

FINTRAC's Engagement and Compliance Activities in the Real Estate Sector

- The real estate sector has thousands of reporting entities (*currently almost 7,500 identified by FINTRAC*) that are spread across Canada. Due to the large population and high entry rate into the real estate market, it is challenging to identify all reporting entities, to reach out to all of them and to assess their compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLFTA)* and associated Regulations.
- Overall, reporting entities in this sector have difficulties in understanding how they are vulnerable to ML/TF activities given that they rarely handle the financial aspects of real estate transactions. They therefore believe that the submission of financial transaction reports is the responsibility of banks and other intermediaries (e.g., lawyers, notaries).

Engagement and Assistance

- In the early years of FINTRAC, the focus was on providing guidance and conducting outreach on the PCMLFTA and associated Regulations on an ongoing basis and upon request. This included answering policy interpretation questions from brokerages, as well as conducting multiple webinars and in-person outreach activities with real estate brokerages, boards and associations.
- FINTRAC dedicated significant time and effort to working with the Canadian Real Estate Association (CREA) to increase the sector's understanding of its PCMLFTA obligations, by:
 - providing a number of specific policy interpretations – between April 1, 2017 to October 31, 2020, FINTRAC provided 85 policy interpretations to CREA and its industry reporting entities;
 - helping CREA with its Risk Assessment Form;
 - providing feedback on CREA's anti-money laundering and anti-terrorist financing manual;
 - reviewing its online training;
 - consulting CREA on new customer due diligence guidelines, risk-based approach guidance and the development of a new workbook created specifically for the real estate sector;
 - briefing its Federal Affairs Committee; and
 - undertaking dedicated webinars for the real estate sector.
- In addition to working closely with CREA, FINTRAC engages with real estate boards, associations and provincial regulators on industry-related issues

- In the federal Budget 2019, FINTRAC received new funding to increase the number of outreach activities and of compliance examinations in the real estate and casino sectors, with the initial focus on British Columbia.
- Between April 1, 2017 and December 4, 2020, FINTRAC participated in nearly 80 activities across Canada with this sector through meetings, teleconferences, conferences, training events and communication to the sector through real estate associations and provincial regulators. (*NOTE: FINTRAC started to keep information and statistics on its engagement activities only in 2018-19 and, as such, it was impossible to find complete details related to all events prior to April 1, 2018. Tables with further information are provided in RDIMS 765557*). The breakdown per fiscal year for activities involving the real estate sector is as follows:

Fiscal Year	Total Number of Engagement Activities	Number of Engagement Activities involving the Real Estate Sector across Canada	Number of Engagement Activities involving the Real Estate Sector conducted by FINTRAC's Vancouver Office
2017-18	94 (details are only available for 48 of these)	14	5
2018-19	135	25	4
2019-20	166	19	8
2020-21 (until December 4, 2020)	57	21	12

NOTE: When available, presentations provided to the real estate sector across Canada have been listed in RDIMS 768960 and PDF versions provided.

- In March 2019, FINTRAC signed a Memorandum of Understanding (MOU) with the Real Estate Council of British Columbia (RECBC). As part of this collaboration with RECBC, FINTRAC:
 - contributed to the development of AML/ATF training modules, which were launched in January 2020;

- met regularly with RECBC to discuss FINTRAC's examination processes, to explain AML/ATF requirements and to share the Centre's compliance examination findings of mutually regulated entities; and
 - updated its database with real estate entities located in British Columbia based on information received from RECBC under the MOU.
- In July 2019, FINTRAC contributed to a three-part podcast published by the Alberta Real Estate Association. The FINTRAC section focused on what real estate entities should expect when being examined by the Centre, how the sector is vulnerable to ML/TF and the importance of submitting suspicious transaction reports to FINTRAC. CREA and a broker who was subject to a FINTRAC examination covered the other two sections of the podcast.
 - FINTRAC also contributed to the development by the Real Estate Council of Ontario (RECO) of its AML/ATF training modules, launched in December 2019, for new registrants and ongoing learning of Ontario real estate agents.
 - In October and November 2020, the FINTRAC Vancouver Regional Office sent Welcoming Letters (RDIMS 757079) to 172 new real estate brokerages in British Columbia to inform them on AML/ATF obligations.
 - FINTRAC is currently developing new online education tools for this sector that will provide an overview of PCMLTFA obligations, with emphasis on areas that the sector struggles with, such as the conduct of risk assessments and the reporting of suspicious transactions.

Compliance Assessment and Enforcement Activities

- A significant number of examinations have been conducted in this sector since 2013, which account for a high percentage of FINTRAC's annual exam plans. On average, FINTRAC dedicates roughly 35-40% of its annual exam plan to real estate sector compliance examinations.
- Overall, the areas where the Centre identified the highest level of non-compliance in this sector included the implementation of risk assessments, policies and procedures (which were incomplete or too generic), implementation of a two-year review, as well as gaps in some record keeping requirements (e.g., client information records, and receipt of funds records).
- Along with examinations, the Centre also issued compliance assessment reports to the real estate sector. These reports are applied at the front-end of our compliance efforts as they help to identify and understand the entities within the sector. They also inform the Centre's risk assessment model, which is used to determine where further and more intensive compliance assessment actions are needed, including onsite examinations.

- With the funding received in Budget 2019, FINTRAC has significantly increased its examinations in the real estate sector. Over the past two fiscal years (2018-19 and 2019-20), the Centre conducted 336 real estate examinations nationwide, 38% of which took place in British Columbia. In 2020-21, FINTRAC had initially planned 177 real estate compliance examinations, more than 40% percent of the entire examination plan. However, COVID-19 will have an impact on these targets.
- In addition, the Centre implemented a new approach to real estate examinations, whereby a greater focus is placed on assessing compliance program elements, such as policies and procedures, client identification and the reporting of suspicious transaction reports (STRs). It also includes an outreach and educational component on identifying suspicious transactions based on ML/TF indicators, and how to report them in STRs, in an effort to increase the level of STR reporting, which remains low for this sector.
- Since January 2009, FINTRAC has issued a total of 19 Notices of Violation for Administrative Monetary Penalties (AMPs) for reporting entities in the real estate sector.