BC Canada Real Estate Working Group

Work Stream 2: Regulatory Gaps, Compliance, Standards and Education

Work Stream 2 on Regulatory Gaps, Compliance, Standards and Education

Final Report

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Report provided to

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Office of the Superintendent of Real Estate (OSRE)

British Columbia Securities Commission (BCSC)

Real Estate Council of British Columbia (RECBC)

British Columbia Financial Service Authority (formerly FICOM)

Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)

Canada Revenue Agency (CRA)

Canadian Mortgage and Housing Corporation (CMHC)

Introduction

The British Columbia-Canada Ad-Hoc Working Group on Real Estate was established in December 2018, and brings together senior officials from the British Columbia (BC) and federal governments. Its mandate is to enhance communication, information sharing and alignment amongst relevant operational and policy partners in Canada Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime to explore and better address issues and risks related to money laundering, tax evasion and fraud through real estate in BC.

To fulfill its mandate, the working group established three different work streams. Work Stream 2 was responsible for discussing regulatory gaps, and ways to improve compliance, standards and education. To undertake this, Work Stream 2 identified a number of issues to consider, including:

- identifying important regulatory gaps and challenges in ensuring compliance, notably by leveraging and assessing recommendations made by relevant actors such as the House of Commons Standing Committee on Finance report on Canada's AML/ATF Regime, the BC Experts Panel on Money Laundering, and the second Peter German report;
- exploring how regulators can cooperate to improve compliance;
- exploring how to ensure compliance with new obligations to provide beneficial ownership information;
- exploring options to help regulated entities improve their understanding of existing risks and vulnerabilities; and,
- making recommendations on potential collaborative initiatives.

Work Stream 2 conducted preliminary analysis of various gaps and limitations it identified around existing regulatory frameworks and practices. Building on this work, it subsequently developed a list of priority issues for further consideration. This report provides an overview of the main findings of the work stream and identifies possible areas for future collaboration. Overall, the work stream recommends continued, targeted engagement between the BC and Canadian governments in areas such as promoting AML/ATF Regime regulatory compliance in the real estate sector and initiatives aimed at improving transparency of the real estate market.

1. Issues and Findings

Issue 1: Review the potential benefits of including mortgage brokers and unregulated mortgage lenders as reporting entities under the Federal AML/ATF Regime

The work stream considered the potential benefits of extending the scope of entities regulated by the AML/ATF Regime to include mortgage brokers and unregulated mortgage lenders. The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) applies to certain financial institutions such as banks, credit unions, and insurance companies, including when these entities provide mortgage lending. The PCMLTFA does not apply to entities like Mortgage Finance Companies (MFCs), Mortgage Investment Corporations (MICS) or other private lenders (individuals or other types of corporate entities). Making these entities subject to the PCMLTFA would create regulatory obligations around client identity verification,

recordkeeping, reporting (e.g., suspicious transactions reports) an AML/ATF risk assessment, and compliance program.

More specifically, new obligations could potentially target A) mortgage brokers involved in the business of originating mortgage loans and B) unregulated mortgage lenders involved in the administration portion of a loan (as well as the origination portion if they undertake it themselves).

The work stream took into account that the Government of Canada is currently updating its National Inherent Risk Assessment (NIRA) of money laundering and terrorist financing, which includes an assessment of risks stemming from mortgage brokers and lenders. Recent NIRA discussions helped to highlight vulnerabilities in the mortgage-lending sector, specifically around certain unregulated entities such as private mortgage investment corporations and individual private lenders.

Money laundering risks in the mortgage lending space are fundamentally twofold: 1) lenders may receive payments from the borrowers, which are proceeds of crime, or 2) they may unwittingly or wittingly provide financing with funds that are proceeds of crime. Sometimes, a combination of both is used by sophisticated criminal actors who come to directly control transacting parties or take advantage of complicit actors for compounded layering effects and capacities.

There are a variety of reasons why criminals may use a mortgage. For example, a mortgage can be obtained by a criminal actor to avoid suspicions associated with large personal financing of a purchase or to limit the equity in a property, which can minimize financial losses if the property is forfeited to the Crown. It was suggested in discussions that the levels of vulnerabilities do not appear to be the same for brokers strictly originating loans compared to lenders administrating the loan. Mortgage brokers are unlikely to enable large-scale money laundering only by themselves given that they do not receive funds from the lenders nor the borrowers. They may instead play a partial role by assisting in the misrepresentation/obfuscation activities that facilitate money laundering.

The work stream found that creating new reporting entities could benefit the AML/ATF Regime in situations where lenders are unwittingly used to launder proceeds of crimes. This would foster a greater level of due diligence in the sector (such as systematic verification of client ID and recordkeeping of transactions, mandatory awareness of ML risks, etc.), which in turn, could increase deterrence and detection of money laundering. Another benefit could be to increase the amount of reporting received by FINTRAC on the sector, and consequently, the disclosures provided to law enforcement agencies.

A key objective when considering new AML/ATF requirements is that new measures should not create undue regulatory burden and are proportional to the identified risks. In a majority of mortgage loans undertaken by unregulated lenders, the funds used to make payments on the loan or the funds disbursed to the seller receiving the proceeds of his sale originate from entities

already regulated under the PCMLTFA, such as a banks or credit unions[1]. This raises the question of whether regulating more entities, like mortgage brokers and unregulated mortgage lenders, would bring sufficient benefits to justify the associated regulatory burden.

Based on its preliminary analysis, the work stream considered that there could be certain benefits. For example, unregulated lenders may have a better understanding of their client's financial profiles, of the characteristics of the properties being purchased and a better expertise to identify abnormalities in a transaction. This is especially true given that certain loopholes like using a lawyer trust account for disbursing a mortgage loan can greatly increase opacity around the source of funds. Further analysis of the risks, typologies and vulnerabilities for these sectors would be necessary to assess this tradeoff.

At the same time, these changes may not bring much benefit in situations where the lending entities are criminally controlled, as these entities are unlikely for example to self-report on their suspicious activities. For those situations, other types of measures aimed at improving transparency for regulators/law enforcement agencies of corporate ownership and sources of funds behind the loan may yield better results. One potential measure identified in that regard is requiring unregulated mortgage lenders to fill a transparency declaration under the LOTA when registering interest in a mortgage.

Overall, findings from the work stream are:

- Further analysis would be required substantiate a recommendation on whether to include mortgage brokers or unregulated mortgage lenders as regulated entities under the PCMLTFA. Priority should be given to exploring unregulated mortgage lenders, given the higher level of vulnerabilities faced by lenders when administering loans and the risk of creating duplicative requirements if covering both sectors.

- The federal government should leverage results of the NIRA update and the data mapping exercise from Work Stream 1 to conduct a more detailed assessment of the potential merits of regulating the mortgage broker and unregulated mortgage lender sectors. In its assessment, the federal government should also consider whether the regulatory burden for private sector stakeholders generated by this change would be justified based on the level of risks identified.

- The BC and federal governments should also continue targeted discussions on other complementary measures to address fraud and money laundering risks in the mortgage

[1] To repay his loan with a mortgage investment corporation (MIC) for example, an individual would make a wire transfer from his regulated bank account with Bank X to the MIC's bank account with Credit Union Y. In this case, both Bank X and Credit Union Y would have already verify their client ID, monitored large cash transactions and took other AML measures required by law. Significant loopholes exist however, especially when a lawyer's trust account is used. A foreign investor could make a transfer to a lawyer's trust account with Credit Union Y. The lawyer uses these funds to disburse a loan to a borrower via a private lending scheme. In such cases, the reporting entity (Credit Union Y) can conduct very little due diligence if any regarding the original investor and the source of the funds.

lending sector, such as requiring unregulated mortgage lenders to fill a transparency declaration under the LOTA when registering interest in a mortgage.

Issue 2: Conduct lessons learned exercise for the LOTA

The Expert Panel on Money Laundering in BC Real Estate recommended that "[t]he BC Minister of Finance should encourage other provincial finance ministers across the country to implement beneficial ownership of land registries that are consistent with best practices." The work stream engaged in several discussions about BC's experience developing the *Land Owner Transparency Act* (LOTA) and discussed further work BC could consider as work to establish the Land Owner Transparency Registry (LOTR) proceeds. In addition to supporting continued improvements to the LOTR as the regime is implemented, these discussions may also be useful for any other provinces that are considering their own beneficial ownership registries.

Key considerations and challenges with setting up a LOTA framework were identified and discussed by the work stream. These were:

Verification of beneficial owners under the LOTA:

- LOTA relies on self-reported information that is not verified and may not be useful. Although the LOTR relies on "subscribers" (lawyers and notaries) to act as gate keepers to the land title system by filing transparency reports with the registry, they have no obligation to verify any of the information provided by reporting bodies (beyond their existing know-your-client obligations).

- Although LOTA includes enforcement provisions and the potential for significant penalties, these rely on reviewing information after it is filed. Furthermore, verifying identity may be a challenge as the legislation requires a social insurance number or income tax number, but does not require a unique identifier from those who do not have a Canadian tax number.

Privacy and protection of vulnerable individuals under LOTA:

- A significant concern raised during the LOTA consultation was that allowing the public to access information on beneficiaries of trusts represents a significant departure from the current treatment of trusts and raises considerable privacy concerns. This departure was identified as particularly acute for vulnerable individuals (e.g. victims of domestic violence).

- Following the consultation, to ensure vulnerable persons had an adequate opportunity to apply to have their identity omitted from the public data, the time period prior to the registry making information public was changed from 30 days to 90 days. This provides vulnerable individuals adequate time to make an application to omit information. Further changes could be necessary in the future should additional privacy concerns emerge.

Scope of corporate interest holders under LOTA:

- Threshold of Control
    - Responding to a recommendation from the Expert Panel on Money Laundering in BC Real Estate in its January 2019 letter to the Minister of Finance, BC lowered the threshold for disclosure by a corporation of its interest holders from 25% to 10%.
    - As a result, the threshold under LOTA is inconsistent with the threshold included under the *Business Corporations Act* requirement to maintain a transparency register and reporting requirements under the *Property Transfer Tax Act.* There is some frustration with stakeholders around this, as many BC companies will be required to determine their corporate interest holders under multiple statutes.

- Other interests in land
    - An "interest in land" under LOTA is currently limited to estates in fee simple, life estates and certain leases and does not include other interests in land, such as mortgages and liens which may also be associated with money laundering.

- Emerging policy issues identified during the system build
    - The LTSA is currently building the LOTR. As a new piece of legislation that is the first-of-its-kind in Canada, challenges that have occurred include:
        - interpretation of the legislation;
        - reducing the policy of human error resulting in inaccurate information entering the system; and,
        - identifying gaps in the legislation

Overall, the work stream's findings were that:

- BC should consider further measures that could improve the accuracy of the LOTR, such as requiring the collection of tax numbers from foreign entities that do not have a Canadian tax number.

- BC should continue to monitor the privacy concerns that emerge from the creation of the public-facing LOTA database.

- BC should consider facilitating the sharing of LOTA data with other agencies to allow for data analytics.

- BC should consider harmonizing the meaning of corporate interest holders under the LOTA, *Property Transfer Tax Act* reporting and *Business Corporations Act* Transparency Register requirements.

- BC should consider expanding the meaning of "interest in land" under the LOTA to include other interests, including mortgages and liens.

- BC should share its lessons learned in the development of the LOTA with other Canadian jurisdictions interested in implementing a similar beneficial ownership in land registry.

- BC should work with the LTSA after the launch of the registry to compile a list of lessons learned in operationalization of the registry to assist other jurisdictions interested in implementing a similar beneficial ownership in land registry.

Issue 3: Consider the enforcement tools available to LOTA officers

To increase transparency and disrupt actors attempting to conduct anonymously illicit activities in the real estate sector, the BC government introduced the LOTA, which requires that information on beneficial ownership of real estate be provided and held within a provincial registry. As part of its work, Work Stream 2 conducted a preliminary assessment of options to foster information sharing between the LOTA and other government agencies, notably FINTRAC. Obtaining greater information on non-compliance of certain entities or persons involved in real estate transactions or identifying information about entities could support the ability of LOTA enforcement officers (LEOs) better detect potential financial criminal activity when enforcing compliance with LOTA requirements.

FINTRAC is both a financial intelligence unit (FIU) and the regulator responsible for overseeing compliance with the PCMLTFA. These two functions operate separately from each other. The work stream discussed whether it would be possible, and beneficial, for FINTRAC to share information it collects under either of these functions with the LEO.

With respect to FINTRAC's role as a regulator, the work stream discussed the potential for sharing of information on regulatory compliance between FINTRAC and LEOs. Under the PCMLTFA, FINTRAC is able to share regulatory information with other regulators through a Memorandum of Understanding (MOU). In order for FINTRAC to undertake an MOU with another regulator, at least some of the regulated entities under the regulator's legislation and the reporting entities under the PCMLTFA need to be the same. As there is no apparent overlap between LOTA reporting bodies and FINTRAC reporting entities, the work stream has concluded that it appears that a regulatory MOU would not be useful to either regulator. However, once the enforcement officer function is further developed, further discussions regarding this avenue and its applicability are suggested.

Regarding FINTRAC's role as an FIU, one option considered was making LEOs a FINTRAC disclosure recipient to allow them to receive financial intelligence. The underlying assumption here was that suspicious financial flows between entities or person involved in real estate transactions could trigger suspicions and investigations of non-compliance with the LOTA. Generally speaking, FINTRAC is allowed to disclose designated information to police forces if it has reasonable grounds to suspect that the information would be relevant to investigating or prosecuting a money laundering offence and to other disclosure recipients as identified in the PCMLTFA and consistent with their respective mandates. As maximum penalties under the LOTA are offences with higher monetary penalty and do not allow for imprisonment time (the LEO cannot conduct criminal investigations), further review as to how and whether a LOTA LEO could become a FINTRAC disclosure recipient is required.

Nonetheless, there are still options for sharing information that could merit further consideration. For example, LEOs may be able to send Voluntary Information Records (VIRs) to FINTRAC when it has reasonable ground to suspect that a real estate transaction may involve money laundering. This would allow FINTRAC to receive information flagged proactively by the LEO and potentially help the Centre develop more intelligence leads on suspicious real estate transactions.

More generally, the BC and Canadian governments could continue targeted discussion on potential avenues for information sharing between FINTRAC and LEOs, as LOTA enforcement becomes operational.

Overall, the work stream found that:

- An MOU between the LEO and FINTRAC for regulatory compliance purposes is not recommended at this time, given the lack of overlap between LOTA reporting bodies and FINTRAC reporting entities.

- The work stream does not recommend making the LEO a FINTRAC disclosure recipient, given legal threshold set out by the PCMLTFA and the LEO's lack of criminal investigations powers.

- The BC and Canadian governments should continue targeted discussion on potential avenues for information sharing between other government agencies and the LEO as it becomes operational.

- The LEO should consider options for sending VIRs to FINTRAC when it has reasonable ground to suspect that a real estate transaction involves money laundering.

Issue 4: Consider ending the exemption in the RESA Regulations that permit developers to use their own unlicensed salespersons to provide real estate services

Under the *Real Estate Services Act* (RESA), there is an exemption in the regulation that exempts the employees of developers from the requirement to be licensed in certain circumstances.

Consumer protection concerns regarding the exemption for the employees of developers were raised in Dan Perrin's 2018 *Real Estate Regulatory Structure Review Report* (the Report). The Report recommended that the province consider whether the employees of developers should be regulated. In 2019, the Expert Panel on Money Laundering supported Perrin's analysis and recommended that the Minister of Finance eliminate the licensing exemption for employees of developers.

The work steam discussed the concerns relating to the current exemption for employees of developers and identified several key considerations and challenges. These include:

- Licensed real estate agents are heavily regulated and have disclosure and reporting requirements in addition to specific education requirements relating to AML. Permitting developers to engage employees of unregulated sales decreases oversight and may increase risk of AML noncompliance, tax evasion and other misconduct.

- While developers have FINTRAC reporting requirements and must comply with the *Real Estate Developers Marketing Act* (REDMA), developers are not licensed. Under REDMA, developers found to be noncompliant can be ordered by the Superintendent of Real Estate to cease marketing, place deposit moneys in trust, and file new disclosures. However, a developer cannot be suspended or banned from marketing future developments.

- While the Perrin report highlighted consumer protection concerns regarding the exemption, the Real Estate Services Regulation requires that the employee of the developer disclose to all potential purchasers that they are not licensed and that they are acting on behalf of the developer, not the purchaser. There is nothing to restrict a potential buyer from engaging their own licensee to act on their behalf when purchasing a development property.

- If the exemption for the employees of developers were to be eliminated, the employee of a developer would still represent the developer and not the purchaser; however, creating licensing requirements for developers could result in greater transparency for consumers.

- Several options for regulatory improvement were discussed by the group to increase AML compliance, prevent tax evasion and deter misconduct, including:
    - Ending the exemption in the RESA Regulation that permits developers to use their own unlicensed salespersons to market and provide trading services in relation to development units in BC;
    - Amending the REDMA legislation to give the Superintendent the authority to prevent market misconduct by suspending or banning certain persons from marketing future development units in BC; and
    - Leveraging the recent amendments to REDMA that established the Condo and Strata Assignment Integrity Register (CSAIR), part of the provincial government's *30 Point Plan for Housing Affordability in BC*, to assess developer compliance and coordinate with tax regulators to take action against tax evasion.

Overall, the work stream found that further analysis is required to determine the best way to address consumer protection concerns relating to the current exemption for the employees of developers as well as examining the potential for tax fraud and money laundering. Analysis should include consultation with developers, the real estate industry and regulators to determine the impacts of the proposed regulatory changes.

Issue 7: Recommend policy work to consider a maximum permissible threshold of certain unlicensed activity

The *Real Estate Services Act* (RESA) requires that a person must not provide real estate services to or on behalf of another, for or in expectation of remuneration, unless the person is licensed under RESA to provide those real estate services. The Office of the Superintendent of Real Estate ("OSRE") exercises statutory enforcement authority to investigate, issue orders and levy significant penalties under RESA in respect of any unlicensed person who provides real estate services contrary to RESA.

RESA (and OSRE authority) does not apply to persons providing real estate services to or on behalf of themselves. This means that owners do not require a license to sell or lease their own properties. This is typically referred to as for sale by owner ("FSBO") and for lease by owner ("FLBO") activity, and appropriately allows consumers to conduct real estate services without the use of a licensed person.

RESA was first drafted in 2004 and does not contemplate the sophisticated volume-based business practices that have emerged to subvert the regulatory framework. FSBO and FLBO activity is being abused by unregulated service providers who are conducting large-scale activities and putting the public at risk. Wholesale business models now exist where entities enter into multiple purchase or tenancy agreements and engage to conduct unlicensed RESA services such as purchase contract assignment or subleasing.

The broader regulatory and law enforcement framework and the AML compliance regime have little to no insight into the activities of even large-scale unregulated entities acting in this manner, who unlike licensed persons, have no AML responsibilities, conduct expectations or consumer protection accountabilities.

The work stream noted that unlicensed real estate service providers are able to avoid RESA's licensing requirements by consciously structuring their business practices to meet the definition of owner under RESA and lawfully engage in FLBO or FSBO activity even on a wholesale or business scale. This includes FLBO unlicensed rental property management services, in which an unlicensed rental property manager can enter into a lease with unlimited owners for an unlimited number of properties and then subsequently sublet those properties (without or without consent of the owners) and FSBO unlicensed trading services, in which an unlicensed person can enter into multiple purchase agreements with long completion dates. The unlicensed person can then engage in trading services to sell those agreements by way of contract assignments.

The work stream further noted that unlicensed entities providing real estate services generally present a greater risk for money laundering and tax evasion than licensees and have no defined regulatory requirement to comply with AML reporting. As all levels of government seek to address AML reporting and misconduct through increased responsibilities and education for regulated real estate professionals, the gap between the regulated and unregulated areas of the market in terms of AML compliance has grown and continues to expand. There is reasonable likelihood that bad actors will favour the unregulated area of the market to escape the lens of law enforcement.

Overall, the work stream found that the ability under RESA for unlicensed entities to structure their wholesale business practice in such a way that they avoid the requirement to be licensed, and engage in FLBO and FSBO activity on a wholesale or business scale, undermines the AML

and regulatory regimes. Policy work to identify the scope of the issue, and solutions that establish a permissible threshold of unregulated activity could address the issue.

2. Coordination Facilitated by the Work Stream

In addition to analyzing the issues detailed above, the work stream has also allowed officials from the BC and Canadian governments to exchange information and coordinate on various ongoing initiatives in order to address the issues of money laundering, fraud and tax evasion in real estate.

Initiative 1: Coordination of BC AML training program to real estate professionals

Recently, the Real Estate Council of BC (RECBC) developed and launched a mandatory AML education course that is required continuing education for all licensees. This course provides licensees with tools to identify red flags and outlines their obligation to report suspicious activity. It is designed to educate licensees on FINTRAC requirements and to ensure that they have the tools they need to identify suspicious transactions. RECBC acknowledges and thanks FINTRAC for their support with this course.

The course is mandatory, meaning that every licensee has to take the course in order to renew their license. Given the two-year cycle for licensees, RECBC introduced incentive pricing to encourage licensees to complete the course promptly. Practice guidance for licensees has also been expanded to include content covered by the course, with an emphasis on identification of, and response to, money laundering red flags.

RECBC also has entered into a MOU with FINTRAC to assist in cooperating and sharing information to facilitate AML enforcement activities in British Columbia's real estate sector.

Initiative 2: Foster coordination and collaboration to improve tax compliance in real estate

The work stream supported discussions and information sharing on various ongoing initiatives to improve tax compliance in real estate. The Canada Revenue Agency (CRA) is working with the BC Ministry of Finance to improve access to provincial datasets and information that will improve CRA's ability to link provincially maintained real estate information to internally maintained tax related information.

This includes real estate data obtained from the following sources:

- Condo and Strata Assignment Integrity Registrar (CSAIR) – To be received twice annually.

- Land Owner Transparency Act (LOTA) – holding discussions on layout of data to meet CRA needs.

- Speculation Vacancy Tax – Vacancy home registry data has been provided to CRA and will continue to be provided. There will likely be delays due to impact of COVID 19.

The real estate data obtained will be used by the CRA to enhance its compliance activities within the real estate sector. It will assist the CRA in identifying and auditing high-risk issues within the industry such as non-resident issues and offshore transactions.

Policy and procedures are currently being updated with respect to referring files to the CRA's Criminal Investigations Division (CID). If applicable, and in appropriate circumstances CID will pursue money laundering offences under the proceeds of crime legislation. Information on making referrals to CID will be provided to audit staff through either a communique or a job aid. Training has been developed to enhance CRA auditors' knowledge with areas of non-compliance within the real estate sector and CRA will continue its outreach on real estate by communicating via targeted messaging on various platforms such as social media.

Next steps include connecting provincial data on real estate into internally maintained information through a common identifier, evaluating new and emerging areas of risk, as they are determined and continuing education of taxpayers through outreach and various real estate topics such as the principal residence exemption, property flipping and unreported capital gains.

Initiative 3: Collected feedback and analysis around new federal requirements on determination of beneficial ownership and politically exposed persons

The work stream was leveraged to discuss and receive feedback on proposed regulatory amendments to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations* (PCMLTFR) to require certain regulated businesses and professions like real estate agents, brokers and developers to conduct politically exposed persons determinations and collect beneficial ownership information as part of their due diligence obligations. More specifically, the work stream considered potential synergies or undue effects of the measure with relation to rules for the real estate sector in BC Starting June, 2021 real estate agents and brokers will need to determine and verify the identity of the ultimate person behind a transaction (beneficial owner) and to assess whether their client is a politically exposed person.

The work stream also discussed other proposals around increasing reporting by the sector, such as lowering thresholds for reporting cash transactions in real estate. However, after preliminary analysis, the work stream was not convinced that this would be a sufficiently effective measure against money laundering, and shifted focus to other issues.

Final publication of the regulatory changes were published in the Canada Gazette on June 10, 2020 and the new requirements will come into force on June 1, 2021.

Initiative 4: Exchange of information and strategic intelligence on implementation of a licensing regime for money services businesses (including white-label ATMs) in BC

In its report, the Expert Panel on Money Laundering in BC Real Estate recommended that "[t]he BC government should consider developing a regulatory regime for money services business (MSBs) to be operated by the Financial Institutions Commission." The Expert Panel outlined

MSBs as the largest source of suspicious transaction reports submitted to FINTRAC while noting that the regulation of financial business is not FINTRAC's core mission.

The Independent Review of Money Laundering in Lower Mainland Casinos by Peter German (the Independent Review) similarly recommended that MSBs be regulated by the province and recommended that "the province consider a licensing and recording regime for MSBs, like the Metal Dealers Recycling Act. The RCMP also consider the operation of privately-owned white-label ATMs as vulnerable to money laundering because there is little to no oversight. "

In considering options for regulating money services business, the work stream exchanged information and strategic intelligence on implementation of a licensing regime for money services businesses (including white-label ATMs). BC also completed consultations with industry and law enforcement and is now preparing options for implementing a regulatory regime for money services businesses for government consideration. The work stream also recommends that further analysis be conducted on options to regulate white-label ATMs.

Conclusion

Overall, this work stream has facilitated a common understanding of existing rules and compliance activities aimed at combatting illicit activities in real estate between BC and Canadian government officials. It also supported coordination and information sharing on ongoing efforts to address risk around fraud, tax evasion and money laundering in real estate. Lastly, it served as a forum to discuss potential vulnerabilities and gaps in the current frameworks, and helped to identify and assess potential avenues for future improvements.

Addressing the issues of illicit activities in real estate is highly complex, requiring close federal-provincial collaboration. Important measures to enhance the AML/ATF Regime, such as the LOTA, or new requirements around transparency for corporations, are still early in their development. New opportunities for collaboration will emerge as these measures become operational.

The work stream particularly recommends further collaboration to explore potential actions or role(s) that BC regulators and federal agencies could take to combat illicit actions in real estate. For example, the BC and Canadian governments should work together to leverage findings from Work Stream 1 on data exchange to assess options around the BC Land Title and Survey Authority contributing to AML and anti-fraud efforts. Similar discussions could also take place as BC continues to make changes to how the real estate sector is regulated in BC.

The work stream recognized the scope of its objectives, and timelines of the overall working group. In doing so, it did not aim to recommend specific mandate or legislative changes. Such recommendations are more appropriately left to individual organizations, and federal-provincial jurisdictions, to consider further.

As a result, it is a general recommendation of this work stream that targeted discussions continue between the BC and Canadian governments, in order to continue to advance priority issues

identified in this report. Consideration could be given to sharing a summary of this report with other provinces and territories, to generate broader information sharing and collaboration.