area?"

For this reason, and to assist brokers in the event of a FINTRAC examination, brokers may wish to have their agents document on existing forms that they have conducted the necessary risk analysis. This may be demonstrated by completing Section C in the

Client Information Record, which should be done no later than shortly after each transaction.¹⁴

Section C of the Client Information Record refers to several template Client profiles or “clusters” that can be checked, if applicable. Each cluster refers to a generic client profile.

For example, Canadian Clients who are being ID’ed and who are physically present when ID’ed.

Brokers are encouraged to develop their own clusters for clients that they frequently encounter in their business. See Appendix G for sample clusters and a template that can be used to create new clusters. Template Client Information Records may be inserted at Appendix A and B, are posted on REALTOR Link® and are available in WEBForms®. Note that agents should be told what these clusters mean in order for them to be able to apply them correctly. **Also note that the clusters a broker uses are not necessarily static; brokers may wish to alter the clusters they use if their client base changes.** Also note that the templates are samples only and may need to be tailored to your business. As a result, different brokers may come to different conclusions with respect to seemingly similar clients depending on the particular circumstances of their brokerage.

For example, broker A may conclude that foreign clients are low risk while broker B may conclude that some foreign clients are high risk as broker B deals with clients from a country with highly publicized money-laundering problems. Accordingly, broker B could create a new cluster to deal with the high risk customers or modify the generic template relating to foreign clients.

Brokers may develop alternative systems to demonstrate to FINTRAC that they have satisfied their brokerage risk assessment obligations. If they choose to do so it is not necessary to complete Section C in the Client Information Record. One system that could be put in place would be to segregate medium and high-risk clients from low-risk clients in specially marked folders. If the broker develops an alternative system they should explain it in detail below.

Our policies and procedures with respect to client risk shall be:

- 1. Each agent shall complete Section C of the Client Information Record for every purchase or sale transaction.**

Our additional/alternative policies and procedures with respect to client risk are described below:

| Brokerage-specific Client Risk Policies and Procedures |
|--|
| 1. Sales Representative are to use Brokerage Clusters (Appendix G) when conducting the risk assessment of each client. |

14 Completing Section C may also make it easier for the broker to re-assess the level of risk if the broker enters into a “business relationship” with the client (see Section 3.1.2.12 below).

2. Where Client Risk is identified as Medium or High Risk, the Client Information Form is to be filed at \\Filesrv\common\Hub Shared\Faltour Trade Processing\Branch Admin Info ONLY\Fintrac completed forms high medium risk

A copy of this form is to also be sent to the Compliance Office – Ryan Kennedy
rkennedy@rlpottawa.com

For more information see FINTRAC's *Compliance Program Requirements*:
<https://www.fintrac-canafe.gc.ca/guidance-directives/compliance-conformite/Guide4/4-eng>.

3.1.2.12. Updates to the Client Information Record due to Business Relationship

Starting June 1, 2021, when your brokerage conducts an activity where the law requires the client to be identified the broker and their brokerage enter into a "business relationship" with that client under the PCMLTFA. In many cases, brokerages will find they are conducting many activities with their clients. For example, in a real estate transaction where both the buyer and seller are represented:

- Where the brokerage represents a buyer and a deposit is received from the client, there are actually multiple "activities" that count towards the business relationship. For instance, the obligation to ID the buyer is one "activity". Another "activity" occurs when a receipt of funds record is kept (as the agent is required to ID the person providing the funds – in this case, the client). Only one "activity" is necessary to form a "business relationship".
- Where the brokerage represents the seller there will likely only be at least one "activity" counting towards the business relationship – when the seller is ID'ed.

Other scenarios are possible. For example, if you are filing a suspicious transaction report that counts as a separate "activity" towards the formation of a business relationship.

Given the practical difficulty some brokerages may experience in tracking "activities" that count toward a business relationship, it is suggested that brokers assume that they are in a business relationship with all their clients and develop practical ways to conduct "ongoing monitoring", which is an obligation that arises after a business relationship is formed.

According to the law, "ongoing monitoring" with respect to a client means:

1. detecting suspicious transactions that must be reported;
2. keeping client identification information, beneficial ownership information, and the purpose and intended nature of the business relationship up to date;
3. reassessing the level of risk associated with the client; and,
4. determining whether the client's activity is consistent with the information obtained, including the broker's risk assessment.

But what does this mean in practice? In reality, the broker is trying to take steps to ensure that additional information is gathered from their clients and/or ensure that information they have on their clients is up-to-date. In sum, **ongoing monitoring means taking steps to ensure the broker knows all the clients of the brokerage.**

This may sound like a lot of extra work. However, a few points are worth noting:

- If a broker does not wish to assume it is in a business relationship with all their clients, it is important to note that:
 - If no subsequent activity requiring the client to be ID’ed occurs within a five-year period the “business relationship” expires.
 - If there is no obligation to ID a client or the person providing the funds at all (for example, if dealing with a public body) than no activity occurs counting towards a business relationship. See “exception two” in Section 3.1.2.10.
- Most significantly, not every ongoing monitoring activity needs to be performed in every real estate transaction. Ongoing monitoring activities can be scheduled to occur based on a set schedule or based on a triggering system determined by the brokerage. A possible schedule is suggested in Table 1, below.

A record must also be kept of the measures taken for ongoing monitoring and the information obtained as a result of the ongoing monitoring of a business relationship. One possible way to keep a record is to require the broker’s real estate agents to complete Section D (the “Business Relationship” sections) of the relevant Client Information Record. Alternatively, the broker may wish to gather this information from the client directly themselves, in which case Section D does not need to be completed but the relevant information needs to be documented elsewhere. **Please note that all of Section 3.1.2.12 assumes that the brokerage has opted to use Sections C and D of the Client Information Record.**

Here is an example of a schedule for ongoing monitoring obligations using Section D of CREA’s template Client Information Record where a brokerage assumes it is always in a business relationship with its clients:

Table 1: Business Relationship/Ongoing Monitoring Schedule

| Ongoing monitoring obligation | Agent tasks | Broker/Compliance Officer tasks |
|--|---|---|
| Keep Purpose and Intended Nature of the Business Relationship up to date | <p>For every purchase or sale transaction, agents shall complete Section D.1 of Client Information Record (purpose and intended nature of business relationship) for their client(s).</p> <p>See Section 3.1.2.12.1 for more information.</p> | Review what the agent has entered in Section D.1 and update brokerage’s records on the purpose of the business relationship if brokerage records suggest a different business relationship. |

| | | |
|--|---|--|
| <p>Keep Client Information up to date.</p> | <p>For every purchase or sale transaction where agent ID's client (subject to exceptions), complete Client Information Record. See Sections 3.1.2.2 and 3.1.2.3 for more information.</p> <p>If agent knows client has been ID'ed previously, they need only ask whether client information is up to date and follow the instructions in Section D.2.1 of the Client Information Record. If information has changed, the agent shall update the existing Client Information Record accordingly. See Section 3.1.2.12.3 for more information. However, if the same agent is conducting multiple purchase or sale transactions with the same client in a short period of time (within 90 days [or such other time as set by the brokerage]), the agent is only obligated to ask for updated information once in that time period.</p> | <p>Review the new or updated client information provided by agent for every purchase or sale real estate transaction.</p> |
| <p>Reassess client risk</p> | <p>For every purchase or sale transaction, agents shall complete Section C of the Client Information Record.</p> <p>See Section 3.1.2.12.2 for more information.</p> | <p>Review the client risk information every agent provides by keeping a spreadsheet of all client risks and re-assessing client risk periodically.</p> <p>See Section 3.1.2.12.2 for more information</p> |
| <p>Keep records of ongoing monitoring</p> | <p>For every purchase or sale transaction, agents shall follow the instructions at Section D.2.2 of the Client Information Record and keep on file, or provide to the compliance officer, the record of correspondence with the client to keep client information up to date.</p> <p>See Section 3.1.2.12.4 for more information.</p> | <p>Review Section D.2.2 of Client Information Record for all purchase or sale real estate transactions.</p> <p>Periodically ask all agents for any correspondence they are keeping on file related to this obligation to see if accurate records are being kept.</p> |
| <p>Detecting suspicious transactions</p> | <p>For every purchase or sale transaction, agents shall apply the brokerage's suspicious transaction reporting policies and procedures to determine whether a transaction needs to be reported to the compliance officer.</p> <p>See Section 3.2.6 for more information.</p> | <p>Follow brokerage suspicious transaction reporting policies and procedures at all times.</p> |

| | | |
|--|--|---|
| Enhanced Measures for Ongoing Monitoring and Keeping Client Information Up to Date | <p>If agent determines client risk is high after completing Section C of the Client Information Record or because the agent has been advised Client is high risk pursuant to brokerage’s policies and procedures, the agent shall apply the brokerage’s enhanced measures for ongoing monitoring and keeping client information up to date.</p> <p>Complete Section D.2.3 of the Client Information Record as necessary and consult Section 3.1.2.12.5 for more information.</p> | <p>Ensure enhanced measures policies and procedures are maintained and applied by agents at all times.</p> <p>See Section 3.1.2.12.5 for more information.</p> |
| Starting June 1, 2021: Confirm beneficial ownership information is up to date. | <p>For entity clients, ask client to confirm the information on file in the Beneficial Ownership Record is current. If the same agent is conducting multiple purchase or sale transactions with the same client in a short period of time (within one year [or such other time as set by the brokerage]), the agent is only obligated to ask the client to confirm the information is current once in that time period.</p> | <p>Review any updated beneficial ownership information provided by agent for every purchase or sale real estate transaction.</p> <p>See Section 3.5 for more information.</p> |

Brokers are free to develop their own schedules or a system based on triggering alerts. However, if they do so, they should clearly identify their schedule or system in their policies and procedures manual.

For more information see FINTRAC Policy Interpretations PI-8126 (<https://www.fintrac-canafe.gc.ca/guidance-directives/overview-apercu/FINS/2-eng?s=14>) , PI-8446 (<https://www.fintrac-canafe.gc.ca/guidance-directives/overview-apercu/FINS/2-eng?s=13>), FINTRAC’s *Ongoing Monitoring Requirements* guidance: <https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/omr-eng> and FINTRAC’s *Business relationship requirements* guidance <https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/brr-eng>.

3.1.2.12.1 Completing Purpose Record

The PCMLTFA states that when a broker enters into a business relationship with a client the broker has to keep a record of the purpose and intended nature of the business relationship and keep this information up-to-date. This determination reflects the client’s dealings with the brokerage over time. This obligation can be satisfied by having the broker’s agents check the appropriate box in Section D.1 of the Client Information Record, which provides several checkbox options:

Acting as an agent for the purchase or sale of:

- Residential property Residential property for income purposes
- Commercial property Land for Commercial Use
- Other

If the agent does not feel that any of the boxes apply they should check "Other" and describe the purpose and intended nature of the relationship.

Note that the broker (or their delegate, such as the Compliance Officer) should review what the agent has entered into Section D.1. If the broker feels their agents have inadequately described the purpose and intended nature of the business relationship they must alter this portion of the Client Information Record accordingly.

For example, the broker could determine that the client has been repeatedly buying and selling numerous residential properties in a short period of time. Accordingly, the broker could indicate this as the purpose of the business relationship on the Client Information Record. For example, by indicating the purpose of the business relationship is "purchase or sale of residential properties for income purposes". Alternatively, after dealing with a client on multiple income property purchases and one residential purchase, the broker could determine the business relationship is still "purchase or sale of residential properties for income purposes".

Note: The reason for getting this information, and keeping a record of it, is to allow agents and brokers to know their client better from a PCMLTFA perspective.

Note that FINTRAC guidance indicates that as a best practice the record should describe your business dealings with the client and include information that would help the broker/agent anticipate the types of transactions and activities that the client may conduct. An optional field has been added to Section D to reflect this.

3.1.2.12.2 Re-assessing Client Risk

The PCMLTFA states that after a broker enters into a business relationship with a client the broker has to reassess the level of risk associated with the client's transactions and activities as part of the broker's obligation to conduct ongoing monitoring. Brokers are also responsible for determining whether all of the client's transactions or activities with the brokerage are consistent with the information obtained about the client, including the risk assessment of the client.

In order to satisfy this obligation, the broker (or their delegate, such as the Compliance Officer) must look at every real estate transaction the client has conducted with the brokerage in the past five years and determine if the client's level of risk is appropriate. While there may be other ways specific to your brokerage to manage this obligation¹⁵, here is a suggested approach using a spreadsheet:

15 Note that one such alternative is to work with a software provider to implement an automated system. FINTRAC has informed CREA that it recognizes that such software solutions may take some time to develop. Accordingly, FINTRAC will take a reasonable approach in enforcing the new obligations. While this may mean that brokers will not be sanctioned by FINTRAC for breaching this particular obligation in the short term, brokers who wish to be fully compliant with the law may wish to implement a manual solution until the software solution is implemented.

Step 1: the broker should keep a spreadsheet of every purchase or sale transaction at their brokerage.¹⁶ The spreadsheet will contain the following column headings: "Client Name"; "Client Date of Birth (individual client)"; "Client head office address (corporate/entity client)"; "Purpose and Intended Nature of the Relationship", "Date of Transaction"; "Transaction Risk Profile"; "Overall Risk Profile"; and "Other Notes".

Step 2: Every time a purchase or sale transaction occurs with a client, the broker must ensure that a row containing relevant information pertaining to that client is added to the spreadsheet. The "Transaction Risk Profile" and the "Overall Risk Profile" for the client will initially be identical and indicate the information the agent has stated in Section C of the Client Information Record.¹⁷

For example, John Doe; October 1, 1900; Residential; February 28, 2019; Low, Low.

or

For example, Mary Jane; June 1, 1950; Residential Income; February 28, 2019 Low, Low.

Step 3:

Option 3B, periodic reassessment: instead of conducting an assessment after every transaction, the broker may periodically review the spreadsheet for all clients who have conducted at least one transaction within a five-year period with the brokerage. For example, clients with transactional or overall risk profiles of low may be reviewed every two years; clients with transactional or overall risk profiles of high may be reviewed every year.

Step 4:

The spreadsheet should be periodically updated by deleting any rows pertaining to transactions conducted more than five years ago where there has been no transaction with that client since that time.

The brokerage will use this information when completing its risk assessment and, ultimately, designing its PCMLTFA policies and procedures.

3.1.12.2.3 Update Client Information

The PCMLTFA states that when a broker enters into a business relationship with a client the broker has to keep client information up-to-date. This obligation may be

16 FINTRAC states that a business relationship is also formed if the client conducts suspicious transactions with the brokerage. Accordingly, suspicious transactions and attempted suspicious transactions should be recorded in the spreadsheet. FINTRAC states that business relationships consisting of suspicious transactions should always be treated as high risk.

17 Brokers may also opt to consult other documentation they have on file regarding the client's level of risk if the brokerage has opted not to use Section C of the Client Information Record. However, if other information is consulted it is prudent to document what process the brokerage has followed in this policies and procedures manual.

satisfied by requiring the broker's agents, as indicated in Section D.2.1 of the Client Information Record, to ask:

- In the case of an individual client, if the client's name, address and principal business or occupation has changed, validating that the date of birth that the brokerage has in its records is accurate, and documenting the client's answers on the Client Information Record if any information has changed.
- In the case of a corporate client, if its name and address and name of its directors have changed and documenting the client's answers on the Client Information Record if they have changed.
- In the case of an entity other than a corporation, if its name, address and principal place of business have changed and documenting the client's answers on the Client Information Record if they have changed.

3.1.2.12.4 Completing Measures Record

The PCMLTFA state that when a broker enters into a business relationship with a client the broker has to keep a record of the measures the broker takes to monitor the business relationship and the information he/she obtains as a result. FINTRAC has advised that this obligation may be satisfied by keeping relevant correspondence and records with the client on file.

Tip: Relevant correspondence and records includes correspondence (e.g. emails, faxes) that the brokerage sends to the client in the course of their day-to-day business that pertain to the new obligations (the obligation to record the purpose and nature of the relationship, the obligation to conduct a risk re-assessment, the obligation to keep client information up-to-date and the obligation to conduct enhanced measures in the case of high-risk clients) as well as correspondence which indicates the client's activities match the other information the broker keeps on the client. For example, if an email is sent asking the client if their occupation has changed, the email and the response should be kept.

The purpose of keeping this information is to help ensure that client's activities match the other information the broker keeps on the client. Accordingly, one way that brokers may wish to satisfy this obligation is to remind their agents to keep all correspondence with the client on file as noted in Section D.2.2 of the Client Information Record. The agent and/or broker may also list any additional steps taken to monitor the business relationship in the blank field provided although this is optional.

3.1.2.12.5 Enhanced Measures for Ongoing Monitoring and Keeping Client Information Up To Date

If the client is high risk the PCMLTFA requires that enhanced measures be taken with respect to the business relationship. Here is a non-exhaustive list of enhanced measures FINTRAC suggests a broker may take to mitigate the risk in cases of high-risk business relationships:

- Obtaining additional information on the client (e.g. volume of assets, information available through public databases, Internet, etc.).
- Obtaining information on the source of funds or source of wealth of the client.
- Obtaining information on the reasons for intended or conducted transactions.
- Increased monitoring of transactions of higher-risk products, services and channels.
- Establishing more stringent thresholds for verifying identification.
- Gathering additional documents, data or information; or taking additional steps to verify the documents obtained.
- Establishing transaction limits.
- Increasing internal controls of high-risk business relationships.
- Obtaining the approval of senior management at the transaction level for products and services that are new for that client.

FINTRAC also states that brokerages should consider implementing the following measures to monitor high risk situations:

- review transactions based on an approved schedule that involves management sign-off;
- develop reports or perform more frequent review of reports that list high risk transactions;
- flag activities or changes in activities from your expectations and elevate concerns as necessary;
- set business limits or parameters regarding transactions that would trigger early warning signals and require mandatory review;
- review transactions more frequently against suspicious transaction indicators relevant to the relationship.

If the agent is dealing with a high-risk client, the agent should consult with the Brokerage's Compliance Officer to determine which enhanced measures they should apply to the transaction if the agent does not know already. Note that some of the measures noted above may not be applicable to a particular brokerage or may only be applied by the brokerage internally after a transaction is completed. Note that once the enhanced measures are applied to a particular client it is not necessary for the broker to apply them again to that client until the next time a transaction is conducted with that client. The broker may want to have agents document any enhanced measures that are applied for those measures that are applied during the transaction. To facilitate this process, CREA added Section D.2.3 to the Client Information Record, although this is optional. Other processes may also be adopted by the broker.

Template Client Information Records may be inserted at Appendix A and B, are posted on REALTOR Link® and are available in WEBForms®.

Our policy and procedures with respect to updating Client Information Records due to a Business Relationship shall be:

- **All agents shall follow the brokerage's Business Relationship/Ongoing Monitoring Schedule (check one):**
 - **[] As set out in Table 1 of this manual**
 - **[] As set out below**

- **All agents shall apply enhanced measures to high risk clients as specified by this policies and procedures manual.**
- **The broker or the individual identified below shall re-assess client risk (check one):**
 - **[x] After every transaction**
 - **[] On a periodic basis according to the schedule below**
 - **[x] according to the process described in this policy and procedures manual.**

Our additional policies and procedures with respect to updating Client Information Records due to a Business Relationship are as follows:

| Brokerage-specific Business Relationship Policies and Procedures |
|---|
| <p>Enhanced Measures:</p> <ul style="list-style-type: none"> • Obtaining additional information on the client (e.g. volume of assets, information available through public databases, Internet, etc.). • Obtaining information on the source of funds or source of wealth of the client. • Obtaining information on the reasons for intended or conducted transactions. • Increased monitoring of transactions of higher-risk products, services and channels. • Establishing more stringent thresholds for verifying identification. • Gathering additional documents, data or information; or taking additional steps to verify the documents obtained. • Establishing transaction limits. • Increasing internal controls of high-risk business relationships. • Obtaining the approval of senior management at the transaction level for products and services that are new for that client. <p>implementing the following measures to monitor high risk situations:</p> <ul style="list-style-type: none"> • review transactions during an internal audit schedule that involves management sign-off; • review transactions more frequently against suspicious transaction indicators relevant to the relationship |

For more information see FINTRAC's *Ongoing Monitoring Requirements* guidance: <https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/omr-eng> and *Business relationship requirements* guidance <https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/brr-eng>.

3.1.3. Receipt of Funds Record

3.1.3.1. Content

Whenever an agent receives funds for a purchase or sale transaction, they are required to complete and maintain a Receipt of Funds Record. Generally, the buyer's agent will complete this form; however, if no buyer's agent is involved, the listing agent is required to complete the Receipt of Funds Record. This record must state:

- Who is involved in the receipt of funds transaction (i.e. who is providing the funds):
 - In the case of an individual, their name, address, date of birth and principal business or occupation (or in the case of a sole proprietor, the nature of their principal business);
 - In the case of an entity, their name, address and nature of principal business;
- The amount, type and currency of the funds, any applicable exchange rates (as well as the source used for the exchange rate), and how the funds were received. Any amounts that are received in cash need to be clearly identified;
- The date the funds were received;
- The purpose of the receipt of funds transaction (e.g. deposit for purchase);
- The number and details of any account affected by the transaction; and
- Any reference numbers used by the brokerage associated with the receipt of funds record that are equivalent to account numbers.

Tip: Be as descriptive as possible regarding the business or occupation. See Section 3.1.2.2., above, for examples.

If the receipt of funds record is about a corporation, you also need to keep a copy of the part of the official corporate records showing the provisions relating to the power to bind the corporation regarding the transaction.

CREA's template Receipt of Funds Record form can be used to record this information. It is inserted at Appendix E, is posted on REALTOR Link® and is available in WEBForms®. However, note that there are no fields in the form specifying who is involved in the transaction. Instead, the relevant information should be recorded using CREA's Client Information Record and stapled to the Receipt of Funds Record. Note:

- If the individual/entity who is providing the funds is the same as the client, you don't need to complete another Client Information Record. However, you may wish to make a note of that on the Receipt of Funds Record.
- However, if the individual/entity who is providing the funds is not the same as the client, the individual/entity providing the funds will need to be identified. Follow the steps noted in Section 3.1.2, above, for completing the Client Information Record and attach it to the Receipt of Funds Record (to avoid confusion, the agent may mark on the "Client Information Record" that the record concerns the individual/entity providing the funds and is not the client).

To complete a Receipt of Funds Record, information you have to keep includes, if an account was affected by the transaction, (i) the number and type of any such account; and (ii) the full name of the client that holds the account. This means that in the simplest case (where the buyer provides a cheque), REALTORS® need to record the information on the account on which the cheque was drawn.

Where there are two agents involved in a transaction and the funds are deposited in the listing agent's account the buyer's agent is responsible for completing the Receipt of Funds Record.

If funds are deposited into a listing agent's trust account, the buyer's agent is only required to record the fact that the funds were deposited into the listing agent's trust account but is not required to include the number of the trust account or the name or entity that holds the trust account.

If the buyer agent's client provides funds directly to the listing agent, where a client account is affected (e.g. client's chequing account), the buyer agent is only obligated to take reasonable measures to obtain the account number, the name of the account holder, the type of account and any reference numbers.

Note that if multiple accounts are affected, information on all accounts affected needs to be recorded subject to the caveats noted above with respect to listing agent trust accounts and reasonable measures.

In situations where there is only one agent involved, the agent involved in the transaction is obligated to record all specified account information including their own trust account and reference number (if any) information. As noted above, a Receipt of Funds record needs to be kept on every account that is affected by the transaction.

Tip: If a portion of the funds are received in cash resulting in the need to create a Large Cash Transaction Record, the agent must complete a copy of that record AND a Receipt of Funds Record.

There is no requirement to provide another brokerage with copies of the completed Receipt of Funds Record.

3.1.3.2. *Exceptions*

Agents do not keep a receipt of funds record where the amount is received from a financial entity (a bank, a caisse populaire, a credit union, or a trust and loan company) or a public body (a Canadian provincial or federal department or Crown agency, a municipal body, or a hospital authority) or a very large corporation.

Tip: The funds must originate from the financial entity itself. The mere fact that an individual gives the agent a bank draft or certified cheque drawn on a bank account does not qualify for this exception.

Tip: As of June 1, 2021, the exceptions will expand slightly. Receipts of funds Records will not be required for a very large trust or for individuals acting on behalf of a financial entity or public body.

Our policies and procedures with respect to our receipt of fund obligations are as follows:

Brokerage-specific Receipt of Fund Records Policies and Procedures

1. If a bank draft is received where a Receipt of Funds Record is required, the Sales Representative is to obtain and keep in the transaction file a copy of the bank draft receipt that indicates the source of funds.
2. If an electronic (bill payment) deposit is received where a Receipt of Funds Record is required, the Sales Representative is to obtain and keep in the transaction file a copy of the receipt that indicates the source of funds.

For more information see FINTRAC's *Record Keeping requirements for real estate brokers or sales representatives, and real estate developers*: <https://www.fintrac-canafe.gc.ca/guidance-directives/recordkeeping-document/record/real-eng>.

3.1.4. Large Cash Transaction Record

3.1.4.1. Content

If an agent receives funds totaling \$10,000 or more in cash (*i.e.* coins, notes issued by the Bank of Canada, and coins or bank notes of countries other than Canada), a Large Cash Transaction Record must be created and maintained. If two or more cash transactions of less than \$10,000 each are made within a 24-hour period by or on behalf of the same client, these are considered to be a single large cash transaction if they add up to \$10,000 or more (see 24-Hour Rule Section for more information). This record must contain:

- the date the agent received the cash;
- if the amount is received for deposit into an account:
 - the account number(s);
 - the name of each account holder – If the cash was deposited to more than one client account, all names must be included in the record; and
 - the time of the deposit, if it was made during your normal business hours, or an indication of "night deposit" if the deposit was made outside of your normal business hours;
- if other persons are involved in the transaction, their name, address, date of birth, and their occupation, or in the case of a sole proprietor, the nature of their principal business;
- if other entities are involved in the transaction, their name, address and nature of their principal business;
- the type and amount of each fiat currency received;
- the purpose of the transaction (for example, the cash was used to purchase a condominium unit, etc.);
- the method by which you received the cash (for example, in person, by mail, etc.);
- the exchange rates used and their source (if applicable);
- if other accounts are involved in the transaction, include:
 - the account number and type of account (for example, business, personal, etc.); and
 - the name of each account holder;
- every reference number connected to the transaction that is meant to be similar to an account number;
- the following details of the remittance or in exchange for the cash received:
 - the method of remittance (for example, wire transfer, money order etc.);
 - if the remittance is in funds, the type and amount of each type of funds involved;
 - if the remittance is not in funds, the type (for example, virtual currency, etc.) and value of the remittance if different from the amount received in cash; and
 - the name of every person or entity involved in the remittance, their account number or policy number. If there is no account or policy number, their identifying number.

The agent must also verify the identity of the individual or entity providing the cash and take reasonable measures to determine whether that individual/entity is providing the cash on behalf of third parties.

Tip: Be as descriptive as possible regarding the business or occupation. See Section 3.1.2.2., above, for examples.

Note: Normally, all of the required information may be documented in the Large Cash Transaction Report form on the FINTRAC website: <https://www.fintrac-canafe.gc.ca/reporting-declaration/form/LCTR-2008-eng.pdf> and can be printed off and used as a Large Cash Transaction Record. However, FINTRAC has published a Notice (*Notice on forthcoming regulatory amendments and flexibility* <https://www.fintrac-canafe.gc.ca/covid19/flexible-measures-eng>) indicating that an updated Large Cash Transaction Report reflecting changes to the reporting obligations that are in force on June 1, 2021, will not be available on June 1, 2021. FINTRAC has indicated that agents should take reasonable measures (i.e. ask the person providing the cash) to obtain any information noted in this Section that is not reflected on the report but is in force and that is applicable to the transaction. For this reason agents may wish to review the new fields in force in this Section and if they are applicable to the transaction, take steps to obtain this information from the person providing the cash. Any information that is obtained must be recorded but not reported.

If the agent is unsuccessful in determining whether the individual or entity is acting on behalf of a third party, but there are reasonable grounds to suspect the individual or entity is acting on behalf of a third party, the agent must keep a record of (a) whether, according to the individual/entity, the transaction is being conducted on behalf of a third party; and (b) the reasonable grounds to suspect that the individual or entity is acting on behalf of a third party.

3.1.4.2. Exceptions

Agents do not keep a large cash transaction record where the amount is received from a financial entity (a Canadian bank, caisse populaire, credit union, or trust and loan company) or a public body (a Canadian provincial or federal department or Crown agency, a municipal body, or a hospital authority).

Tip: The cash must originate from the financial entity itself. The mere fact that an individual gives the agent cash withdrawn from a bank account does not qualify for this exception.

Tip: As of June 1, 2021, the exceptions will expand slightly. Large Cash Transaction Records will not be required for individuals acting on behalf of a financial entity or public body.

Our policies and procedures with respect to our large cash transaction record obligations are as follows:

- **Copies of Large Cash Transaction Reports shall be kept as Large Cash Transaction Records**

- **Until FINTRAC updates its Large Cash Transaction Report, agents shall be instructed to review the fields in Section 3.1.4.1 when filing a Large Cash Transaction Report, and if applicable information is missing from the Report, it shall be added as an addendum to the report and kept in the brokerage's records.**

Brokerage-specific Large Cash Transaction Record Policies and Procedures

1. Team Realty Inc. refrains from accepting cash deposits without prior management approval and in all cases does not accept cash deposits in excess of \$5,000.00

For more information see FINTRAC's *Record Keeping requirements for real estate brokers or sales representatives, and real estate developers*: <https://www.fintrac-canafe.gc.ca/guidance-directives/recordkeeping-document/record/real-eng>.

3.1.5. Large Virtual Currency Transaction Record

3.1.5.1. Content

Starting June 1, 2021, if an agent receives funds totaling \$10,000 or more in virtual currency, a Large Virtual Currency Record must be created and maintained. If two or more virtual currency transactions of less than \$10,000 each are made within a 24-hour period by or on behalf of the same client, these are considered to be a single large virtual currency transaction if they add up to \$10,000 or more (see 24-Hour Rule Section for more information). This record must contain:

- the date the agent received the virtual currency;
- if the agent received the amount for deposit into an account, the name of each account holder;
- if other persons are involved in the transaction, their name, address, date of birth, and their occupation, or in the case of a sole proprietor, the nature of their principal business;
- if other entities are involved in the transaction, its name, address and the nature of its principal business;
- the type and amount of each virtual currency involved;
- the exchange rates used and their source;
- if other accounts are affected by the transaction (for example, any account that provides the funds), include:
 - the account number and type of account; and
 - the name of each account holder;
- every reference number connected to the transaction that is meant to be similar to an account number; and
- every transaction identifier, including transaction hashes or similar identifiers (if applicable), and every sending and receiving address.

The agent must also verify the identity of the individual or entity providing the virtual currency and take reasonable measures to determine whether that individual or entity is providing the virtual currency on behalf of third parties.

Tip: Be as descriptive as possible regarding the business or occupation. See Section 3.1.2.2., above, for examples.

All of this information may be documented in the Large Virtual Currency Transaction Report form on FINTRAC's website: <https://www.fintrac-canafe.gc.ca/reporting-declaration/form/form-eng>. This form can be printed off and used as a Large Virtual Currency Transaction Record.

If the agent is unsuccessful in determining whether the individual or entity is acting on behalf of a third party, but there are reasonable grounds to suspect the individual or entity is acting on behalf of a third party, the agent must keep a record of (a) whether, according to the individual or entity, the transaction is being conducted on behalf of a

third party; and (b) the reasonable grounds to suspect that the individual or entity is acting on behalf of a third party.

3.1.5.2. Exceptions

Agents do not keep a large virtual currency transaction record where the amount is received from a financial entity (a Canadian bank, caisse populaire, credit union, or trust and loan company) or a public body (a Canadian provincial or federal department or Crown agency, a municipal body, or a hospital authority) or individuals acting on behalf of a financial entity or public body.

Tip: The virtual currency must originate from the financial entity itself. The mere fact that an individual gives the agent virtual currency withdrawn from a bank account does not qualify for this exception.

Our policies and procedures with respect to our large virtual currency transaction record obligations are as follows:

| |
|---|
| Brokerage-specific Large Virtual Currency Transaction Record Policies and Procedures |
|---|

- | |
|--|
| 1. Team Realty does not accept any virtual current transactions. |
|--|

Don't forget to mark and sign the checklist on pages 10-11 once you've established policies and procedures with respect to large virtual currency transaction records!

For more information see FINTRAC's *Record Keeping requirements for real estate brokers or sales representatives, and real estate developers*: <https://www.fintrac-canafe.gc.ca/guidance-directives/recordkeeping-document/record/real-eng>.

3.2. Reporting Obligations

For readability the terminology of "agent" and "brokers" has been used throughout Section 3.2 however keep in mind that it could be the Compliance Officer who actually makes the reports in your brokerage.

3.2.1. Types of Reports

Agents and brokers are obligated to file reports with FINTRAC in four different situations: if they are involved in a suspicious transaction or attempted suspicious transaction; if they are involved in a large cash transaction; if they are involved in a large virtual currency transaction; and if there is property in their possession or control that is owned or controlled by a terrorist or terrorist group. Note that if you are a real estate agent and you are acting on behalf of a broker, you have an independent obligation to report the suspicious transactions and terrorist property reports or report it to your broker/Compliance Officer. You may wish to speak to your brokerage's Compliance Officer to discuss how to proceed as your brokerage may have given the responsibility to make all reports to the Compliance Officer.

Tip: "Property" in the context of terrorist property reports is explained in Section 3.2.7 below.

3.2.2.FINTRAC Obligations

FINTRAC has obligations when it comes to handling information it receives in reports. These obligations:

- Specify that FINTRAC is independent from law enforcement and other agencies to which FINTRAC is authorized to disclose information;
- Provide for criminal penalties for any unauthorized use or disclosure of the personal information under FINTRAC's control; and
- Specify that the *Privacy Act* applies to FINTRAC.

In sum, FINTRAC is required to ensure that personal information under its control is protected from unauthorized disclosure. Information may only be disclosed to the appropriate law enforcement authorities when it has been determined that there are reasonable grounds to suspect that the information would be relevant to investigating or prosecuting a money laundering offence or a terrorist activity financing offence.

When FINTRAC has made this determination, it discloses only designated information to law enforcement agencies. Designated information is limited to key identifying information, such as name and address, date of birth and citizenship. It also includes certain information about the transaction itself, such as the name and address of the place of business where it occurred, the date of the transaction, amount and type of currency or value of the funds, account number, etc.

FINTRAC may also, under specified circumstances, disclose designated information to the Canada Revenue Agency, Citizenship and Immigration Canada, or foreign agencies with mandates similar to FINTRAC's.

The general brokerage policy with respect to reporting shall be:

- 1) If an agent believes he/she needs to make a report to FINTRAC he/she shall discuss it with the brokerage's Compliance Officer (see page 9 of this Manual).**
- 2) If the Compliance Officer determines that a report needs to be made, the agent shall provide the relevant details regarding the transaction to the Compliance Officer who shall submit the report and alert the brokerage's broker that a report has been made.**

Our additional policies and procedures with respect to our general reporting obligations are as follows:

| Brokerage-specific General Reporting Policies and Procedures |
|--|
| 1. If a client refuses to supply ID the sales representative or staffs are to notify the Compliance Office in order to determine if a suspicious transaction report is to be filed. |

For more information on reporting see <https://www.fintrac-canafe.gc.ca/reporting-declaration/1-eng>.

3.2.3. Large Cash Transaction Reports

3.2.3.1. General

Agents must report large cash transactions when receiving \$10,000 CAD or more in cash, or an equivalent amount in a foreign currency, in the course of a real estate transaction. If two or more cash transactions of less than \$10,000 each are made within a 24-hour period by or on behalf of the same client, these are considered to be a single large cash transaction if they add up to \$10,000 or more (see 24-Hour Rule Section for more information). These transactions must also be reported. This reporting requirement is in addition to the requirement of keeping a Large Cash Transaction Record.

Large cash transactions must be reported to FINTRAC within 15 calendar days of the transaction. Large Cash Transaction Reports must generally be submitted to FINTRAC electronically by completing and sending the report through FINTRAC's secure website: <https://www6.fintrac-canafe.gc.ca/f2r/secure/>. The website provides instructions on how to complete a report and drop-down menus appear wherever a specific selection is required. In addition, details concerning formatting of particular information may appear at the bottom of the screen.

Certain fields in the large cash transaction report are non-mandatory. Agents are only obligated to use reasonable measures to obtain this information.

Tip: If a brokerage does not have the technical capability to file electronically, it is required to fill out a copy of a paper form which is available online at: <https://www.fintrac-canafe.gc.ca/reporting-declaration/form/LCTR-2008-eng.pdf>.

Note: FINTRAC has published a Notice (*Notice on forthcoming regulatory amendments and flexibility* <https://www.fintrac-canafe.gc.ca/covid19/flexible-measures-eng>) indicating that an updated Large Cash Transaction Report reflecting changes to the reporting obligations that are in force on June 1, 2021, will not be available on June 1, 2021 (either as an updated form or updated F2R system). Agents should continue to use the version of the form and F2R that is available on FINTRAC's website until FINTRAC has updated its resources. FINTRAC has also indicated that agents should take reasonable measures (i.e. ask the person providing the cash) to obtain any information noted in Section 3.1.4.1 that is not reflected on the report but is in force and that is applicable to the transaction. For this reason agents may wish to review the new fields in force in Section 3.1.4.1 and if they are applicable to the transaction, take steps to obtain this information from the person providing the cash. Any information that is obtained must be recorded but not reported.

For all reports submitted electronically, FINTRAC issues an acknowledgement message, which can be printed from the browser window. This acknowledgement message will include the date and time that the report was received, together with a FINTRAC-generated identification number. Brokerages must keep a copy of the report.

3.2.3.2. Exceptions

The same exceptions that apply to large cash transaction records apply to large cash transaction reports. Agents do not need to submit a large cash transaction report for a transaction where the amount is received from a financial entity (a bank, a caisse populaire, a credit union, or a trust and loan company) or a public body (a Canadian provincial or federal department or Crown agency, a municipal body, or a hospital authority).

Tip: The cash must originate from the financial entity itself. The mere fact that an individual gives the agent cash withdrawn from a bank account does not qualify for this exception.

The brokerage policy with respect to reporting large cash transactions is as follows:

- **All large cash transactions shall be reported to our Compliance Officer.**
- **The Compliance Officer shall report all large transactions to FINTRAC within 15 calendar days of the transaction.**
- **Until FINTRAC updates its Large Cash Transaction Report, agents shall be instructed to review the fields in Section 3.1.4.1 when filing a Large Cash Transaction Report, and if applicable information is missing from the Report, it shall be added as an addendum to the report and kept in the brokerage's records.**
- **If FINTRAC notifies our brokerage that a Large Cash Transaction Report contains incomplete information our Compliance Officer will notify the employee/agent concerned and obtain the missing information.**

Our additional policies and procedures with respect to reporting large cash transactions are described below:

| Brokerage-specific Large Cash Reporting Policies and Procedures |
|--|
| N/A |

For more information regarding large cash transaction reporting see FINTRAC's *Guideline 7A: Submitting Large Cash Transaction Reports to FINTRAC Electronically*: <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/Guide7A/lctr-eng> and *Guideline 7B: Submitting Large Cash Transaction Reports to FINTRAC by Paper*: <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/Guide7B/7b-eng>.

3.2.4. Large Virtual Currency Transaction Reports

3.2.4.1. General

Starting June 1, 2021, agents must report large virtual currency transactions when receiving the equivalent of \$10,000 CAD or more in virtual currency in the course of a real estate transaction. If two or more virtual currency transactions of less than \$10,000 each are made within a 24-hour period by or on behalf of the same client, these are considered to be a single large virtual currency transaction if they add up to \$10,000 or more (see 24-Hour Rule Section for more information). These transactions must also be reported. This reporting requirement is in addition to the requirement of keeping a Large Virtual Currency Transaction Record.

Note that, because the Bank of Canada does not publish exchange rates for virtual currency, brokers must use the exchange rate the brokerage establishes in the normal course of its business to determine whether it has reached the reporting threshold amount. The process for establishing an exchange rate must be outlined in the brokerage's policies and procedures.

Large virtual currency transactions must be reported to FINTRAC within 5 calendar days of the transaction. Large Virtual Currency Transactions Reports must generally be submitted to FINTRAC electronically by completing and sending the report through FINTRAC's secure website: <https://www6.fintrac-canafe.gc.ca/f2r/secure/>. The website provides instructions on how to complete a report and drop-down menus appear wherever a specific selection is required. In addition, details concerning formatting of particular information may appear at the bottom of the screen.

Certain fields in the large virtual currency transaction report are non-mandatory. Agents are only obligated to use reasonable measures to obtain this information.

Tip: If a brokerage does not have the technical capability to file electronically, it must continue to fill out a copy of a paper form instead.

For all reports submitted electronically, FINTRAC issues an acknowledgement message, which can be printed from the browser window. This acknowledgement message will include the date and time that the report was received, together with a FINTRAC-generated identification number. Brokerages must keep a copy of the report.

3.2.4.2. Exceptions

Agents do not need to submit a large virtual currency transaction report for a transaction where you know the amount is for a beneficiary that is a very large corporation or trust or a public body or an administrator of a pension fund that is regulated under federal or provincial legislation.

Our additional policies and procedures with respect to reporting large virtual currency transactions are described below:

| |
|--|
| Brokerage-specific Large Virtual Currency Reporting Policies and Procedures |
| N/A |

For more information regarding virtual currency transaction reporting see FINTRAC's *Reporting large virtual currency transactions to FINTRAC* guidance: <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/lvctr/lvctr-eng>.

3.2.5.24-Hour Rule

Although, not a "report" per-se, brokers need to be aware of FINTRAC's interpretation of something referred to as the 24-Hour Rule if they accept cash or virtual currency at their brokerage.

The 24-hour rule is a requirement to aggregate multiple cash or virtual currency amounts that the brokerage receives into a "single transaction" and report these transactions together in a single report to FINTRAC. This is required when the multiple transactions total \$10,000 or more within a consecutive 24-hour window and the transactions are known to be: (a) conducted by the same person or entity; (b) conducted on behalf of the same person or entity, or (c) for the same beneficiary.

For example, suppose a client provides an agent with two cash deposits for two properties they wish to purchase. Both amounts are received by the agent within a 24-hour period. One amount is \$3000 and the other amount is for \$8000. Because the amounts total more than \$10,000, and they are both conducted by the same person, a large cash transaction report must be submitted.

It is possible for a broker to establish different 24-Hour Rules for their brokerage for different business lines within their brokerage. For example, one business line (residential real estate) could use a 24-Hour window that starts at 10 am and ends at 9:59 am the next day, while another business line (commercial real estate) at the brokerage could have a 24-Hour Rule that starts at 1 pm and ends at 12:59 pm the next day. While brokerages are free to adopt different Rules, FINTRAC requires that the Rule(s) in use be documented in the brokerage's policies and procedure manual.

Our policy and procedures with respect to the 24-Hour Rule shall be (check one):

- **Our brokerage does not accept cash or virtual currency. Therefore, the 24-Hour Rule does not apply.**
- **Our brokerage uses the following 24-Hour Rule:**
 - **Our 24-hour window is 9 am to 8:59 am the following day for all business we conduct; or**
 - **Other (details provided below)**

Our additional policies and procedures with respect to the 24-Hour Rule are as follows:

Brokerage-specific 24-Hour Rule Policies and Procedures

1. All cash deposits are to be reported to the Compliance Officer

For more information see FINTRAC's 24-Hour Rule guidance: <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/24hour/1-eng>.

3.2.6.Suspicious Transaction Reports

3.2.6.1. What is a suspicious transaction or attempted suspicious transaction?

A suspicious transaction is any real estate transaction that an agent has reasonable grounds to suspect is related to the commission of a money laundering or a terrorist activity financing offence. Suspicious transactions may have been completed or simply attempted by the client. Note, however, simply because a client attempts to conduct a transaction, but does not complete it, does not necessarily mean the transaction is suspicious. That said, the circumstances surrounding it might contribute to it being suspicious.

FINTRAC's guidance outlines possible indicators of suspicious transactions:

- A client arrives at a real estate closing with a significant amount of cash. (Remember that any cash amount equal to \$10,000 or more MUST be recorded and reported – see Sections 3.1.4, 3.2.3 above.)
- A client purchases property in the name of a nominee such as an associate or a relative other than a spouse.
- A client does not want to put his or her name on any document that would connect him or her with the property or uses different names on Offers to Purchase, closing documents, and deposit receipts.
- A client inadequately explains the last minute substitution of the purchasing party's name.
- A client negotiates a purchase for market value or above asking price, but records a low value on documents, paying the difference "under the table".
- A client sells property below market value with an additional "under the table" payment.
- A client pays initial deposit with a cheque from a third party, other than a spouse or parent.
- A client pays substantial down payment in cash and balance is financed by an unusual source or offshore bank.

- A client purchases personal use property under corporate veil when this type of transaction is inconsistent with the ordinary business practice of the client
- A client purchases property without inspecting it.
- A client purchases multiple properties in a short time period, and seems to have few concerns about the location, condition, and anticipated repair costs of each property.
- A client pays rent or the amount of a lease in advance using a large amount of cash.
- A client is known to have paid large remodeling or home improvement invoices with cash on a property for which property management services are provided.
- A client starts to make an offer on the purchase of a house with a large deposit, but will not finalize the offer once asked to provide identification.

For additional examples, see FINTRAC's guidance available at <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/1-eng> and FINTRAC's *Operational brief: Indicators of money laundering in financial transactions related to real estate*, available at <https://www.fintrac-canafe.gc.ca/intel/operation/real-eng>. If the transaction involves virtual currency, see *Money laundering and terrorist financing indicators – Virtual currency transactions*, available at: https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/indicators-indicateurs/vc_mltf-eng.

Detailed guidance on how to screen for suspicious transactions, and assess the facts, context and indicators surrounding a transaction to determine if the threshold for reporting has been reached may be found at FINTRAC's *What is a suspicious transaction report* <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/Guide2/2-eng>.

3.2.6.2. Deadline

Any agent who suspects that a transaction, or attempted transaction, may be suspicious is responsible for notifying their Compliance Officer so that a Suspicious Transaction Report can be completed. These reports are to be forwarded to FINTRAC as soon as practicable after measures have been taken by a broker or agent to enable them to establish that there are reasonable grounds to suspect that the transaction or attempted transaction is related to the commission of a money laundering offence or a terrorist activity financing offence.

Any person reporting a suspicious or attempted suspicious transaction must not inform anyone, including the client, about the contents of a Suspicious Transaction Report or even that such a report has been made or is to be made (except for the Compliance Officer who has a duty to ensure secrecy and store such confidential reports). The penalty for breaching this obligation can be up to two years in prison if the information was disclosed with the intent to prejudice a criminal investigation.

Note: In certain situations involving time-sensitive information, such as suspected terrorist financing and threats to national security, FINTRAC encourages brokers, as a best practice, to expedite the submission of these STRs and make that a part of their policies and procedures.

3.2.6.3. Contents of Suspicious Transaction Report

A Suspicious Transaction Report must include detailed information such as the date of the transaction, the amount and type of funds used in the transaction, how and where the funds were deposited, and an explanation of what led to the belief something was suspicious about the transaction. The explanation should include as complete and clear a description as possible of all factors or unusual circumstances that led to the suspicion of money laundering or terrorist financing.

If suspicions about a money laundering offence arise as a result of more than one transaction, all of the transactions that contributed to the suspicions are to be included in the same report and forwarded to the Compliance Officer. All Suspicious Transaction Reports are to be submitted electronically through FINTRAC's secure website: <https://www6.fintrac-canafe.gc.ca/f2r/secure/>.

Tip: If a brokerage does not have the technical capability to file electronically, it is required to fill out a copy of a paper form which is available online at: <https://www.fintrac-canafe.gc.ca/reporting-declaration/form/STR-2008-eng.pdf>.

Note: FINTRAC has published a Notice (*Notice on forthcoming regulatory amendments and flexibility* <https://www.fintrac-canafe.gc.ca/covid19/flexible-measures-eng>) indicating that an updated Suspicious Transaction Report reflecting changes to the reporting obligations that are in force on June 1, 2021, may not be available on June 1, 2021. FINTRAC has indicated that agents should continue to use F2R and the current form until it updates its system and form. However, FINTRAC encourages agents to include additional information in the Suspicious Transaction Report reflecting the obligations in force on June 1, 2021, in the report. See the *Notice on forthcoming regulatory amendments and flexibility* for more information.

Tip: When you have to send a suspicious transaction report to FINTRAC, you have to take reasonable measures, before the transaction is reported, to identify the individual or entity who conducted it. This will not apply in the following circumstances: (i) if you had already identified the individual/entity as required and you have no doubts about that previous identification information; (ii) if you believe that doing so would inform the individual/entity that you are submitting a Suspicious Transaction Report. This information can be recorded in the Suspicious Transaction Report.

Tip: Brokers must enroll with FINTRAC in order to submit a Suspicious Transaction Report to FINTRAC electronically. This process may take several days. To complete the enrolment process, brokers should contact 1-866-346-8722 or contact FINTRAC at: F2R@fintrac-canafe.gc.ca.

FINTRAC's website provides instructions on how to complete a report; drop-down menus appear wherever a specific selection is required. In addition, details concerning formatting of particular information may appear at the bottom of the screen.

Once the report has been filed, FINTRAC will issue an acknowledgement message, which can be printed from the browser window. This acknowledgement message will include the date and time that the report was received, together with a FINTRAC-generated identification number. Brokerages must keep a copy of the report and may wish to keep a copy of the acknowledgement message in their records.

Our brokerage policy with respect to our suspicious transaction obligations is as follows:

- **Any agent or employee who suspects that a suspicious transaction should be reported to FINTRAC must immediately supply the required information to the Compliance Officer.**
- **All Suspicious Transaction Reports will be forwarded to FINTRAC by the Compliance Officer as soon as practicable after any employee/agent of the brokerage first detects a fact that constitutes reasonable grounds to suspect that the transaction or attempted transaction is related to the commission of a money laundering offence or a terrorist activity financing offence.**
- **A copy of the Suspicious Transaction Report and the acknowledgement message received from FINTRAC when filing such reports shall be kept in our brokerage's records.**
- **If FINTRAC notifies our brokerage that a Suspicious Transaction Report contains incomplete information, our Compliance Officer will notify the agent/employee concerned and obtain the missing information.**

Our additional policies and procedures with respect to our suspicious transaction reporting obligations are as follows:

| Brokerage-specific Suspicious Transaction Reporting Policies and Procedures |
|---|
| <p>1. If a client refuses to supply ID the sales representative or staffs are to notify the Compliance Office in order to determine if a suspicious transaction report is to be filed.</p> |
| <p><u>What is a suspicious transaction or attempted suspicious transaction?</u> Suspicious transaction is any real estate transaction that an agent has reasonable grounds to suspect is related to the commission of a money laundering offence. Suspicious transactions may have been completed or simply attempted by the client.</p> |
| <p>A Systemic Approach to Identifying Suspicious Transactions</p> <p>An effective systemic approach to identify suspicious financial activity may safeguard you and your company from the risk of being involved with terrorist financing and money laundering offences.</p> <p>Consider the "SAFE" approach, which may assist you in meeting the FINTRAC compliance requirements. The four steps of the systemic approach to suspicious activity identification include:</p> <ul style="list-style-type: none">ScreenAsk |

Find
Evaluate

SCREEN - Step One

Screen the client's account for suspicious indicators. The recognition of an indicator, or several indicators, of suspicious activity is the first step in the suspicious activity identification system.

ASK - Step Two

Ask the client appropriate questions

If an employee carries out a transaction or transactions for a client bearing one or more suspicious activity indicators then they should question the client on the reason for conducting the transaction and the identity of the source and ultimate beneficiary of the money being transacted.

FIND - Step Three

Find out from the client's records: Review of information already known when deciding if the apparently suspicious activity is to be expected. In other words - Know Your Client!

EVALUATE - Step Four

Evaluate all the previous information: Is The Transaction Suspicious?

The final step in the suspicious activity identification system is the decision whether or not to complete and submit a "Suspicious Transaction Report".

Such a decision will be of the highest quality when all the relevant circumstances are known to, and considered by, the decision maker, i.e. when all three of the preceding steps in the suspicious transaction identification system have been completed and are considered.

For more information regarding suspicious transaction reporting see FINTRAC's guidance <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/1-eng>, *Operational brief: Indicators of money laundering in financial transactions related to real estate* <https://www.fintrac-canafe.gc.ca/intel/operation/real-eng>, *What is a suspicious transaction report?* <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/Guide2/2-eng> and *Reporting suspicious transactions to FINTRAC* <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/Guide3/str-eng>.

3.2.7. Terrorist Property Reports

Agents have to send a Terrorist Property Report to FINTRAC in two circumstances related to property in the agent's possession or control, each of which is described below.

Note: FINTRAC has published a Notice (*Notice on forthcoming regulatory amendments and flexibility* <https://www.fintrac-canafe.gc.ca/covid19/flexible-measures-eng>) indicating that an updated Terrorist Property Report reflecting changes to the reporting obligations that are in force on June 1, 2021, may not be available on June 1, 2021. FINTRAC has indicated that agents should continue to use the current form until it updates its form. However, FINTRAC encourages agents to include additional information in the Terrorist Property Report reflecting the obligations in force on June 1, 2021, in the report. See the *Notice on forthcoming regulatory amendments and flexibility* for more information.

Note that "property", for the purpose of this reporting obligation, is very broad and means any type of real or personal property including:

- any deed or instrument giving title or right to property, or giving right to money or goods;
- cash, money orders, traveler's cheques, or bank accounts;
- insurance policies;
- securities; and
- real estate.

A brokerage's policies and procedures must explain the brokerage's process for submitting Terrorist Property Reports, including the process to identify terrorist property, and the processes to ensure Terrorist Property Reports are complete, accurate and submitted to FINTRAC immediately.

3.2.7.1. Knowing that property is owned or controlled by or on behalf of a terrorist or terrorist group

Agents have to send a Terrorist Property Report to FINTRAC if they have property in their possession or control that they know is owned or controlled by or on behalf of a terrorist or terrorist group. Such reports must be filed with FINTRAC immediately. This reporting obligation applies to information about any transaction or proposed transaction.

A terrorist or terrorist group includes anyone that has as one of their purposes or activities facilitating or carrying out any terrorist activity. It can be a person, group, trust, partnership or fund or an unincorporated association or organization. This includes, but is not limited to anyone on the following websites:

- Public Safety Canada: <https://laws-lois.justice.gc.ca/eng/regulations/SOR-2002-284/page-1.html#h-694379>.

In addition, FINTRAC encourages agents to refer to other lists or media that may exist, to make the determination on “any person, group, trust, partnership or fund or an unincorporated association or organization that has as one of its purposes or activities facilitating or carrying out any terrorist activity”.

If an agent knows that a transaction is related to property owned or controlled by or on behalf of a terrorist or a terrorist group, you should not complete it. This is because such property must be frozen under the *Criminal Code*.

3.2.7.2. Believing that property is owned or controlled by or on behalf of a listed person

Agents have to send a Terrorist Property Report to FINTRAC immediately if they have property in their possession or control that they believe is owned or controlled by or on behalf of a “listed person”.

A listed person includes an individual, a corporation, a trust, a partnership or fund or an unincorporated association or organization that is believed to: (i) have carried out, attempted to carry out, participated in or facilitated a terrorist activity; or (ii) be controlled directly or indirectly by, be acting on behalf of, at the direction of, or in association with any individual or entity conducting any of the above activities. The following website should be consulted to determine if a person or entity is a “listed person”:

- Justice Canada: <https://laws-lois.justice.gc.ca/eng/regulations/sor-2001-360/page-3.html#docCont>.

If an agent knows that a transaction is related to property owned or controlled by or on behalf of a listed person, they should not complete it. This is because such property must be frozen under the *Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism*.

3.2.7.3. Contents of Terrorist Property Report

A Terrorist Property Report must include detailed information such as: the reason for making the report including how possession or control of the terrorist property was obtained; and how it became known that the property was terrorist property.

Copies of Terrorist Property Report forms can be printed from FINTRAC’s website: <https://www.fintrac-canafe.gc.ca/reporting-declaration/form/TPR-2008-eng.pdf>. To ensure that the information provided is legible, FINTRAC asks that the report be typed. However, if the report must be completed by hand, use black ink and print using capital letters. For detailed instructions on how to complete the report, consult FINTRAC’s website.

Reports can be faxed to FINTRAC at 1-866-226-2346 or mailed by regular or registered mail to the following address:

FINTRAC
Section A
234 Laurier Avenue West, 24th Floor
Ottawa, ON, K1P 1H7

As of June 1, 2021, according to FINTRAC, all Terrorist Property Reports will need to be submitted by fax except if a brokerage does not have the technical capability to send a fax, in which case it may be sent by mail.

Brokerages must keep a copy of the report.

3.2.7.4. CSIS and RCMP

In addition to making a Terrorist Property Report to FINTRAC, agents having “property” in their possession or control that they know is owned or controlled by or on behalf of a terrorist or a terrorist group, or having property in their possession or control that they believe is owned or controlled by or on behalf of a listed person, must disclose its existence to the RCMP and to the Canadian Security Intelligence Service (CSIS) immediately. Information should be provided to the RCMP and CSIS at:

- RCMP, Anti-Terrorist Financing Team: <https://www.rcmp-grc.gc.ca/en/national-security-information-network>.
- CSIS: 613-933-9620 or <https://www.canada.ca/en/security-intelligence-service/corporate/reporting-national-security-information.html>.

If an agent only *suspects* that a transaction is related to property owned or controlled by or on behalf of a terrorist or terrorist group, or they suspect that their client is a terrorist or listed person but do not know for sure, a Suspicious Transaction Report should be filed with FINTRAC.

Our brokerage policy with respect to our Terrorist Property reporting obligations is as follows:

- **Our Compliance Officer shall keep a full list and description of known terrorists, terrorist groups and listed persons.**
- **The list of known terrorists, terrorist groups and listed persons shall be consulted with respect to all transactions.**
- **If it is determined that property is owned or controlled by or on behalf of a terrorist or a terrorist group or believed that property is owned or controlled by or on behalf of a listed person:**
 - **A Completed Terrorist Property Reports shall be sent to FINTRAC by the agent/our Compliance Officer.**
 - **The agent/our Compliance Officer will contact the RCMP and CSIS as necessary.**
- **If it is suspected that property is owned or controlled by or on behalf of a terrorist, terrorist group or listed person:**
 - **The agent/our Compliance Officer shall file a Suspicious Transaction Report with FINTRAC.**
 - **Retain a copy of the Suspicious Transaction Report and acknowledgement message from FINTRAC.**

Our additional policies and procedures with respect to our terrorist property reporting obligations are as follows:

Brokerage-specific Terrorist Property Reporting Policies and Procedures

1. Link to the following websites are to be posted on Team Realty internal dashboard for ease of access to sales representatives and staff
 - a. Public Safety Canada: <http://www.publicsafety.gc.ca/cnt/ntnl-scr/cntr-trrrsm/lstd-ntts/crnt-lstd-ntts-eng.aspx>;
 - b. Office of the Superintendent of Financial Institutions: <http://www.osfi-bsif.gc.ca/Eng/fi-if/amlc-clrpc/atf-fat/Pages/default.aspx>.

Monthly review / search to be done in order to determine if a client appears on above list to ensure nothing is missed.

For more information regarding terrorist property reporting see FINTRAC's *Reporting Terrorist Property to FINTRAC* <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/Guide5/5-eng>.

3.3. Politically Exposed Persons and Heads of International Organizations

Starting June 1, 2021, agents are obligated to take reasonable measures to determine whether an individual is:

- (a) A politically exposed foreign person,
- (b) a politically exposed domestic person,
- (c) a head of an international organization, or
- (d) a family member or close associate of someone who falls into (a)-(c).

in four specific situations:

- Upon their broker/brokerage entering a business relationship with a client;
- When they receive \$100,000 or more in cash or virtual currency;
- Periodically, with all clients with whom the brokerage has a business relationship;
- When they detect a fact that constitutes reasonable grounds to suspect that a person with whom the brokerage has a business relationship falls into any of the above categories.

The access, influence and control that politically exposed persons (PEPs) and heads of international organizations (HIOs) have can make them vulnerable to corruption and the potential targets of criminals who could exploit their status and use them, knowingly or unknowingly, to carry out money laundering or terrorist activity financing offences. The family members and close associates of PEPs and HIOs are potential targets as well because they can more easily avoid detection.

The reasonable measures agents should perform in determining whether an individual is a PEP/HIO include:

- Asking the individual;
- Consulting a commercial PEP/HIO database that the brokerage has subscribed to; or

- Conducting an Internet search on the individual.

The simplest approach is asking the individual.

The terms “politically exposed foreign person”, “politically exposed domestic person”, “head of international organization”, “family member” and “close associate” have specific definitions in this context:

- “Politically exposed foreign person” (foreign PEP): an individual holding one of the following offices in or on behalf of a foreign state:
 - 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:
 - 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:
 - an international organization established by the governments of states; or
 - 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.

Note:

- An individual ceases to be a **domestic PEP or HIO** 5 years after they have left office or ceased to be the head of the international organization or 5 years after they are deceased.
- Conversely, once someone is a **foreign PEP** they should be considered a foreign PEP by the brokerage forever.

Given the broad definition of “business relationship” in the real estate context (see Section 3.1.1) most if not all of a broker’s clients will need to be assessed to determine whether they are a PEP/HIO. However, as noted above, additional situations may arise requiring that an agent verify whether an individual is a PEP/HIO. To avoid confusion, one way brokers could support their agents is for brokers to create a schedule for agents to follow that indicates: (a) when they should attempt to determine whether a client is a PEP/HIO; and (b) any follow up tasks. Here is an example schedule:

Table 2: PEP/HIO Example Schedule

| # | Trigger... | ...Agent follow up obligations |
|---|---|---|
| 1 | <p>Legal obligation: Formation of business relationship with a client</p> <p>In practice:</p> <p>Upon ID’ing a new client for any reason related to a purchase/sale transaction (includes, attempted suspicious transaction, receipt of funds)</p> | <p>...Agents shall complete Politically Exposed Person/Head of International Organization Checklist/Record for their client(s).</p> <p>If foreign PEP (or family member/close associate) then:</p> <ul style="list-style-type: none"> - Take reasonable measures to establish the source of the person’s wealth – within 30 days; and - Take enhanced measures as set out in this policies and procedure manual (See Sections 3.1.2.6 and 3.1.2.12.5). <p>If domestic PEP/HIO (or family member/close associate) then, if client is high risk as per brokerage’s policies and procedures:</p> <ul style="list-style-type: none"> - Take reasonable measures to establish the source of the individual’s wealth – within 30 days; and - Take enhanced measures as set out in this policies and procedure manual (See Sections 3.1.2.6 and 3.1.2.12.5). |
| 2 | <p>Legal obligation: Receipt of \$100,000 in cash or virtual currency</p> <p>In practice:</p> <p>When agent receives \$100,000 or more in cash or virtual currency from any individual...</p> | <p>...Agents shall complete Politically Exposed Person/Head of International Organization Checklist/Record on that individual within 30 days after the day the transaction was conducted.</p> <p>If foreign PEP (or family member/close associate), within 30 days:</p> |

| | | |
|---|--|--|
| | | <ul style="list-style-type: none"> - Take to reasonable measures to establish the source of the cash or virtual currency used for the purchase/sale transaction. - Take reasonable measures to establish the source of the individual's wealth. - Ensure that a member of senior management at the brokerage reviews the transaction. <p>If domestic PEP/HIO (or family member/close associate) then, if client is high risk as per brokerage's policies and procedures, within 30 days:</p> <ul style="list-style-type: none"> - If domestic PEP/HIO (or family member/close associate) then, if client is high risk as per brokerage's policies and procedures: - Take reasonable measures to establish the source of the person's wealth; and - Ensure that a member of senior management at the brokerage reviews the transaction. |
| 3 | <p>Legal obligation: Periodic obligation to verify PEP/HIO status with existing clients</p> <p>In practice:</p> <p>For existing clients:</p> <p style="padding-left: 40px;">A. Every time a client needs to be ID'ed related to a purchase/sale transaction verify PEP/HIO status;</p> <p>As a reminder, an individual ceases to be a domestic PEP or HIO 5 years after they have left office or ceased to be the head of the international organization. Conversely, foreign PEPs are foreign PEPs forever and there is no need to re-determine their foreign PEP status.</p> | <p>...Agent shall complete A or B (as determined by brokerage):</p> <p>Same as row #1 except note there is no 30-day deadline.</p> |
| 4 | <p>Legal obligation: Detect a fact that constitutes reasonable grounds to suspect that a person with whom the brokerage has a business relationship falls into any of the above PEP/HIO categories</p> <p>In practice:</p> | <p>Same as row #1</p> |

| | | |
|--|--|--|
| | Agent randomly detects a fact suggesting client is a PEP/HIO | |
|--|--|--|

As can be seen from Table 2, above, if it is determined that an individual is a PEP or HIO certain obligations arise depending on how the obligation is triggered.

Note: Certain triggers may arise multiple times within the same purchase/sale transaction. Although there is no need to try and determine whether the same individual is a PEP/HIO multiple times within the same purchase/sale transaction, different triggers may trigger different obligations. In particular, an agent dealing with a new client who provides \$100,000 cash or more in a transaction will not only have to take reasonable measures to establish the source of the client’s wealth, but also take reasonable measures to establish the source of the cash. Just complete all relevant sections of the Politically Exposed Person/Head of International Organization Checklist/Record to ensure no record keeping obligation is overlooked.

Note: Foreign PEPs (and family members/close associates) *must* be treated as high risk clients. Domestic PEPs and HIOs *may* be treated as high risk clients depending on the brokerage’s risk assessment.

Note: Remember that business relationships will form as soon as a client needs to be ID’ed. This includes when an individual performs an attempted suspicious transaction or a client provides funds requiring a receipt of funds record to be kept. Such transactions will still trigger the obligation to take reasonable measures to determine if an individual is a PEP/HIO.

Note: As you can see in Table 2, in some cases there are 30-day deadlines to conduct certain actions. If row #1 or row #4 applies, then the agent has to take reasonable measures to determine an individual’s source of wealth within 30 days. Conversely, if Row #2 applies, then the agent has 30 days to determine whether the individual is a PEP/HIO. If it turns out the individual is a PEP/HIO, then the agent has 30 days to take reasonable measures to determine the source of cash/virtual currency, the source of an individual’s wealth and have the transaction reviewed by senior management. The simplest approach to ensuring all these deadlines are met is to complete CREA’s Politically Exposed Person/Head of International Organization Checklist/Record as soon as possible after a trigger occurs.

Tip: See FINTRAC guidance as to who qualifies as “senior management”.

Brokers have some flexibility in designing their schedule. In particular, when it comes to periodic monitoring, they can create a very simple schedule that requires agents to make a PEP/HIO for all purchase/sale transactions or they can have their agents coordinate with their brokerage to avoid asking the same client multiple times whether they are a PEP/HIO. This flexibility is shown in Row #3 in Table 2 above where A or B show different options. Other variations may be possible.

FINTRAC states that there is no requirement for brokers to have proactive processes in place to detect facts about existing clients, but if a broker or agent does detect information related to a PEP or HIO determination then it must be acted upon.

Once an individual is determined to be a PEP/HIO a PEP/HIO record must be kept. The information that is included in the record will depend on whether the circumstances that triggered the PEP/HIO was because \$100,000 in cash/virtual currency was received or if was for one of the other reasons. Completing the Politically Exposed Person/Head of International Organization Checklist/Record that CREA has developed, and which is posted on REALTOR Link® and is available in WEBForms®, will assist agents in satisfying this record-keeping obligation. Note that some of the questions ask very sensitive questions and you may not be able to obtain answers. Agents should do their best and try to answer all relevant questions. All records must be kept for 5-years from the date they are created.

Our policy and procedures with respect to PEPs/HIOs shall be:

- **All agents shall follow the brokerage’s PEP/HIO Schedule (check one):**
 - **[] As set out in Table 2 of this manual:**
 - **[X] option A**
 - **[] option B**
 - **[] As set out below**
- **All agents shall apply enhanced measures to high risk clients when required as specified by this policies and procedures manual.**
- **All agents shall use the Politically Exposed Person/Head of International Organization Checklist/Record included in Appendix A**
- **All agents shall use the following reasonable measures to determine if an individual is a PEP or HIO or the family member/close associate of use (check all that apply):**
 - **[X] Asking the individual;**
 - **[] Consulting a commercial PEP/HIO database that the brokerage has subscribed to; or**
 - **[] Conducting an Internet search on the individual.**
 - **[] Other, explain: _____**

Our additional policies and procedures with respect to our PEPs and HIO obligations are as follows:

| Brokerage-specific PEPS and HIO Policies and Procedures |
|--|
| <ol style="list-style-type: none">1. Assessment shall be done each time identification is require2. Team Realty combined the PEP data collection information onto its own internal Client Identification form |

For more information regarding PEPS and HIOs see FINTRAC's guidance *Politically exposed persons and heads of international organizations guidance*: <https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/pep/pep-eng>, *Politically exposed persons and heads of international organizations guidance for non-account-based reporting entity sectors*: <https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/pep/pep-non-acct-eng> and *Frequently asked questions about domestic politically exposed persons and heads of international organizations*: <https://www.fintrac-canafe.gc.ca/publications/general/faq-pep-eng>.

3.4. Beneficial Ownership

Starting June 1, 2021, agents have an obligation to determine the beneficial ownership of corporations and other entities they have to ID when they verify the entity of such entities. This may occur when:

- ID'ing a new corporate/entity client.
- ID'ing an unrepresented corporation/entity.
- ID'ing a corporation/entity providing funds.
- ID'ing a corporation/entity providing large cash.
- ID'ing a corporation/entity providing large virtual currency.
- ID'ing a corporation/entity conducting a suspicious or attempted suspicious transaction.

Beneficial owners are the actual individuals (i.e. human beings) who:

- In the case of a corporation or an entity, directly or indirectly own or control 25% or more of the corporation or entity;
- In the case of a trust, are the trustees, the known beneficiaries and the settlors of the trust; or
- In the case of a trust that is widely held or publicly traded, are the trustees and all persons who own or control, directly or indirectly, 25% or more of the units of the trust.

CREA has created a new Beneficial Ownership Record template on WEBForms® and REALTOR Link® to help agents walk through this obligation. The template is posted on REALTOR Link®, is available in WEBForms® and is included in Appendix B. The Record contains five steps:

2. *Step One: Obtain beneficial ownership information as applicable for the entity you are dealing with*

Step one requires obtaining beneficial ownership from the corporation or entity. The information can be obtained by:

- The corporation/entity providing you with official documentation;
- The corporation/entity can tell you the beneficial ownership information and you can write it down for record-keeping purposes; or
- The corporation/entity can fill out a document to provide you with the information.

The beneficial information that must be obtained varies depending on whether you are dealing with a corporation, trust, widely held or publicly traded trust, or other entity. For example, if you are dealing with a corporation, the director names of the corporation must be obtained as well as the names and addresses of all persons who directly or indirectly own or control 25% or more of the shares of the corporation. If you are dealing with a trust, the names and addresses of all trustees must be obtained, among other things, etc. Further details about what must be obtained is explained in Section 1 to the Beneficial Ownership Record.

Tip: Only one sub-section (A, B, C or D) in Section 1 needs to be completed. Sub-section A applies to corporations, sub-section B applies to trusts, sub-section C applies to widely held or publicly traded trusts and sub-section D applies to other entities.

Tip: Note that in the case of corporate entities, Director information is already recorded in Section A.1 in the Corporate/Entity Identification Information Record template. You can copy the information you recorded on that form in the Beneficial Ownership Record or otherwise indicate the information is recorded on that form.

Note: if no individual owns or controls 25% or more of a corporation, a trust or an entity FINTRAC states you may choose to record the names of individuals you feel have a managing role or control over a percentage of shares that you determine to be significant, even if it is less than 25%. However, this is optional.

2. *Step Two: Obtain ownership/control information.* Regardless of the type of entity, all agents must obtain information establishing the ownership, control and structure of the entity. This can be satisfied by completing Section 2 of the Beneficial Ownership Record.

Tip: Consult FINTRAC's *Beneficial Ownership requirements* guidance for examples of the level of detail that FINTRAC is looking for.

3. *Step Three: Obtain not-for-profit information.* If the entity is a not-for-profit corporation, then the agent must also determine if the entity is:

- a charity registered with the Canada Revenue Agency under the Income Tax Act; or
- an organization that solicits charitable donations from the public.

This obligation can be satisfied by asking the entity and completing Section 3 of the Beneficial Ownership Record.

4. *Step Four: Confirm Accuracy of Information.* Agents have an obligation to take reasonable measures to confirm the accuracy of the information they obtained in steps 1, 2 and (as a best practice, according to FINTRAC) 3.

To satisfy this obligation you can refer to official documentation or records or you could ask the entity to provide you with a signed

document (like a letter) confirming the accuracy of information you were provided orally. It is possible for one document to provide you with all the information you need to satisfy steps 1, 2, 3 and 4.

Tip: If step 3 applies, you can also consult the charities listing on the Canada Revenue Agency website: https://apps.cra-arc.gc.ca/ebci/hacc/srch/pub/dsplyBscSrch?request_locale=en to confirm whether a not-for-profit organization is a registered charity.

Note: The PCMLTFA requires that agents conduct more reasonable measures when they are confirming the accuracy of information for high risk or complex entities.

As a best practice, FINTRAC states you should also record the date(s) on which the measures were taken. However, this is optional.

5. *Step Five: Last Resort.* If you cannot obtain information in steps 1 and 2 or confirm its accuracy in step 4, complete Section 5 of the Beneficial Ownership Record. This requires the agent to:
 - Take reasonable measures to verify the identity of the entity's chief executive officer or the person who performs that function at the entity. The simplest way to do this is try and complete an Individual Identification Information Record for the entity. **However, note there is no obligation to keep the record after the entity is ID'ed.** Brokerages should decide whether they want their agents to do so.
 - Apply the brokerage's special measures for high-risk-clients.

There is a record keeping obligation associated with determining beneficial ownership. Completing the Beneficial Ownership Record for an entity will satisfy this obligation.

Beneficial ownership information must be kept up to date as part of the brokerage's requirements to conduct ongoing monitoring of its business relationships. This obligation is documented in Section 3.1.2.12 of this manual.

Our policy and procedures with respect to beneficial ownership shall be:

- **All agents shall complete the Beneficial Ownership Record when verifying the existence of a corporate or other entity in the following circumstances:**
 - **ID'ing a new corporate/entity client.**
 - **ID'ing a corporation/entity providing funds.**
 - **ID'ing a corporation/entity providing large cash or large virtual currency.**
 - **ID'ing a corporate entity conducting a suspicious or attempted suspicious transaction.**
- **All agents [shall/shall not] (circle one), record the date(s) measures when measures were taken to confirm the accuracy of beneficial ownership information.**
- **When Sections 1-2 and 4 of the Beneficial Ownership Record cannot be completed:**

- **All agents shall be required to complete an Individual Identification Information Record on a corporate or other entity's chief executive officer (or the person who performs that function at the entity). A copy of the record [shall be kept/shall not be kept] (circle one)**
- **Be required to apply on the entity the special measures for high-risk clients that are communicated to the agent by the Compliance Officer.**

Our additional policies and procedures with respect to our beneficial ownership obligations are as follows:

| Brokerage-specific Beneficial Ownership Policies and Procedures |
|--|
| <p>1. Team Realty combined the Beneficial Ownership information into the Corporate Identification checklist</p> |

For more information regarding beneficial ownership see FINTRAC's guidance *Beneficial Ownership requirements*: <https://www.fintrac-canafe.gc.ca/guidance-directives/client-clientele/bor-eng>.

3.5. Ministerial Directives

Brokers are required to document how their brokerage will handle ministerial directives and transaction restrictions, which are targeted measures issued by the Minister of Finance to protect Canada's financial system from being used for money laundering and terrorist financing purposes.

FINTRAC guidance states brokers are not required to have a separate and distinct policy/procedure for this type of requirement. It is acceptable to detail how the broker will know or become aware that a ministerial directive has been issued and the process of what the brokerage will do when a ministerial directive is issued through its regular policies and procedures.

As of the date of publication of this template manual one ministerial directive applicable to the real estate sector, relating to North Korea, is in force. The North Korean ministerial directive requires brokers to:

- Treat all transactions originating from, or destined to, North Korea as high risk.
- Document in the brokerage's risk assessment that transactions to and from North Korea are high risk; and

- Implement brokerage-specific measures to mitigate the risk posed by such high risk transactions.

To review the North Korean ministerial directive see: <https://www.fintrac-canafe.gc.ca/obligations/dir-dprk-eng>.

Our brokerage’s policies and procedures with respect to Ministerial Directives are as follows:

- **Subscribe/monitor the following methods in order to ensure our brokerage is aware of all ministerial directives that are in force (check all that apply):**
 - FINTRAC RSS Feed;**
 - FINTRAC email list;**
 - Monitor FINTRAC website.**
- **Meet the requirements of all ministerial directives that are in force as described in the brokerage-specific Ministerial Directive Policies and Procedures below.**

Our additional policies and procedures with respect to ministerial directives are as follows:

| Brokerage-specific Ministerial Directives Policies and Procedures |
|--|
| |

For more information regarding ministerial directives see FINTRAC’s *Compliance Program Requirements* <https://www.fintrac-canafe.gc.ca/guidance-directives/compliance-conformite/Guide4/4-eng> and *Ministerial directives and transaction restrictions* <https://www.fintrac-canafe.gc.ca/obligations/directives-eng>.

4. Risk Assessment and Risk Mitigation

4.1. Risk Mitigation

FINTRAC states that the brokerage's Compliance Regime must include risk-mitigation measures. In all situations, the broker should consider implementing internal controls such as:

- Having the Compliance Officer focus on the brokerage's operations (products and services, clients and business relationships, geographic locations, and any other relevant factors) that are more vulnerable to abuse by money launderers and criminals;
 - Having agents/the Compliance Officer inform senior management of the brokerage with respect to compliance initiatives, identified compliance deficiencies, corrective action taken, and suspicious transaction reports filed;
 - Provide for program continuity despite changes in management, employees or structure;
 - Having the Compliance Officer focus on meeting all regulatory record keeping and reporting requirements, recommendations for anti-money laundering and anti-terrorist financing compliance and providing for timely updates in response to changes in requirements;
 - Enabling the timely identification of reportable transactions and ensure accurate filing of required reports;
 - Incorporating anti-money laundering and anti-terrorist financing compliance into job descriptions and performance evaluations of appropriate personnel; and
 - Providing for adequate supervision of employees and agents that handle currency transactions, complete reports, monitor for suspicious transactions, or engage in any other activity that forms part of your anti-money laundering and anti-terrorist financing program.
- Here are examples of measures the broker may undertake to mitigate the broker's risk of money laundering:
 - increasing the awareness of high risk situations within business lines across the brokerage;
 - increasing the frequency of ongoing monitoring of transactions or business relationships;
 - increasing the levels of ongoing controls and reviews of relationships with the brokerage;
 - reviewing the brokerage's own internal controls, to ensure that it has:
 - personnel that have clear lines of authority, responsibility and accountability;
 - adequate segregation of duties;

- proper procedures for authorization (for example, an employee processing a transaction for which the amount exceeds a certain threshold has to follow a procedure to get approval for the transaction by someone else in the organization); and
 - internal reviews to validate the risk assessment processes.
- The broker may also consider additional measures such as:
 - seeking additional information beyond the minimum requirements to verify the client’s identity or the beneficial ownership information of an entity;
 - requesting high-risk clients provide additional, documented information regarding controls they have implemented to safeguard their operations from abuse by money launderers and terrorists;
 - getting independent verification of information (that is, from a credible source other than the client);
 - stopping any transaction with a potential client until identification and account opening information has been obtained;
 - implementing an appropriate process to approve all relationships identified as high-risk as part of the client acceptance process or declining to do business with potential clients because they exceed your risk tolerance level;
 - implementing a process to exit from an existing high-risk relationship which management sees as exceeding your risk tolerance level.

You may wish to incorporate some of the above examples into your brokerage’s risk-mitigation policies and procedures. If you wish, you can specify that certain obligations only apply when the risk reaches a certain threshold you have defined (for example, medium, medium-high, high, etc.).

Note that some of the policies and procedures the broker applies to the brokerage may only be relevant in the context of high risk clients in which case you may have already documented the relevant policies and procedures in this manual (see Sections 3.1.2.6 and 3.1.2.12 above). You don’t need to repeat those policies and procedures here again but you may do so if you wish. If you choose not to repeat information you may wish to specify where in this manual those policies and procedures can be found.

Tip: FINTRAC has published *Risk Assessment Guidance* (“RBA Guidance”). While the use of this guidance is not mandatory brokers may wish to compare their risk mitigation procedures, against the expectations in the RBA Guidance to ensure they are sufficiently robust. For example, the RBA Guidance provides examples of how a brokerage can modify its training program/plan to deal with certain risks. This is another risk mitigation measure that could be adopted.

Our brokerage will apply the following risk-mitigation policies and procedures:

Brokerage-specific Risk-Mitigation Policies and Procedures

- 2. Team Realty Inc. does not accept e-transfers as a mean to receive deposit funds.

Add Additional Pages If Necessary

Brokerage-specific Risk-Mitigation Policies and Procedures (Cont'd)

Add Additional Pages If Necessary

Don't forget to complete and sign the checklist on page 8 once you've established policies and procedures with respect to risk assessment and mitigation measures (sign after you complete Sections 4.1 and 4.2)!

For more information regarding risk mitigation see FINTRAC's *Compliance Program Requirements* <https://www.fintrac-canafe.gc.ca/guidance-directives/compliance-conformite/Guide4/4-eng> and FINTRAC's RBA Guidance at <https://www.fintrac-canafe.gc.ca/guidance-directives/compliance-conformite/1-eng>.

4.2. Risk Assessment

The Compliance Regime must also provide for assessing and documenting the brokerage’s risk of a money laundering offence or a terrorist activity financing offence. The assessment should take into consideration the brokerage’s clients and business relationships, the brokerage’s products and delivery channels, the brokerage’s geographic location, the impact of any new technologies that may impact the brokerage, and any other relevant factor.

Tip: Use the policies and procedures developed at Section 3.1.2.11 to determine the risk to the brokerage due to the brokerage’s clients. For example, if your brokerage has agents complete Section C of the Client Information Record and has high risk transactions reported to the Compliance Officer, these transactions should be considered in your overall brokerage risk analysis.

Tip: FINTRAC has published *Risk Assessment Guidance* (“RBA Guidance”). While the use of this guidance is not mandatory brokers are free to use it in lieu of CREA’s template risk assessment form. Brokers may also wish to compare the rationale to support their risk rating decisions against the expectations in the RBA Guidance to ensure they are sufficiently robust.

See the portion of Section 4.1 related to mitigating high-risk situations if the Broker or Compliance Officer determines that the brokerage overall risk level is high.

Our brokerage policy with respect to Risk Assessment is as follows:

- **The Risk Assessment Form (which may be inserted at Appendix F) shall be completed and updated at least once every two years by the broker or Compliance Officer and kept on file for five years.**
- **If the Risk Assessment indicates that the brokerage risk level is high, the Brokerage shall apply policies and procedures identified in Section 4.1 that are applicable to high risk situations. These shall be documented in the Risk Assessment Form as well.**

Our additional policies and procedures with respect to our risk assessment are as follows:

| Brokerage-specific Risk Assessment Policies and Procedures |
|--|
| <p style="text-align: right;">Add Additional Pages If Necessary</p> |

Brokerage-specific Risk Assessment Policies and Procedures (Cont'd)

Add Additional Pages If Necessary

Don't forget to complete and sign the checklist on page 8 once you've established policies and procedures with respect to risk assessment and mitigation measures! Also don't forget to complete and sign the checklist on page 3, row 6, once you've verified that your brokerage has completed its risk assessment for the current two-year period!

For more information regarding risk assessments see FINTRAC's *Compliance Program Requirements* <https://www.fintrac-canafe.gc.ca/guidance-directives/compliance-conformite/Guide4/4-eng> and FINTRAC's RBA Guidance at <https://www.fintrac-canafe.gc.ca/guidance-directives/compliance-conformite/1-eng>.

5. Training Program/Plan

Brokers have to develop two distinct but related training requirements:

- They must develop and maintain a written, ongoing compliance training program (i.e. training program); and
- They must institute and document a plan for the ongoing compliance training program and delivering the training (i.e. a training plan).

The training program covers *what* must be taught. The training plan covers *how* the training program will be delivered.

If a broker has employees, agents or other individuals authorized to act on their behalf, their compliance regime has to include a written, ongoing training program. If the broker is a sole proprietor (not a corporation) with no employees, agents or other individuals authorized to act on their behalf, they are not required to have a training program or training plan in place for themselves.

5.1 Training Program

FINTRAC requires all training programs to meet certain requirements:

- The training program must be in writing
 - **Tip:** the training materials themselves do not have to be in writing.
- The training program must be maintained.
- The training program should be tailored to the brokerage's business's size, structure and complexity, and level of exposure to money laundering and terrorist financing risk.
- Those who complete the training should have an understanding of:
 1. The reporting, client identification and record keeping requirements as well as penalties for not meeting those requirements.
 2. Background information on:
 - money laundering so everyone who needs to can understand what money laundering is, why criminals choose to launder money and how the process usually works
 - terrorist financing and how that process usually works.
 3. The brokerage's Compliance Regime, including the application of the regime and the responsibility of brokerage employees, agents or other individuals authorized to act on their behalf under the regime.
 4. The responsibilities of your employees, agents or anyone else acting on your behalf when dealing with suspicious activities or transactions.

FINTRAC has also stated that training materials should include examples of how your particular type of business could be used to launder illicit funds or fund terrorist activity.

Tip: 1 and 2 above may be thought of as “foundational information” whereas 3-5 may be thought of as “brokerage-specific information”. One way to provide the foundational information is to require employees, agents and other individuals to read or watch basic FINTRAC information. For example, reading FINTRAC’s *Guideline 1: Background, Operational Brief: Indicators of Money Laundering in Financial Institutions related to Real Estate*, the materials on FINTRAC’s website located at <https://www.fintrac-canafe.gc.ca/re-ed/real-eng> and <https://www.fintrac-canafe.gc.ca/pen/1-eng> and watching FINTRAC’s video entitled *Your Role in Fighting Money Laundering and Terrorist Financing*. FINTRAC and the FATF may also publish useful material on money laundering trends that you may wish to incorporate into your training. See, [http://www.fatf-gafi.org/publications/methodsandtrends/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/publications/methodsandtrends/?hf=10&b=0&s=desc(fatf_releasedate)). Alternatively (or in addition to this training) brokers may wish to contract with a third party supplier to provide foundational training or design additional training themselves. Completing Part 1 of the Compliance Training Program/Plan Worksheet at Appendix H will assist brokers in identifying “foundational information” training. Completing Part 2 of the Compliance Training Program/Plan Worksheet at Appendix H will assist brokers in identifying the brokerage-specific information which needs to be delivered through supplemental training.

Tip: FINTRAC has stated that during an examination, employees, agents or other individuals authorized to act on the broker’s may be asked questions regarding their knowledge of the training program so such individuals should be adequately trained.

Note that during an examination, FINTRAC may review the documentation you have in relation to your training program/plan and may conduct interviews to assess the effectiveness of your training program/plan, i.e. your agents’ and staff’s understanding of brokerage policies and procedures, their knowledge of money laundering and terrorist financing activities in relation to your business, etc.

5.2 Training Plan

According to FINTRAC, the training plan should outline the logistics for your ongoing compliance training program and its delivery. This includes documenting the steps you will take to ensure your employees, agents or mandataries, or other persons authorized to act on the broker’s behalf receive an appropriate level of training relevant to their duties and position, on an ongoing basis. The training plan should consider and document information about the following decisions:

- the training recipients;
- the training topics and materials you will use;
- the training methods for delivery; and
- the training frequency.

Additionally, FINTRAC states all training plans should meet certain requirements:

- The training plan should explain who will provide training and who will receive training. Individuals with responsibilities under a brokerage’s Compliance Regime should receive training. This includes:
 - Front line and senior staff who have contact with clients, who see client transaction activity, handle cash or funds in any way or who are responsible for implementing or overseeing the compliance regime;
 - IT staff responsible for designing and implementing internal controls;
 - The Compliance Officer; and
 - Internal Auditors.
- New staff should be trained before they deal with clients.
- The training plan should describe the training method(s) that will be used to deliver the training program.
- The training plan should describe the frequency of training.
- The training plan should be tailored to the brokerage’s business’s size, structure and complexity, and level of exposure to money laundering and terrorist financing risk.
- The training program should also include a record of training that has been delivered (for example, the date the training took place, a list of attendees who received the training and the topics that were covered).

Appendix H is intended to assist brokers in designing a training program and plan.

Our brokerage’s policies and procedures with respect to ongoing compliance training program and plan are as follows:

- **Our brokerage shall maintain a written, ongoing compliance training program/plan for employees, agents etc.**
- **All sales representatives and authorized officials, management, administrative staff, etc. employed by our firm, who are authorized to act on behalf of the firm, and who have contact with clients/customers, see client/customer transaction activity, or who handle cash in any way, must receive compliance training. Others with responsibilities under the Compliance Regime, such as information technology, the appointed Compliance Officer, internal auditors or accountants, and staff responsible for designing and implementing electronic or manual internal controls, must also receive compliance training.**
- **All new agents and staff or other persons authorized to act on the firm’s behalf must receive compliance training before they begin to deal with clients/customers. Any person who changes jobs within the brokerage firm must complete compliance training to ensure that they are up-to-date with compliance policies associated with their new responsibilities.**
- **All agents, staff and other persons authorized to act on the firm’s behalf will be kept informed of any changes in the PCMLTFA and will**

be informed of current developments and changes in money laundering or terrorist activity financing schemes particular to their jobs by the Compliance Officer.

- **In order to gain an understanding of the requirements for reporting, client identification, record keeping, and a general understanding of the money laundering process and terrorist financing and their occurrence within the real estate industry, all agents, staff and other persons authorized to act on the firm's behalf must complete the following:**

- 1) **All training identified by the Compliance Officer as outlined in the Compliance Training Program/Plan Worksheet at Appendix H or in the space below.**

The Compliance Officer may disclose any records relating to training to FINTRAC if requested as part of an examination of the brokerage's compliance training.

Our additional policies and procedures with respect to compliance training are as follows:

Brokerage-specific Compliance Training Policies and Procedures

1. All staff are required to complete introductory training as part of onboarding process as well as every two years
2. Upon completion of the training modules, a quiz is taken by all agents and staff. A result of 80% or higher is required to be obtained
3. Results are monitored by branch staff.
4. As agents have client interaction and are responsible for obtaining / recording most information – FINTRAC training is also covered in the following course:
 - Working with Buyers
 - Working with Sellers

For more information regarding ongoing compliance training see FINTRAC's *Compliance Program Requirements* <https://www.fintrac-canafe.gc.ca/guidance-directives/compliance-conformite/Guide4/4-eng>.

6. Review Process

6.1. What Must be Reviewed

The Compliance Regime must be reviewed every two years to test their effectiveness. The review must cover the brokerage's:

- Policies and procedures;
- Risk assessment; and
- Training program and plan,

The review must be designed to allow for the identification and documentation of any gaps and weaknesses within the compliance program to ensure that the brokerage's business is effectively detecting and preventing money laundering and terrorist financing.

You must also institute and document a plan for the two-year effectiveness review of your compliance program. This plan should describe the scope of the review and must include all the elements of your compliance program. The breadth and depth of review for each element may vary depending on factors such as the complexity of your business, transaction volumes, findings from previous reviews, and current ML/TF risks. Your plan should not only describe the scope of the review, but it should include the rationale that supports the areas of focus, the time period that will be reviewed, the anticipated evaluation methods and sample sizes.

6.2. Who May Perform the Review

The review may be conducted by an internal or external auditor of the brokerage. If you do not have an internal or external auditor, you can do a "self-review". If feasible, this self-review should be conducted by an individual who is independent of the brokerages' reporting, record keeping and compliance-monitoring functions.

6.3. How to Conduct a Review

A review will vary depending on the circumstances, but could include interviews, tests, and samplings, such as:

- Interviews with those employees handling transactions and with their supervisors to determine their knowledge of the PCMLTFA and the brokerage's policies and procedures;
- A review of the criteria and process for identifying and reporting suspicious transactions;
 - FINTRAC's Guidance entitled *What is a suspicious transaction report?* Contains detailed examples as to how a brokerage can self-assess its compliance with respect to submitting suspicious transaction reports: <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/Guide2/2-eng>.

- A sampling of large cash transactions followed by a review of the reporting of such transactions;
- A sampling of high risk clients to review the enhanced measures taken;
- A test of the record keeping system for compliance with the PCMLTFA;
- A test of the record keeping system for compliance with the legislation;
- A test of the client identification procedures for compliance with the PCMLTFA; and
- A review of the risk assessment.

The scope, detail and results of the review must be documented along with corrective measures and follow-up actions. The breadth and depth of a review may vary depending on factors such as the complexity of the brokerage, transaction volumes, findings of previous reviews and current money laundering/terrorist financing risks. Therefore, the plan should not only describe the scope of the review, but the rationale that supports the areas of focus, the time period that will be reviewed, and the anticipated evaluation methods and sample sizes.

Our brokerage’s policies and procedures with respect to our review obligations are as follows:

- **The following individual/entity shall audit our brokerage every two years:**

AUDITOR Appointment

Our Auditor is: Ryan Kennedy.

Auditor Contact Details: _____

- **The auditor shall complete and sign page 3, row 5, of this policies and procedures manual every two years.**
- **The auditor shall document their findings using the template form at Appendix J and report the findings, as well as any updates to this manual during the review period, and the status of implementation of the updates, to senior management at the brokerage within 30 days of the review.**

Our additional plan, policies and procedures with respect to effectiveness testing are as follows:

| Brokerage-specific Review Plan, Policies and Procedures |
|--|
| 1. Review a sample of transactions (3 or 4 per month) |

For more information regarding the review process see FINTRAC’s *Compliance Program Requirements* <https://www.fintrac-canafe.gc.ca/guidance-directives/compliance-conformite/Guide4/4-eng>.

Appendices

Please note that the following documents have been prepared by CREA to assist members in complying with requirements of Canada's *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*. Brokers are free to develop their own forms as **use of CREA's forms is not required** in order to comply with the PCMLTFA.

The Mandatary/Agent Agreement form at Appendix D is likely to be the subject of negotiation between the Broker and individual mandatary or agent.

NOTE: An Individual Identification Information Record is required by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. This Record must be completed by the REALTOR® member whenever they act in respect to the purchase or sale of real estate. It is recommended that the Individual Identification Information Record be completed:

- (i) for a buyer when the offer is submitted and/or a deposit made, and (ii) for a seller when the seller accepts the offer.

Transaction Property Address:

Sales Representative/Broker Name:

Date Information Verified/Credit File Consulted:

A. Verification of Individual

NOTE: ONLY ONE of Section A.1, A.2, or A.3 must be completed for your individual clients or unrepresented individuals that are not clients, but are parties to the transaction (e.g. unrepresented buyer or seller). Where you are unable to identify an unrepresented individual, complete section A.4 and consider sending a Suspicious Transaction Report to FINTRAC if there are reasonable grounds to suspect that the transaction involves the proceeds of crime or terrorist activity. Where you are using an agent or mandatary to verify the identity of an individual, see procedure described in CREA's materials on REALTOR Link®.

1. Full legal name of individual:

2. Address:

3. Date of Birth:

4. Nature of Principal Business or Occupation:

5. Employer:

A.1 Federal/Provincial/Territorial Government-Issued Photo ID

Ascertain the individual's identity by comparing the individual to their photo ID. **The individual must be physically present** unless you are using technology capable of assessing a government-issued photo identification document's authenticity.

1. Type of Identification Document*:

(must view the original, ID must have a photo, see CREA's FINTRAC materials on REALTOR Link® for examples – CANNOT USE Health Card in Ontario or S.I.N. card)

2. Document Identifier Number:

3. Issuing Jurisdiction: Country:

(insert applicable Province, Territory, Foreign Jurisdiction or "Canada")

4. Document Expiry Date:

(must be valid and CANNOT BE expired by the Completion Date of a transaction)

A.2 Credit File

Ascertain the individual's identity by comparing the individual's name, date of birth and address information above to information in a Canadian credit file that has been in existence for at least three years and is derived from more than one source. If any of the information does not match, you will need to use another method to ascertain client identity. Consult the credit file at the time you ascertain the individual's identity. **The individual does not need to be physically present.**

1. Name of Canadian Credit Bureau Holding the Credit File:

2. Reference Number of Credit File: Written Permission Obtained? Yes

A.3 Dual ID Process Method

1. Complete two of the following three checkboxes by ascertaining the individual's identity by referring to information in two independent, reliable, sources. Each source must be well known and reputable (e.g., federal, provincial, territorial and municipal levels of government, crown corporations, financial entities or utility providers). As of July 2019, you are permitted to rely on a fax, photocopy, scan or electronic image of such documentation. **The individual does not need to be physically present.**

Verify the individual's name and date of birth by referring to a document or source containing the individual's name and date of birth*

Name of Source:

Account Number**:

Verify the individual's name and address by referring to a document or source containing the individual's name and address*

Name of Source:

Account Number**:

Verify the individuals' name and confirm a financial account*

Name of Source:

Financial Account Type:

Account Number**:

*See CREA's FINTRAC materials on REALTOR Link® for examples. ** Or reference number if there is no account number. Account numbers must be valid and not expired, must be recent if no expiry date.



A.4 Unrepresented Individual Reasonable Measures Record (if applicable)

Only complete this section when you are *unable to ascertain the identity of an unrepresented individual*.

1. Measures taken to Ascertain Identity (check one):

- Asked unrepresented individual for information to ascertain their identity
- Other, explain:
-
- Date on which above measures taken:

2. Reasons why measures were unsuccessful (check one):

- Unrepresented individual did not provide information
- Other, explain:
-

B. Verification of Third Parties

NOTE: **Only complete Section B for your clients.** Take reasonable measures to determine whether your clients are acting on behalf of third parties by completing this section of the form. If you are not able to determine whether your clients are acting on behalf of a third party but there are reasonable grounds to suspect there are, complete Section B.1. If there is a third party, complete Section B.2.

B.1 Third Party Reasonable Measures

Is the transaction being conducted on behalf of a third party according to the client? (check one):

- Yes
- No

Describe why you think your client may be acting on behalf of a third party:

.....

.....

B.2 Third Party Record

Where there is a third party, complete this section.

- 1. Name of other entity (third party):
- 2. Address:
-
- 3. Telephone number:
- 4. Date of Birth:
- 5a. Nature of Principal Business or Occupation:
- 5b. Employer:
- 6. Registration or Incorporation number and jurisdiction and country that issued that number (if applicable):
-
- 7. Relationship between third party and client:



Appendix A: Individual Identification Information Record

[insert a copy of the Individual Identification Information Record used in your brokerage here]

Individual Identification Information Record

Upd. 03/22

NOTE: Only complete Sections C and D for your clients.

C. CLIENT RISK (ask your Compliance Officer if this section is applicable)

Determine the level of risk of a money laundering or terrorist financing offence for this client by determining the appropriate cluster of client in your policies and procedures manual this client falls into and checking one of the checkboxes below:

Low Risk

- Canadian Citizen or Resident Physically Present
- Canadian Citizen or Resident Not Physically Present
- Canadian Citizen or Resident – High Crime Area – No Other Higher Risk Factors Evident
- Foreign Citizen or Resident that does not Operate in a High Risk Country (physically present or not)
- Other, explain:

Medium Risk

- Explain:

High Risk

- Foreign Citizen or Resident that operates in a High Risk Country (physically present or not)
- Other, explain:

If you determined that the client's risk was high, tell your brokerage's Compliance Officer. They will want to consider this when conducting the overall brokerage risk assessment, which occurs every two years. It will also be relevant in completing Section D below. Note that your brokerage may have developed other clusters not listed above. If no cluster is appropriate, the agent will need to provide a risk assessment of the client, and explain their assessment, in the relevant space above.

D. BUSINESS RELATIONSHIP

D.1. Purpose and Intended Nature of the Business Relationship (Check the appropriate boxes.)

Acting as an agent for the purchase or sale of:

- | | |
|---|--|
| <input type="checkbox"/> Residential property | <input type="checkbox"/> Commercial property |
| <input type="checkbox"/> Residential property for income purposes | <input type="checkbox"/> Land for Commercial Use |
| <input type="checkbox"/> Other, please specify: | |

Optional: Describe your business dealings with the client and include information that would help you anticipate the types of transactions and activities that the client may conduct.

D.2. Measures Taken to Monitor Business Relationship and Keep Client Information Up-To-Date

D.2.1. Ask the Client If their name, address or principal business or occupation has changed and if it has include the updated information on page one.

D.2.2 Keep all correspondence with the client on file in order to maintain a record of the information you have used to monitor the business relationship with the client. Optional - if you have taken measures beyond simply keeping correspondence on file, specify them here:

NOTE: Business Relationship Continued on page 4...



D.2.3. If the client is high risk you must conduct enhanced measures to monitor the brokerage's business relationship and keep their client information up to date. Optional - consult your Compliance Officer and document what enhanced measures you have applied:

D.3 Suspicious Transactions

Don't forget, if you see something suspicious during the transaction report it to your Compliance Officer. Consult your policies and procedures manual for more information.

E. Terrorist Property Reports

Don't forget to follow your brokerage's procedures with respect to terrorist property reports. Consult your policies and procedures manual for more information.

POLITICALLY EXPOSED PERSON / HEAD OF INTERNATIONAL ORGANIZATION Checklist / Record

Definitions are found on the following page. Try to answer all applicable questions as per your brokerage's policies and procedures. Please see your brokerage's Compliance Officer if you have questions about when to complete the 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, CONTINUE 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 the 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/HIO, 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 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 the client 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/HIO, 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 individual's wealth:
- iii. Name of senior management that has reviewed transaction:
- iv. Date that senior management reviewed transaction:



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

This page is for informational purposes and is not required to be filed as part of the Individual Identification Record.

- **“Politically exposed foreign person” (foreign PEP):** an individual holding one of the following offices in or on behalf of a foreign state:
 - 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:
 - 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:
 - an international organization established by the governments of states; or
 - 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.*

Appendix B: Corporation/Entity Identification Information Record

[insert a copy of the Corporation/Entity Identification Information Record used in your brokerage here]

Corporation/Entity Identification Information Record

Upd. 03/22

NOTE: A Corporation/Entity Identification Information Record is required by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. This Record must be completed by the REALTOR® member whenever they act in respect to the purchase or sale of real estate.

It is recommended that the Corporation/Entity Identification Information Record be completed:

- (i) for a buyer when the offer is submitted and/or a deposit made, and
- (ii) for a seller when the seller accepts the offer.

Transaction Property Address:

Sales Representative/Broker Name:

Date:

A.1. Verification of Corporation (Verify all Corporations **except:** 1. Publicly traded corporations with assets of \$75M+; or 2. Canadian Federal/Provincial/Municipal/ Hospital public bodies. For businesses / entities that are NOT CORPORATIONS, complete A.2 INSTEAD)

NOTE: Either **section A.1** or **A.2 must be completed** for your corporate / entity clients or unrepresented entities that are not clients, but are parties to the transaction (e.g. unrepresented buyer or seller). Where you are unable to identify an unrepresented entity, complete section A.3 and consider sending a Suspicious Transaction Report to FINTRAC if there are reasonable grounds to suspect that the transaction involves the proceeds of crime, or terrorist activity.

1. Name of Corporation:

2. Corporate Address:

3. Nature of Principal Business:

4. Name of Directors: As set out in certificate of corporate status or other record confirming corporation's existence.

5. Type of Verification Record Must confirm existence of the Corporation (e.g., certificate of corporate status, published annual report, government notice of assessment):

6. Source of Verification Record Records may be paper or electronic version. If record is in paper format or electronic database not accessible to public, a copy must be kept. If record is an electronic version in public database, a record of the corporation's registration number and type and source of record (e.g., Corporations Canada website) must be kept. Enclose copy of source document or URL where it was viewed electronically):

7. Registration number of Corporation:

8. ATTACH a copy of corporate records showing authority to bind corporation regarding transaction:

e.g., certificate of incumbency, articles of incorporation, by-laws setting out officers duly authorized to sign on behalf of corporation.

This will reference the person(s) who signed on behalf of the Corporation on the APS, etc. The corporate record must be signed by a director(s) named in line 4 above.

9. YOU MUST ALSO complete Individual identification Information Records for all persons who signed on behalf of the Corporation.

A.2. Verification of Other Entity (Applicable to entities that are NOT CORPORATIONS such as Not-for-Profits, Charities, Trusts, etc.)

1. Name of other entity:

2. Address:

3. Nature of Principal Business:

4. Type of Verification Record: Must confirm existence of other entity (e.g., partnership agreement, articles of association).

5. Source of Record:

Record may be paper or an electronic version. If record is in paper format, a copy must be kept. If record is an electronic version, a record of the entity's registration number and type and source of record must be kept.

6. Registration number:

7. YOU MUST ALSO complete Individual identification Information Records for all persons who signed on behalf of the Entity.

A.3 Unrepresented Entity Reasonable Measures Record *(if applicable)*

Only complete this section when you are unable to ascertain the existence of an unrepresented entity.

1. Measures taken to Confirm Existence *(check one):*

- Asked unrepresented entity for information to confirm their existence
- Other, explain:
- Date on which above measures taken:

2. Reasons why measures were unsuccessful *(check one):*

- Unrepresented entity did not provide information
- Other, explain:

B. Verification of Third Parties

NOTE: *Only complete Section B for your clients.* Take reasonable measures to determine whether your clients are acting on behalf of third parties by completing this section of the form. If you are not able to determine whether your clients are acting on behalf of a third party but there are reasonable grounds to suspect there are, complete Section B.1. If there is a third party, complete Section B.2.

Either B.1 or B.2 must be completed.

B.1 Third Party Reasonable Measures

Is the transaction being conducted on behalf of a third party according to the client? *(check one):*

- No
- Yes (complete B.2 below)

Describe why you think your client may be acting on behalf of a third party:

.....

.....

B.2 Third Party Record Where there is a third party, complete this section.

- 1. Name of other entity:
- 2. Address:
- 3. Telephone number:
- 4. Date of Birth (if applicable):
- 5a. Nature of Principal Business or Occupation:
- 5b. Employer:
- 6. Registration or Incorporation number and jurisdiction and country that issued that number *(if applicable):*
- 7. Relationship between third party and client:

NOTE: Only complete Sections C and D for your clients.

C. Client Risk *(ask your Compliance Officer if this section is applicable)*

Determine the level of risk of a money laundering or terrorist financing offence for this client by determining the appropriate cluster of client in your policies and procedures manual this client falls into and checking one of the checkboxes below:

Low Risk

- Canadian Corporation or Entity
- Foreign Corporation or Entity that does not operate in a High Risk Country
- Other, explain:

Medium Risk

- Explain:

High Risk

- Foreign Corporation or Entity that operates in a High Risk Country
- Other, explain:

If you determined that the client's risk was high, tell your brokerage's Compliance Officer. They will want to consider this when conducting the overall brokerage risk assessment, which occurs every two years. It will also be relevant in completing Section D below. Note that your brokerage may have developed other clusters not listed above. If no cluster is appropriate, the agent will need to provide a risk assessment of the client, and explain their assessment, in the relevant space above.

D. Business Relationship *(ask your Compliance Officer when this section is applicable)*

D.1. Purpose and Intended Nature of the Business Relationship

Acting as an agent for the purchase or sale of (Check the appropriate boxes):

- Land for Commercial Use
- Commercial property
- Other, please specify:

Optional: describe your business dealings with the client and include information that would help you anticipate the types of transactions and activities that the client may conduct.

D.2. Measures Taken to Monitor Business Relationship and Keep Client Information Up-To-Date

D.2.1 If the client is a corporation, ask if its name and address and name of its directors have changed and if they have include the updated information on page one. If the client is an entity other than a corporation, ask if its name, address and principal place of business has changed and if they have include the updated information on page one.

D.2.2 Keep all relevant correspondence with the client on file in order to maintain a record of the information you have used to monitor the business relationship with the client. Optional - if you have taken measures beyond simply keeping correspondence on file, specify them here:

D.2.3. If the client is high risk you must conduct enhanced measures to monitor the brokerage's business relationship and keep their client information up to date. Optional - consult your Compliance Officer and document what enhanced measures you have applied:

D.3 Suspicious Transactions -- Don't forget, if you see something suspicious during the transaction, report it to your Compliance Officer. Consult your policies and procedures manual for more information.

E. Terrorist Property Reports -- Don't forget to follow your brokerage's procedures with respect to terrorist property reports. Consult your policies and procedures manual for more information.

Beneficial Ownership Record

1. Complete sub-section 1 (as applicable, according to the type of entity)
2. Complete sub-section 2 for all entities
3. Complete sub-section 3 if entity is a not-for-profit corporation.
4. Confirm accuracy of information in sub-sections 1, 2 and 3 (as a best practice) and document you did this in sub-section 4.
5. If you cannot obtain information in sub-sections 1 or 2 or confirm its accuracy, complete sub-section 5.

1. Record Keeping – General (Only complete the subsection that applies. Add additional pages if necessary)

A. For corporate entities:

Names of all directors of corporation:

.....

.....

.....

Names and addresses of all persons who own directly or indirectly 25% or more of shares of corporation:

.....

.....

.....

B. For trust entities:

Names and addresses of all trustees, known beneficiaries and settlors of trust:

.....

.....

.....

C. For widely held or publicly held trust entities:

Names of all trustees:

.....

.....

.....

Names and addresses of all persons who directly or indirectly own 25% or more of the units of the trust:

.....

.....

.....

D. For entities other than corporations or trusts:

Names and addresses of all persons who own directly or indirectly 25% or more of entity:

.....

.....

.....

2. Record Keeping – Ownership, Structure and Control

For all entities, provide information explaining entity’s ownership, control and structure. If the information is complex, you may wish to attach a diagram that shows the ownership, control and structure:

.....
.....
.....
.....

3. Record Keeping – Not-For-Profit

Is entity a charity registered with the Canada Revenue Agency under the Income Tax Act? Yes No

If entity is not a charity, does entity solicit charitable donations from the public? Yes No

4. Confirm Accuracy of Information in Sections 1, 2 and (as a best practice) Section 3

Tick applicable boxes to document the measures you took to confirm the accuracy of information in sub-sections 1-3:

Asked entity for information and they provided (check all that apply):

- | | |
|---|--|
| <input type="checkbox"/> Minute Book | <input type="checkbox"/> Securities register |
| <input type="checkbox"/> Shareholders register | <input type="checkbox"/> Articles of incorporation |
| <input type="checkbox"/> Annual returns | <input type="checkbox"/> Certificate of corporate status |
| <input type="checkbox"/> Shareholder agreement | <input type="checkbox"/> Partnership agreement |
| <input type="checkbox"/> Board of Director’s meeting records of decisions | <input type="checkbox"/> Other, explain |
| <input type="checkbox"/> Trust deed | |

Checked CRA list of charities (if sub-section 3 applies)

Internet search

Entity provided signed letter confirming the veracity of the information in Sections 1 and 2

Other, explain:

(Optional) Date(s) above measures were taken:

5. Complete this sub-section if you cannot obtain information in sub-sections 1 or 2 or confirm its accuracy in sub-section 4 (Agents should speak to the Compliance Officer for direction if step 5 is necessary).

Tick applicable box for each task taken:

- Took reasonable measures to verify the identity of the entity’s chief executive officer or the person who performs the function.
- Applied special measures for high-risk-clients.

Appendix C: Template Letter to Obtain Corporate Information

[insert date]

VIA [insert means of communication]

[insert address]

Attention: [insert name of lawyer or representative]

Dear Sir or Madam:

Re: Identification Information Record - [insert details of transaction (e.g., address)]

Real estate agents/brokers are subject to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and its associated Regulations. As such, we are required to confirm the existence of, and verify the name and address of, every corporation or other entity (e.g., partnership) on whose behalf we conduct a transaction, as well as the names of its directors. We are also required to confirm that the person entering into the transaction on behalf of the corporation has the power to bind the corporation regarding the transaction. We therefore request your assistance in completing our Identification Information Record with respect to the above-noted transaction for **[insert name of corporation]**.

We enclose a form which lists the information we are required to include in our records. Please complete the form, attach the requested documents and return the materials to **[insert name]** at **[refer to mailing address or e-mail address]**. We also enclose a consent from **[name of corporation]** to the release of this information.

We are required to confirm the existence of **[name of corporation]** and complete the information record within 30 days of the closing of this transaction or, where the corporation is the buyer, within 30 days of the deposit being made. We would therefore appreciate receiving the documents listed above no later than **[note – insert date]**.

If you have any questions please do not hesitate to contact us.

Yours very truly,

[insert your name]

Information Form Respecting Corporations/Other Entities

If you act for a corporation

1. Please provide the following information:
 - (a) Name of corporation:
 - (b) Corporate address:
 - (c) Nature of Principal Business:
 - (d) Names of Directors:

2. Please provide the following records:
 - (a) Copy of a corporate record showing authority to bind corporation regarding transaction¹⁸
 - (b) Copy of record confirming existence of corporation¹⁹:
 - (c) If the records are in paper format, please enclose a copy with this form. In the event that you provide an electronic version of a record which is publically accessible, please provide the following information:
 - (i) Registration number of corporation:
 - (ii) Type of verification record²⁰:
 - (iii) Source of verification record²¹:

If you act for an entity other than a corporation (e.g., partnership)

1. Please provide the following information:
 - (a) Name of entity:
 - (b) Entity address:
 - (c) Nature of Principal Business:

[...2]

18 For example, certificate of incumbency, articles of incorporation or by-laws setting out the officers duly authorized to sign on behalf of corporation.

19 For example, certificate of corporate status or other record confirming corporation's existence.

20 For example, certificate of corporate status, published annual report, government notice of assessment.

21 For example, Corporations Canada website.

2. Please provide the following records:

(a) Copy of record confirming existence of entity²²:

If the record is in paper format, please enclose a copy with this form. In the event that you provide an electronic version of a record which is publically accessible, please provide the following information:

(i) Registration number of entity:

(ii) Type of verification record:

(iii) Source of verification record:

Whether you act for a corporation or an entity other than a corporation

Please indicate whether or not the corporation or entity is acting on behalf of a third party with respect to this real estate transaction.

(a) Is corporation or entity acting on behalf of a third party?

Yes ____ No ____ Reasonable suspicion²³ ____

(b) Name of third party:

(c) Address:

(d) Date of Birth:

(e) Telephone Number:

(f) Nature of Principal Business or Occupation:

(g) Incorporation number and place of issue (if applicable):

(h) Relationship between third party and corporation or entity:

²² For example, partnership agreement, articles of association.

²³ Reasonable suspicion would arise when circumstances indicate the possibility of a third party but the entity's representative will not confirm.

Consent

I, **[name of individual]**, as a duly authorized representative of **[name of corporation]**, hereby authorize **[lawyer]** to release and communicate to **[insert name]** the corporation information set out in the attached Information Form Respecting Corporations/Other Entities for the sole purpose of enabling **[insert name]** to comply with their obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and its associated Regulations.

_____ [Name in print]

_____ [Signature]

Date: _____

Appendix D: Identification Mandatory/Agent Agreement form

[insert a copy of the Identification Mandatory/Agent Agreement used in your brokerage here]

Identification Mandatory/Agent Agreement

BETWEEN:

REAL ESTATE BROKERAGE: _____, having its principal office at _____ (the “**Broker**”);

and

IDENTIFICATION AGENT: _____, having its principal office at _____ (the “**Agent**”);

The parties agree to the terms and conditions set out in this agreement as of _____, 20____ (the “**Effective Date**”).

1. Purpose

This agreement constitutes a written agreement as required by Section 106 (64.1 prior to June 1, 2021) of the regulations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (“**Regulations**”).

2. Services

(a) On request, the Agent will provide the Broker with the identification services described in Schedule A in respect of an individual and/or corporation or other entity (the “**Services**”). The Broker will make available to the Agent all reasonable information required to enable the Agent to perform the Services.

(b) The Broker will compensate the Agent as follows: _____

3. Approvals and Authority

The Agent will obtain Broker’s prior written approval for all Services it performs on the Broker’s behalf.

4. Termination

Either party may terminate this agreement at any time on written notice to the other, provided that the Agent is required to complete any Services requested at the time of termination, and the Broker is required to pay for such Services.

5. Indemnification

The Agent will indemnify the Broker against any claims, liability, costs and reasonable expenses arising directly from the Agent’s negligent acts or omissions in the performance of the Services.

6. Confidentiality

The Agent acknowledges that some of the information received from the Broker and/or the individuals from whom the Agent may obtain information under this Agreement is proprietary and confidential, and may constitute “personal information” within the meaning of the *Personal Information Protection and Electronic Documents Act* (PIPEDA) (collectively, “**Confidential Information**”) or any provincial equivalent. The Agent will not reveal to any third party any information provided by the Broker, except as required by the Regulations or as necessary to perform the Services, either during or subsequent to the term of this Agreement, and will at all times comply with the provisions of PIPEDA or any applicable provincial privacy legislation as well as any privacy policies of the Broker. Upon termination of this Agreement, the Agent will return to the Broker or destroy all Confidential Information, as directed by the Broker, in the possession of the Agent.

7. Regulatory Compliance

The parties acknowledge that the Broker is subject to a number of regulatory regimes, including regulations and regulatory requirements, decisions, rulings and guidelines issued by the Financial Transactions and Reports Analysis Centre of Canada (“**FINTRAC**”). The Agent will provide its reasonable assistance to the Broker in order to facilitate the Broker’s compliance with FINTRAC requirements.

The Agent will abide by the policies and procedures designated by Broker and lawfully issued by Broker in accordance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, regulations and regulatory requirements, decisions, rulings and guidelines issued by FINTRAC. **This includes, but is not limited to, ensuring that all information gathered from the person or entities listed in Schedule A is valid and current.**



Identification Mandatory/Agent Agreement

8. Non-Assignable

This Agreement is not assignable by either party without mutual consent, which consent will not be unreasonably withheld.

9. Audit

The Agent grants to the Broker the right, at all reasonable times, to examine and audit all records in its possession or under its control which directly pertain to the Services provided to the Broker under this Agreement or as otherwise may be required under the Regulations.

10. Applicable Law

This Agreement will be construed in accordance with the laws of the [Insert name of Province/Territory] _____ and the laws of Canada applicable therein.

11. Severability

The obligations and agreements of the Broker and Agent under this Agreement will be treated as separate and severable.

12. Complete Agreement

This Agreement, including the attached Schedules, constitutes the entire Agreement between the Broker and the Agent. The terms cannot be changed, except by an instrument in writing signed by the parties.

The Agent's authority to act on behalf of the Broker is limited to the rights, duties and responsibilities set out in this Agreement.

IN WITNESS WHEREOF the parties have executed this agreement the ____ day of _____, 20____.

BROKER

Per: _____

Title: Authorized Signing Officer

Date: _____

AGENT

Per: _____

Title: Authorized Signing Officer

Date: _____

Identification Mandatory/Agent Agreement

Schedule A - Identification Services

Check all that apply:

- Agent will ascertain the following individuals' identity by completing the individual identification information record provided by the Broker to the Agent for each individual and providing the completed records to the Broker.
(List name of individual(s)):

- Agent will confirm the existence of each of the following corporations/entities by completing the corporate/entity identification information record provided by the Broker to the Agent for each corporation/entity and providing the completed records to the Broker. (List name of corporation(s)/entities):

1. For Broker's Internal Use Only

To be completed after this agreement is executed and Services have been provided by the Agent

Indicate date where the Broker received information from the Agent for each of the individuals and corporations/entities listed above:

_____ _____ _____
Month Day Year

Indicate date where the Broker referred to the information provided by the Agent for each of the individuals and corporations/entities listed above:

_____ _____ _____
Month Day Year

Indicate which methods of identification were used by Agent when ascertaining the identity of individuals:

Photo ID Method Credit File Method Dual ID Process Method

Appendix E: Receipt of Funds Record

[insert a copy of the receipt of funds record used in your brokerage here]

Receipt of Funds Record

Upd. 03/22

A. BASIC TRANSACTION INFORMATION

Transaction Property Address:

Sales Representative/Broker Name:

Date:

B. INFORMATION ON FUNDS

Total Amount of Funds Received: _____

Amount of Funds: Currency of Funds Received:

Date of receipt of funds:

Type of funds received:

Cheque Certified Cheque Cash Bank Draft / Money Order Online Banking Transfer Wire Transfer

Other, explain:

Method of receipt:

In person Mail Electronically (for Online Banking / Wire Transfer Other, explain:

Purpose of funds (e.g., deposit for purchase):

For Funds not in CAD: Exchange Rate: Source of Exchange Rate:

Amount of Funds: Currency of Funds Received:

Date of receipt of funds:

Type of funds received:

Cheque Certified Cheque Cash Bank Draft / Money Order Online Banking Transfer Wire Transfer

Other, explain:

Method of receipt:

In person Mail Electronically (for Online Banking / Wire Transfer Other, explain:

Purpose of funds (e.g., deposit for purchase):

For Funds not in CAD: Exchange Rate: Source of Exchange Rate:

Amount of Funds: Currency of Funds Received:

Date of receipt of funds:

Type of funds received:

Cheque Certified Cheque Cash Bank Draft / Money Order Online Banking Transfer Wire Transfer

Other, explain:

Method of receipt:

In person Mail Electronically (for Online Banking / Wire Transfer Other, explain:

Purpose of funds (e.g., deposit for purchase):

For Funds not in CAD: Exchange Rate: Source of Exchange Rate:

C. INFORMATION ON INDIVIDUAL/ENTITY PROVIDING FUNDS

When a REALTOR® member completes a Receipt of Funds Record, they must also complete an Identification Information Record at the same time on the individual (or entity) from whom you receive the funds. Complete that record and attach it to this record.

D. ACCOUNT-RELATED INFORMATION

D.1. List any reference number(s) of the brokerage that received the Funds that is connected to this purchase/sale transaction and that functions as an account for the Funds:

D.2. If an account is affected* by the transaction complete this section for each affected account:**

* Some examples of when an account is affected are when funds are received by cheque, or money order or bank draft purchased from an account. The account from which the funds are drawn is "affected". **You must determine the original source of the funds, therefore when receiving a Bank Draft / Money Order or funds by electronic means, you must determine from what account the funds were originally drawn – obtain a copy of the receipt from their financial institution and the full account number.**

**Add additional information for additional accounts, as necessary

Account 1: Number of account: Name of account holder:
Type of account: Chequing Saving Trust Other, explain:Name of Bank:

Account 1: Number of account: Name of account holder:
Type of account: Chequing Saving Trust Other, explain:Name of Bank:

Account 1: Number of account: Name of account holder:
Type of account: Chequing Saving Trust Other, explain:Name of Bank:

Account 1: Number of account: Name of account holder:
Type of account: Chequing Saving Trust Other, explain:Name of Bank:

Account 1: Number of account: Name of account holder:
Type of account: Chequing Saving Trust Other, explain:Name of Bank:

E. NOTES

TWO AGENTS:

Where there are two agents involved in a transaction, the buyer's agent is responsible for completing the receipt of funds record.

LISTING AGENT TRUST ACCOUNT:

If funds are deposited in a listing agent's account, the buyer's agent is only required to record the fact that the funds were deposited into the listing agent's trust account but is not required to include the number of the trust account or the name or entity that holds the trust account.

REASONABLE MEASURES:

If the buyer agent's client provides funds directly to the listing agent, the buyer agent is only obligated to take reasonable measures (i.e. ask) the listing brokerage for:

- Any listing brokerage reference numbers
- Where a client account is affected (e.g. client's chequing account), the account number, the name of the account holder and the type of account.

MULTIPLE ACCOUNTS:

Note that if multiple accounts are affected, information on all accounts affected needs to be recorded subject to the caveats noted above with respect to listing agent trust accounts and the reasonable measures.

Appendix F: Risk Assessment Form

[insert a copy of the risk assessment form used in your brokerage here]

Risk Assessment Form

Part 1 The purpose of this form is to assist you in assessing and documenting the threats and vulnerabilities to money laundering and terrorist financing to which your brokerage may be exposed as required by law. This form must be completed at least once every two years and kept on file for five years.

Date:

Office:

Completed By:

Broker Verification: (Signature) (Date)

Part 2 The following checklist provides examples to facilitate your risk assessment. It should not be considered an exhaustive list. You can customize this checklist if you feel that this is appropriate in order to properly assess your brokerage's risks related to money laundering and terrorist financing.

| | Frequently | Occasionally | Seldom | Never | N/A |
|--|------------|--------------|--------|-------|-----|
| Do you offer services to clients located in countries subject to a ministerial directive? | | | | | |
| Do you offer electronic funds payment services? | | | | | |
| Do you offer funds transfers? (domestic and international) | | | | | |
| Are client properties located in a high-crime rate area? | | | | | |
| Do you or your clients operate or undertake activities in the following countries: | | | | | |
| <ul style="list-style-type: none"> Any country subject to sanctions, embargoes or similar measures issued by, for example, the United Nations ("UN"). In some circumstances, sanctions or measures similar to those issued by bodies such as the UN, but which may not be universally recognized. (Please see URL information #1 and #2 on page 3) | | | | | |
| <ul style="list-style-type: none"> Any country identified as financial secrecy havens or jurisdictions. | | | | | |
| <ul style="list-style-type: none"> Any country identified by the Financial Action Task Force (FATF) as non-cooperative in the fight against money laundering or subject to an FATF statement? You can consult the current Non-Cooperative Countries and Territories listed on the FATF's Website. (Please see URL information #3 on page 3) | | | | | |
| <ul style="list-style-type: none"> Any country identified by credible sources <ul style="list-style-type: none"> - As lacking appropriate money laundering laws and regulations - As providing funding or support for terrorist activities? - As having significant levels of corruption, or other criminal activity? (Please see URL information #3-6 on page 3) | | | | | |

Risk Assessment Form

| | Frequently | Occasionally | Seldom | Never | N/A |
|--|------------|--------------|--------|-------|-----|
| Identify whether any of the following applies to individual clients: | | | | | |
| Have you dealt with successive transactions of the same property in a short period of time? | | | | | |
| Do your clients operate a "cash business"? | | | | | |
| Do your clients conduct transactions involving multiple cash deposits? | | | | | |
| Do your clients' businesses generate large amounts of cash for certain transactions that are not normally cash intensive? | | | | | |
| Does your client use intermediate vehicles (such as corporations, trusts, foundations, partnerships) or other structures that do not seem usual for their business or seem very complex and unnecessary? | | | | | |
| Are your clients foreign residents, do you have clients that are foreign residents? | | | | | |
| Have any clients been identified as having engaged in activity that is consistent with the indicators identified for Suspicious Transactions? (Please see URL information #7 on page 3) | | | | | |
| Are 3rd party vehicles (i.e. trusts) used to obscure the true owner of the transaction? | | | | | |
| Are your clients intermediaries? | | | | | |
| Do your clients use unsupervised intermediaries? | | | | | |
| Do you deal with assignments of a legally binding contract? | | | | | |

| | Frequently | Occasionally | Seldom | Never | N/A |
|--|------------|--------------|--------|-------|-----|
| Identify whether any of the following applies to Corporate or business clients: | | | | | |
| Is the client an unregistered charity or other unregulated "not for profit" organization (especially one operating on a "cross-border" basis)? | | | | | |
| Does the client's structure or nature of its business or relationship make it difficult to identify the true owners or controllers? | | | | | |
| Are 3rd party vehicles (i.e. trusts) used to obscure the true owner of the transaction? | | | | | |
| Are your clients intermediaries? | | | | | |
| Do your clients use unsupervised intermediaries? | | | | | |
| Do you deal with assignments of a legally binding contract? | | | | | |

Risk Assessment Form

| | Frequently | Occasionally | Seldom | Never | N/A |
|---|------------|--------------|--------|-------|-----|
| Do you rely on a salesperson for such obligations as client identification? | | | | | |
| Does client identification take place other than face-to-face? | | | | | |
| Is your client base primarily repeat business? | | | | | |
| Is your client base primarily referral business? | | | | | |
| Is your client base primarily new business? | | | | | |

1) UN:

<https://www.un.org/securitycouncil/>

2) Canada:

https://www.international.gc.ca/world-monde/international_relations-relations_internationales/sanctions/current-actuelles.aspx?lang=eng

3) FATF:

[http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc(fatf_releasedate))

4) MONEYVAL:

<https://www.coe.int/en/web/moneyval/home>

5) IMF:

<https://www.imf.org/en/Countries>

6) IMoLIN:

http://www.imolin.org/imolin/amlid/index.jsp?lf_id=

7) FINTRAC Guidance related to Suspicious Transactions:

<https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/1-eng>

Risk Assessment Form

Part 3 Based on all of your responses in Part 2, and any other factor that you think may be relevant, including the geographic location in which your business operates or undertakes activities and any new technology your brokerage has adopted that you think impacts your risk level, rank your brokerage's overall risk of a money laundering offence or a terrorist financing offence and explain how you arrived at this rationale in the space below.

For greater clarity, if you are completing this form as part of a mandatory two year review, you are required to explain the rationale used to determine your brokerage's risk level during this review even if your risk level has not changed.

You must provide an adequate explanation for your risk level. A few lines or paragraphs are not sufficient. Brokers may wish to consider using FINTRAC's *Risk-based approach workbook for the Real estate sector*, to assist them with their analysis or as an alternative to this document.

Brokerage Overall Risk Level:

Low

Medium

High

Explanation:

Explain brokerage services and delivery channel risks:

Risk Assessment Form

Explain risks associated with new technologies and developments at the brokerage:

Explain geographic risks:

Risk Assessment Form

Explain client and business relationship risks:

Explain any other risks:

Risk Assessment Form

Part 4 Risk Mitigation Strategy

You are required to develop written *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* compliance policies and procedures. CREA has prepared an Office Compliance Manual to use as a reference tool to help you get started. It is available on REALTOR Link®. If you incorporate the Office Compliance Manual into your compliance policies and procedures, you must tailor it to reflect the nature, size and complexity of your operations.

If you determined in Part 3 that your brokerage overall risk level is high, you must consult and apply the section of your compliance policies and procedures relating to mitigating high risks. This means if the overall risk level is high, your Compliance Manual must specifically address any areas that place your brokerage at high risk for money laundering and terrorist financing by explaining how your brokerage will mitigate these risks.

Document your brokerage's risk mitigation strategies here as well:

Appendix G:

Sample Clusters for Client Risk Assessment

Cluster Name: CANADIAN CITIZEN OR RESIDENT - PHYSICALLY PRESENT

Cluster Features:

1. Client consists of one or more Canadian citizens or residents.
2. Client was id'ed by the agent face-to-face.
3. None of the following higher risk factors apply:
 - a. Client property is located in a high crime area.
 - b. Client has dealt with successive transactions of the same property in a short period of time.
 - c. Client's business is cash intensive.
 - d. Client uses intermediate vehicles (such as corporations, trusts, foundations, partnerships) or other structures that do not seem usual for their business or seem very complex and unnecessary.
 - e. Client has engaged in any activity that is consistent with a suspicious transaction.
 - f. Client is an intermediary.
 - g. Client is using unsupervised intermediaries.
 - h. Transaction is an assignment of a legally binding contract.

Weighting: LOW Risk

Cluster Name: CANADIAN CITIZEN OR RESIDENT - NOT PHYSICALLY PRESENT

Cluster Features:

1. Client consists of one or more Canadian citizens or residents.
2. Client was id'ed by the agent using one of the non-face-to-face techniques described in Section 3.1.2.4 of this Compliance Regime.
3. None of the following higher risk factors apply:
 - a. Client property is located in a high crime area.
 - b. Client has dealt with successive transactions of the same property in a short period of time.
 - c. Client's business is cash intensive.
 - d. Client uses intermediate vehicles (such as corporations, trusts, foundations, partnerships) or other structures that do not seem usual for their business or seem very complex and unnecessary.
 - e. Client has engaged in any activity that is consistent with a suspicious transaction.
 - f. Client is an intermediary.
 - g. Client is using unsupervised intermediaries.
 - h. Transaction is an assignment of a legally binding contract.

Weighting: LOW Risk

Cluster Name: CANADIAN CITIZEN OR RESIDENT (PHYSICALLY PRESENT OR NOT) – HIGH CRIME AREA – NO OTHER HIGHER RISK FACTORS EVIDENT

Cluster Features:

1. Client consists of one or more Canadian citizens or residents.
2. Client was id'ed by the agent face-to-face or was id'ed using one of the non-face-to-face techniques described in Section 3.1.2.4 of this Compliance Regime.
3. Client property is located in a high crime area.
4. None of the following higher risk factors apply:
 - a. Client has dealt with successive transactions of the same property in a short period of time.
 - b. Client's business is cash intensive.
 - c. Client uses intermediate vehicles (such as corporations, trusts, foundations, partnerships) or other structures that do not seem usual for their business or seem very complex and unnecessary.
 - d. Client has engaged in any activity that is consistent with a suspicious transaction.
 - e. Client is an intermediary.
 - f. Client is using unsupervised intermediaries.
 - g. Transaction is an assignment of a legally binding contract.

Weighting: LOW Risk

Cluster Name: FOREIGN CITIZEN OR RESIDENT THAT DOES NOT OPERATE IN A HIGH RISK COUNTRY (PHYSICALLY PRESENT OR NOT)

Cluster Features:

1. Client consists of one or more foreign citizens or residents.
2. Client was id'ed by the agent face-to-face or was id'ed using one of the non-face-to-face techniques described in Section 3.1.2.4 of this Compliance Regime.
3. None of the following higher risk factors apply:
 - a. Client property is located in a high crime area.
 - b. Client has dealt with successive transactions of the same property in a short period of time.
 - c. Client's business is cash intensive.
 - d. Client uses intermediate vehicles (such as corporations, trusts, foundations, partnerships) or other structures that do not seem usual for their business or seem very complex and unnecessary.
 - e. Client has engaged in any activity that is consistent with a suspicious transaction.
 - f. Client is an intermediary.
 - g. Client is using unsupervised intermediaries.
 - h. Transaction is an assignment of a legally binding contract.

Weighting: LOW Risk

Cluster Name: FOREIGN CITIZEN OR RESIDENT THAT OPERATES IN A HIGH RISK COUNTRY (PHYSICALLY PRESENT OR NOT)

Cluster Features:

1. Client consists of one or more foreign citizens or residents.
2. Client was id'ed by the agent face-to-face or was id'ed using one of the non-face-to-face techniques described in Section 3.1.2.4 of this Compliance Regime.
3. Client operates or undertakes activities in a country:
 - a. Subject to sanctions, embargoes or similar measures²⁴
 - b. Identified as a financial secrecy haven
 - c. Has been identified by the FATF as not-cooperative in the fight against money laundering²⁵
 - d. Has been identified by credible sources²⁶
 - i. As lacking appropriate money laundering laws and regulations
 - ii. As providing funding or support for terrorist activities
 - iii. As having significant levels of corruption, or other criminal activity

Weighting: HIGH Risk

24 Consult: <https://www.un.org/securitycouncil/>;
https://www.international.gc.ca/world-monde/international_relations-relations_internationales/sanctions/current-actuelles.aspx?lang=eng.

25 Consult: [http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc(fatf_releasedate)).

26 Consult: [http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc\(fatf_releasedate\);](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc(fatf_releasedate);)
<https://www.coe.int/en/web/moneyval/home>;
<https://www.imf.org/en/Countries>;
[https://www.imolin.org/imolin/amlid/index.jsp?lf_id=.](https://www.imolin.org/imolin/amlid/index.jsp?lf_id=)

Cluster Name: CANADIAN CORPORATION OR ENTITY

Cluster Features:

1. Client is a Canadian corporation or other legal entity.
2. Client was id'ed using one of the techniques described in Section 3.1.2.3 of this Compliance Regime.
3. None of the following higher risk factors apply:
 - a. Client property is located in a high crime area.
 - b. Client has dealt with successive transactions of the same property in a short period of time.
 - c. Client's business is cash intensive.
 - d. Client uses intermediate vehicles (such as corporations, trusts, foundations, partnerships) or other structures that do not seem usual for their business or seem very complex and unnecessary.
 - e. Client has engaged in any activity that is consistent with a suspicious transaction.
 - f. Client is an intermediary.
 - g. Client is using unsupervised intermediaries.
 - h. Transaction is an assignment of a legally binding contract.

Weighting: LOW Risk

Cluster Name: FOREIGN CORPORATION OR ENTITY THAT DOES NOT OPERATE IN A HIGH RISK COUNTRY

Cluster Features:

1. Client is a foreign corporation or other legal entity that does not operate or undertake activities in a country:
 - a. Subject to sanctions, embargoes or similar measures²⁷
 - b. Identified as a financial secrecy haven
 - c. Has been identified by the FATF as not-cooperative in the fight against money laundering²⁸
 - d. Has been identified by credible sources²⁹
 - i. As lacking appropriate money laundering laws and regulations
 - ii. As providing funding or support for terrorist activities
 - iii. As having significant levels of corruption, or other criminal activity
2. Client was id'ed using one of the techniques described in Section 3.1.2.3 of this Compliance Regime.
3. None of the following higher risk factors apply:
 - a. Client property is located in a high crime area.
 - b. Client has dealt with successive transactions of the same property in a short period of time.
 - c. Client's business is cash intensive.
 - d. Client uses intermediate vehicles (such as corporations, trusts, foundations, partnerships) or other structures that do not seem usual for their business or seem very complex and unnecessary.
 - e. Client has engaged in any activity that is consistent with a suspicious transaction.
 - f. Client is an intermediary.
 - g. Client is using unsupervised intermediaries.
 - h. Transaction is an assignment of a legally binding contract.

Weighting: LOW Risk

27 Consult: <https://www.un.org/securitycouncil/>;
https://www.international.gc.ca/world-monde/international_relations-relations_internationales/sanctions/current-actuelles.aspx?lang=eng.

28 Consult: [http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc(fatf_releasedate)).

29 Consult: [http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc\(fatf_releasedate\);](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc(fatf_releasedate);)

<https://www.coe.int/en/web/moneyval/home>;

<https://www.imf.org/en/Countries>;

[https://www.imolin.org/imolin/amlid/index.jsp?lf_id=.](https://www.imolin.org/imolin/amlid/index.jsp?lf_id=)

Cluster Name: FOREIGN CORPORATION OR ENTITY THAT OPERATES IN A HIGH RISK COUNTRY

Cluster Features:

1. Client was id'ed using one of the techniques described in Section 3.1.2.3 of this Compliance Regime.
2. Client is a foreign corporation or other legal entity that operates or undertakes activities in a country:
 - a. Subject to sanctions, embargoes or similar measures³⁰
 - b. Identified as a financial secrecy haven
 - c. Has been identified by the FATF as not-cooperative in the fight against money laundering³¹
 - d. Has been identified by credible sources³²
 - i. As lacking appropriate money laundering laws and regulations
 - ii. As providing funding or support for terrorist activities
 - iii. As having significant levels of corruption, or other criminal activity

Weighting: HIGH Risk

30 Consult: <https://www.un.org/securitycouncil/>;
https://www.international.gc.ca/world-monde/international_relations-relations_internationales/sanctions/current-actuelles.aspx?lang=eng.

31 Consult: [http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc(fatf_releasedate)).

32 Consult: [http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc\(fatf_releasedate\);](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc(fatf_releasedate);)

<https://www.coe.int/en/web/moneyval/home>;

<https://www.imf.org/en/Countries>;

[https://www.imolin.org/imolin/amlid/index.jsp?lf_id=.](https://www.imolin.org/imolin/amlid/index.jsp?lf_id=)

Appendix H: Compliance Training Program and Plan Worksheet

You may use this worksheet to document your compliance training program and plan.

Please note it must be tailored to reflect the training provided in your brokerage.

Step 1: Determine Foundational Training

List the foundational training³³ that brokerage agents, employees and other individuals authorized to act on the brokerage's behalf ("trainees") will take. This content does not need to be tailored to your brokerage.

Please note that brokers may also wish to contact a third party supplier to satisfy this aspect of the compliance training program and plan. Alternatively, they can design their own training.

| # | Course Name | Description (include method of training delivery) |
|----|---|--|
| 1A | Read FINTRAC's <i>Guideline 1: Background, Operational Brief: Indicators of Money Laundering in Financial Institutions related to Real Estate</i> , materials on FINTRAC's website located at https://www.fintrac-canafe.gc.ca/re-ed/real-eng and https://www.fintrac-canafe.gc.ca/pen/1-eng , and watch FINTRAC's video <i>Your Role in Fighting Money Laundering and Terrorist Financing</i> . | Read materials and watch video |
| 1B | <i>Online training course</i> | <i>Online Video's presented by AML shop and quiz</i> |
| | | |

33 Those who complete the training should have an understanding of: (1) The reporting, client identification and record keeping requirements as well as penalties for not meeting those requirements; (2) Background information on: money laundering so everyone who needs to can understand what money laundering is, why criminals choose to launder money and how the process usually works; and (3) terrorist financing and how that process usually works.

Step 2: Determine What Brokerage-Specific Training You Will Provide

List the brokerage-specific training³⁴ that trainees will take. Some **examples** of possible brokerage-specific training are inserted below.

| # | Name | Description (include method of training delivery) |
|----|--|--|
| 2A | <i>Review of Brokerage Compliance Regime Manual</i> | <i>Self-learning review of brokerage’s Brokerage Compliance Regime Manual</i> |
| 2B | <i>Brokerage Policies and Procedures Presentation for new trainees</i> | <i>Including as part of core training (Working with Buyers & Working with Sellers)</i> |
| | | |

Step 3: Determine who should take what training in your Brokerage and the Frequency in which they should receive Training

List the trainees who will be subject to your training and what training they need to take. If you have many trainees, or your trainees change frequently, you may wish to group your trainees by job type rather than listing them by name (Some **examples** are listed below, which you may adjust as you see fit).

| Trainee Name/Type | Courses | Frequency of Training |
|--|------------|---|
| <i>Compliance Officer</i> | 1A, 1B, 2A | All: once within one week of starting position. 1B, 2A: every two years. |
| <i>Broker</i> | 1A, 2A | 1A: at least once. 1B, 2A: every two years. |
| <i>New Agents</i> | 1A, 1B, 2B | All: Within 90 days |
| <i>Current Agents</i> | 1A, 1B | 1A: at least once. 1B: once every two years. |
| <i>Any Brokerage employee that has role in your brokerage under the Compliance Regime who doesn’t fall into the above categories</i> | 1A, 1B | All: once before performing role. 1B: one every two years |

No matter how you structure your training, all trainees should be periodically informed of any changes in anti-money laundering or anti-terrorism legislation, brokerage policies and procedures, as well as current developments and changes in money laundering or terrorist activity financing schemes particular to their jobs.

34 Those who complete the training should have an understanding of their brokerage’s tailored Compliance Regime, including the application of the regime and the responsibility of trainees under the regime.