

INSTRUCTIONS FOR PRINCIPAL BROKERS

Please review these instructions and the "Instructions for the Reporting Accountant".

In accordance with section 84 of the Mortgage Services Rules, if your mortgage brokerage does one or more of the following:

- provides the mortgage service of administering mortgages;
- provides the mortgage service of mortgage lending; or
- maintains a trust account

then it will be required to do one of the following:

- A) complete an Accountant's Report for the applicable fiscal year (see section below); or
- B) file a "Trust Account Declaration" for the applicable fiscal year if the brokerage did not hold or receive any trust money (refer to "Appendix I - Definitions"), during the applicable fiscal year in accordance with section 84(8) of the Mortgage Services Rules.

Accountant's Report ("AR")

Unless B) above applies, your mortgage brokerage will be required to engage an independent accountant (referred to herein as the "Reporting Accountant") to perform the agreed upon procedures set out in "Appendix II – Agreed Upon Procedures" and report the results without providing assurance or expressing an opinion.

To perform the engagement, the Reporting Accountant must be "independent" of the brokerage in accordance with section 84(4) of the Mortgage Services Rules.

During the engagement, your mortgage brokerage will be required to provide all books, records and accounts, plus any correspondence between the brokerage and BCFSA related to the fiscal year defined under the "Preliminary Information for Reporting Accountant" section of this AR form, as is necessary for the Reporting Accountant to complete the engagement.

After the agreed upon procedures have been performed, the Reporting Accountant must produce a report on the results (herein referred to as "the Agreed Upon Procedures Report"), which may be issued under an alternative title at the Reporting Accountant's discretion.

A response letter must be prepared by the principal broker or an individual designated by the principal broker (not the Reporting Accountant). The letter must address each exception or qualification identified in the Agreed-Upon Procedures Report (or similarly titled report) and describe any corrective actions taken or planned. If no exceptions or qualifications are identified, the letter must explicitly confirm this.

Once all the above steps have been completed, you must complete the "Brokerage Completion Acknowledgment" section of this AR form and submit all documents (e.g., the Agreed Upon Procedures Report, response letter, etc.) through BCFSA's Integrated Regulatory Information System ("IRIS") within 120 days after the brokerage's fiscal year end.

This AR form, as prescribed by BCFSA, must be used and any other format will not be accepted. An electronic copy of this form is available on the BCFSA website [www.bcfesa.ca].

Preliminary Information for Reporting Accountant

The following information must be completed and provided to the Reporting Accountant before they commence the engagement:

1. Brokerage Name and Fiscal Year:
The information contained herein is respecting [legal name of brokerage] and for the fiscal year commencing on: [MM/DD/YYYY] and ending on [MM/DD/YYYY]

2. Savings Institution Accounts
All savings institution accounts of the brokerage, which were opened, closed and maintained during the fiscal year specified under 1. above:

Name and branch location of savings institution	Account #	Type of Account (mortgage brokerage trust, general, etc.)	Date of opening if opened during fiscal year	Date of closing if closed during fiscal year	Names of Authorized Signatories

NOTE: if there is insufficient space in the fields above, please provide the above information in a separate attachment. If a separate attachment is needed, it must be submitted to BCFSA along with this completed AR form.

3. Brokerage Offices

All brokerage office addresses that operated at any time during the fiscal year specified under 1. above:

Office Type (head office, branch)	Address

NOTE: if there is insufficient space in the fields above, please provide the above information in a separate attachment. If a separate attachment is needed, it must be submitted to BCFSA along with this completed AR form.

INSTRUCTIONS FOR REPORTING ACCOUNTANTS

Please review these instructions and the "Instructions for Principal Brokers".

Before accepting the engagement described under "Instructions for Principal Brokers" and "Appendix II – Agreed Upon Procedures", please ensure that:

1. You and/or your accounting firm are independent from the mortgage brokerage in accordance with section 84(4) of the Mortgage Services Rules; and
2. You have reviewed the attached Appendices and the applicable sections of the Mortgage Services Act, Regulation and Rules available on the BCFSA website at www.bcfsa.ca/industry-resources/mortgage-broker-resources/mortgage-services-act

Once the engagement has been accepted:

1. Request all the books, records, and accounts of the brokerage from the principal broker as is necessary to complete the agreed upon procedures outlined under "Appendix II – Agreed Upon Procedures";
2. Perform all the agreed upon procedures to the extent possible;
3. Produce an "Agreed Upon Procedures Report" (or similarly titled report) which clearly documents the selected months and the findings after performing the agreed upon procedures; and
4. Deliver the completed report to a principal broker.

The report must be delivered to BCFSA by a principal broker, along with the required response letter addressing all exceptions or qualifications identified in the report. Therefore, it is recommended that you discuss the report and any findings, including any exceptions or qualifications, with the principal broker as one of the final steps in the process.

BROKERAGE COMPLETION ACKNOWLEDGMENT

To be completed by both a principal broker of the brokerage and a director, officer, partner or sole proprietor of the brokerage once the engagement has been completed:

I hereby attest that:

- I have reviewed this Accountant’s Report form and to the best of my knowledge believe it to be true and complete.
- I have reviewed the Agreed Upon Procedures Report (or similarly titled report) as completed by the Reporting Accountant, understand the documented findings and have addressed any exceptions or qualifications in an attached letter to BCFSA, as applicable.

Name of brokerage	Name of principal broker
Signature of principal broker	Date MM/DD/YYYY
Name of director/officer, partner or sole proprietor	
Signature of director/officer, partner, or sole proprietor	Date MM/DD/YYYY

PRIVACY NOTICE
 BCFSA collects, uses and discloses your personal information in accordance with the Freedom of Information and Protection of Privacy Act and other applicable legislation.

Trust account: a trust account maintained under section 33 of the Mortgage Services Act.

Trust money: all money held or received by a brokerage in trust from, for or on behalf of a client in relation to mortgage services, except remuneration that has already been earned by the mortgage brokerage at the time it is held or received by the mortgage brokerage.

Pooled trust account: a trust account in which money is held on behalf of more than one person.

Review: for the purposes of this document, the term “review” is used in its ordinary, general meaning, referring to an examination, consideration, or assessment of information or materials. It does not refer to, nor should it be interpreted as, a “review engagement” as defined under the CPA Canada Handbook, including but not limited to CSRE 2400 – Review Engagements. Accordingly, any use of the term “review” herein does not imply the performance of procedures, the application of professional standards, or the expression of assurance contemplated under CSRE 2400 or any other assurance or review standard.

Trust account general ledger: for each trust account, a record that shows amounts received and disbursed, a description of the receipt or disbursement, and any unexpended balance in accordance with section 97(b) of the Mortgage Services Rules.

Trust ledger: for each trust account and in accordance with section 98(a) of the Mortgage Services Rules, a record that separately shows amounts received and disbursed, a description for the receipt or disbursement, and any unexpended balance...

- (i) for each mortgage or mortgage transaction; or
- (ii) in the case of money held or received on account of remuneration for mortgage services, for each licensee or other intended recipient.

Note: commonly referred to as an “individual trust ledger”

Trust liability and asset reconciliation: for each pooled trust account, a record that, in accordance with section 98(b) of the Mortgage Services Rules:

(1) lists

- (i) each mortgage or mortgage transaction in relation to which the brokerage holds trust money and the amount being held in relation to each mortgage or mortgage transaction; and
- (ii) each person for whom the brokerage holds trust money and the amount being held for each person;

and (2) as of month end, reconciles the money held in the trust account with the unexpended balances in the (individual) trust ledgers for the account.

Trust asset balance: the unexpended total of trust money held in a trust account by the brokerage, typically represented by the book balance in the respective bank reconciliation and supported by accounting records such as the trust account general ledger.

Trust liability balances: the amounts of trust money received by the brokerage that represent financial obligations to its clients. These balances must reconcile with the unexpended balances of the individual trust ledgers, and the total must reconcile with the trust asset balance.

The engagement is for the fiscal year established in the “Preliminary Information for Reporting Accountant” section of the AR form and will be limited to the agreed upon procedures specified below.

SAMPLE MONTH SELECTION

In completing the AR, the Reporting Accountant will select three months within the fiscal year, including the final month of the applicable fiscal year. These months (herein referred to as the “selected months”) will be reported to BCFSA and used for the purpose of completing many of the agreed upon procedures outlined in the Agreed Upon Procedures section below.

The selected months should, whenever possible, be representative of the operations of the brokerage during the year and must include a transaction. If there is only one month with a deposit, that month should be selected, even if there were no disbursements in that month.

Note that the selected months must be clearly documented in the Agreed Upon Procedures Report (or similarly titled report).

TRANSACTION SAMPLE SIZE

For the deposit and disbursement review outlined in the Agreed Upon Procedures section below, the following number should be sampled for review based on the total number of transactions in the bank accounts during the selected months:

Estimated Monthly Transactions	Minimum Number of Transactions to Review
0-50	All (to a maximum of 10)
51-200	20% of all transactions
Over 200	40 transactions

AGREED UPON PROCEDURES

- 1) Inquire with a principal broker whether the brokerage had any contingent liabilities as of fiscal year-end. If there are any contingent liabilities, document the findings.

Review the information to be completed by a principal broker (referenced under “Preliminary Information for Reporting Accountant” section) and perform the following:

- 2) Obtain and inspect letters or documents issued by the listed savings institution(s) and identify whether each listed bank account is held with a savings institution located in British Columbia. Document any bank accounts that do not meet this condition.
- 3) Obtain and inspect letters or documents issued by the financial institution(s) to determine whether each listed trust account is designated as a trust account. Document any bank accounts where a trust designation is not evident.
- 4) For each listed trust account, compare the names of authorized signatories to the list of current principal brokers published on the BCFSA website and document any instances where no listed signatory is a principal broker.

For each trust account, including pooled trust accounts, for each selected month:

- 5) Request the bank reconciliations and document any instances where they were not prepared. For those that were prepared, perform the following:
 - a) Identify whether it is prepared as of month-end.
 - b) Identify whether it includes evidence of review (initials/signature and date) by the principal broker or an individual designated by the principal broker. Document if missing.
 - c) Inspect the preparation date to identify whether the reconciliation was prepared within 5 weeks (35 days) after month end. If a preparation date is missing, refer to the earliest review date. If such dates are missing, document the findings.
 - d) Identify outstanding disbursements dated at least six months before month-end and document the findings.
 - e) Identify outstanding deposits and whether each cleared in the subsequent month; document any that did not.
- 6) Inspect the bank statements and perform the following:
 - a) Identify whether the financial institution location shown is in British Columbia.
 - b) Identify whether the statement indicates the account is a trust account.
 - c) Identify whether the account holder shown is the brokerage and whether the account holder name matches the brokerage's legal or registered trade name.
 - d) Compare the ending bank balance to the ending bank balance in the bank reconciliation and document any differences.
- 7) Request the trust account general ledgers and document any instances where they were not prepared. For those that were prepared, perform the following:
 - a) Compare the ending ledger balance to the trust asset balance in the bank reconciliation and document any differences.
 - b) Inspect the ledger entries and identify any with unclear or missing descriptions (e.g., mortgage file number).
 - c) Select the required sample of deposits based on the table in the "Sample Size" section above. For each deposit, trace the amount to supporting mortgage-related documents (e.g., applications, agreements) and determine whether it corresponds to the definition of "trust money" (refer to "Appendix I – Definitions").
 - d) For the same sample of deposits, inspect deposit dates and identify whether each was deposited within two business days of receipt.
 - e) Select the required sample of disbursements based on the table in the "Sample Size" section above. Inspect supporting documents to determine which of the conditions (i)–(vii) apply, and document which condition applies. If none apply, document the findings.

- (i) The money was paid into the trust account by mistake;
- (ii) The money was interest paid directly to the client in the case of a non-pooled trust account or in accordance with the instructions of the respective client in the case of a pooled trust account;
- (iii) The money was intended as licensee remuneration, had been considered earned and was paid to the appropriate licensee(s) or other parties on behalf of the licensees;
- (iv) The money was authorized to be withdrawn as a reimbursement to a mortgage administrator for any expenses incurred and disbursements made on behalf of the lender;
- (v) The money was unclaimed and paid to the Unclaimed Property Society;
- (vi) The money was paid in accordance with a court order; or
- (vii) The money was paid to the client or in accordance with the instructions of the client to whose credit the money was deposited.

*If neither a trust account general ledger nor individual trust ledgers (in the case of a pooled trust account) were prepared, perform agreed upon procedures 7) c), d) and e) using the bank statements for the selected months.

- 8) Inspect the bank statements and trust account general ledger (if prepared) for occurrences of negative balances and document the findings. For any negative balances not eliminated within 10 days, obtain the brokerage's notification to BCFSA and document any instances where no such notification was made.

For the final month of the fiscal year:

- 9) From the bank reconciliations, identify the trust asset balance for each trust account and total these balances to determine the total trust asset balance across all trust accounts as of fiscal year-end. If bank reconciliations were not prepared, perform this procedure using the bank statements. Document the total trust asset balance and the source (e.g., bank reconciliations, bank statements, or a combination of both).

For each pooled trust account, for each selected month:

- 10) Request a trust liability and asset reconciliation and document any instances where they were not prepared. For those that were prepared, perform the following:
 - a) Identify whether it is prepared as of month-end and whether trust liability balances are listed.
 - b) Identify whether it includes evidence of review (initials/signature and date) by the principal broker or an individual designated by the principal broker. Document if missing.
 - c) Inspect the preparation date to identify whether the reconciliation was prepared within 5 weeks (35 days) after month end. If a preparation date is missing, refer to the earliest review date. If such dates are missing, document the findings.
 - d) Compare the total trust liability balances to the trust asset balance in the bank reconciliation and document any differences.
 - e) Inspect the listed trust liability balances and identify any that do not reference a specific mortgage, transaction, or client and document any such instances.

- 11) Request individual trust ledgers and document if they were not prepared.

If they were prepared, select a sample of at least five mortgages, in addition to any trust ledgers relating to the trust liability balances identified under procedure 10) e) above, and perform the following:

- a) Compare each ledger's ending balance with the corresponding trust liability balance and document any differences.
 - b) Inspect the ledger entries and identify any with unclear or missing descriptions (e.g., mortgage file number).
- 12) In addition to the records listed under procedure 8) above, review the trust liability and asset reconciliation and all individual trust ledgers for occurrences of negative balances. For any negative balances not eliminated within 10 days, obtain the brokerage's notification to BCFSA and document any instances where no such notification was made.

For each general (non-trust) bank account, for each selected month:

- 13) Request the bank reconciliations and document any instances where they were not prepared. For those that were prepared, perform the following:
- a) Identify whether it is prepared as of month-end.
 - b) Inspect the preparation date to identify whether the reconciliation was prepared within 5 weeks (35 days) after month end. If a preparation date is missing, refer to the earliest review date. If such dates are missing, document the findings.
 - c) Identify outstanding disbursements dated at least six months before month-end and document the findings.
 - d) Identify outstanding deposits and whether each cleared in the subsequent month; document any that did not.
- 14) Request the general ledgers and document any instances where they were not prepared. For those that were prepared, perform the following:
- a) Compare the ending ledger balance to the book balance in the bank reconciliation and document any differences.
 - b) Inspect the ledger entries and identify any with unclear or missing descriptions.
 - c) Select the required sample of deposits based on the table in the "Sample Size" section above. For each deposit, trace the amount to supporting documents and determine whether it corresponds to the definition of "trust money" (refer to "Appendix I – Definitions"). If any do, document the findings.