



**CANADIAN
MORTGAGE BROKERS
ASSOCIATION**
BRITISH COLUMBIA



FINTRAC Compliance Requirements For mortgage brokers, lenders, and administrators (An Introduction)

About CMBA-BC



Incorporated in 1990, CMBA-BC supports and promotes professionalism and ethical standards within B.C.'s mortgage industry. The Association provides educational opportunities and networking events to enhance professional development and foster relationships. Working closely with industry partners and regulators, CMBA-BC maintains industry integrity and raises the profile of mortgage brokers in the province.



The Association is governed by an elected Board of Directors and supported by committees of industry leaders. Executive Director/CEO Carla Giles oversees operations and implements strategies with the support of a dedicated Member Services Team.

Disclaimer:

All resources and materials are provided as educational suggestions for you to consider. They are not intended as legal, financial, or other advice. They are not intended to be understood as being authoritative. We recommend you obtain such advice as needed to address specific instances.

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- ✅ FINTRAC requirements are effective as of October 11th
- ✅ FINTRAC has indicated there will be a transition period for compliance. We have no promise as to length but expect it to be considerable.



Compliance, Not Registration, Is Required

- ✅ FINTRAC does not impose a requirement on brokers or brokerages to register with them
- ✅ FINTRAC sets business conduct requirements and standards/thresholds such as regarding having a compliance officer, having a compliance program, keeping records, knowing your client, having a FINTRAC training program, and periodically reviewing the program



Key Areas of Compliance

To Whom Do the Requirements Apply

Compliance Program Components

Reporting

Record Keeping

Client Identification



To Whom Do the Requirements Apply

The FINTRAC requirements apply to mortgage brokers, lenders, and administrators.



Mortgage broker is a person or entity that is authorized under provincial legislation to act as an intermediary between a mortgage lender and a borrower with respect to loans secured by mortgages on real property or hypothecs or immovables



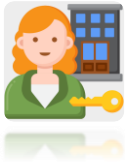
Mortgage lender is a person or entity, other than a financial entity, engaged in providing loans secured by mortgages on real property or hypothecs on immovables (Note that financial entities are subject to the Act pursuant to their own separate definitions and requirements.)



Mortgage administrator is a person or entity, other than a financial entity, engaged in the business of servicing mortgage agreements on real property or hypothec agreements on immovables on behalf of a lender (Note that financial entities are subject to the Act pursuant to their own separate definitions and requirements.)

Examples

David owns a small **mortgage lending** company, Maria is an independent **mortgage broker**, and Lisa is a **mortgage administrator** who services mortgage agreements on behalf of lenders. All three realize that starting in **11th of October 2024**, their respective businesses must comply with FINTRAC regulations due to the nature of their operations.



Maria, as a broker, will need to adjust her compliance efforts for the transactions she handles between borrowers and lenders, making sure proper due diligence is done.



David, as a lender, needs to create a compliance program that focuses on reporting suspicious transactions and keeping proper records for the loans he provides.



Lisa, as a mortgage administrator, must follow the rules for servicing mortgage agreements and managing financial activities.



Compliance Program Components

The following are necessary components of a compliance program :

The appointment of a compliance officer who is responsible for implementing the program.

Compliance officer

The development and application of written compliance policies and procedures that are kept up to date and, in the case of an entity, are approved by a senior officer.

Compliance policies and procedures

The development and maintenance of a written, ongoing compliance training program for your employees, agents or mandataries, or other authorized persons, including written training.

Training program

Risk assessment

Assess the potential risk of **money laundering** or **terrorist financing** within your business activities. If you find a high risk, you must:

- ✓ Create written policies and procedures addressing these risks.
 - ✓ Implement steps to manage and reduce these risks.
- ✓ The nature of your clients.
✓ The types of products or services you provide.
✓ The location where you operate.

Reviewing the compliance program

You must create a plan to **review** the effectiveness of your compliance program at least **every 2 years**.

This review can be done by:

- ✓ An internal auditor
- ✓ An external auditor
- ✓ By yourself

While there are no specific qualifications required for the auditor, it is best to choose someone who is knowledgeable and impartial.



Suspicious Transaction Report

Submit this report when there are reasonable grounds to suspect that a financial transaction is related to a money laundering or a terrorist activity.



Large Virtual Currency Transaction Report

Submit this report within 5 days when you receive **\$10,000 or more** in a single transaction, including:

Separate transactions received with 24 hours that total \$10,000 or more for the same person or beneficiary.

There are exceptions; refer to official guidelines.



Terrorist Property Report

Submit this report when you know there is property in your possession or control that belongs to or is controlled by a terrorist or terrorist group.



Large Cash Transaction Report

Submit this report within 15 calendar days when you receive **\$10,000 or more** in a single transaction, including:

Separate transactions received with 24 hours that total \$10,000 or more for the same person or beneficiary.

There are exceptions; refer to official guidelines.



Electronic Funds Transfer Report

Submit this report upon a transmission of instructions for the transfer of \$10,000 or more out of or into to Canada through any electronic, magnetic or optical device, telephone instruments or computer

Separate transactions received with 24 hours that total \$10,000 or more for the same person or beneficiary.

There are exceptions; refer to official guidelines.



Sanctions Evasion Report

Report any completed or attempted transactions to FINTRAC if you have reasonable grounds to suspect they are related to sanctions evasion. (see further details on following slide)

Sanctions Evasion Report

- ✓ FINTRAC provides specific guidance on identifying transactions related to sanctions evasion, especially in the illegal procurement of dual-use goods for export, which may involve countries like Russia.

Dual-Use Goods



- ✓ You must report all completed or attempted transactions to FINTRAC where there are reasonable grounds to suspect they are related to sanctions evasion, particularly if linked to individuals or entities on sanctioned lists such as the Consolidated Canadian Autonomous Sanctions List or the United Nations Security Council Consolidated List.

Reporting Requirements



- ✓ Current ministerial directives apply to specific countries (Russia, Iran, North Korea), and entities must comply with associated reporting obligations, including terrorist property disclosures to the RCMP or CSIS.

Ministerial Directives and Reporting



Record Keeping

You must keep records for at least **5 years**. The list is lengthy and includes the following.



Beneficial ownership, politically exposed persons, client identification, and third-party determination records.



Mortgage-related records, including client financial capacity, loan terms, and business details.



Records of any \$10,000+ cash or virtual currency transactions.



Copies of every report sent to FINTRAC

You **don't** need to keep records for large cash, virtual currency transactions, or receipts of funds if the money is from:

- ✓ A financial entity
- ✓ A public body
- ✓ Someone acting on behalf of a financial entity or public body



Identity Verification Methods

To verify identity, you can use any of the following methods:

- ✓ Government-issued photo ID.
- ✓ Credit file information.
- ✓ Information from two reliable sources.
- ✓ Information from an affiliate reporting entity.
- ✓ Previously verified identity from another reporting entity.



- ✓ Previously verified identity from another reporting entity.
- ✓ Information from an affiliate reporting entity.
- ✓ Information from two reliable sources.

**Business
Relationships &
Ongoing
Monitoring**

When starting a new business relationship, you must verify the client's identity. You need to regularly monitor the relationship based on a risk assessment. If the client poses a higher risk, you must take extra steps and conduct closer monitoring.

You must check if a third party is involved when dealing with large cash or virtual currency transactions. If a third party is involved, gather details about them and their relationship with the client. If you're unsure but suspect a third party is involved, document your reasoning.

**Third-Party
Involvement****Politically
Exposed Persons
(PEP)**

When entering a business relationship or receiving over \$100,000 in cash or virtual currency, you must check if the person is:

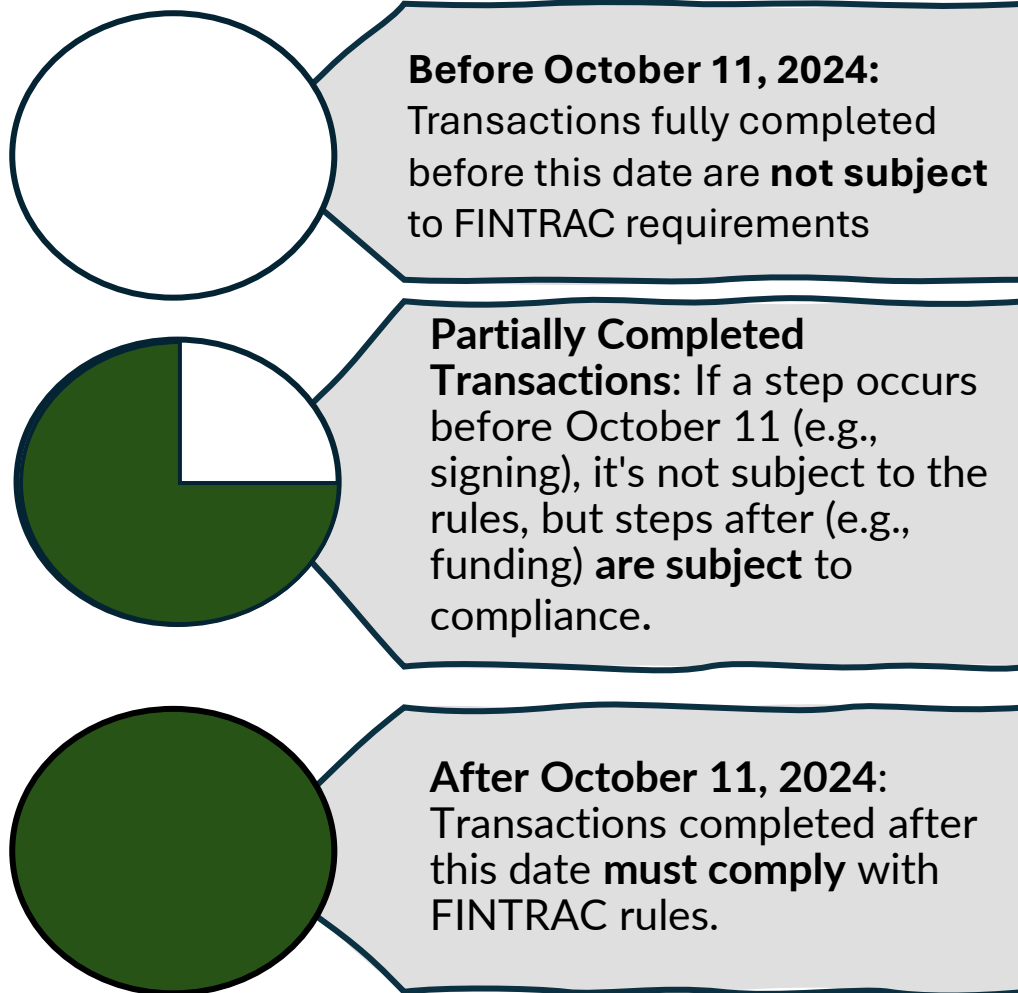
A politically exposed person (domestic or foreign).

A head of an international organization.

A close associate or family member of any of these individuals.

If they qualify as a PEP, take additional steps as required by regulations.

Transition Requirements



Penalties for Non-Compliance

- ✓ **Minor Violations:** \$1 to \$1,000 per violation.
- ✓ **Serious Violations:** \$1 to \$100,000 per violation.
- ✓ **Very Serious Violations:** \$1 to \$100,000 for individuals and up to \$500,000 for entities



Real world situation

David, a mortgage lender, is dealing with a client who is requesting a large loan. The client transfers \$12,000 in cash, and David notices unusual activity in the client's financial transactions, raising suspicion of possible money laundering. Additionally, the client's business associate, who is involved in the transaction, refuses to provide identification.

What steps should David take to remain compliant with FINTRAC regulations? Consider his reporting, verification, and record-keeping responsibilities?



- 1 Report the transaction as suspicious and submit a Large Cash Transaction Report.
- 2 Verify the identity of the business associate and submit a Third-Party Determination Report.
- 3 Conduct ongoing monitoring based on the risk assessment.
- 4 All of the above.