the REAL ESTATE DISTRICT

FINTRAC Policy & Procedures

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.

<table>
<tr><td colspan="2">1. Name of Broker:</td><td>Steven Phillips</td></tr>
<tr><td colspan="2" rowspan="3">2. Name of Compliance Officer[1] and Contact Details:</td><td>Josh Cooper</td></tr>
<tr><td>josh@therealestatedistrict.ca</td></tr>
<tr><td></td></tr>
<tr><td colspan="2" rowspan="3">3. Name of Auditor[2] and Contact Details:</td><td>Kevin Leung</td></tr>
<tr><td>kevin@therealestatedistrict.ca</td></tr>
<tr><td></td></tr>
<tr><td rowspan="2">4. Confirmation of Completion[3]/Update of this manual[4]</td><td>Signature:</td><td>DocuSigned by:
37D81754C7CD401...</td></tr>
<tr><td>Date:</td><td>2/27/2024</td></tr>
<tr><td rowspan="2">5. Confirmation of Regime Review by Auditor[5]</td><td>Signature:</td><td>DocuSigned by:
EE03C36FE749449...</td></tr>
<tr><td>Date:</td><td>2/27/2024</td></tr>
<tr><td rowspan="2">6. Confirmation of Risk Assessment by Broker[6]</td><td>Signature:</td><td>DocuSigned by:
37D81754C7CD401...</td></tr>
<tr><td>Date:</td><td>2/27/2024</td></tr>
<tr><td colspan="2">7. Date of next Regime Review and Risk Assessment:</td><td>December 15, 2025</td></tr>
<tr><td colspan="3">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.</td></tr>
</table>

[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

Introduction

Canada's anti-money laundering and anti-terrorist financing regime stems from international obligations and standards developed by the Financial Action Task Force (FATF). Canada is a member of the FATF and is evaluated for its adherence to the policies of the FATF, including those developed to include the real estate sector.

CREA lobbies the federal government to minimize the compliance burden of Canada's anti-money laundering and anti-terrorist financing regime administered by FINTRAC on REALTOR® members.

REALTOR® members have a number of obligations under the *Proceeds of Crime (Money Laundering) and Terrorism Financing Act* and regulations (for simplicity, collectively hereinafter referred to as the PCMLTFA). Information regarding these obligations can be found in numerous locations, such as in the legislation itself, in FINTRAC guidelines, on FINTRAC's website, and in the information CREA has provided on REALTOR Link® and in WEBForms®. The purpose of this Compliance Regime manual is to consolidate the basic information that REALTOR® members must know in order to comply with the PCMLTFA and to provide a template Policies and Procedures Manual that REALTOR® members can tailor and use to document their brokerages' policies and procedures; however, you may still need to resort to other resources for more detailed information.

Note that if you are a real estate agent (*i.e.* salesperson) and you are acting on behalf of a broker, the requirements identified in this manual are the responsibility of your broker except with respect to reporting suspicious transactions and terrorist property, for which you have independent obligations. For clarity, real estate agents do not need to draft their own policies and procedures manual when they work for a broker. For simplicity, this manual refers to "agents" where actions are likely to be performed by real estate agents and "brokers" when the actions are likely to be performed by brokers. However, brokers should keep in mind that they retain ultimate responsibility for the actions of their agents.

NOTE THAT THIS MANUAL REFLECTS OBLIGATIONS IN FORCE AS OF JUNE 1, 2021.

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
1. Appointment of Compliance Officer	☑	DocuSigned by: 37D81754C7CD401... 2/27/2024
2. Development of written Policies and Procedures	☑	DocuSigned by: 37D81754C7CD401... 2/27/2024
3. Risk Assessment and Mitigation Measures	☒	DocuSigned by: 37D81754C7CD401... 2/27/2024
4. Training Program/Plan	☒	DocuSigned by: 37D81754C7CD401... 2/27/2024
5. Review Procedures	☒	DocuSigned by: 37D81754C7CD401... 2/27/2024

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

DS
JC

Our Compliance Officer is Josh Cooper .

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.
(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";
(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.

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.

Policy/Procedure	Check when completed	Signature	Date
Record Keeping			
General	☑	DocuSigned by: 37D81754C7CD401...	2/27/2024
Client Information Record	☑	DocuSigned by: 37D81754C7CD401...	2/27/2024
Updates to Client Information Record due to Business Relationship	☑	DocuSigned by: 37D81754C7CD401...	2/27/2024
Receipt of Funds Record	☑	DocuSigned by: 37D81754C7CD401...	2/27/2024
Large Cash Transaction	☑	DocuSigned by: 37D81754C7CD401...	2/27/2024
Large Virtual Currency Transaction Record	☑	DocuSigned by: 37D81754C7CD401	2/27/2024
Reporting			
General	☑	DocuSigned by: 37D81754C7CD401...	2/27/2024
Large Cash Transaction Reports	☑	DocuSigned by: 37D81754C7CD401	2/27/2024
Large Virtual Currency Transaction Reports	☑	DocuSigned by: 37D81754C7CD401	2/27/2024
24-hour Rule	☑	DocuSigned by: 37D81754C7CD401...	2/27/2024
Suspicious Transaction Reports	☑	DocuSigned by: 37D81754C7CD401...	2/27/2024
Terrorist Property Reports	☑	DocuSigned by: 37D81754C7CD401...	2/27/2024
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	☑	DocuSigned by: 37D81754C7CD401...	2/27/2024
Beneficial Ownership	☑	DocuSigned by: 37D81754C7CD401...	2/27/2024
Ministerial Directives	☑	DocuSigned by: 37D81754C7CD401...	2/27/2024

3.1. Record Keeping Obligations

3.1.1. General Record Keeping Policy

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.**
- **All records, forms and materials prepared for compliance purposes shall be kept for a period of five (5) years as per the relevant retention periods.**

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

Brokerage-specific Record Keeping Policies and Procedures
It is the policy of The Real Estate District to complete FINTRAC identification on every transaction.

3.1.2. Client Information Records

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.

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).

The Brokerage has approved the use of ReallyTrusted as another option for remote FINTRAC Individual Identification process. The ReallyTrusted Individual Identification process ensures a complete Client Identification form every time and includes the ability to scan a Driver's license to auto-populate most personal information fields. As part of the workflow, all questions required for the proper identification under FINTRAC legislation are asked and must be answered. This remote identification process uses advanced facial recognition technology to compare the scanned drivers' license of an individual with a selfie of the individual. This process is extremely valuable where the identification of an individual is difficult because of distance or health concerns.

Simply looking at a photo ID through video software such as Facetime, Skype or Zoom is insufficient.

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 of 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

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	If 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.
Corporations/ Entities	If 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.
Third Parties	If 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.
Non-face-to-face meetings and Unrepresented Parties	If 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.
Reliance method of identification	If 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.

3.1.2.11. Client Risk

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
- Agents must complete Section C in the Client Information Record, to maintain the Brokerages mandate to evaluate each clients risk level, for every purchase and sale transaction, even if a previous transaction has taken place.

High Risk Clients

● All agents shall apply enhanced measures to high risk clients as specified by this policies and procedures manual. If it is determined the agent is dealing with a high risk consumer the agent should consult with the Brokerage's Compliance Officer to determine which enhanced measures they should apply, and receive Broker approval to continue with the transaction. Below is a list of enhanced measures agents and the Brokerage should use to mitigate the risk in cases of high-risk business relationships: 15

● 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.

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.

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	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). See Section 3.1.2.12.1 for more information.	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.
Keep Client Information up to date.	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.	Review the new or updated client information provided by agent for every purchase or sale real estate transaction.
Reassess client risk	For every purchase or sale transaction, agents shall complete Section C of the Client Information Record. See Section 3.1.2.12.2 for more information.	Review the client risk information every agent provides by keeping a spreadsheet of all client risks and re-assessing client risk periodically. See Section 3.1.2.12.2 for more information
Keep records of ongoing monitoring	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. See Section 3.1.2.12.4 for more information.	Review Section D.2.2 of Client Information Record for all purchase or sale real estate transactions. Periodically ask all agents for any correspondence they are keeping on file related to this obligation to see if accurate records are being kept.
Detecting suspicious transactions	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. See Section 3.2.6 for more information.	Follow brokerage suspicious transaction reporting policies and procedures at all times.
Enhanced Measures for Ongoing Monitoring and Keeping Client Information Up to Date	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	Ensure enhanced measures policies and procedures are maintained and applied by agents at all times.

	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. Complete Section D.2.3 of the Client Information Record as necessary and consult Section 3.1.2.12.5 for more information.	See Section 3.1.2.12.5 for more information.
Starting June 1, 2021: Confirm beneficial ownership information is up to date.	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.	Review any updated beneficial ownership information provided by agent for every purchase or sale real estate transaction. See Section 3.5 for more information.

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 record 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.

3.1.4. Large Cash Transaction Record

3.1.4.1. It is the policy of the Brokerage to not accept cash transactions

3.1.4.2. In the event cash is inadvertently accepted at a bank:

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 banknotes 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.

3.1.5. Large Virtual Currency Transaction Record

*3.1.5.1. **It is the policy of the Brokerage to not accept virtual currency transactions***

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
No additional procedures

3.2.3. Large Cash Transaction Reports

3.2.3.1. The brokerage does not accept cash transactions. In the event a cash deposit is made at a bank:

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.

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.

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

- **We do not accept cash transactions.**
- **In the event there is an inadvertent cash deposit at a bank, it 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 it 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:

3.2.4. Large Virtual Currency Transaction Reports

The brokerage does not accept virtual currency transactions.

3.2.5. 24-Hour Rule

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.

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

- **[X] Our brokerage does not accept cash or virtual currency. Therefore, the 24-Hour Rule does not apply.**

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 offense. 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 an initial deposit with a cheque from a third party, other than a spouse or parent.
- A client pays substantial down payment in cash and the 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.

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.

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.

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.**

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 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.**

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 offenses. 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 counselor 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 counselor 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;
  - an institution established by an international organization; or
  - an international sports 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	Legal obligation: Formation of business relationship with a client In practice: Upon ID'ing a **new** client for any reason related to a purchase/sale transaction (includes, attempted suspicious transaction, receipt of funds)	…Agents shall complete Politically Exposed Person/Head of International Organization Checklist/Record for their client(s). If foreign PEP (or family member/close associate) then: - 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). 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 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	Legal obligation: Receipt of $100,000 in cash or virtual currency In practice: When agent receives $100,000 or more in cash or virtual currency from any individual…	…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. If foreign PEP (or family member/close associate), within 30 days: - 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. 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: - 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	Legal obligation: Periodic obligation to verify PEP/HIO status with existing clients In practice: For **existing** clients: A. Every time a client needs to be ID'ed related to a purchase/sale transaction verify PEP/HIO status; **OR** B. Verify PEP/HIO status only if client conducts another purchase or sale transaction with brokerage and it has been more than 1 year since a previous PEP/HIO determination was made. 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.	…Agent shall complete A or B (as determined by brokerage): Same as row #1 except note there is no 30-day deadline.
4	Legal obligation: Detect a fact that constitutes reasonable grounds to suspect that a person with whom the brokerage	Same as row #1

	has a business relationship falls into any of the above PEP/HIO categories In practice: 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. The Checklist/Record can be inserted at Appendix L. 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:**
- **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;**
    - **[X] Conducting an Internet search on the individual.**

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

Brokerage-specific PEPS and HIO Policies and Procedures
• Inform the compliance manager of any PEP/HIOs or suspected PEP/HIOs promptly. The Compliance Office will then promptly adhere to FINTRAC policies regarding such information. • Note on Trade record if the person is PEP/HIO

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 can be inserted at Appendix M. The Record contains five steps:

1. *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, 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
A Beneficial Ownership record must be completed for any individual who controls 25% or more of a Corporation. If a Corporation controls more than 25% of a property, any individual owning more than 25% or more of that entity must have a Beneficial Ownership record complete.

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
North Korea [Explain – for example, take additional steps to identify clients involved in such transactions, keep a record of all actions with the client, report transactions as suspicious, etc.] **Add Additional Pages If Necessary**
Brokerage-specific Ministerial Directives Policies and Procedures (Cont'd)
The brokerage policy is to comply with all ministerial directives. Please view this link to stay up to date on all current ministerial directives provided by FINTRAC. Current orders at the time of this document being prepared: To review the Ministerial Directive on Financial Transactions Associated with the Islamic Republic of Iran see: https://www.fintrac-canafe.gc.ca/obligations/dir-iri-eng To review the North Korean ministerial directive see: https://www.fintrac-canafe.gc.ca/obligations/dir-dprk-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 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.

5.

5 Training 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 K or in the space below.**

Upon completion of any training, the relevant employee, agent or other individual authorized to act on the broker's behalf must provide proof that they have completed the relevant training documenting the date(s) when the training was taken, either by completing the form provided at Appendix G or providing a comparable record, and forwarding it to our Compliance Officer. Note that details concerning any training courses other than those identified in Appendix G shall be documented by the Compliance Officer using a copy of the form at Appendix H. 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

- A mandatory FINTRAC course is available in the online portal (RED Warehouse) - A mandatory FINTRAC compliance exam is required by every associate and staff of the brokerage on an ongoing basis, in order to stay in compliance with this policy guide and FINTRAC legislative requirements. - A record of the agents who have completed the course will be maintained by the brokerage.

Below is the training program and plan for each relevant position:

Compliance Officer

1. Within 1 week of taking on the role

a. Download and review - Operational Brief: Indicators of Money Laundering in Financial Institutions related to Real Estate:

i. https://www.fintrac-canafe.gc.ca/intel/operation/real-eng.pdf

b. Review FINTRAC guidance materials

i. https://www.fintrac-canafe.gc.ca/re-ed/real-eng

ii. https://www.fintrac-canafe.gc.ca/pen/1-eng

c. Complete the online broker training course provided by AREA at AlbertRealtor.ca

i. https://albertarealtor.ca/pd/271?code=ic4VYvfz3P

d. Review of completed Brokerage Compliance Regime Manual

e. Meeting with the outgoing compliance officer to discuss job role and responsibilities and corresponding brokerage-specific responsibilities under Compliance Regime

2. Every Two Years after taking on the role

a. Review of completed Brokerage Compliance Regime Manual

37

The Broker

1. At Least Once

1. Download and review - Operational Brief: Indicators of Money Laundering in Financial Institutions related to Real Estate:

a. https://www.fintrac-canafe.gc.ca/intel/operation/real-eng.pdf

2. Review FINTRAC guidance materials

a. https://www.fintrac-canafe.gc.ca/re-ed/real-eng

b. https://www.fintrac-canafe.gc.ca/pen/1-eng

3. Complete the online broker training course provided by AREA at AlbertRealtor.ca

a. https://albertarealtor.ca/pd/271?code=ic4VYvfz3P

2. Every Two Years after the foundational training

a. Review of completed Brokerage Compliance Regime Manual

New Agents to the brokerage or to the industry

1. Before Dealing with any brokerage clients

a. Complete the brokerage compliance material and quiz.

2. Ongoing after joining the brokerage, or at least annually

a. Attend/review ‘refresher’ meetings and presentations offered by the brokerage on an as-needed ongoing basis.

b. Review any changes to the brokerages policies and procedures as they are provided

c. Attend all required FINTRAC training provided by the local board or association

Current agents at the time of the compliance regime completion

1. Once at the implementation of this compliance regime

a. Complete the brokerage compliance material and quiz.

2. Ongoing as offered by the brokerage, or at least annually

a. Attend/review ‘refresher’ meetings and presentations offered by the brokerage on an as-needed ongoing basis.

b. Review any changes to the brokerages policies and procedures as they are provided

c. Attend all required FINTRAC training provided by the local board or association

38

All Brokerage employees (who handle cash or transaction files or interact with clients)

1. Once at the implementation of this compliance regime

a. Complete the brokerage compliance material and quiz.

2. Ongoing as offered by the brokerage, at least once every 5 years

a. Attend/review ‘refresher’ meetings and presentations offered by the brokerage on an as-needed ongoing basis.

b. Review any changes to the brokerages policies and procedures as they are provided

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: ___Kevin Leung____.

Auditor Contact Details: __________Kevin@therealestatedistrict.ca________________.

____.

- **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
The Auditor shall, every 2 years: ● interview and or test select staff and/or associates for knowledge and assurance that the programs and policies are working as described in this policy manual. ● conduct a review of the criteria and process for identifying and reporting suspicious transactions ● conduct a review of risk assessment ● test the record keeping system for compliance with the PCMLTFA, legislation and the client identification procedures of the brokerage ● The scope of the review will be focused on the most recent 150 transactions, and will review for full client information records, and a full review of the policies and training in place by the brokerage to ensure effectiveness.

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 transaction[7]

   (b) Copy of record confirming existence of corporation[8]:

   (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 record[9]:

      (iii) Source of verification record[10]:

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]

2. Please provide the following records:

   (a) Copy of record confirming existence of entity[11]:

   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

---

[7] For example, certificate of incumbency, articles of incorporation or by-laws setting out the officers duly authorized to sign on behalf of corporation.
[8] For example, certificate of corporate status or other record confirming corporation's existence.
[9] For example, certificate of corporate status, published annual report, government notice of assessment.
[10] For example, Corporations Canada website.
[11] For example, partnership agreement, articles of association.

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 suspicion[12] ___

(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:

12 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 G:
Certification of Completion of Compliance Training

By signing this form, I certify that I have completed the following training:

- Read FINTRAC's *Guideline 1: Backgrounder*, *Operational Brief: Indicators of Money Laundering in Financial Institutions related to Real Estate,* the materials located at https://www.fintrac-canafe.gc.ca/re-ed/real-eng and https://www.fintrac-canafe.gc.ca/pen/1-eng, and watched FINTRAC's video entitled, *Your Role in Fighting Money Laundering and Terrorist Financing.*

Trainee Name: ____

Date(s) Training Taken: ____

Signature and Date Signed:_____________________________________

Please forward this form to the Compliance Officer.

Appendix H:
Completion of Additional Training

Name of Trainer (Instructor and Training Provider):________________________

____

Date(s) of session: ____

Signature and Date Signed: ____

Type of Training: ____

(Indicate whether training was provided in a sales meeting, at a seminar, etc.)

Names of those attending:

Complete as required and kept by the firm's Compliance Officer for record keeping.

Appendix J:
Template Auditor Review Form – Page 1 of 2

Name of Auditor: ____

Date of Review: ____

Scope of Review:

Add Additional Pages If Necessary

Results of Review:

Add Additional Pages If Necessary

Template Auditor Review Form – Page 2 of 2

Corrective Measures and Follow-Up Actions:

Appendix K:
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 training[13] 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 *Guideline 1: Backgrounder, Operational Brief: Indicators of Money Laundering in Financial Institutions related to Real Estate,* 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 *Your Role in Fighting Money Laundering and Terrorist Financing.*	Read materials and watch video
1B	*Online training course*	*An online course offered by your Board, Association or regulator*

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

List the brokerage-specific training[14] that trainees will take. Some **examples** of possible brokerage-specific training are inserted below.

---

[13] 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.
[14] 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.

#	Name	Description (include method of training delivery)
2A	*Review of Brokerage Compliance Regime Manual*	*Self-learning review of brokerage's Brokerage Compliance Regime Manual*
2B	*Brokerage Policies and Procedures Presentation for new trainees*	*Brief presentation and Q and A session with Compliance Officer of brokerage's policies and procedures in a classroom-like session*
2C	*Brokerage Policies and Procedures Presentation - Refresher*	*Brief presentation and Q and A session with Compliance Officer of brokerage's policies and procedures in a classroom-like session focusing on what has changed since last presentation*
2D	*One on One with the Compliance Officer*	*Meeting with the compliance officer to discuss job role and responsibilities and corresponding brokerage-specific responsibilities under Compliance Regime*

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
Compliance Officer	1A, 2A	All: once within one week of starting position. 2A: every two years.
Broker	1A, 2A	1A: at least once. 2A: every two years.
New Agents	1A, 2B	All: before dealing with client.
Current Agents	1A, 2C	1A: at least once. 2C: once every two years.
Any Brokerage employee that handles cash who doesn't fall into the above categories	1A, 2B	All: once before handling cash. 2B: once every five years.
Any Brokerage employee that has role in your brokerage under the Compliance Regime who doesn't fall into the above categories	1A, 2B	All: once before performing role. 2C: one every two years
Any of the above who switches jobs within brokerage and has a new role under the Compliance Regime	2D	2D: once before performing role.

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.

Any questions or comments about the service or products CREA provides?

You can contact us on-line at info@crea.ca.

CREA
THE CANADIAN REAL ESTATE ASSOCIATION

200 Catherine Street, 6th Floor, Ottawa, Ontario, K2P 2K9

Tel: 613-237-7111