

# Real Estate Observations

BCLC AML Unit

2019

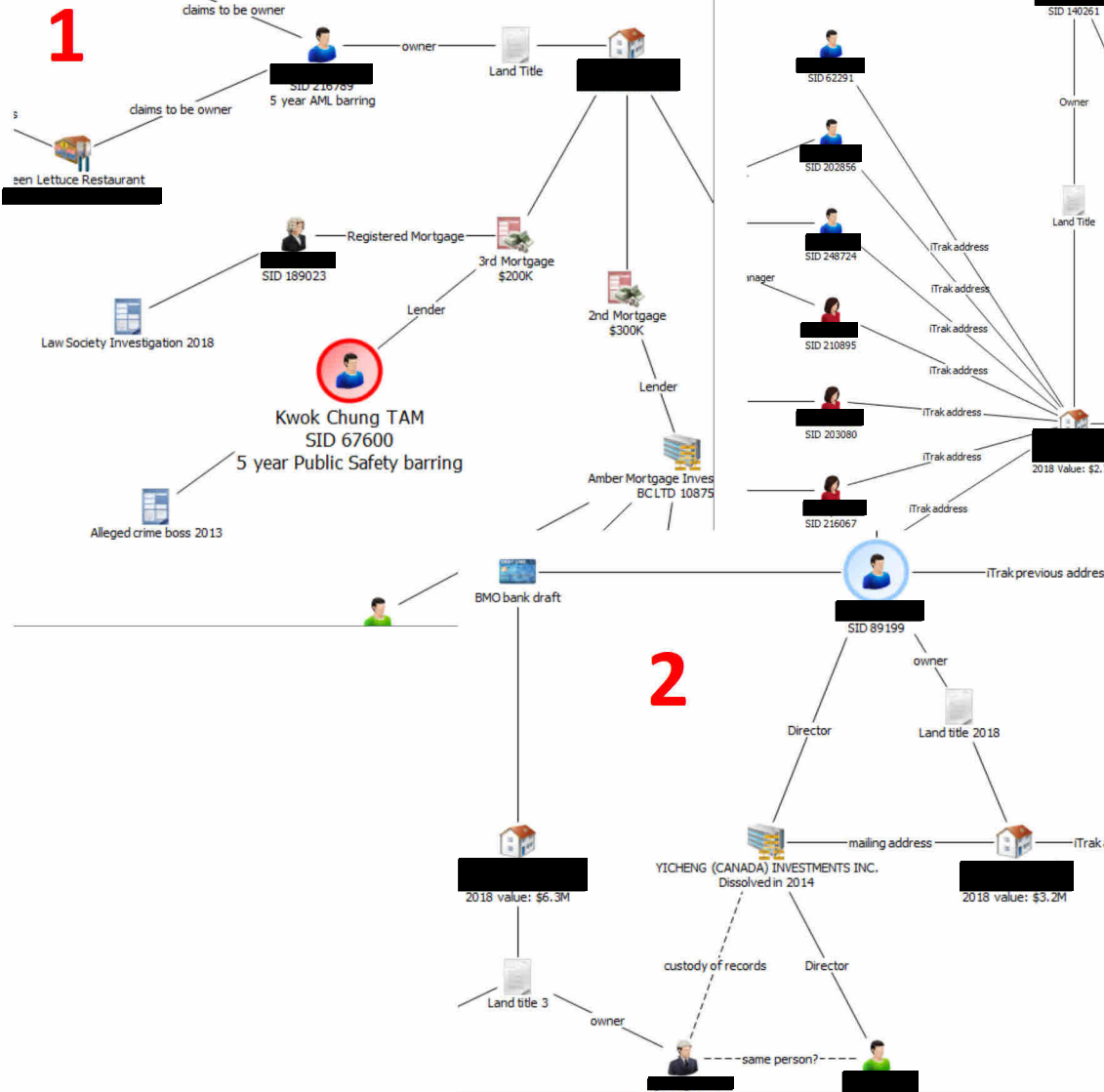


# Enhanced Due Diligence

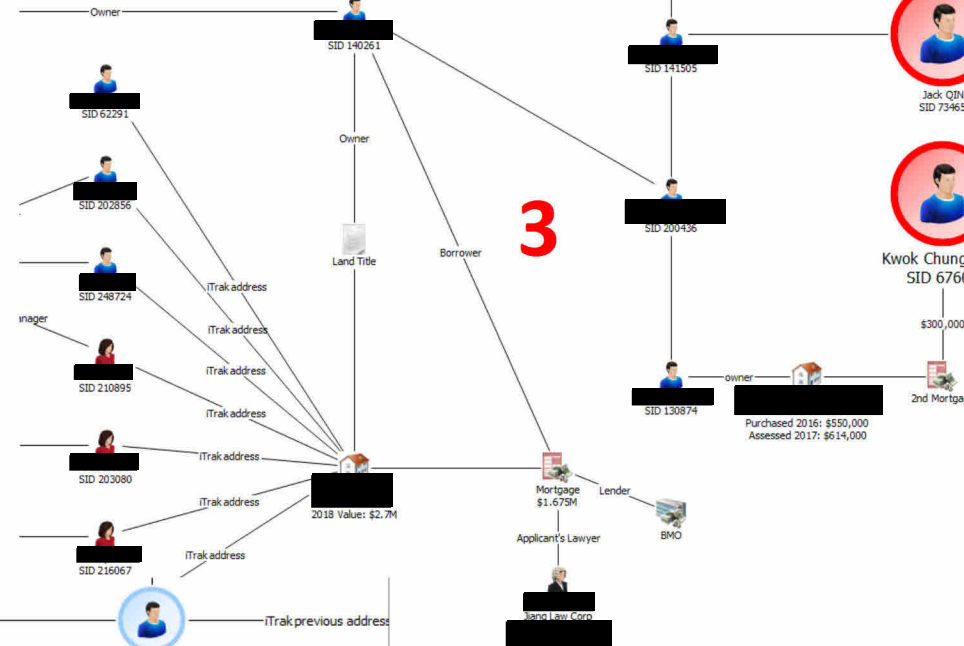
- RCMP Information Sharing Agreement (est.Feb-2014)
  - CFSEU Provincial Tactical Enforcement Program (PTEP) and OSINT support
  - RTIC supports PRIME 3-criteria check
  - Encrypted file sharing via Secure File Transfer Protocol (SFTP)
- BC Online & Land Titles
  - BC Courts, Personal Property Registry, Land & Title, BC Assessment, Corporate Registry
- LexisNexis-Quicklaw
  - International Court Cases from: Canada, USA, UK, Hong Kong, Australia, New Zealand
  - Securities Cases from: Canada, USA
  - Global Company Data: 200+ countries
- World-Check
  - 400+ global intelligence lists related to Politically Exposed Persons (PEP), Sanctions, Terrorism and Adverse Media are utilized for conducting Due Diligence.



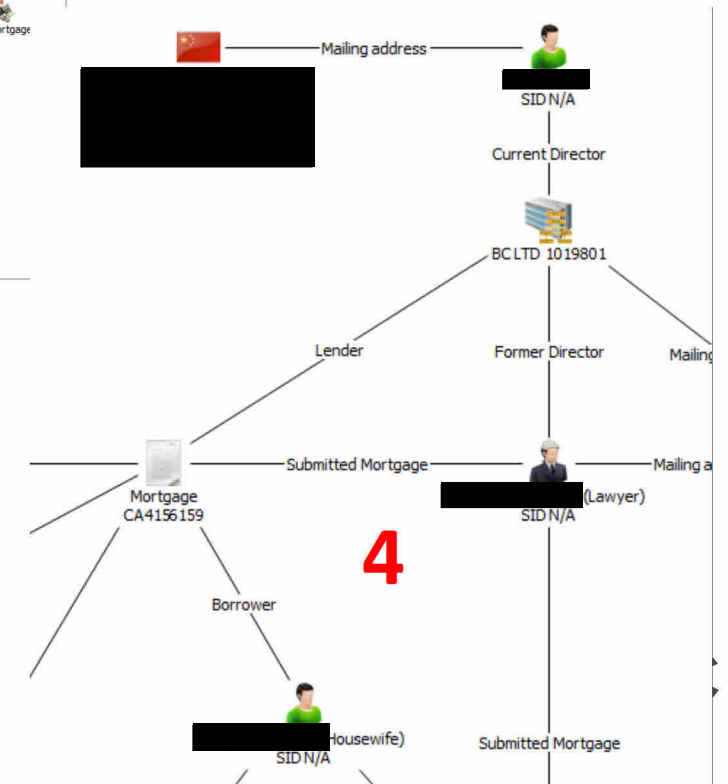
# Link Charts



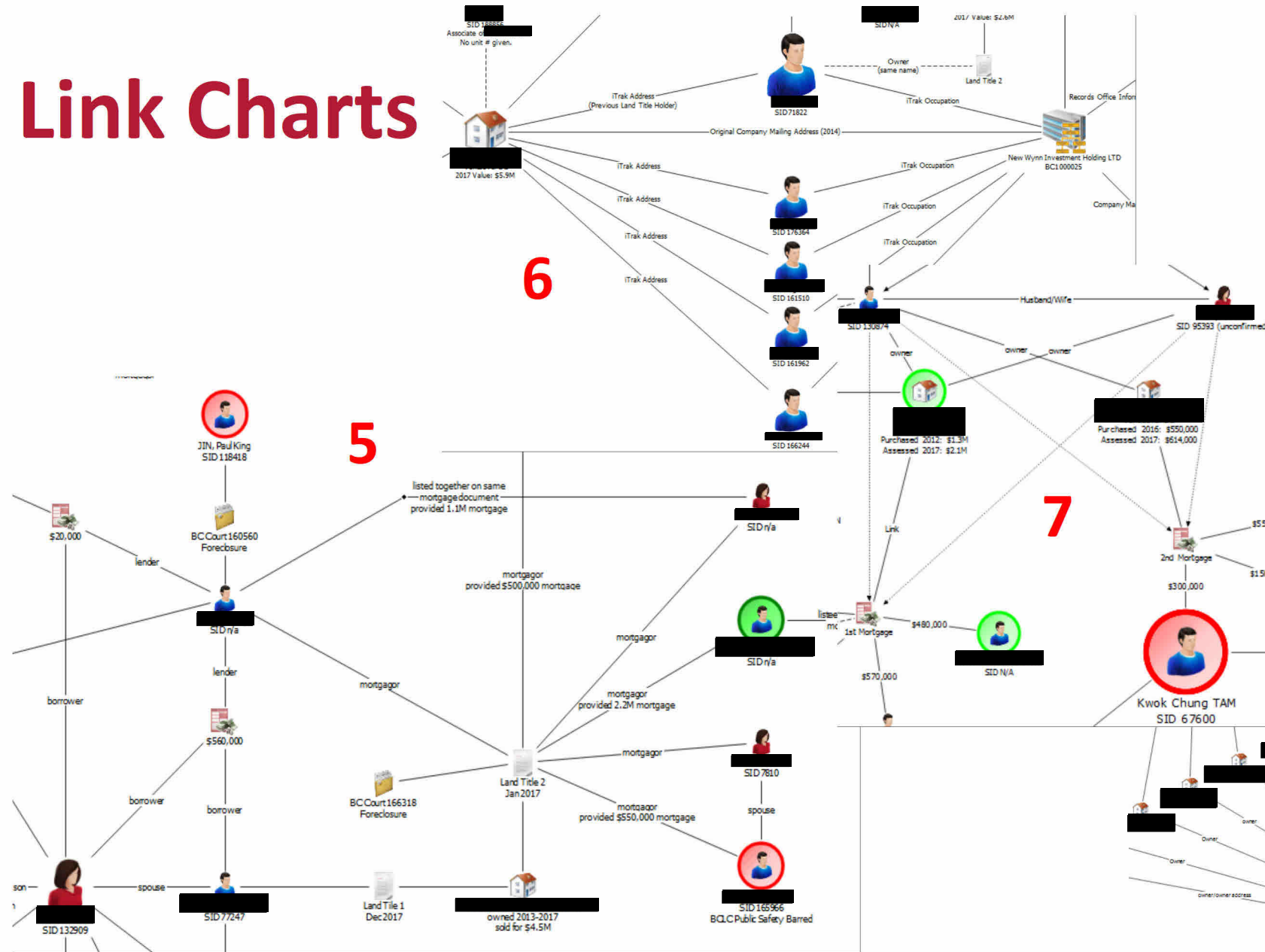
**2**



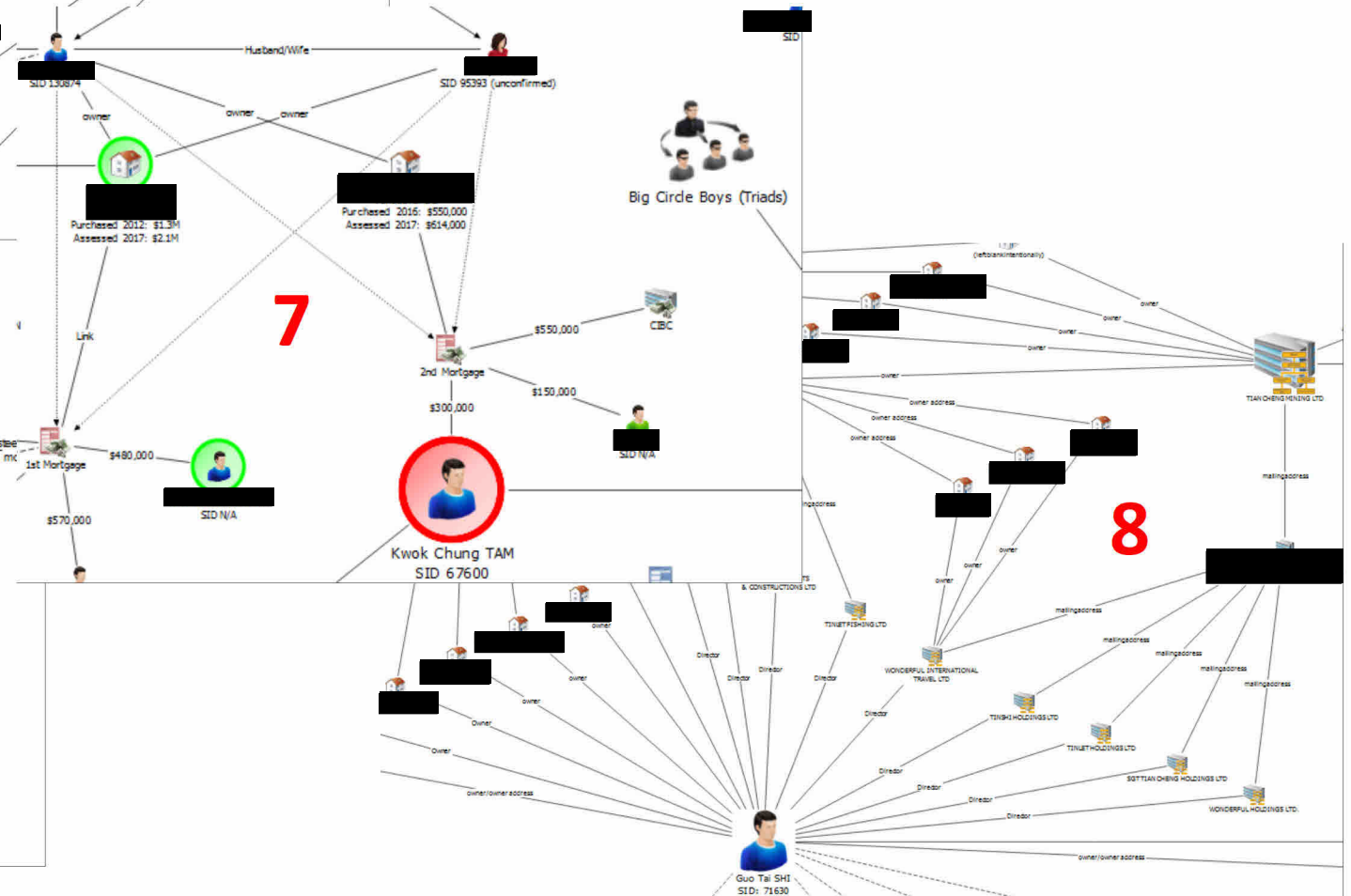
1. Lawyer registering mortgage for alleged organized crime figure
2. Lawyer is owner through power of attorney for 1 of 2 properties linked to beneficial owner
3. Lawyer linked to property with 8 residents, owner linked to individual connected to organized crime figures
4. Lawyer listed as former director of company where current director is foreign. Company is lender of mortgage



# Link Charts



5. Mortgage lenders linked to organized crime
6. Singular residential address being used by multiple people linked to single investment company
7. Mortgage lender linked to organized crime
8. Singular person with numerous companies and numerous properties



# FICOM: Real Estate Intelligence Unit

## 1. Analysis for Non-Registered Mortgage Brokers

Compare LTSA mortgage data to quantify # of mortgages per lending entity and align with Registered Brokers database to identify people who require follow-up as per the Mortgage Broker Act.

## 2. Private Mortgage Lender Due Diligence

All mortgages registered through LTSA require review. Adverse media/watchlist/terrorist list checks & court checks on lender and borrower to identify high risk transactions. Require a Source of Funds document, type of funds lent (modify LTSA form B sec.225 to include)

## 3. Mortgage Value Total Greater than Property Value

Conduct analysis which totals current mortgage(s) amount per property and compare to actual property value to identify anomalies.

## **4. FICOM Sharing Agreement with Law Society of BC**

Lawyers involved in unusual transactions: high cash lent mortgages, mortgages linked to adverse findings, etc. FICOM would notify the Law Society of BC of findings for possible audit or review of that lawyer.

## **5. CRA Income Compared to Properties with Mortgage(s) Analysis**

Properties with mortgages and low declared CRA incomes could be prioritized by property value to identify people who are not declaring all of their income (foreign or domestic) and evading taxes.

## **6. Occupation Analysis (Beneficial Owner)**

All occupations which require further review (e.g. student, unemployed, etc.) can be queried from LTSA and sorted by property value for review to determine beneficial owner so that the database is populated with the most accurate information.

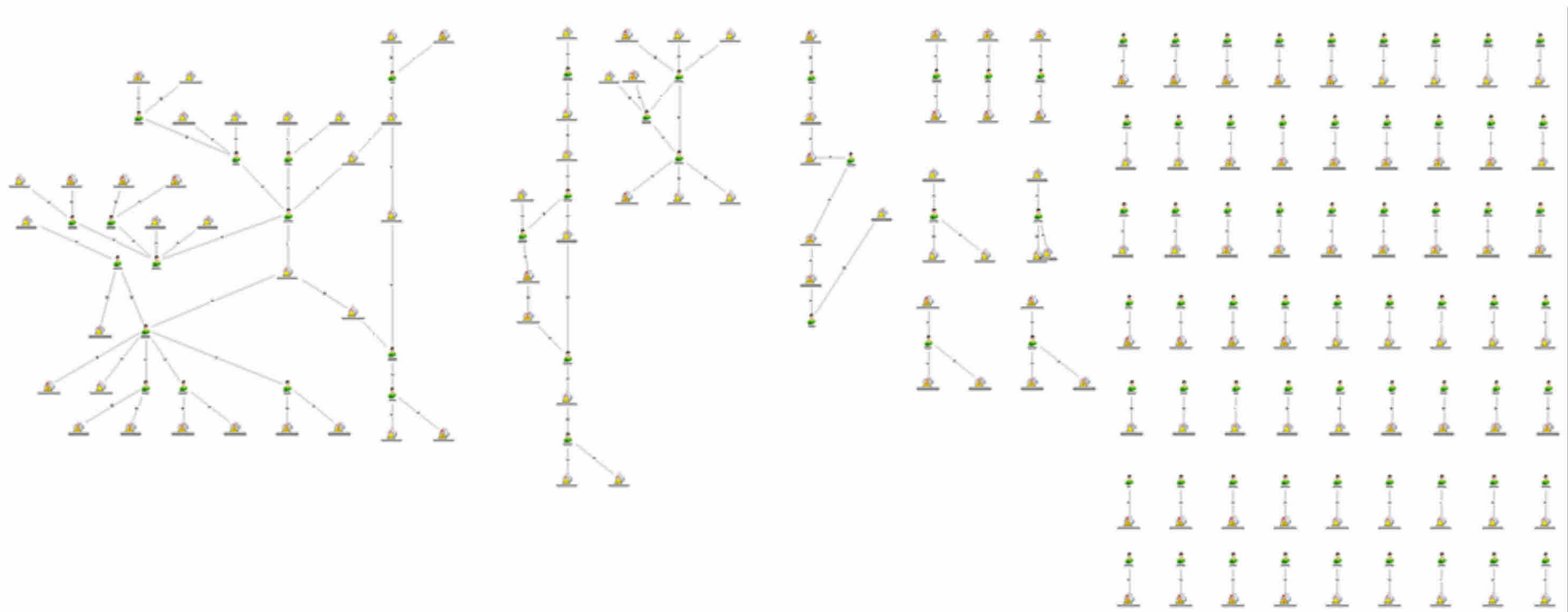
## 7. Company Owned Analysis (Beneficial Owner)

All properties owned by companies can be queried from LTSA and sorted by property value for review to determine beneficial owner. Linking LTSA data to BC Company registration data could reveal all director addresses. Priority could be given to foreign owned properties.

## 8. Cluster Analysis (Beneficial Owner)

Analytical link analysis tools using data from LTSA, BC Assessment, BC Company registration, and ICBC could reveal clusters that may reveal complex ownership structures worth reviewing by linking addresses and associated people.

# Cluster Analysis

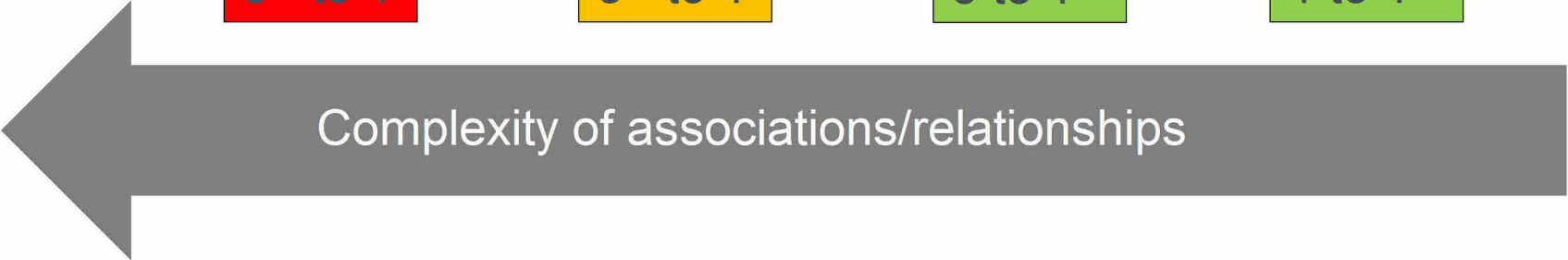


5+ to 1

3+ to 1

3 to 1

1 to 1



Complexity of associations/relationships

### 9. Foreign Tax Application and Tax Evasion Analysis (Beneficial Owner)

Once a beneficial owner database has been populated for land titles, query all land titles where the owner's name changed yet no new land title registered date occurred. If the current owner is a foreign entity this would indicate a nominee was used for the original purchase. Indicating tax avoidance. Retroactively apply foreign tax and consider tax evasion.

## 10. Re-assignment Fraud Analysis (Shadow Flipping)

Have a public facing database which allows recent sellers to see what the sold value of their property was according to MLS data and/or BC Assessment data. If the amount the property sold for is higher than what the seller received (minus fees), the seller could take civil action against the realtor as this is an indicator of a reassignment deal where the seller was not given the full amount.

Note: This assumes that the inflated sold value is reflected in the MLS and/or BC Assessment data. See BC Court record 158797. Realtors involved may have done this in other deals. Review all transactions these realtors were involved to determine other instances.

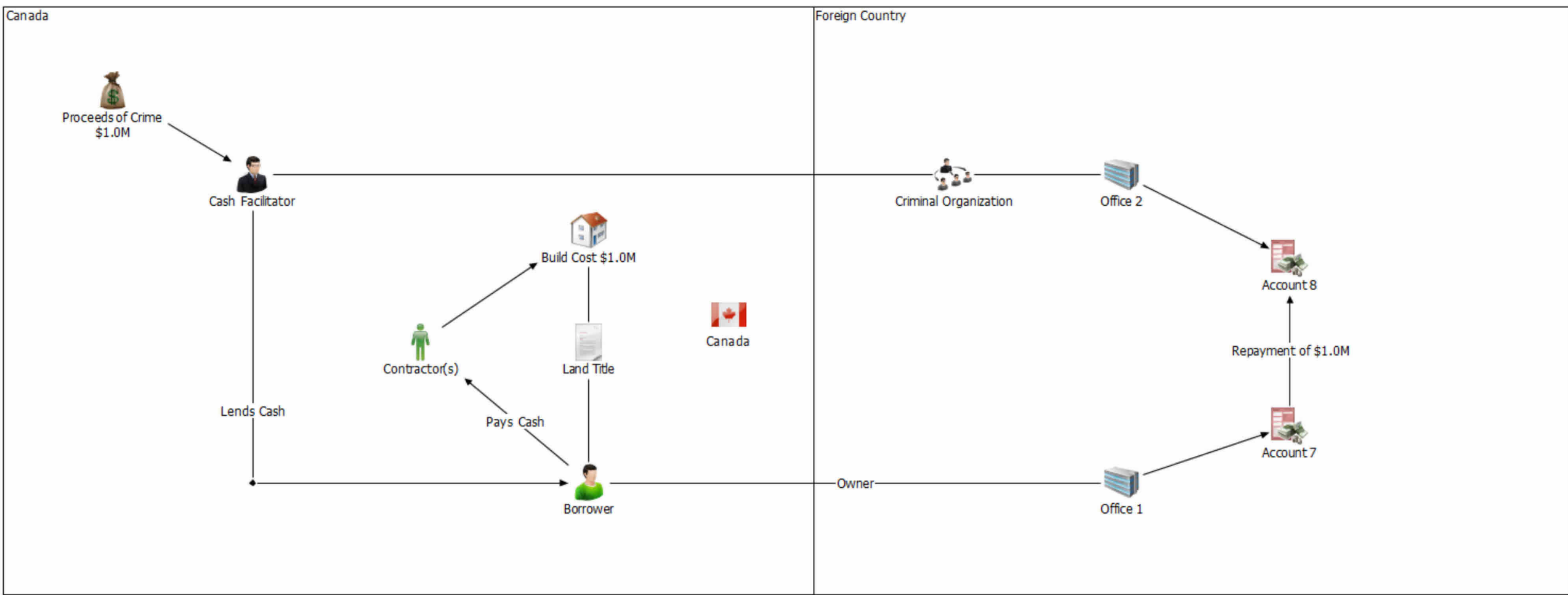
## 11. Realtor Accountability Analysis: Market Oversight

Based on MLS data and LTSA data it would be possible to identify realtors who sold property to a person with adverse media or an occupation that make the transaction suspicious (e.g. student, unemployed, etc.). Queries could be conducted to identify owners with adverse media and reveal non-compliant realtors from a FINTRAC perspective. If a property was sold to a person who the realtor ought to have known was suspicious by conducting simply internet searches and a STR was not filed, these realtors could be identified and fined as per FINTRAC.

### 12. Building Permit reviews versus CRA Contractor Analysis

Cash based renovations or full scale home builds can be paid for in cash. These cash transactions are either claimed by contractors as income or they are not which raises an issue related to CRA and the contractors.

If the source of the cash used to pay the contractor(s) is supplied by organized crime it is possible to launder money through real estate development. Audits related to the building permits and dollar value of the work on permit versus what the estimated dollar value of the work was, coupled with the contractor's book keeping would reveal unusual activity.



If the house is sold and the proceeds used to purchase another property. Seize that property. Look into the contractors who conducted the work. Utilize building permits to identify. Investigate contractor books to determine how much was paid to them in the form of cash. Hope fully the contractors have kept honest books, if not, action from CRA could be taken.

This could be determined by having an estimator look at the work done and if the books for the job do not align, the contractor avoided taxes.

# FICOM: Real Estate Intelligence Unit

The creation of a Compliance Agency with an Analytical Unit to support enforcement through referrals to regulatory enforcement bodies will be a useful component in Real Estate oversight.