



# New Regulatory Requirements for the Real Estate Sector

This document provides a summary of the new regulatory requirements for real estate brokers and sales representatives (including real estate developers) that were published in July 2019 and June 2020 in the *Canada Gazette*. Some of these regulatory amendments came into force on June 1, 2020 and some will come into force on June 1, 2021. These amendments can be found here:

- [\*Regulations Amending Certain Regulations Made Under the Proceeds of Crime \(Money Laundering\) and Terrorist Financing Act, 2019 \(SOR/2019-240\)\*](#)
- [\*Regulations Amending the Regulations Amending Certain Regulations Made Under the Proceeds of Crime \(Money Laundering\) and Terrorist Financing Act, 2019 \(SOR/2020-112\)\*](#)

For your reference, guidance relevant to the real estate sector is available on FINTRAC's website at the following link: <https://www.fintrac-canafe.gc.ca/re-ed/real-eng>.

## Effective since June 1, 2020

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### Reporting

The timing for submitting a suspicious transaction report (STR) changed on June 1, 2020. Reporting entities are now required to submit an STR to FINTRAC [\*\*as soon as practicable\*\*](#) after they have taken measures that enable them to establish that there are reasonable grounds to suspect that the transaction or attempted transaction is related to the commission of a money laundering offence or a terrorist activity financing offence. More information on [submitting STRs](#) is available on our website.

## Effective on June 1, 2021

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### New definition

The amended definition of real estate broker of sales representative is “a person or entity that is authorized under provincial legislation to act as an agent or mandatary for purchasers or vendors in respect of the purchase or sale of real property or immovables.”

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## Business relationship requirements

The concept of entering into a [business relationship](#) has been amended. For a person or entity that is a real estate broker or sales representative or a real estate developer, a business relationship will be triggered the **first time** that the person or entity is required to verify the identity of the [client](#) under these Regulations.

## Beneficial ownership requirements

When a **real estate broker or sales representative or a real estate developer** is required to verify the identity of an entity, they will have an obligation to obtain beneficial ownership information for that entity. You must obtain the following information about beneficial owners:

- in the case of a corporation, the names of all directors of the corporation and the names and addresses of all persons who own or control, directly or indirectly, 25% or more of the shares of the corporation;
- in the case of a widely held or publicly traded trust, the names of all trustees of the trust and the names and addresses of all persons who own or control, directly or indirectly, 25% or more of the units of the trust;
- in the case of a trust, the names and addresses of all trustees and all known beneficiaries and settlors of the trust
- in the case of an entity other than a corporation or trust, the names and addresses of all persons who own or control, directly or indirectly, 25% or more of the entity; and
- in all cases, information establishing the ownership, control and structure of the entity.

In addition, the real estate broker or sales representative or real estate developer will be required to take reasonable measures to confirm the accuracy of the information when it is first obtained under that subsection and in the course of ongoing monitoring, and keep a record that sets out the information and the measures taken to confirm the accuracy of the information. More information on [beneficial ownership](#) is available on our website, as this is an obligation that currently applies to other sectors.

## Politically exposed persons and heads of international organization requirements

In addition to the [ongoing monitoring](#) that is already required once a business relationship is entered into, if that business relationship is with a person, then the real estate broker or sales representative or real estate developer will be required to determine whether the person is a politically exposed person

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(PEP), foreign or domestic, a head of an international organization (HIO), or a family member or close associate of one of those persons. The real estate broker or sales representative or real estate developer will have the following requirements:

- take reasonable measures to determine if a person with whom they enter into a business relationship is a foreign PEP, a domestic PEP, a HIO, a family member of any of those persons or a close associate of a foreign PEP;
- periodically take reasonable measures to determine whether a person with whom they have a business relationship is a foreign PEP, a domestic PEP, a HIO, a family member of any of those persons or a close associate of a foreign PEP;
- take reasonable measures to determine if a person from whom they receive an amount of \$100,000 or more, in cash or virtual currency, is a foreign PEP, a domestic PEP, a HIO, or a family member or close associate of any of those persons; or
- if they detect a fact that constitutes reasonable grounds to suspect that a person with whom they have a business relationship is a foreign PEP, a domestic PEP, a HIO, or a family member or close associate of any of those persons, then take reasonable measures to determine whether they are such a person.

More information on [PEP and HIO requirements](#) is also available on our website as other sectors currently have these requirements.

## **New transaction reporting requirements**

Real estate brokers and sales representatives will also have a new reporting obligation. Specifically, a real estate broker or sales representative will have to report the receipt of an amount equivalent to \$10,000 or more in virtual currency (VC) in a single transaction in connection with the purchase or sale of real property or immovable for which they act as an agent or mandatary for a purchaser or vendor. A [large virtual currency transaction report \(LVCTR\)](#) must be sent to FINTRAC within five working days after the day on which the amount is received. The real estate broker or sales representative will also have to keep a large virtual currency transaction record in respect of the same.

## **New record keeping requirements**

The PCMLTFR has also been amended to require that all reporting entities, including real estate brokers or sales representatives and real estate developers, [keep a copy of all reports submitted](#) to FINTRAC. For the real estate sector, this includes large cash transaction reports (LCTR), STRs, terrorist property reports (TPR), and LVCTRs.

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In addition to these specific requirements, it is worth noting that there are amendments to the 24-hour rule, which has an impact on determining if you are required to submit an LCTR or an LVCTR to FINTRAC. In addition to considering whether the receipt of two or more amounts in cash or VC that total \$10,000 or more, **and** are received within 24 consecutive hours, were conducted **by or on behalf of the same person or entity**, reporting entities will now have to consider whether the amounts are **for the same beneficiary**. While this may not have as great an impact on real estate brokers and sales representatives as it does on other sectors, it is important to be aware of this change.

Finally, significant changes have been made to the LCTR and the STR Schedules in the Regulations, so the reporting forms will also be changing quite a bit, but these forms are not yet available for circulation. However, once FINTRAC publishes the LVCTR form, it can be used as an indication of what to expect for the LCTR and STR forms, as these forms will follow the same template.

The guidance relating to these changes will be issued shortly. It is not possible to provide a firm date at this time.

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