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News Release

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Local REALTORS® help consumers understand new anti-money laundering regulations

The new federal laws and regulations dealing with money laundering and anti-terrorist financing that went into effect on June 23, 2008 require REALTORS® and brokers to collect and verify more personal information from buyers and sellers. Real estate agents must now track the source of funds received during the course of a real estate transaction, such as the deposit.

These new regulations are part of federal legislation (Bill C-25) passed in 2007 that requires a number of industries, including real estate, to do more to help stop money laundering and terrorist financing. The regulations are enforced by the federal agency known as the Financial Transactions and Reports Analysis Centre of Canada, or FINTRAC.

“REALTORS® have had legal obligations under the federal government’s push to prevent criminal activity and terrorism since 2001, when Canada’s first comprehensive laws to combat money laundering and terrorist financing were introduced,” says Bruce Sworik, President of the London and St. Thomas Association of REALTORS® (LSTAR).

“In the first phase of compliance, real estate agents were required to report only suspicious transactions, or transactions involving more than \$10,000 in cash,” Sworik explains. “Now, verified personal information records must be kept of the buyer and seller for each and every real estate transaction in Canada. That personal information includes details such as name, address, date of birth, and occupation.”

REALTORS® are now required to ask for proof of the identity of all buyers or sellers involved in a Canadian real estate transaction. If the client is a corporation, that information must include corporate documentation, and the names of the corporation directors. They must also ascertain whether a third party is involved in the transaction. This also applies if a buyer or seller involved in a transaction is not represented by a real estate agent, but the other individual involved is represented. Those buying or selling privately will be asked by the agent representing the other individual involved to provide personal information and proof of identity as well, and that record must also be kept by the real estate agent involved in the transaction.

“Consumers are asking “*why does my REALTOR® need to know these details?*” and our 1,470 members are well-prepared to explain the new requirements,” says Sworik. “Local REALTORS® have been very proactive in attending information sessions arranged by LSTAR and completing compliance training provided by FINTRAC and the Canadian Real Estate Association. They are equipped with the knowledge

and resources required to not only meet their obligations under the new laws, but to assist their clients to understand these changes in the real estate transaction.”

Also under the new FINTRAC regulations, real estate agents dealing with clients they never meet must also verify their personal information. One way to do this is for the broker office to hire an agent or mandatary in the area where the client is located. That agent or mandatary must then meet the client, verify the identification of the client, and provide the information to the broker office actually handling the real estate transaction.

“There are buyers and sellers or investors from other countries who rely on expertise here rather than visiting the property themselves,” observes Sworik. “They must now meet with an official agent of the Canadian broker, and provide proof of identity. This agreement will add to the business costs of the Canadian real estate broker.”

The new regulations also require real estate agents to identify any third party that may be involved in the real estate transaction. This may be more common in a commercial or investment transaction, but the law says the identification information must be recorded if there is a third party involved no matter what type of property involved.

In addition to all the verification of ID requirements, real estate agents must also complete a report on the receipt of all funds received during the real estate transaction, not just those of \$10,000 or more.

In order to comply with these new federal regulations, REALTORS® are required to keep this identification and receipt of funds information on file for five years and provide it to FINTRAC if requested. It is the individual broker office that will be responsible for the safe keeping of the information, and the brokerage that will have to respond to any FINTRAC information request.

The London and St. Thomas Association of REALTORS® is a professional organization committed to serving the real estate needs of the community and to providing its Members with the services and education required to promote excellence, knowledge and a high standard of ethics and business practices. The Association’s jurisdiction includes Middlesex and Elgin Counties, home to nearly 500,000 residents. The Multiple Listing Service® (MLS®) is a cooperative marketing system used only by Canada’s real estate boards and associations to ensure maximum exposure of properties for sale. All of LSTAR’s listings may be found on the World Wide Web at www.mls.ca.