Data Collection & Sharing Work Stream Status Update

Meeting with BC-CAN WG on RE– August 26 2019

Delivering insight through data for a better Canada
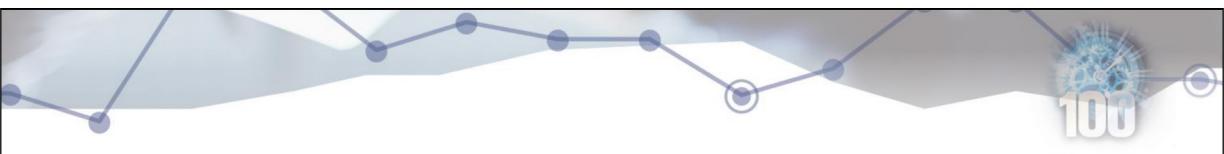
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AGENDA

- Review work to date

- Preparation/On-site Visits

- Recommendations

- Next Steps

Objectives

❏ STC & BC Finance (co-leads) are working with federal and BC partners
  ➢ to produce a theoretical data framework on money laundering:
    ▪ to facilitate the use of existing information by governmental bodies tasked with supporting the AML/ATF regime and tax compliance
    ▪ focusing on British Columbia real estate transactions
    ▪ that can serve as a model for other jurisdictions in Canada.

❏ The main research outputs of the WS will be a feasibility study outlining:
  ➢ the relevant data (ML typologies and associated variables) for researching, monitoring or investigating money laundering and tax compliance activity in real estate transactions
  ➢ where the relevant data resides (federal, provincial and private sector bodies)
  ➢ a description and assessment of the specified data holdings
  ➢ legal and/or policy restrictions to sharing data

❏ Options analysis and recommendations related to AML:
  ➢ Data acquisition
  ➢ Data processing
  ➢ Mechanisms for data sharing
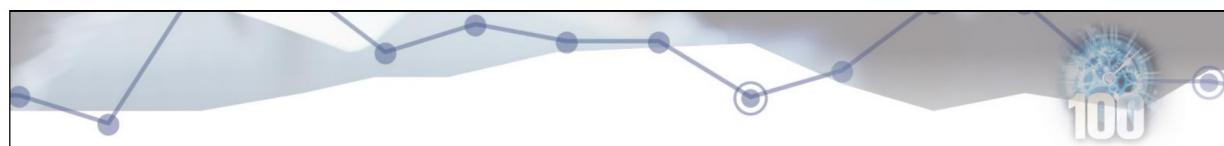
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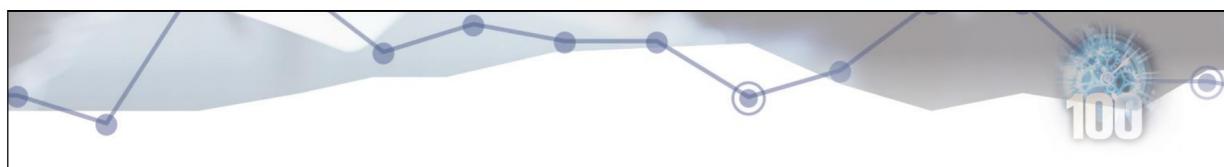
Work Stream Activities to date

- Victoria in-person meetings – Work Stream:
  - January 17 – 18
    - Brigitte Unger
  - May 8-9
    - Presentation of the baseline results
- Baseline survey of federal/provincial partners
- STC has established an internal working group, which has worked on:
  - Conceptual model
  - Typology collation
  - Outreach – site visits (developed Data Collection Template)
  - Acquisition
  - Report outline, reporting
- BC Finance is in the process of establishing FREDA

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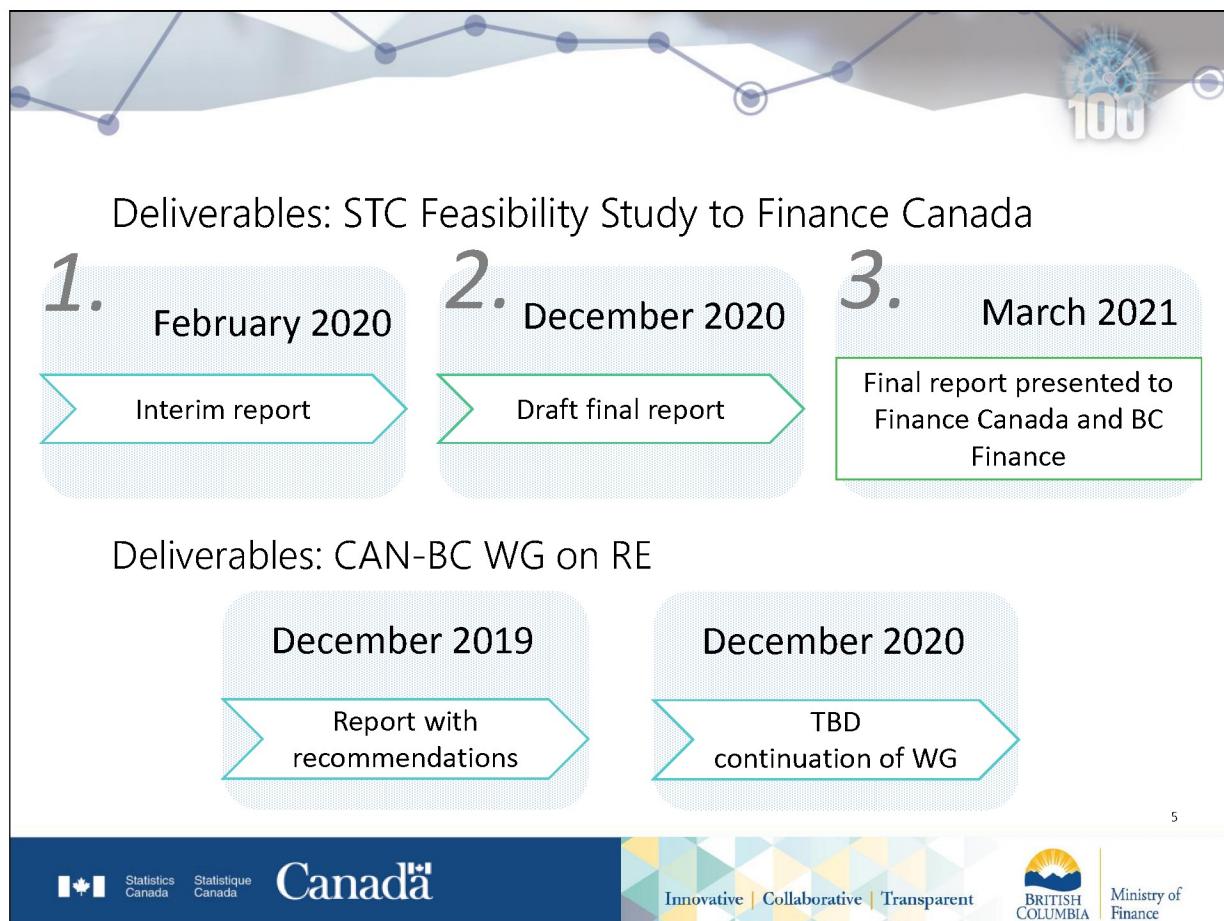
Feasibility study outline

1. Context on the extent of money laundering in the real estate sector
2. Conceptual model
3. Inventory of typologies
4. Data map applied to typologies
5. Data exploration results using CHSP data
6. Data exploration results using CHSP + acquired data
7. Privacy, confidentiality and legal considerations
8. Options for data models
9. Recommendations:
   1. Data models
   2. Legislative changes

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Deliverables: STC Feasibility Study to Finance Canada

1. February 2020

Interim report

2. December 2020

Draft final report

3. March 2021

Final report presented to Finance Canada and BC Finance

Deliverables: CAN-BC WG on RE

December 2019

Report with recommendations

December 2020

TBD continuation of WG

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Preliminary Recommendations for Discussion

Public Interest Immunity

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Preliminary Recommendations for Discussion
...continued

Public Interest Immunity

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Next Steps

- Conduct site visits and collate information

- Identify issues and collaborative meetings to address findings

- Update draft preliminary recommendations

- Status report

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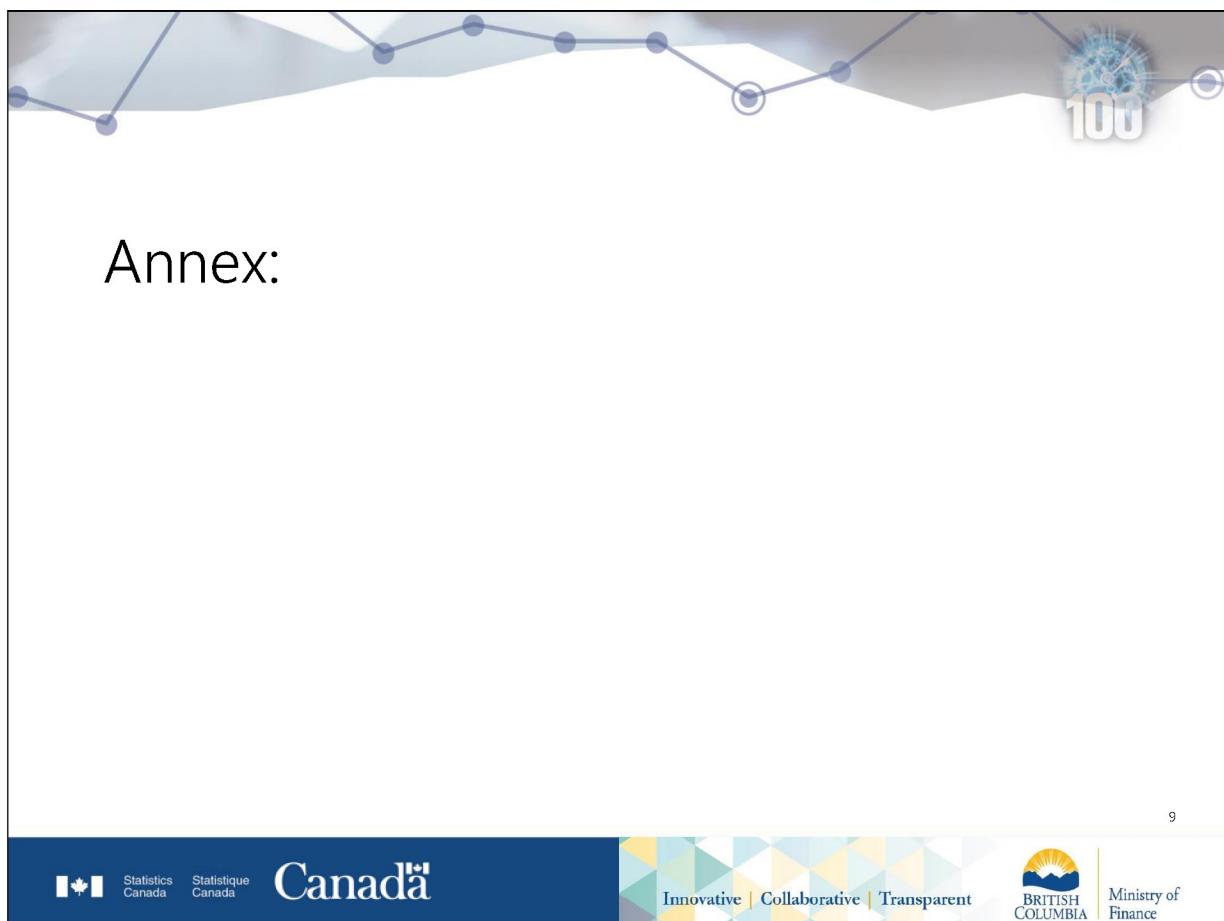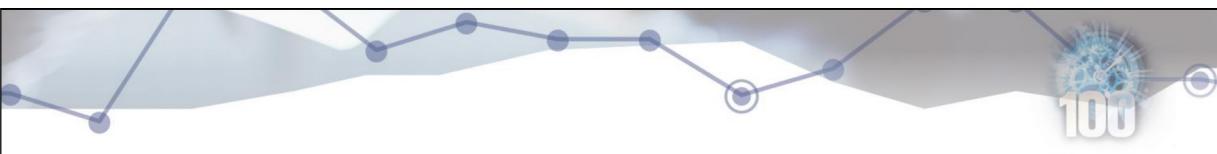
Annex:

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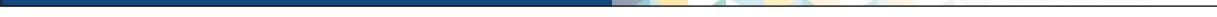
Data exploration

ML in the real estate sector:
➢ 8 money-laundering schemes
➢ 22 sub-schemes
➢ 99 indicators of these schemes
➢ 118 data points required to cover these indicators

➢ 65 indicators can be flagged with CHSP data integrated with further data acquisitions
  ➢ 30 indicators using CHSP, business registry, and beneficial ownership data
  ➢ 27 indicators with mortgage data
  ➢ 8 indicators with other data sources (vacancy, suspicious transactions, etc.)

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Appendix: Data exploration, continued

Estimates that can be produced with CHSP data:

➢ Share of transactions with an abnormally high sales price relative to peers.
➢ Share of transaction with an abnormally low sales price relative to peers.
➢ Share of properties which have been sold multiple times in a short span of time.
➢ Share of properties with foreign owners.
➢ Share of properties with corporate owners (and type of owners – further drilling).
➢ Share of properties with foreign corporate owners.
➢ Share of owners with opaque or unknown mailing addresses.
➢ Number of owners who rapidly acquired multiple properties.

Estimates that can be produced with integration of further data :

➢ The share of foreign-owned vacant properties.
➢ The share of properties whose beneficial owner is masked by a corporate entity.
➢ The share of properties owned by apparent shell-corporations.
➢ The share of mortgages which are out of proportion with the property.
➢ The share of over-mortgaged properties.
➢ Better flagging of properties with multiple indicators.
➢ With notary/lawyer data: clusters of suspicious transactions.
➢ DHEA – extent of owners who lack income or wealth to afford property purchases (regional and property type) (OPC constraint)

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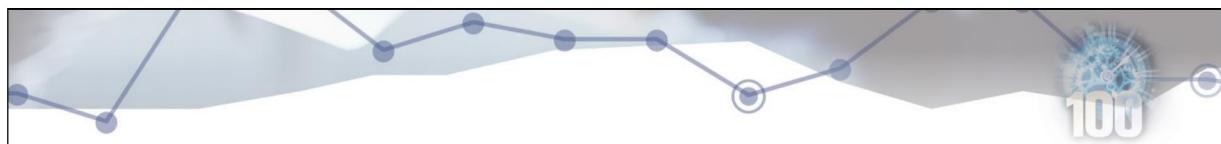
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Data exploration – Next steps

Records contain (please highlight or make bold):				
Data on owners:	**Data on properties:**	**Data on legal persons (for both owners and lenders):**	**Data on mortgages/loans:**	**Data on financial transactions (for both owners and lenders)**
- Name - Address - SIN - Date of birth - Country of birth - Residency status - Income - Wealth - Properties owned - Mortgages currently held - Mortgages previously held - Marital status - Relatives - Health / institutional status - Legal guardians (if any) - Date of entry to Canada (if any) - Immigration class (if any) - Criminal record - Other:	- Address - Type - Owner - Beneficial owner - Last sales date - Last sales price - Previous sales dates - Previous sales prices - Previous owners - Vacancy status - Owner occupancy - Current mortgage - Previous mortgages - Number of units - Rent charged in units - Construction date - Assessed values at times of sales - Notaries on sales - Broker of sales - Other:	- Identifiers - Shareholders - Directors - Address (incl. country) - Date of birth/incorporation/ establishment - Country of incorporation - Current revenue - Historic revenue - Current assets - Historic assets - Number of employees - Historic number of employees - Regulators (for lenders) - Ownership structure - Beneficial owners - Industry - Other:	- Counterparties - Size - Term - Rate of interest - Adjustability of rate - Down payment - Mortgaged property - Assessed value of mortgaged property - Payment history (dates and amounts) - Date signed - Date closed (if any) - Current outstanding amount - Mortgage payment sources (cash, international transfer, domestic transfer) - Date transferred	- Large transaction sending countries - Large transaction receiving countries - Large transaction dates - Large transaction amounts - Suspicious Transaction Reports against - Suspicious Transaction counterparties - Other:

Planned meetings:
➢ CMHC, Aug. 29
➢ CRA, Sept. 3
➢ Bank of Canada, Sept. 5
     note dates may change

Meetings to be scheduled:
➢ RCMP
➢ FINTRAC

BC Finance outreach:
➢ BCSC
➢ BC LTSA
➢ FICOM

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