



Canada Anti-Money Laundering and Anti-Terrorist Financing Regime and the Real Estate Sector

Presented by Annette Ryan

Associate Assistant Deputy Minister, Financial Sector Policy Branch

Department of Finance Canada

November 21, 2018



Canada's Anti-Money Laundering/Anti-Terrorist Financing Regime

- The objective of the AML/ATF Regime is to deter, detect and prosecute the illicit transfer of funds through the Canadian financial system and wider economy as related to proceeds of crime, money laundering or terrorist financing
- Canada's AML/ATF Regime combines a legislated framework - the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) - with operational powers under various standing authorities (e.g., the Criminal Code, Customs Act, United Nations Act)
- A horizontal initiative formally comprising 13 federal partner organizations, coordinated by the Department of Finance
 - Finance, FINTRAC, OSFI, RCMP, CRA CBSA, CSIS, PS, Justice, GAC, PPSC, ISED, PSPC
- Periodic reviews provide the opportunity to keep the framework current in response to new ML/TF developments
 - Parliamentary Review (every 5 years) and FINTRAC Privacy Review (every 2 years)
 - International review - FATF Mutual Evaluation Reports (approx. every 8 years)



Regulated Entities Involved in Real Estate Transactions

- Many types of financial intermediaries and non-financial professions have obligations under the Act
- Banks, trust and loan companies and credit unions (e.g., for transactions involving mortgage financing), real estate developers, brokers and sales representatives and British Columbia notaries
- Obligations of reporting entities
 - Client identification
 - Reporting to FINTRAC (suspicious transaction reports, large cash transactions, international electronic funds transfers)
 - Record-keeping
 - Compliance regime
 - Subject to compliance examinations by FINTRAC



Efforts in Train and Future Work Ahead to Address ML Risks

- Federal government, the provinces and territories working jointly on improving corporate transparency in Canada
 - Phase 1: ensuring corporations hold accurate and up to date information on beneficial owners available to law enforcement, and tax and other authorities
 - Phase 2: Finance and ISED leading work with provinces and territories to assess potential mechanisms to enhance timely access to beneficial ownership information
- For trust returns required to be filed for the 2021 and subsequent taxation years, Budget 2018 proposed that certain trusts provide additional beneficial ownership information on an annual basis to the CRA
- The CRA has also recently increased active monitoring and auditing of real estate transactions to continue to address risks related to tax fraud and tax evasion (e.g., unreported capital gains, property flipping, unreported goods and services tax/harmonized sales tax (GST/HST) etc.)



Efforts in Train and Future Work Ahead to Address ML Risks Con't

- Increase in FINTRAC's outreach and compliance activities toward entities in the real estate sector
 - "Operational Brief" to help reporting entities understand their obligations and to identify and report suspicious transactions
 - Increased its compliance activities e.g., number of examinations undertaken
- Amendments to the PCMLTFA regulations pre-published in June 2018 to regulate virtual currency dealers and foreign money services businesses, update Canada's customer due diligence and beneficial ownership reporting requirements, etc.
- From February-June 2018, the House of Commons Finance Committee (FINA) undertook a statutory review of the PCMLTFA and recently published its recommendations, including recommended actions to address ML risks in the real estate sector
 - The Government welcomes the FINA's Report and is currently considering options to continue to improve the AML/ATF Regime in response to recommendations made by the Committee



Furthering our Collaboration with Provincial and Territorial Partners

- BC and Canada Finance Ministers have agreed to create a multi-agency working group to combat risks of ML, tax evasion, speculation and fraud in the real estate sector
 - Group will bring together officials from the BC Government and members from federal government organizations such as FINTRAC, the CRA, Statistics Canada and the CMHC to develop a better understanding of those issues and explore linkages and areas of collaboration

- This is in addition to other collaborations on corporate transparency and the Federal-Provincial-Municipal Working Group on Housing which looks at questions such as housing stability and affordability, and comprises representatives from BC, Ontario, Vancouver and Toronto, as well as relevant federal agencies