



BCrea
British Columbia
Real Estate Association

The Cullen Commission Report: What REALTORS® Need to Know

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Peter German Report and Expert Panel

REALTORS® Take Lead to Curb Money Laundering

- In 2019, BCREA, REBGV and other stakeholders came up with a series of recommendations and best practices to help curb money laundering in real estate.
- Attorney General Eby said the recommendations were “practical and valuable actions that will help guard against criminals using real estate to launder funds





Dirty Money – German Report

- Investigated links between criminal enterprises and real estate, casinos, horse racing and luxury cars.
- Recommended an independent regulator.
- BCREA participated in the review and some recommendations were reflected



Expert Panel on Money Laundering

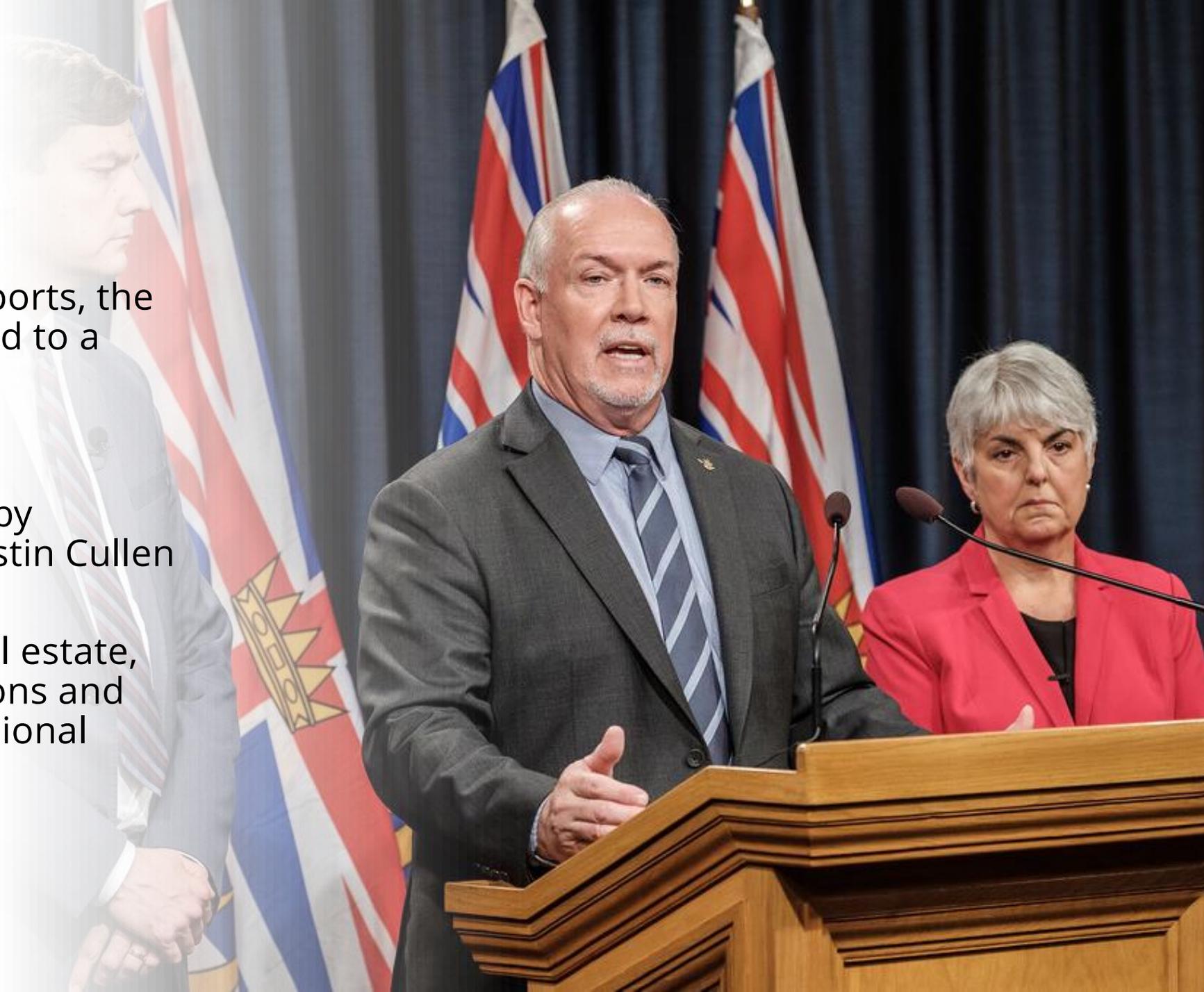
- Expert Panel estimated the amount of money that was laundered in BC through real estate.
- Criticized REALTORS® for not filing many suspicious transaction reports and for poor compliance statistics with FINTRAC.
- Criticized FINTRAC for not providing adequate feedback, data and resources
- BCREA and Expert Panel recommended coordination among government agencies





Creating the Cullen Commission

- In response to the two reports, the BC Government committed to a public inquiry into money laundering in BC
- Commission was headed by Supreme Court Justice Austin Cullen
- Commission looked at real estate, gaming, financial institutions and the corporate and professional sectors





Cullen Commission: Findings



The Federal AML Regime Is Not Effective

- In 2019-20, FINTRAC received over 31 million reports, but disclosed only 2,057 to law enforcement agencies in BC.
- “The RCMP’s lack of attention to money laundering has allowed for the unchecked growth of money laundering”





The Real Estate Sector is Highly Vulnerable to Money Laundering

- There are outdated attitudes and myths about what money laundering is and how it occurs
- BCFSA must “be given a clear and enduring AML mandate”





REALTORS® Have A Poor Record of AML Compliance

- FINTRAC reporting by real estate licensees is virtually non-existent
- There is confusion about how to comply with AML reporting and compliance
- FINTRAC needs to provide “clear, simple guidance” about when transactions must be reported





Money Laundering is Not the Cause of Housing Unaffordability

- Money laundering should be addressed, but steps taken to counteract money laundering should not be viewed as a solution for housing unaffordability





Cullen Commission: Recommendations



Effective Governance

- Establish an independent office of the legislature focused on AML
- Maintain the Deputy Ministers' Committee and Anti-Money Laundering Secretariat and give them responsibility for the continued development and implementation of the provincial AML strategy.
- Introduce a statutory requirement that all government agencies designate an AML officer





Real Estate Recommendations

- Bring business-scale FSBO operations into the licensing scheme
- Consult with BCFSA on data needs
- Explore instituting a source-of-funds inquiry requirement for licensees
- Have BCFSA mandate brokerages demonstrate the existence of an AML compliance program as a condition of licensing





Real Estate Recommendations

- Conduct a market integrity analysis to identify suspicious transactions in real estate
- Address data gaps between provincial and federal gov'ts





Other Real Estate Stakeholders

- Effective regulation of the mortgage lending industry is essential
- Money service businesses should be regulated
- Banks and credit unions pose serious risks





Other Real Estate Stakeholders

- Lawyers are exposed to risks, but a reporting regime for lawyers poses constitutional challenges
- The Chartered Professional Accountants of BC must regulate its members
- Bring the employees of developers within the licensing scheme





What's Next?



Next Steps

- Minister Eby has not committed to any specific actions
- Timeline is unclear, likely after summer
- NDP leadership contest likely to delay timeline of implementation





Steps by BCREA and Boards

- Continued sector collaboration, especially on access to data
- Changing narrative
- Communication with BC Government on work Realtors are doing





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Conclusion



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Questions?

Thank you!