

**Q: What information is required to verify that the person an agent or broker is dealing with has the authority to bind a corporation?**

**A:** To verify that the person you are dealing with has the authority to bind the corporate client, you would need to review the official corporate records. For example, a certificate of incumbency, the articles of incorporation, or the bylaws of the corporation that set out the officers duly authorized to sign on behalf of the corporation.

If the record is in paper format or electronic database not accessible to the public, the agent must retain a copy of the record. If the record is an electronic version in a public electronic database, the agent must maintain a record of the corporation's 22 registration number and the type and source of the record (such as the Corporations Canada website).

**Q: In the case of a corporate client, is an online search sufficient to identify the corporation? Is there a requirement to identify the director(s) involved?**

**A:** If the client is a corporation, agents are obligated to confirm the existence of the corporation, to determine the corporation's name and address, and to determine the names of its directors.

You also have to confirm the names of the corporation's directors. This does not include verifying their identity.

**Q: What if I have to contact a corporation's lawyer or accountant to obtain the necessary information to complete the Corporation/Entity Identification Information Record?**

**A:** CREA has prepared a consent letter that can be used for these purposes.

## **POLITICALLY EXPOSED PERSONS AND HEADS OF INTERNATIONAL ORGANIZATIONS**

The terms “politically exposed foreign person”, “politically exposed domestic person”, “head of international organization”, are defined as follows:

**“Politically exposed foreign person” (foreign PEP):** an individual holding one of the following offices in or on behalf of a foreign state:

- head of state or head of government member of the executive council of government or member of a legislature; deputy minister or equivalent rank; ambassador, or attaché or counsellor of an ambassador; military officer with a rank of general or above; president of a state-owned company or a state-owned bank; head of a government agency; judge of a supreme court, constitutional court or other court of last resort; or leader or president of a political party represented in a legislature.

**“Politically exposed domestic person” (domestic PEP):** an individual who holds or has held within the last 5 years one of the following specific office or positions in or on behalf of the Canadian federal government, a Canadian provincial (or territorial) government, or a Canadian municipal government:

- Governor General, lieutenant governor or head of government; member of the Senate or House of Commons or member of a legislature; deputy minister or equivalent rank; ambassador, or attaché or counsellor of an ambassador; military officer with a rank of general or above; president of a corporation that is wholly owned directly by Her Majesty in right of Canada or a province; head of a government agency; judge of an appellate court in a province, the Federal Court of Appeal or the Supreme Court of Canada; leader or president of a political party represented in a legislature; or mayor.

**“Head of an international organization” (HIO):** an individual who currently holds or has held within the last 5 years the specific office or position of head of an international organization and the international organization that they head or were head of is either:

- an international organization established by the governments of states; or o an institution established by an international organization.

## **Q: When are Agents obligated to determine if someone is a PEP or HIO?**

**A:** Agents are obligated to take reasonable measures to determine whether an individual is:

- (a) a politically exposed foreign person,
- (b) a politically exposed domestic person,
- (c) a head of an international organization, or
- (d) a family member or close associate of someone who falls into (a)-(c).

in four specific situations:

- Upon their broker/brokerage entering a business relationship with a client; 33
- Periodically, with all clients with whom the brokerage has a business relationship;
- When they receive more than \$100,000 in cash or virtual currency;
- When they detect a fact that constitutes reasonable grounds to suspect that a person with whom the brokerage has a business relationship falls into any of the above categories.

## **Q: Do Agents and Brokers obligations change when they are dealing with a domestic PEP vs. a foreign PEP?**

**A:** Yes.

## **Q: Can you provide examples as to what it means to be a “close associate”?**

**A:** According to FINTRAC, a close associate is a person who is connected to a PEP or HIO for personal or business reasons. Examples of relationships that could indicate that someone is a close associate (personal or business) could include, but are not limited to, persons who:

- are the business partners of, or who beneficially own or control a business with, a PEP or HIO;
- are in a romantic relationship with a PEP or HIO;
- are involved in financial transactions with a PEP or a HIO;
  - serve as prominent members of the same political party or union as a PEP or HIO;
- serve as a member of the same board as a PEP or HIO;
- carry out charitable works closely with a PEP or HIO; or
- are listed as joint on a policy where one of the holders may be a PEP or HIO.

Once you determine that a person is the close associate of a PEP or HIO, they remain a close associate until they lose that connection.

## BENEFICIAL OWNERSHIP

### Q: What is a beneficial owner?

**A:** Beneficial owners are the actual individuals (i.e. human beings) who:

- In the case of a corporation or an entity, directly or indirectly own or control 25% or more of the corporation or entity;
- In the case of a trust, are the trustees, the known beneficiaries and the settlors of the trust; or
- In the case of a trust that is widely held or publicly traded, are the trustees and all persons who own or control, directly or indirectly, 25% or more of the units of the trust.

### Q: When are Agents obligated to determine a client's beneficial ownership?

**A:** Agents have an obligation to determine the beneficial ownership of corporations and other entities they have to ID when they verify the entity of such entities. This may occur when:

- ID'ing a new corporate/entity client.
- ID'ing an unrepresented corporate/entity.
- ID'ing a corporation/entity providing funds.
- ID'ing a corporation/entity providing large cash.
- ID'ing a corporate/entity providing large virtual currency. 36
- ID'ing a corporate entity conducting a suspicious or attempted suspicious transaction.

### Q: How do Agents fulfill their beneficial ownership obligations?

**A:** CREA has created a new Beneficial Ownership Record template on WEBForms®