



Government Relations Issues Update

Money Laundering and Terrorist Financing

TREB Key Message

REALTORS® are committed to complying with federal anti-money laundering and terrorist financing regulations; however, these requirements must be fair and the Federal Government must ensure that they are implemented in a way that does not stifle economic activity. Furthermore, the federal government must ensure that the public is adequately educated about the new requirements so that they are not surprised when asked to comply. The need for a federal public education campaign is one of the concerns that REALTORS® have raised with the government.

Background

The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, passed in June 2000, is designed to detect and deter money laundering and terrorist financing. The Act applies to financial institutions and “other financial intermediaries”, including REALTORS® because they accept deposits on behalf of clients.

There have been basic compliance requirements for federal Money Laundering and Anti-Terrorist Financing regulations since 2001.

- Every broker office had to appoint a “Compliance Officer”;
- Every broker office had to develop and deliver a training program for all designated employees;
- Every broker office had to create a compliance program incorporating office policies and procedures, and update them with new FINTRAC regulatory requirements on an ongoing basis;

- Every broker office was required to report all large cash and suspicious transactions to FINTRAC.
- Every broker was required to verify that the names of their clients were not on the Canadian or United Nations list of known terrorists, or terrorist organizations.

In June 2005, the Department of Finance released a set of proposals intended to strengthen Canada’s anti-money laundering (AML) and anti-terrorist financing (ATF) framework. Following a period of intense industry lobbying and discussions with federal officials, Bill C-25 and its accompanying regulations were introduced in the fall of 2006. Following further lobbying and negotiations between CREA and the federal government, the new regulations were formally approved in June of 2007. For REALTORS®, the new regulations were implemented on June 23, 2008.

Under these new regulatory changes REALTORS®, and other financial intermediaries, are now required to significantly increase their client identification and record keeping requirements. The most significant changes require that:

- when funds are received in any form and in any amount, a Receipt of Funds Record must be kept
- For any purchase or sale of real estate, you must complete an Identification Record (either Individual or Corporation), take steps to verify the identification of the client, and keep related records if there is a third party involved (or if you do not meet your client in a face-to-face scenario)