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## **Standing Committee on Finance**

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**EVIDENCE**

**Tuesday, March 31, 2015**

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**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Tuesday, March 31, 2015

• (0845)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call this meeting to order. This is meeting number 75 of the Standing Committee on Finance. The orders of the day pursuant to Standing Order 108(2) are a study of terrorist financing in Canada and abroad.

I want to thank our witnesses for being with us here in Ottawa and also from Maryland and from the United Kingdom.

First of all, we have Daniel Therrien, the Privacy Commissioner of Canada. Welcome back to the committee.

Appearing as an individual, we have Ms. Christine Duhaime. Welcome to the committee. Thank you for being with us.

As well, we have Mr. Paul Kennedy, appearing as an individual. Welcome back to the committee.

We have Mr. Christian Leuprecht, associate dean and associate professor at the Royal Military College of Canada.

By video conference from Pasadena, Maryland, we have Mr. Amit Kumar. Mr. Kumar, thank you for being with us here this morning.

From the United Kingdom, we have Mr. Bill Tupman, a professor as well. Thank you so much for being with us here from the U.K.

Each of you will have five minutes for your opening presentation, and then we'll have questions from members.

[Translation]

We will start with Mr. Therrien.

Go ahead.

**Mr. Daniel Therrien (Privacy Commissioner of Canada, Office of the Privacy Commissioner of Canada):** Thank you, Mr. Chair and members of the committee, for the invitation to address you today.

The subject of your study, Canada's regime for combatting the financing of terrorism, is clearly a timely one.

As you are aware, in light of Bill C-51 and other recent legislative activity, the past year has seen much public debate about the rules that regulate how information is collected, shared and analyzed by and among our law enforcement and intelligence agencies. Indeed, information sharing is a very important aspect of combatting crime and terrorism. It can also, however, pose risks from a privacy perspective.

Operating under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, FINTRAC is one agency that is a key player in information gathering and sharing, and one that my office has had many interactions with over the years.

As I outlined in my recent submission on Bill C-51, in a country governed by the rule of law, it should not be left for national security agencies to determine the limits of their powers. Generally, the law should prescribe clear and reasonable standards for the sharing, collection, use and retention of personal information, and compliance with these standards should be subject to independent and effective review mechanisms, including the courts.

In this case, the legal standards are established under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and accompanying regulations, which I find to be reasonable in their current state, as they target individuals and organizations suspected of criminal or terrorist activity or financial transactions of a significant value. This could change as a result of Bill C-51 or other measures currently under consideration that would require the sharing of all electronic transfers regardless of the amounts involved.

In terms of review, the office of the commissioner is mandated to conduct biennial reviews of FINTRAC's personal information handling safeguards, under section 72 of the enabling legislation. We also measure their activities against sections 4 to 8 of the Privacy Act, under our authority to conduct reviews as outlined in section 37 of that act.

• (0850)

[English]

While we know that current laws and regulations contain reasonable standards, our audits have found problems with the collection and retention of personal information in excess of these standards. We have found that some of the information shared with FINTRAC related to activities that did not demonstrate reasonable grounds to suspect money laundering or terrorist financing, and that FINTRAC was retaining data that is not relevant to its mandate. This presents an unquestionable risk to privacy by making available personal information for use and sharing that should never have been provided to FINTRAC.

To address this problem, after consulting with FINTRAC, we've prepared guidance for private sector organizations to reduce the risk of overreporting in violation of the risk to privacy. Furthermore, explicit authority under subsection 54(2) of the PCMLTFA, Proceeds of Crime (Money Laundering) and Terrorist Financing Act, as enacted by Bill C-31, was also recently granted to FINTRAC for the destruction of information that is not related to money laundering or terrorist financing. Despite these initiatives, the risk of overreporting and retention remains, and we will be paying particular attention to this issue in our upcoming two-year review.

The risks I've described will increase only if the reporting threshold for electronic funds transfers is dropped to zero, as has been discussed at this committee and elsewhere, and should Bill C-51, which further widens the potential sharing of information, be enacted without amendment.

Finally, let me say a few words about the review.

While our office is obligated to conduct compliance reviews of FINTRAC, we can only examine privacy issues. FINTRAC does not have a dedicated review body to examine their activities to ensure they are lawful, reasonable, and effective.

I conclude by reminding the committee that the lack of a dedicated review for FINTRAC was last raised by the O'Connor commission and that it remains a serious problem.

Thank you. I look forward to your questions.

**The Chair:** Thank you very much, Mr. Therrien.

We'll go to *madame Duhaime, s'il vous plaît.*

**Ms. Christine Duhaime (Lawyer, Duhaime Law, As an Individual):** Good morning and thank you. I have some brief comments and then I'll be happy to take your questions.

I'm going to start my comments where the deputy minister left off when he testified before you a couple of days ago, talking about the FATF. The FATF, as he described to you, is the policy-setting body that mandates policy that countries around the world implement in terms of their national laws to follow anti-money laundering. There are two other parts of that, one of which he discussed, which is counterterrorist financing, and the third part is sanctions law. I bring that to your attention because that's the regime we look at when we think about terrorist financing and the two pieces especially, which are sanctions law, i.e., sanctions avoidance if we're not complying with it, and terrorist financing. Those are the three pillars from which we gauge whether or not financial crimes are being committed in terms of compliance.

The FATF has done a fairly comprehensive job of policy setting for the first one, anti-money laundering policy. There are issues with respect to its ability in providing leadership, guidance, and policy on a responsive level on the other two, namely, counterterrorist financing and sanctions law. I do not know why that is the case, but the evidence is fairly strong that there are counterterrorist financing issues and sanctions compliance issues in this country and around the world. I would go so far as to say that those two regimes, those two pillars, are broken and we need to find solutions to rectify the situation. The reality is that there would not be an Islamic State today or other terrorist activities to the extent that we see growing if

our counterterrorist financing laws and our sanctions laws were complied with around the world.

I'd like to make a quick note about digital terrorist financing, as I think this plays into one of the issues we are facing, which is that we have not kept pace with counterterrorism laws. Terrorist financing is not static. One of the issues with the FATF is that for whatever reason, it has not kept pace with counterterrorism. One of the issues with the digital financing regime is that entities like the Islamic State are quite versatile on social media. Not only do they fundraise on that platform, but they upload lots of their propaganda. The more they upload propaganda of horrific acts, the more they get funding around the world for their activities. It's quite a vicious circle and it's quite important that we come up to speed with what the digital financing regime is like and get a grip on that.

For example, the Islamic State uses Twitter quite a lot, but they use other platforms such as JustPaste.it and Ask.fm. Sometimes when we ask law enforcement and counterterrorism officials about those social media sites, they don't have a clue what we're talking about. I think it's important that we understand what Ask.fm is, how it works, what JustPaste.it is, and how organizations like ISIS use them to fund their terrorist activities in this country and elsewhere.

I point that issue out specifically to mention the fact that ISIS has been around for two years now in digital terrorism, and digital terrorist financing for as long, and yet in this country we don't have a digital terrorism strategy or a counter-strategy, and we certainly don't have one with respect to digital counterterrorism.

Let me talk briefly about the enforcement piece because it's an important piece of the puzzle with respect to reporting entities and law enforcement in this country.

In the past couple of years, the enforcement globally has followed the same path as the FATF. By that I mean we are quite strong on anti-money laundering law compliance and enforcement globally, but in this country much less so when it comes to counterterrorist financing and sanctions law. In this country we rarely enforce, investigate, undertake compliance reviews and prosecute for sanctions and counterterrorist financing. By contrast, in the United States they have an exceedingly strong sanctions regime and they enforce it strictly. There's no reason that we can't do the same here.

In terms of solutions, let me say that in my experience there is a great need for dialogue between the public and the private sectors. I hear all the time from both sides which I represent that there is a gap in information sharing. They each want to know what the other is doing. They each want to have more information. They are each vitally interested in combatting terrorism in whatever way they can, but they're lacking a dialogue. They're lacking the tools. They're lacking the communication.

•(0855)

My suggestion is that Canada take a leadership role in counter-terrorist financing and sanctions, and that it contemplate putting together some sort of a centre of excellence for us to bring together all of these parties and assure that they have the dialogue that they say they need to counter terrorist financing in Canada and abroad.

Thank you.

**The Chair:** Thank you very much for your presentation.

Now, we'll hear from Mr. Kennedy, please.

**Mr. Paul Kennedy (As an Individual):** Thank you.

I agree with the principle that access to money is a necessary ingredient of one's ability to conduct criminal and terrorist activity. Denying individuals such access will reduce the harm to society. Ongoing efforts to strengthen and modernize the legislation are necessary to address new technologies and financial practices.

I believe, however, that there is a significant weakness in the government's ability to match enforcement action to the quality of legislation that has been introduced and may, in fact, be introduced. The RCMP, as it is presently constituted, is a municipal, provincial, and federal police service. It has multiple demands placed upon it by a myriad of political masters. Approximately two-thirds of its police officers perform non-federal policing functions. This is the type of policing that is performed by tens of thousands of police officers throughout Canada and does not have to be performed by our federal police force.

The federal government assumes about 30% of the cost of the RCMP policing at the local levels. This commitment not only distracts the RCMP from its federal policing role, but it occasions the development of a recruitment and developmental model ill suited for a police force that is required to successfully investigate a new class of crime. This is the type of criminal activity which includes terrorism and is interprovincial, national, and international in scope. Such criminal actors employ the latest technology and are supported by lawyers and accountants.

Since 2000, the government has invested hundreds of millions of dollars in an initiative to combat money laundering, proceeds of crime, and terrorist financing. How have we done? FINTRAC receives and analyzes 25 million transactional reports annually and provides disclosure of actionable financial intelligence to assist the investigation of money laundering, terrorist financing, and national security threats. Just between 2010 and 2014 it released 2,961 such actionable disclosure cases. Both CRA and CBSA, according to their annual reports to the Treasury Board, have either seized or collected in reassessed tax arrears tens of millions of dollars.

By contrast, the RCMP, but for action taken with respect to drug enforcement activities, which has been a core mandate for many decades, appears to have taken very little action with respect to terrorist financing or non-drug activity. I could find only two references to alleged terrorist investigations, one of which was attributable to undercover work.

The RCMP, as specified in the Security Offences Act, has the primary responsibility for the investigation of terrorist activity. The gap among the serious public harm occasioned by the financing of

terrorism, the significant moneys invested by the government in the investigative program, the admirable efforts by FINTRAC, and the weak investigative follow-up by the RCMP should be a concern for all members.

Parliament will be able to give meaning to legislation such as the prevention of financing of terrorism by the RCMP only if the RCMP rededicates itself to its federal policing role and recruits individuals who possess, or trains active members to acquire, the skills essential to address the new type of criminal behaviour that threatens Canadian society. The government should reallocate the 30% federal subsidy in support of contract policing to the federal portion of the RCMP to allow it to better fulfill its federal policing role.

Thank you.

•(0900)

**The Chair:** Thank you very much, Mr. Kennedy.

We'll now go to Mr. Leuprecht, please, for his presentation.

[*Translation*]

**Dr. Christian Leuprecht (Associate Dean and Associate Professor, Faculty of Arts, Royal Military College of Canada, As an Individual):** Good morning. Thank you for inviting me to appear before you this morning.

[*English*]

I'll talk about context, problems, and what to do.

First is the distinction, of course, between terrorist financing and money laundering. The challenge with terrorist financing is that much of the money is legal and it's used for illicit purposes. I have several documents here that I didn't enter into exhibits because they're not translated, but I'd be happy to share them with the members. One is an empirical study that maps some of the networks to show that financing and recruitment networks are very different and so they require different strategies. We're a diverse country, so there's a lot of interest by various forces around the world to try to obtain money in Canada. That's well documented. It's a long-standing issue dating back as long as the IRA, but also with regard to Sikhs and Tamils.

We have a financial tracking agency, a financial intelligence agency, that does a terrific job by all accounts, but it's extremely difficult to extract any sort of intelligence from that agency. All you need to do is to talk to other agencies around town. Trying to get anything out of FINTRAC is exorbitantly difficult. We have an obligation, under UN Security Council resolutions 1373 and 1624, and in the 2014 resolutions 2178 and 2195, to do a lot more about terrorist financing. I would remind the committee that those are chapter 7 resolutions, so they are binding on all members of the United Nations.

The problems in particular are intelligence sharing by FINTRAC and coordination issues. I have an article here of empirical survey evidence to demonstrate that there is a significant amount, albeit small...but we can demonstrate a significant amount of sympathies to finance such organizations within Canada. This is published peer-reviewed work.

As was pointed out, there is a significant delta between what happens empirically in Canada and the actual convictions. In terms of extraterritorial convictions, we don't have any, as far as I know, with regard to money laundering. We don't have any that I know of with regard to tax evasion. We only have one case, as far as I know, with regard to terrorist financing. That dates back to 2010. That case was essentially like taking candy from a baby, so I wouldn't consider that one a particularly great success.

We know what the Hezbollah networks look like, but it seems we have great difficulty doing anything about them. We know that within the RCMP we lack the skill set to do complex financial investigations. As was just indicated, there's a serious challenge here with regard to building the professional development and skill set capabilities to actually prosecute. We can survey everything that happens in terms of financial intelligence, but we seem to have a great deal of difficulty doing anything about it. Just changing laws won't do much if we can't actually change the capacities.

We have the problem of morphing violent extremist organizations. I've submitted to the committee a brief paragraph with regard to north and west Africa. It shows how organizations regularly change their names. We have great trouble in our listing regime actually keeping up with these organizations as they split and as they change their names, so we're constantly playing catch-up. It takes us years to catch up. As far as I know, the Taliban weren't listed until 2012 as a terrorist entity in this country.

We have organized crime connections to terrorism. I have submitted, without going into detail, a four-page note on that particular issue. It's a bit more tenuous and a bit more difficult to demonstrate empirically, and yet we do have evidence out there. I list that in the submission. There's the risk of extortion, as we know from Tamil communities. There are export flows that inherently support violent extremist organizations. I've documented that in a separate peer-reviewed article with regard to the Canada-U.S.-based terrorist networks. Most of them don't try to do bad things in either of our countries; they try to export a whole bunch of stuff to the rest of the world. We have an obligation to make sure that we do our part, that we don't inadvertently support terrorist activities elsewhere.

There's the great challenge of microfinancing. People are trying to raise a couple of thousand bucks to get on a plane and go abroad. What we have is a changing picture with regard to terrorist financing. However, the terrorist financing today, with regard to ISIS, as was mentioned, is now largely either state-sponsored and/or own-source revenue. There's less going on in terms of people actually trying to raise funds here directly except for the opportunity to go overseas.

What needs to be done? We need to think about the listing regime and making our listing regime much more efficient. I have specific propositions with regard to that.

We need to perhaps think about listing specific individuals abroad, but that gets us into the problem that even terrorists go to the dentist. Just because you transfer money to an individual abroad who might be listed, it might be difficult to demonstrate that the money is used for terrorist purposes.

We need to learn a lot more from our allies. The United Kingdom has a system whereby they essentially can search passengers on an entire plane, yet in Canada the CBSA has no outbound mandate. The RCMP's jetway activity is only land-based, and the RCMP doesn't have any money dogs. Again we have these coordination issues.

I think we need to get rid of the threshold for electronic funds transfers altogether. I can demonstrate to you mathematically that it makes no sense to have these thresholds, because it vastly increases the number of false positives. We should either have it set by ministerial discretion or by FINTRAC rather than picking arbitrary thresholds of  $x$  thousand dollars.

● (0905)

What do we need to be looking at? In sum, we need to be looking at the disconnects within our own government. We need to be looking at the motivations and at why we don't have more motivations to actually prosecute in this country. We need to be looking at the methodology, and in particular learn from the methodology that many of our allies have implemented. Besides the U.K. example, I can give you a dozen other examples of how other countries go about some of these measures.

**The Chair:** Thank you for your presentation.

We'll now go to Mr. Kumar, please, for five minutes.

**Dr. Amit Kumar (Senior Fellow, Anti-Money Laundering Association):** Thank you, Mr. Chair and members of the committee, for inviting me to discuss terrorist financing in Canada and abroad. In my time today, I will highlight certain key threats that Canada and the rest of the world face as regards terrorist financing. I will outline a few steps that the Government of Canada, in cooperation with its international partners, can take to help mitigate these threats.

As the juggernaut of ISIS rolls on unabated, and as al Qaeda and its affiliates across the world show renewed vigour, terrorist financing threats are on the rise. ISIS is flush with funds, and its reliance on criminal methods and donations from rich individuals to fund its operations has become all too obvious. Simultaneously, the heightened activity of al Qaeda affiliates like Boko Haram and AQAP, as well as Lashkar-e-Taiba and the Taliban, all of whom are well financed thanks to their exploitation of criminal sources of money and misuse of charitable organizations alike, is causing great concern to the democratic denizens of Canada and the international community.

A key factor that allows the aforementioned terrorist organizations to thrive is their ability to launder the proceeds of their criminal activities towards terrorist financing ends and purposes. Often in concert with criminal organizations, as well as on their own, these terrorist groups have been able to finesse the craft of money laundering in order to disguise the sources of their income from the ultimate destination that this income is bound for, and that is towards perpetrating terrorist acts, setting up and administering new affiliates and cells, and the training, recruitment, and online radicalization of terrorists.

An alarming trend is the global nature of the movement of terrorist funds, which not only tends to misuse the international financial system, but also makes it very difficult to trace these funds and to prosecute and convict those engaging in the nefarious acts of perpetrating, financing, and facilitating the terrorism that we in the civilized world all love to hate.

Given the seemingly intractable task and mission of stemming the flow of terrorist funds and their use to launch terrorist attacks, what can Canada along with the global community do to mitigate the terrorist financing threat?

First, it's important to recognize that terrorists succeed by moving men, money, materiel, and messages across the world. Hence, a broader and more expansive scope of material support to include men, money, materiel, and messages should be adopted by the comity of nations in order to make more informed and effective choices in exercising the countering of financing of terrorism tools of sanctions, investigations and enforcement, regulations, and outreach.

Second, given the free movement of money, men, materiel, and messages in this day and age of the internet, ISIS, al Qaeda, and their acolytes are not limiting their theatres of operation and fundraising activities only to Iraq, Syria, and the broader Middle East, but they are also extending them to north Africa, west Africa, southwest Asia, south Asia, Europe, etc. ISIS-inspired attacks in Paris, Ottawa, and Oklahoma are a case in point. So is the heinous attack by French citizen Mehdi Nemmouche in Brussels, Belgium, as is the combined training activities of Boko Haram, al Qaeda, and ISIS in Mauritania. Foreign terrorist fighters may perpetrate terrorist acts not only in their home countries; therefore, any counterterrorist finance strategy should not limit itself to Iraq, Syria, and immediate neighbours, as has been the wont of the international community for the past year or so.

Third, given the serious online radicalization, fundraising, and recruitment threat that ISIS presents, it's imperative to work with social media companies to take down incendiary videos and websites that train impressionable persons in bomb making, invite radical thoughts and beliefs, and lionize those who commit atrocious terrorist acts. Present efforts under way to bring in legislation in Canada to address this issue are a step in the right direction. Of course, it is hoped that these legislative initiatives will balance the needs of security with those of free speech and the privacy concerns of citizens.

Fourth, while there has been a lot of debate in the past several years about the functioning and effectiveness of FINTRAC—and by all accounts its performance has considerably improved—not much has been spoken of in terms of the dire need for two-way information sharing between law enforcement agencies and FINTRAC. This two-way information sharing would further improve the effectiveness of FINTRAC and the quality of its financial intelligence products.

Fifth, while targeted sanctions against the al Qaeda and Taliban regimes by the UN are a noteworthy name and shame deterrence phenomenon, and the capacity-building initiatives of the UN Security Council resolution 1373 regime have gained high praise, their effectiveness of implementation, as well as their impact at stemming terrorist financing have yet to be assessed. The

Government of Canada, which is actively engaged in funding and facilitating the countering of the financing of terrorism capacity-building programs through the UN and its agencies, may like to request information from both the al Qaeda and Taliban monitoring team and the counterterrorism executive directorate with regard to the effectiveness of implementation and the impacts of UNSCR 1267 and UNSCR 1373, respectively.

It is hoped that these thoughts and recommendations will help the committee in its examination of terrorist financing in Canada and abroad going forward.

• (0910)

In closing, thank you, Mr. Chair and members, for this opportunity to discuss this issue. I welcome your questions.

**The Chair:** Thank you very much for your presentation, Mr. Kumar.

We'll now go to Mr. Tupman, please, for your five-minute presentation.

**Prof. Bill Tupman (Professor, BPP University / University of Exeter, As an Individual):** Thank you, Chair.

The first point I'd make is that if you really want a longer presentation from me, I did a lecture tour of Australia a couple of years ago and you can see a YouTube video of my doing a 40-minute presentation, with jokes, on the mix of terrorist financing, but I'm going to spare you the jokes and the 40 minutes. For the sake of the interpreters, I'm going to try to make six or seven quick points.

The first point is that my present interest is the increasing overlap between terrorism and organized crime, that they are engaged in very similar sorts of activities, that they are both networked and organized as networks rather than as Weberian pyramids, and that they are primarily cellular.

My second point is that we need to remember that most terrorist operations now are self-financed. The cell finds its own financing for the particular operation. There is seed core financing for what we might call spectaculars, and for setting up an organization for the purposes of recruitment. If we're going to talk about terrorist financing, we need to recognize those differences.

My third point is that states are back as terrorist financers. There was a period when it appeared that we were dealing with organizations that were non-state actors. As things have changed over the past five years, increasingly the big organizations are being funded by states. I'm not going to name them because I don't know whether I'm under the Chatham House Rule or whatever, but they're fairly widely known, and if you're going to stop terrorist financing you need to address the question of those states.

My fourth point mirrors something one of the earlier speakers said. We're dealing with a series of new technologies. Social media represents one of those technologies, but we also need to remember there are alternative forms of payment, such as bitcoin, and there are all sorts of money substitutes used in games, like Second Life. An awful lot of attention by the security services is focused in the wrong place. We don't need gathering of general social media. The bad guys have now gone to Tor; they've gone to the deep web where the pedophiles are and where all sorts of dissidents hang out. We need to know a lot more about how to investigate what's going on there.

My fifth point is that again over the last five years we've seen the rise of the terrorist accountant. It sounds like a contradiction in terms. Accountants are supposed to be terribly dull people and terribly worthy, but accountants are now very important in assessing businesses for the tax or extortion they're going to pay to the terrorist organization. We need to remember that not just banks lend money, but also accountancy firms and firms of solicitors. We need to pay more attention to the accountancy profession.

My sixth point again mirrors something somebody else has said. The most important thing is better trained investigators. We have enough laws. We don't need more laws; we need more competent investigators to produce evidence and prosecute. One of the big traces you need to follow is, who is now dealing with the suspicious activity records? Is anything being done with them? Are they genuinely being analyzed, or are they just piling up on a computer somewhere?

My seventh point is that we should remember the objective of countering terrorist financing is the same as the objective of all counterterrorism. It must reduce the number of terrorists.

● (0915)

If we use blunt instruments that hit non-terrorist targets that hit spectators, we will end up increasing the number of terrorists.

My final point is the Islamic State point. The Islamic State since it captured Mosul has access to large funds and doesn't really need to raise a lot of money elsewhere, but it's also able to sell oil. We need to know where that oil is going, we need to track it, and we need to make sure the money is not getting back to them.

Those are my eight points. Thank you very much for listening. I will enjoy taking questions.

**The Chair:** Thank you very much, Professor Tupman.

We will begin members' questions, colleagues, with Mr. Cullen, for six-minute rounds.

**Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP):** A great deal of thanks to all our witnesses this morning. With this panel, we don't have enough time to get through what we would probably like to get through just by the quality and expertise of the six of you who are here.

Very quickly, Mr. Leuprecht, I want to get this balance. We've been trying to understand, particularly with regard to ISIS, ISIL, how much of their money is coming from donations from people in North America or Europe versus how much of their money they have secured from extortion from the banks they have seized, from the sale of oil as Mr. Tupman has alluded to.

Do you have any awareness of that?

**Dr. Christian Leuprecht:** Inherently concrete numbers are hard to come by, but we do have a good British and a good Australian report I can share with you on that.

In principle, the ISIS phenomenon is one of individuals in the region and own-source revenue, and less one of ISIS going abroad, but the challenge of focusing on ISIS is that, for instance, we miss all the activities in North Africa that I outlined for you.

In that regard, I want to stress what the Department of Foreign Affairs does, in particular, under Canada's counterterrorism capacity-building program and the anti-crime capacity-building program, which is primarily active in the Caribbean. I think these are very important efforts in making sure this phenomenon doesn't spread and that we reinforce capacity.

● (0920)

**Mr. Nathan Cullen:** Thank you.

Mr. Kennedy, something Mr. Tupman said seemed to reinforce what you were saying with regard to capacity. There's an indication of new and broader powers for CSIS and for others that is being debated right now and moving through the amendment stage.

Laws are what they are, but if there isn't capacity to follow through on the laws, then they are simply something else other than an intent to actually change things.

What is the RCMP's current capacity? You have a great deal of expertise in this. What has their experience been in terms of tracking down and pursuing?

**Mr. Paul Kennedy:** I'll give you some background. I prosecuted complex drug cases, tons of materials. We didn't have the laws in place to seize the proceeds so I advocated that. For five years, I actually ran the proceeds of crime and money laundering program at the Department of Justice, and I led as an ADM at the then Solicitor General the creation of FINTRAC and the proceeds of crime units, so I'm in it big time.

**Mr. Nathan Cullen:** You're in it. Are we doing it, is the question when it comes to terrorism—

**Mr. Paul Kennedy:** Well, that's the problem. When I have looked at the file, I can't find any files. There's one little Hamas-connected thing.

I also led the initiative for the charities. That worked, because we didn't want the government financing terrorists through tax receipts. You look at a lot of institutions that violence was occurring in in Canada that were charities...that has disappeared, so that has worked.

When I looked at the proceeds of crime forfeitures since 2000 by the RCMP, it's about \$243 million. If you break that down, it's about \$17 million a year. That tallies what our experience was with the moneys we were collecting associated with drug trafficking.



I'm looking at it, and I think it is all drug trafficking. That data that you need to make that collection is incidental to your drug investigation, so it doesn't require a sophisticated analysis of the kind of data you would get from FINTRAC. I suspect if you looked at those 2,900 that I talked about just in the last four years from FINTRAC, what were the values, because their data will tell you what the value and what the counts are, and what has been acted upon by the RCMP.

I would suspect next to nothing. They don't have the skill set for it.

**Mr. Nathan Cullen:** In all of this not knowing, which Parliament doesn't know, it's part of our challenge just in terms of what's being done and not being done.

I'll turn to Mr. Therrien for a moment about oversight.

You said in your opening statement that it should not be left to national security agencies to determine the limits of their powers.

Are there other countries in the G-7 or the OECD that allow their national security agencies to determine their own limits of power?

**Mr. Daniel Therrien:** On that point, I'm not sure about an international comparison, but in terms of oversight of national security agencies writ large, whether for terrorist financing or other activities, Canada certainly has a number of review bodies for the RCMP, for CSIS, and for the Security Establishment. As far as FINTRAC is concerned, the only review body that exists is myself, the Privacy Commissioner, and my mandate is limited to determining whether privacy laws are being respected.

For instance, on the question of the effectiveness of the gathering of information and whether it leads to true enforcement action, there is no review body to consider these issues.

**Mr. Nathan Cullen:** So we don't have the review body now. What is being proposed is to greatly expand the powers of CSIS, and it has been suggested that we lower the limit for an investigation, and some are saying to zero dollars. I'm not sure who raised the point—I think it was Mr. Leuprecht—about lowering it to such a point that the net is cast widely, particularly as the definition of terrorism is also going to be expanded to inhibiting economic interests. What will be the net impact with no oversight of expanding the power and the information sharing of privacy information on what we're trying to get done here, which is stop international terrorism?

**The Chair:** Just a brief response on that, please.

**Mr. Daniel Therrien:** I guess my concern is that in gathering massive amounts of information to identify suspicious transactions, government receives, analyzes, and retains for long periods a lot of information about law-abiding citizens.

**Mr. Nathan Cullen:** Thank you.

**The Chair:** Thank you, Mr. Cullen.

We'll go to Mr. Saxton, please.

**Mr. Andrew Saxton (North Vancouver, CPC):** Thanks to our witnesses for being available today.

My first question is for Professor Tupman.

Professor, you said that ISIL is selling oil to finance their activities. Who is buying that oil?

●(0925)

**Prof. Bill Tupman:** It is being sold to a number of different clients. Some of it is being sold just across the border into Turkey to individual purchasers and individual garages, but it actually appears to be heading up towards the Black Sea on tankers—tankers travelling up the road—and it appears to be getting onto boats and crossing the Black Sea, possibly to the Romanian port of Constanta. Somewhere between the oil wells and western Europe, eastern Europe, it seems to change its identity, and obviously there are matters under investigation there to which I'm not privy. That appears to be the route by which it is passing at the moment, and that was the information I was given by the Turkish police themselves about 12 months ago.

**Mr. Andrew Saxton:** They likely would be selling this oil at a deep discount to the market in order to find customers.

**Prof. Bill Tupman:** Yes, but if you look at Europol's threat assessment of two to three years ago, they thought that organized crime, European organized crime, was buying some of the smaller refineries, and it is possible that some of it's going to those smaller refineries to become petrol products. All this is surmised and relies upon conversations with people off the record, I must explain. None of this is evidence based.

**Mr. Andrew Saxton:** Thank you very much.

My next question is for Madam Duhaime.

Madam Duhaime, what role should government play in stopping terrorist financing, and how can we work with the private sector?

**Ms. Christine Duhaime:** That's a loaded question.

I think it is incumbent on government to take a leadership role, to grab the reins of the horse, as it were, and to actually take a much more active role in ensuring the private sector can play the role it needs to play, which in Canada is the role of gathering information and reporting it to FINTRAC, and then FINTRAC does its role in terms of assessing and reporting it to law enforcement.

Let me give you an example of what I think is important in terms of what FINTRAC does, in terms of whether or not we have the resources, and how the private sector can play a role. When FINTRAC was testifying before you, one of the things *Gérald Cossette* said that struck me as rather important was that in the last year they have determined that there were national security threats or terrorist financing incidents that occurred more than once every business day. In other words, he referred to law enforcement, or FINTRAC did, 234 reports that were in one of those two categories.

There do not appear to be sufficient resources in terms of policing to deal with one terrorist financing report a day coming out of Canada. That was just last year. Where are those 234 national security threat reports and/or terrorist financing reports? No one asked the question of what stage they're at or what's happening with that. But I think that's an issue on the federal government side where we need to be asking that question. What is the status of those reports? What is the number of reports now into 2015? What role are our federal policing agencies going to play in terms of determining that?

On the private sector side, one of the things he also said was that by working with some of the banks, they were able to determine much more quickly than they would have that there has been an increase in electronic funds transfers to the border towns of Turkey, which of course implicates ISIS. They go to collect funds that have been wired to them from Western Union, for example, and other money services businesses.

I think that type of dialogue that they were able to attain rather quickly, which I thought was crucial as a typology for money laundering and terrorist financing, which is that the border towns are funding ISIS, is really important. That information should go back to the less large reporting entities, which is the money services businesses that are most at risk and tend to be least compliant, so that they can bring into their compliance programs that type of information to make sure they engage in their role in counterterrorist financing.

**Mr. Andrew Saxton:** Thank you.

You talked about digital financing. Could you expand on that? What role do Bitcoin and crowdsourcing, for example, play in this?

**Ms. Christine Duhaime:** FINTRAC said it has no evidence that Bitcoin has played any role whatsoever in terrorist financing, and the U.S. government said the same about eight months ago. I don't know if that has changed recently.

With respect to digital finance, what's happening is that Twitter, for example.... There will be thousands upon thousands of requests from ISIS people requesting people all over the world to send money to them through PayPal, or through some other means digitally. The danger there is that it's immediate. It's from me to you. No one really knows how that transaction has taken place other than it can be global and is fairly quick. It's a small number, so it doesn't fit within the typologies that we have typically assessed to counterterrorist financing. We're not searching for it at the big banks, because we're not required to under anti-money laundering laws.

• (0930)

**Mr. Andrew Saxton:** Thank you.

**The Chair:** Thank you, Mr. Saxton.

Mr. Brison, please, for your round.

**Hon. Scott Brison (Kings—Hants, Lib.):** Monsieur Therrien, you said there's evidence of a problem in terms of the collection and retention of data, and that FINTRAC is maintaining data not relevant to its mandate. What type of data, just to give us some flavour for this, is being retained that's not pertinent to their mandate, and what type of protocol should there be to identify that type of data and to purge it from FINTRAC? Where should it go?

**Mr. Daniel Therrien:** The information I was referring to was uncovered in the course of our two-year review audits that we've conducted over the years. Essentially, the problems stem from the discretionary criteria applied by financial institutions and providing information to FINTRAC, namely, that a transaction appears suspicious.

It is for the financial institution to determine whether a transaction is suspicious. The institution is well placed to determine that. But in the course of our audits, we found that certain transactions were referred to FINTRAC for reasons such as the ethnic origin or the

place of destinations of an individual, or because the age of the individual involved did not match the amount of money at stake.

The risk, I think, is that in gathering massive amounts of information and then trying to make sense of it, you will apply criteria, some of which may be discriminatory. That's one issue.

There's a proposal apparently on the table to get rid of the financial threshold that would result in reporting to FINTRAC from \$10,000 to zero dollars. I do not suggest that a financial threshold is necessary, but certainly, if you remove a financial threshold, the risk of catching information about law-abiding citizens increases mostly into your question about protocols.

Either you have objective standards for when financial institutions share information with FINTRAC, or if you get rid of a dollar threshold—and then there is no threshold, there is no objective criteria—then there should be some objective criteria, whereby FINTRAC looks at the data bank that contains all of this information to ensure that it is investigating people involved in criminal or terrorist activities as opposed to law-abiding citizens.

**Hon. Scott Brison:** You're saying that the problem actually could begin or does begin with perhaps a public perception as to the source of terrorist threats and potentially that people are identifying people based on race and that may not necessarily reflect in any way actual terrorist threat, that in fact, the information coming in from financial institutions may be tainted from the outset based on false public perceptions.

**Mr. Daniel Therrien:** I don't want to exaggerate the importance of the problem, but we did find occurrences of reporting by financial institutions to FINTRAC that appeared to be based in part on race, place of destination, and age.

**Hon. Scott Brison:** You've said that amendments could help address some of your concerns in terms of Bill C-51. Have the government amendments addressed those issues?

**Mr. Daniel Therrien:** To distinguish between the current laws as they apply to FINTRAC and Bill C-51, current laws, some of which are being revisited or reconsidered including the dollar threshold, to me are reasonable because reporting to FINTRAC is either on the basis of whether a transaction is suspicious. So we're not tackling or targeting law-abiding citizens. We're targeting suspicious activities or the size of a transaction, which creates a particular risk presumably for, again, suspicious activities. The elimination of the dollar threshold would change the situation considerably in that regard. That's point one.

Point two, Bill C-51 would also change the situation in that rather than targeting suspicious activities or transactions of high amounts, FINTRAC would be able to receive and share information based on whether that information might be relevant to its mandate which is the detection of money laundering and terrorist financing. The objective standards that currently exist would be greatly diminished and would increase the risk, again, that the information of law-abiding citizens would be caught by supervision.

● (0935)

**Hon. Scott Brison:** You were asked a question earlier about oversight and you responded—I think it was in the context of what other countries are doing in terms of the Five Eyes, in terms of congressional or parliamentary oversight—with the description of a review.

How do you define review versus oversight in terms of other countries?

**Mr. Daniel Therrien:** There is all kinds of review and oversight. There's review before the fact to authorize a certain government action, for instance, a court authorizing the issuing of a warrant. Review normally takes place after the fact. So it is an auditing system whereby one verifies whether or not the government activity was lawful. What we have currently for FINTRAC is only limited review, again vis-à-vis privacy issues, not vis-à-vis the legality of its activities generally or the effectiveness of its activities.

**The Chair:** Thank you, Mr. Brison.

Ms. Bateman, go ahead, please, for your round.

**Ms. Joyce Bateman (Winnipeg South Centre, CPC):** Thank you to all of our witnesses this morning. I very much appreciate the testimony we've heard. I'd like to start with Mr. Kumar.

By the way, I think we received very succinct and clear recommendations from our two teleconference participants, and that's sometimes difficult, so I very much appreciate that.

Professor Kumar, you mentioned how the issues have changed. I reference your op-ed of September 24, in which you said that was then with al Qaeda, and this is now with ISIS. We're dealing with a different world. Would you be kind enough to use that as a lens to say...? At the end of the day, we are a committee. We must make a recommendation, and we must make report findings. What are your top recommendations for this committee, sir, in that context of the changing world?

**Dr. Amit Kumar:** I have outlined five recommendations, and I'm not going chronologically based on my opening statement but rather am speaking offhand. One is the fact that FINTRAC has always been blamed for not sharing enough information with the law enforcement, but the way things are played in the FIU business, unless FINTRAC gets the counterterrorism intelligence blended information from law enforcement, it's not able to inform and educate the financial community or the financial institutions as to what to look for in a suspicious activity report.

What is suspicious activity? There has to be a dovetailing of the law enforcement counterterrorism information with the financial intelligence that's gathered by FINTRAC from financial institutions in order to remove the problem of defensive filing of suspicious activity reports, overregulation, or not exact.... Because the financial institutions badly need guidance from the government. That is one recommendation I'd like to make.

Then there's always this fact of Canada being an active member of the UN and funding a lot of UN programs and making requests to the UN al Qaeda monitoring team as well as the counterterrorism executive directorate for impact assessments and implementation effectiveness assessments. Where are the taxpayers' funds going?

There has to be some accounting for that. There hasn't been any study of either impact or implementation effectiveness.

Those are two key recommendations I'd like to make. Also, I did look at whether in Bill C-51 the scope of material support could be brought in to include.... The U.S., for example, has a pretty huge and expansive scope regarding what material support is. It includes anything that has value to a terrorist organization, be it messages or money or materiel or men, or that could be of use to a terrorist organization. I would recommend having a more expansive and broader scope of material support.

Then I'd say you should work with social media companies to take down videos, like the YouTube videos, which really give a lot of information to the terrorists to do this or that. There has to be some provision. I'm glad Bill C-51 has started mentioning taking down videos, of course while balancing privacy concerns and free speech.

Basically those are the main recommendations I'd like to make. There is also the fact that when you look at foreign terrorist fighters, given Mehdi Nemmouche and other attacks, even in Ottawa, it's difficult to really pinpoint Iraq and Syria as the two regions. The ISIS phenomenon is global and worldwide. So men, materiel, messages and money could be coming from any country, transiting through any country and perpetrating acts in some third or fourth or fifth country.

I thank you for that.

● (0940)

**Ms. Joyce Bateman:** Excellent. Thank you very much.

Professor Leuprecht, perhaps you could answer the same question for me. We are going to be making recommendations. What are your top recommendations to be effective and efficient in the fight against terrorism?

**Dr. Christian Leuprecht:** You already heard my remarks with regard to what we do on the extraterritorial side in terms of capacity building, especially in Foreign Affairs and DND, which is very important.

As Mr. Kennedy mentioned, I think the skill set within the RCMP.... Here is an organization where I think we need to completely rethink how we do federal policing in this country, the current organizational set-up, and the professional development schemes. An organization with minimum qualifications at entry of a high school degree and no criminal record, and posting people from somewhere in the north to Toronto and to white-collar crime investigations, as sort of a reward, is not the way we can do federal policing in this country. No other western democracy does federal policing the way we do, in terms of throwing all this together from local.... I think we need to completely revisit that.

With regard to Mr. Brison's question on FINTRAC, one of the challenges on suspicious reporting is that there is no consistent way of suspicious reporting. When banks file reports, essentially it's more or less at the discretion of the banks how exactly they fill in that report. In terms of data mining, for instance, if you're trying to get patterns and trends, it creates huge problems because if you don't have a consistent way of filing the data, it also makes it difficult to get a consistent trend analysis across the data.

I think we need to look at our listing regime both for organizations and for individuals.

The chair wants me to slow down, so I will.

**The Chair:** I apologize, but the time is up for Ms. Bateman. Thank you, and we can return to that later.

Thank you, Ms. Bateman.

[Translation]

Mr. Dionne Labelle, go ahead.

**Mr. Pierre Dionne Labelle (Rivière-du-Nord, NDP):** Thank you, Mr. Chair.

I also want to thank the witnesses for joining us today.

Terrorist financing is broken down into two streams for the purposes of this study—the international stream and the national stream. Regarding the international stream, I will come back to what Mr. Therrien said about FINTRAC.

Since regulations were adopted for the reporting of electronic funds transfers of \$10,000 or more, FINTRAC has received 2 million reports. The figure should reach 10 million this year. If the transaction limit for reporting to FINTRAC was lowered, the amount of information would be huge.

How can we make sure that the accumulation of information will not be done at the expense of people's privacy?

**Mr. Daniel Therrien:** As I explained previously, objective standards can create a filter—such as the limit currently set at \$10,000—before financial institutions could pass information on to FINTRAC.

I am not an expert in this area, but I think it is entirely possible for the limit to be deemed unreasonable or to become meaningless because of how terrorists operate. Under those conditions, if the monetary threshold for obtaining more information was eliminated, objective thresholds would have to be established before FINTRAC could check all the information in its databases. The goal is to make sure only suspicious transactions are investigated, and not people who have done nothing wrong.

● (0945)

**Mr. Pierre Dionne Labelle:** Here is what you say in your document: “I would conclude by reminding the committee that the lack of dedicated review for FINTRAC was last raised...”.

What kind of a review would you suggest for FINTRAC?

**Mr. Daniel Therrien:** As I was saying, in terms of administration, I am the only person with the authority to review FINTRAC's activities, and only when it comes to privacy issues.

**Mr. Pierre Dionne Labelle:** Indeed.

**Mr. Daniel Therrien:** I think that what's missing is an administrative body that could carry out a more general review of the legality and effectiveness of FINTRAC's activities.

Some of my colleagues today have mentioned that FINTRAC did a good job of obtaining and analyzing the information submitted to it, but that this did not lead to concrete law enforcement activities. A review body whose mandate would include assessing the effective-

ness of FINTRAC's activities could look into these issues in a concrete manner. There is currently no such review mechanism in place.

**Mr. Pierre Dionne Labelle:** Thank you very much for your answer.

I would like to come back to Mr. Tupman and discuss self-financing.

You know that we, as Canadian parliamentarians, were victims of an alleged terrorism-inspired attack that was fairly easy to finance. The individual took a rifle, which may have belonged to his grandfather for all I know, and came to Parliament. We were victims of another terrorism-inspired attack, where an individual used his own vehicle to run someone down.

The matter of funding is important, as we do not want to finance terrorists. However, that's not the only important aspect, if we look at how radicalization happens and how few means are needed to commit a terrorist act.

[English]

**Prof. Bill Tupman:** That's quite correct. The international terrorist organizations are encouraging individuals to plan their own solo raids. These need very little funding indeed. The smaller groups have been instructed to engage in credit card fraud, theft of debit cards, ATM fraud, skimming of bills in restaurants and garages—very low-level white-collar crime. That has occurred quite frequently in western Europe. We had the Tamils in the eastern parts of England.

This is why I started off by saying that organized crime and terrorism are networking together. If you look at the Charlie Hebdo attack, those guys fell off the radar of French intelligence because they thought they had reverted to criminality. In fact, they were using their criminality to put the money together to buy their guns and gain access to the people who could provide them with guns. It's quite important to be involved with the illegal armourers to get hold of guns in that sort of way.

What I was trying to say right at the start was that we need to look very closely at the interaction between terrorism and organized crime and be very careful not to put a huge boundary between the two and between the investigators of the two.

● (0950)

[Translation]

**The Chair:** Thank you, Mr. Dionne Labelle.

[English]

We'll go to Mr. Cannan, please.

**Hon. Ron Cannan (Kelowna—Lake Country, CPC):** Thanks to our witnesses for providing their wisdom and expertise on this very important subject, which we're investigating in order to come up with some recommendations to provide to the Minister of Finance.

My first question is for Ms. Duhaime.

Could you expand a little on your preamble? In your opening comments you talked about a centre of excellence. I'm looking for a recommendation we could include in our report. How would you envision such a centre?

**Ms. Christine Duhaime:** I spent the last two years dialoguing with the private sector mostly and with law enforcement on what they view as some of the issues with respect to not just counterterrorist financing and sanctions but anti-money laundering as well. I think there is a consensus among the groups I've talked to across the country that we need to have some sort of private and public partnership and that what we have done so far hasn't worked, for whatever reason, either globally or nationally, and that they feel they want to participate in the solution.

That solution, in my mind, is something whereby we would establish a financial crime centre of sorts and would have both sides of the table, as it were, sit down to come up with solutions, to study issues such as digital terrorism, which is new and which no one is really looking at. Canada could take the lead on this and come up with suggestions.

We also have a great need in this country for expertise to be developed in counterterrorism, and in sanctions law especially. We look to the United States for that type of expertise and we import it and actually pay to go to conferences all across the country, whereas we have people here and, believe it or not, we go to the United States to teach this.

I think it makes more sense for us to decide that we're going to keep that expertise in Canada and expand it and export it ourselves. If we had some sort of national crime centre wherein we had the expertise in the country, we could have conferences, we could teach the banks, we could take a leadership role, and we could just keep this in house.

I think that's a solution. It seems to be a solution that everyone I've talked to wants to see happen.

**Hon. Ron Cannan:** Thank you for that.

You mentioned before that there has been a hole in the fight against terrorism from the financing perspective and that you want Canada to take a lead. From your perspective, how big a threat is homegrown terrorism in Canada relative to the U.S. or Australia?

**Ms. Christine Duhaime:** Statistically speaking, and proportionately as well, we appear to have more homegrown terrorists in Canada than elsewhere, not numerically, but just proportionately speaking.

We gave a counterterrorism session in Toronto about a month ago at which the OPP spoke. One thing they said which struck me was that they have 200 persons of interest whom they are looking at in the province and insufficient policing and other resources to monitor them.

These could potentially be homegrown terrorists, just in Ontario. I think that if all of those people come to fruition and end up being potential terrorists, that's an issue in Ontario, and of course we probably have some other situations in other provinces as well with insufficient resources to deal with the problem. I think it's going to be a bigger problem for us.

**Hon. Ron Cannan:** Thank you.

Mr. Leuprecht, you mentioned in your comments that finance and recruitment are diverse and you mentioned the link between organized crime and terrorism, but your notes were not bilingual.

Maybe you could elaborate for the committee a little bit what you'd like to share in those notes, what you see as the link between organized crime and terrorism, and what legislative change recommendations you'd like to see in this report.

**Dr. Christian Leuprecht:** I would say that the link is tenuous, because we don't exactly understand the empirical linkages, and that this is an area that deserves much more attention by government, especially with respect to research, because it is an area that is very difficult to research and so requires heavy sunk costs.

We know, for instance, that contraband cigarettes have been linked to everywhere from eastern Europe through to ISIS, and in the United States, for Hezbollah fundraising. I detail those in the report and also have some articles on that particular issue. However, it's not exactly clear what those linkages are, because it seems that the fundraising and organized crime elements operate fairly independently from the actual terrorist elements and that the networks themselves look somewhat different.

I think it suggests the challenge of our needing to make sure we recognize that what we do on the organized crime enforcement side has concrete implications for public safety and national security. I might point the committee to the Cornwall regional task force, for instance, which was established in 1990, and 25 years later we're still here.

We need to be asking some hard questions about why it is that we pour money into task forces when, for instance, in the end they don't seem to be able to get us the sort of payoff we need. Is it an institutional issue, a legislative issue, a sociological issue, or do we simply have the strategy wrong?

I think there is a lot more we can do, both within Canada and in terms of international capacity building, on organized crime that will help public safety in general and in fighting terrorist financing in particular.

● (0955)

**The Chair:** You have time for an extremely brief question.

**Hon. Ron Cannan:** I have a quick question, then, for Mr. Tupman.

On the international scene, do you think the UN is taking enough action on ISIL, and on terrorist financing, for that matter, to deal with this issue?

**The Chair:** That's a big question, and we have only about 20 seconds left, Mr. Tupman, so we'll have to return to this.

**Prof. Bill Tupman:** Okay, how about "no".

**Some hon. members:** Oh, oh!

**Hon. Ron Cannan:** I like that.

**The Chair:** I appreciate it.

We'll go to *monsieur Côté, s'il vous plaît.*

[Translation]

**Mr. Raymond Côté (Beauport—Limoilou, NDP):** Thank you, Mr. Chair.

I want to thank all the witnesses for being available even though we have very little time to ask them questions.

Ms. Duhaime, if I understood your presentation correctly, you said that the FATF has not kept itself sufficiently up to date and that it was at least one step behind, especially when it comes to new digital financing platforms. For all we know, it may even be two or three steps behind.

Canadian organizations clearly rely heavily on the FATF to combat terrorist financing. Do you think that trust, that hope, are well founded? Can Canada take concrete action to support the FATF, so that the organization can bring itself up to date?

[English]

**Ms. Christine Duhaime:** I'll have to give a bit of a complex answer only because I don't really know what happens behind the scenes at the FATF and why, for example, it's not as effective as it should be. For sure, it has been effective in anti-money laundering law. It tried to be on counterterrorism and sort of missed the mark entirely on sanctions.

We are definitely a strong supporter of the FATF and we laud it, as we probably should, for what it does. I think there needs to be some sort of rethink on what it does. I think you noticed, for example, that the U.S. and Saudi Arabia are leading a separate group that met in Rome last week just to deal with counterterrorist financing, of which the FATF is a member. That suggested to me that maybe there's a little bit of lost confidence in the FATF. Why would they not simply go to the FATF since they're all members and have that meeting there?

It may be a suggestion that the FATF either.... Whoever's in charge of it on an annual basis should retain its jurisdiction for a much longer period to get much more accomplished, in a much more in-depth way. We either devote more resources to it, or we cut off the terrorist financing piece and just have a separate FATF, or a different body that just deals with terrorist financing that is much more specialized.

One of those two has to be the solution, but you know, 10 years have gone by and we haven't solved counterterrorist financing. Maybe it's time to find another solution.

[Translation]

**Mr. Raymond Côté:** Thank you very much

Mr. Leuprecht, unless I am mistaken, you said that the \$10,000 threshold has led to too many false positives.

In the 14th recommendation issued as part of a study on terrorist financing, the Senate review committee indicated that the threshold for examining financial transactions did not necessarily have to be excluded and that additional emphasis could be placed on the strategic collection of information and risk-based analysis and reporting.

Would you go as far as to suggest that terrorist financing be tracked through risk-based analysis and reporting? If not, do you think the \$10,000 threshold remains valid for all transactions?

• (1000)

**Dr. Christian Leuprecht:** If I may, I will answer in English to be more specific.

[English]

From a data mining perspective, it's inherently important that we base what we do on adequate risk-based assessments that are firmly grounded in evidence. There is too much investigation that happens on someone's best experience or best hunch, and there's too little in terms of the actual risk models.

As Mr. Brison pointed out, there's always the risk of being perceived as targeting ethnic communities. What we actually need are proper data-driven models to demonstrate that we are not targeting any one person because of religion or background or area of travel, but because we have an effective risk-based model.

I'd be happy to share with you some of the publications that we've done, including a publication that's about to come out on risk-based modelling within Correctional Services Canada, with a very large data set within Correctional Services.

Part of this is a challenge of not just risk-based modelling, but that we have some agencies that are more research-based than others, so the research cultures, and being able to have departments and agencies that are then driven by that research, rather than inductively by people's investigative hunches.

There's a whole institutional culture issue that's separate from actually being able to develop the adequate proper models. We don't, for instance, have a very good way of currently sharing data with researchers, something which the U.K. and the U.S. have done much better.

This is not to say that government analysts aren't good at what they do, but inherently, there are some things we can do in the academic community with some of our algorithms and methods that are perhaps a bit more advanced.

[Translation]

**The Chair:** You have 30 seconds left.

**Mr. Raymond Côté:** Mr. Therrien, in its latest annual report, the CSIS review committee said that it was receiving information on CSIS activities with significant delays. That seems dysfunctional to me, and I think you have already noted that yourself. Considering the potential increase of the powers exercised by the Canadian Security Intelligence Service, it's fairly obvious that the committee will be completely bypassed when it comes to monitoring those activities.

**Mr. Daniel Therrien:** I have no particular opinion on its capacity to analyze the information, but there is no question that it will receive much more information.

**Mr. Raymond Côté:** Thank you.

[English]

**The Chair:** *Merci, monsieur Côté.*

Mr. Adler, please, for your round.

**Mr. Mark Adler (York Centre, CPC):** Thank you all for being here today.

I want to begin with Mr. Leuprecht.

Sometimes fact is stranger than fiction. I don't mean to be glib about this, but are we looking at something like we see in the James Bond movies, where there's an organization like SPECTRE operating, or in the old mob movies where we see them all sitting around a conference table talking about the different revenues they're bringing in from the different territories? Is this more a business than it is an ideological issue? What is at the core of all of this?

**Dr. Christian Leuprecht:** Can you clarify, is this in regard to a terrorist organization?

**Mr. Mark Adler:** Yes, terrorist organizations. We need to be following the money here, right? This is about money.

**Dr. Christian Leuprecht:** Inherently there are always going to be financial motives. I often compare security to a bit like studying theology: there's a whole lot of propositions and very little evidence to support any of them. As an academic, my work has always been about getting concrete research and data behind this. As I point out, some of the links are more tenuous, or more poorly understood, than some individuals put forward.

**Mr. Mark Adler:** The network of all of this; it's like a spider's web, isn't it? The more layers you peel back of this onion the more layers there seem to be. It's all as you said, kind of tenuous with links to this and to that.

Are we forever going to be playing catch-up, or are we ever going to be able to get ahead of this, in your estimation?

**Dr. Christian Leuprecht:** I think one important way of getting ahead of this is that we need within our own government on the security sector a comprehensive professional development program. The only department in the Government of Canada that has a cradle-to-grave professional development career plan is the Department of National Defence. We need likewise on the security side for all the security agencies so we can professionalize this entire apparatus. I think Canada does not get enough credit for what it does on capacity building, but we're only one country. Our international collaborations here are very important in staying ahead of the game, rather than always playing catch-up.

● (1005)

**Mr. Mark Adler:** I understand. Thank you.

There's so much area I want to cover, but let me jump to another topic here.

Organizations that we see on university campuses, like BDS and movements like that, seem to be very well-funded slick organizations. Where are they getting the funding from?

**Dr. Christian Leuprecht:** I think there's inherently a challenge of being able to track all the funding, but we do know that both organizations and governments are active within Canada in trying to build certain types of sympathizing organizations. Inherently, university campuses are an attractive place to build that sort of sympathizing and recruitment source.

**Mr. Mark Adler:** The money that's coming to fund these organizations, is it foreign sourced, or is it domestic sourced?

**Dr. Christian Leuprecht:** I'll be happy to share some documentation with you on that, without having to comment in public on it.

**Mr. Mark Adler:** Thank you.

I want to follow up with Mr. Tupman.

You talked about the accounting profession. We have this impression of accountants as being rather cerebral and boring kind of people, but I was intrigued by your comment that we should be paying more attention to the accounting profession. Could you speak a bit more about that?

**Prof. Bill Tupman:** We know that in the areas where the al Qaeda offshoots and the Islamic State operate, one of the ways in which they fund the operation is by asking for a per cent of turnover from the individual businesses within those areas, and there are teams of accountants who go into the businesses and work out what their annual turnover is. This appears to have come out of al Qaeda's operations back in Afghanistan after an Egyptian ran off with \$10 million from the central fund. From that moment onwards, they've gone for auditing and accounting, and as they developed a team, that team has gone out and looked at other branches of the organization and estimated what their turnover is so that if you signed up to al Qaeda, whether it be al Qaeda in Yemen, al Qaeda in Mali, or whatever, you are supposed to repatriate money to the central organization. That money is audited. That money is accounted for. Those accountants will also look at the companies operating within the area.

What I'm trying to say is, the relationship between organized crime and terrorist organizations over a certain size needs to be understood in the same sort of way that organized crime can sometimes just be another business. It's just an illicit business and it's expected to pay its share of turnover as a revolutionary tax, or whatever you want to call it, in the same way as legitimate businesses.

If you're interested in this, just this week my colleagues and I produced a special issue of the journal *Global Crime*, which covers a number of case studies in different countries on the interface between organized crime and terrorism. We've done quite a bit of work on this and encouraged other people.

**The Chair:** Professor, if you'd like to send that to the clerk, we'll ensure all members get that. That goes for any of the witnesses here today. If you have any additional information, we will ensure that all members get it.

**Prof. Bill Tupman:** Sure.

**The Chair:** Thank you, Mr. Adler.

We'll go to Mr. Mayes, please.

**Mr. Colin Mayes (Okanagan—Shuswap, CPC):** Thank you, Mr. Chair.

For our guests, I'm just filling in today so maybe my questions won't be quite as informed as those of my colleagues.

One of the things that strikes me is...how they track my money is through accounting and reporting, and then the other one is the banks and the transactions.

I just wondered if there is a centre of financial intelligence where there is some forensic accounting and a framework of reporting for banks internationally, and even with credit cards, for instance, whether a transaction goes to a certain individual and the red light comes on and says that the person is a person of interest, or whatever. Is there any way there could be a framework that could be put together to monitor and better catch these people who are financing terrorism internationally?

Mr. Kennedy, do you want to answer first?

• (1010)

**Mr. Paul Kennedy:** That was the whole purpose for the creation of FINTRAC here in Canada. There's an obligation upon banks and these financial institutions proactively to look at, in this case, transactions of \$10,000 or more, and for various criteria in those training programs put in place. When they look at that, then they ship that off to FINTRAC, which is under the Department of Finance, and they do financial intelligence analysis to ascertain if these are suspicious transactions. They have, clearly, the expertise there through accountants and so on, and they then take that, as I pointed out, into actionable intelligence to share with CSIS and with the RCMP, as well as with provincial and municipal police forces in Canada who share information with them.

They do that analysis that you're talking about. That's a partnership between the public sector and a government institution, financial intelligence—

**Mr. Colin Mayes:** I'm talking about transactions globally. They're not really financing maybe terrorists within Canada; they're financing—

**Mr. Paul Kennedy:** There are agreements between FINTRAC and other—

**Mr. Colin Mayes:** Is there a central...?

**Mr. Paul Kennedy:** It has agreements with similar bodies in other countries and they exchange information back and forth.

Yes, there is that collaboration, and it is networked so that we might get a heads-up from another government that something is happening that impacts us, and then that is shared with our enforcement partners.

**Mr. Colin Mayes:** Mr. Leuprecht, go ahead.

**Dr. Christian Leuprecht:** Arguably, the most effective financial intelligence agency we have in Canada is the Bank of Canada, because the central banks actually have a very good intelligence-sharing network among themselves, in part because in many cases they don't actually trust their own national governments to provide them with necessary and timely intelligence. I can provide some evidence on how the Bank of Canada has been ahead of the game in a number of cases where subsequently governments came on board. More cooperation with the Bank of Canada is one thing that I think might be helpful.

**Mr. Colin Mayes:** Professor Tupman, is there anything the U.K. government has done to put a framework together to work internationally, and how is that framework set up to monitor these transactions?

**Prof. Bill Tupman:** Well, we have just changed our whole operational system. We have introduced the National Crime Agency,

and that is taking a partnership approach, an approach to partner universities, the private sector, and other agencies. There is a whole new set of ideas coming down.

One of the things we are worried about is.... I can't remember if it was you or your previous colleague who asked the question, are we ever going to catch up? We are beginning to try to think 15 years down the road. We are trying to look at what is coming over the horizon, trying to think the unthinkable. There are those sorts of things going on.

I think you would find the same sorts of complaints that your colleagues are making. We are not studying the suspicious activity reports properly, and we are not putting them together. We have a strong feeling that we need to train compliance officers in banks and business to screen transactions better so that they don't just send any old thing, but they send stuff that is genuinely suspicious.

There is a lot going on, but it's a work in progress. I can't pull out best practice right here and now. We are dissatisfied with what we have done so far, and we are rethinking.

**Mr. Colin Mayes:** That's all I have.

**The Chair:** Thank you, Mr. Mayes.

We'll go to Mr. Cullen, please.

**Mr. Nathan Cullen:** I am not sure I've seen that at the finance committee before. That was impressive, Mr. Mayes. We scramble for time, and that was generous.

I have several questions, starting with you, Ms. Duhaime.

You were quoted as not being overly optimistic about this committee's study into this particular theme. I am not taking it personally, by the way, but why were you uncertain as to whether this committee could study this topic effectively?

• (1015)

**Ms. Christine Duhaime:** Well, it wasn't necessarily about this committee. Let me blame the media.

**Mr. Nathan Cullen:** It's all right. We totally—

**Ms. Christine Duhaime:** I was misquoted.

**Mr. Nathan Cullen:** We totally sympathize. We blame them all the time as well.

**Ms. Christine Duhaime:** Okay, thank you.

It's more that I feel that Canada has undertaken a number of studies and actually nothing has changed. I guess it's the hope that this committee might be different and it might take the job to task more comprehensively, and perhaps listen to fewer professors. No disrespect to professors, but we seem to listen to a lot of professors and to nobody who has ever actually worked in a bank. I am happy to see that you have different types of people as witnesses, and I think obviously this will create some change.



**Mr. Nathan Cullen:** This idea of international terrorist financing is nothing new. Prior to 9/11, but certainly since 9/11, terrorism has been much more central in the hearts and minds of policy-makers here and abroad.

Why is there so little effectiveness? Aside from a better array of witnesses we are hearing here, what would be one of the particular things that would give you confidence that the government was actually serious, not just speaking about the seriousness of it but actually acting upon the seriousness of it?

**Ms. Christine Duhaime:** One of the things we've heard, and we've even heard this repeated today, is that there is a lack of training and expertise among compliance people at the banks. That hasn't changed for a number of years, and I don't know why that is. It has changed in the United States, but not necessarily here. I think what the United States does well is it prosecutes and fines heavily. I am not suggesting we necessarily go that way, but I think we need to begin to think about how that might be effective.

**Mr. Nathan Cullen:** Do we prosecute in Canada, in comparison?

**Ms. Christine Duhaime:** Not very much.

**Mr. Nathan Cullen:** Not very much.

Do you agree with that statement, Mr. Kennedy?

**Mr. Paul Kennedy:** Oh, yes, that is my complaint.

Since this is a finance committee, I assume you have financial backgrounds. If you conceived a company to produce a product and viewed all this information as streams of ingredients for a product going down to a cook, the ingredients all come in, and that stuff is spilling on the floor. Nothing is happening to it. In order to do that, you have to have someone who knows what the ingredients are, appreciates them, and knows how to put them together and produce a product.

We have money going into a system and no product. We need to have investigators who know how to use this and investigate it effectively, and prosecutors who know how to do it. These are far different kinds of criminal activities we are talking about, and far different skill sets that are required. This is a wasted effort by all of us unless we have people at the end to turn that into something concrete.

I can't find anything concrete. That tells me something is wrong.

**Mr. Nathan Cullen:** Quickly, Ms. Duhaime, and then I want to move on.

**Ms. Christine Duhaime:** I was just going to say that I think from the banking perspective, too, we fail to ask the banks how much this is costing them. The U.K. did a number of studies, and in 2005 the cost to the U.K. banking system was, I think, something like £200 million for compliance. Now it's about £5.8 billion.

**Mr. Nathan Cullen:** Per year?

**Ms. Christine Duhaime:** Yes, per year. That's a lot of money that we ask the banks to invest in compliance for counterterrorism sanctions and anti-money laundering law, yet there's no result, as we were saying, that gets spit out in terms of prosecutions and results. They just seem to be spending a lot of money, and we can't keep spending that amount of money in the private sector and not get anything out of it.

**Mr. Nathan Cullen:** Thank you.

Mr. Leuprecht, just in the last moment you said something about the central banks not trusting the intelligence authorities or the governance. You had some hope or an expression that the central banks had a great deal of information and ability to share that with other central banks and are, I think you said, ahead of the game.

I want to come back to that question of trust. Did you mean what you said, that from your evidence the central banks don't have a great deal of confidence in sharing that information with other agencies and authorities?

**Dr. Christian Leuprecht:** The Bank of Canada and the Department of National Defence are entities of the government where failure is not an option, and I think this is what drives these institutions, so they have to be ahead of the game. I think this is the sort of mindset we need to instill in the rest of the security sector.

**Mr. Nathan Cullen:** You don't think that mindset is there in the rest of the security sector.

**Dr. Christian Leuprecht:** I think there are some very dedicated individuals, but I think overall this is perhaps not the priority of what drives the overall security bureaucracy. With entities such as the private sector, where the bottom line ultimately matters and where their business model relies on the legitimacy of being able to provide a consistent and secure product and convey that to Canadians, I think there's a sense that perhaps government, especially in this country, has been behind the ball, and that they have had to move forward by themselves, because government has not been...and this is not this government; I think this is, I would say, a general perception of government. Look at Public Safety Canada's priority sectors, for instance, and how little progress we've been able to make with partnering between the public and private sectors on this.

• (1020)

**The Chair:** Thank you, Mr. Cullen.

I'm going to take the next round.

I want to start with you, Mr. Kennedy, and your recommendations.

Your third recommendation says that the government should reallocate the 30% federal subsidy. Perhaps you could expand on that and flesh that out a little bit for us.

**Mr. Paul Kennedy:** Since the 1950s, we've found ourselves in a model of government contracts with various provinces to provide policing at the municipal and federal levels. If it's a small community, there's a different formula. It could be up to 30% where the federal government subsidizes the provincial policing there. Usually at the provincial police level it's about 10%. The historical reason for that is that the western provinces were lightly populated and so on.

We've now found ourselves in the position where there are about 7,000 RCMP in British Columbia. Now we have the have provinces, we'll call them, Alberta, except for the little blip in oil, but it will be back up, B.C., Saskatchewan, and Manitoba. They also used to use those, and Saskatchewan leads the three of them. They were funded by tax dollars nationally through this 10% and 30% formula. That funding is coming from, let's say, Ontario and Quebec, which have their own municipal and provincial police forces. The RCMP doesn't do that role there, so taxpayers here in Ontario pay for their local police, their provincial police, and the RCMP federally, and their tax dollars subsidize policing in these other provinces. That's the model.

What I'm saying is that two-thirds of the RCMP resources are dedicated to that kind of policing, and you heard references, whether it's in the north and small communities, that that skill set cannot be called upon by the federal government to enact federal enforcement, so there's a small cadre of the total resources that are used for federal policing.

There is also pressure to rededicate federal resources frequently to backfill those contracts. You saw recently on terrorism where the RCMP had to reallocate organized crime resources to fight terrorism, because here they are moving the peas under the shell. Regarding the Treasury Board statement with reference to the resources given for terrorist financing—and I saw the last one to Treasury Board—those funds will now be pooled with other federal resources, a new form and part of federal serious and organized crime. They're being moved out of silos into a general thing, so there's the capacity to be further drawn down.

**The Chair:** Thank you.

I do want to follow up. With respect to your first recommendation on rededicating itself to its federal policing role, is the RCMP trying to do too many things? Should the committee consider the RCMP becoming similar to the FBI, including provinces like mine, Alberta, looking at an OPP model?

**Mr. Paul Kennedy:** I think we're at that point and we've gone there because crime has changed.

By the way, I have also chaired the National Coordinating Committee on Organized Crime for five years and the Canada-U.S. Crime Forum for five years, and it was obvious that the type of crime that society is now confronted with has changed because of globalization and technology. It requires a completely different set of skill sets from the officers. They're long-term, complex, sophisticated crimes. Yes, we should look at that, otherwise you are going to be passing legislation in the expectation that it's going to be enforced and it won't be enforced. Those 7,000 officers in the RCMP in B.C. are accountable to the minister in B.C. In each of the provinces they're in, that's the warm body and accountability is to that person. That's extreme pressure.

Two-thirds of the budget is dedicated to contracting. If we don't get out of that, we will not be able to fight the new kinds of sophisticated crime that this country is confronted with.

**The Chair:** I did want to get to digital terrorist financing, but I don't think I'm going to be able to in this round.

I'll again go to you, Mr. Kennedy, and then I'll go to Professor Tupman, because you as well said that the most important thing is better trained investigators.

Which countries do a good job in terms of training their investigators? What should we be looking at as a committee in terms of other countries that do this well?

● (1025)

**Mr. Paul Kennedy:** You mentioned the FBI and I think that's a classic example. When you see the large stock frauds that are going on with insider trading, we're talking billions and billions of dollars. The Americans take that task upon them and they can do it because they have higher skill levels from the officers and they are trained from the outset to do that. It is not a job where you need to carry a gun. If you do need those investigators, you can recruit them from provincial and municipal police forces by paying a higher packed salary dollar because you're focused on a higher skill set. That would definitely be a model to look at.

**The Chair:** I appreciate that.

Professor Tupman, I have about 30 seconds. Do you want to add anything to what Mr. Kennedy said?

**Prof. Bill Tupman:** Germany, the Netherlands, the European Police College, and the new British College of Policing all have new models that are worth looking at.

**The Chair:** Thank you, I appreciate that very much.

We'll go to Mr. Brison, please.

**Hon. Scott Brison:** Mr. Leuprecht, you used the terms risk-based modelling and evidence-based assessments as opposed to the nature of risk based on perceptions. On March 15 it was reported that CSIS internal data shows that extreme right-wing and white supremacist threats are rated ahead of radical Islam threats within Canada. The reason I point that out is that the perception might be quite different. If we start with the wrong perception, we may compromise the entire investigation.

I lived in New York when the Oklahoma City bombing occurred. The first instinct of ABC and NBC at that time was to point to Islam and not to ultimately Christian fundamentalist and white supremacist Timothy McVeigh, as an example.

If the source of leads is banks, or in some cases the general public, or financial institutions, what should we be doing to better inform them as to the nature of real threats and to improve the quality of input in terms of the nature of threats from those forces?

**Dr. Christian Leuprecht:** Inherently, this is a controversial question because it hearkens at the ability to pull and to share data, both within government and between government and the private sector. I would suggest that better arms'-length work with...we have some very talented academics, both in this country and internationally, and there are mechanisms.... We have some initial mechanisms for instance with Simon Fraser University that has an agreement with Treasury Board Secretariat and gets real-time data downloads from PRIME and PROS RCMP data. That has been able to do some significant work that has significantly affected policy and strategy.

I think we need to find more creative ways of being able to have effective research, but we also need to be able to make sure that.... It seems that the people who do analysis don't understand data and the people who do data aren't allowed to do analysis. I think we have a profound misunderstanding and a profound mistrust among many agencies of data-driven work, in part because they don't understand data. The one exception to that is CSE.

**Hon. Scott Brison:** Is it a question of more resources or of the machinery of the organizations involved?

Perhaps Mr. Kennedy may have some input on this as well. Is it a question of resources, or is it a question of how we're actually...?

**Mr. Paul Kennedy:** I think it is a complex structural problem. One is one boss, one task as opposed to multiple tasks in the case of the RCMP. It's clearly skill sets and recruitment for it.

My friend here referred to the CSE. They'd be a world rival obviously in their ability to collect data and know what to do with it. We have strengths, but they are dedicated. That's why they have that expertise.

The RCMP is a multi-tasking organization and that's why I think it's failed. It has people who are accountants and so on who can do commercial crime, but then we say, "Yes, but we don't want you doing that commercial crime over there; we want you doing sophisticated crime here". We don't have enough people; we don't have enough skilled people, and we don't give them the ability to focus on tasks that they have to do.

I don't think you'd ever find anything coming out of Canada that would identify someone playing around with LIBOR in terms of the rates and the trillions of dollars that are there. We don't look there. If you don't look, you don't find. We need people with the right skill sets, with a specific focus, dedicated, using other partnerships as well, but looking for the kind of crime that we're not looking at now.

I had a presentation done in 2004, just to show you how dated it is—10 years ago—with Americans and Canadians. We were looking at identity theft and various frauds on the Internet. We were talking in terms of tens of billions of dollars. That was then. Now God knows what's going on in terms of that particular environment of electronic frauds and thefts.

We're not looking at it and we don't have the skills to see it. If you don't have the eyes to see it, you're never going to investigate it. We have to sit back and say, what's out there? Intelligence tells us...we

read the intelligence reports, but no one ever actions it. Why tell me about it if you're not doing anything about it? If it is there, let's structure ourselves to go after it.

• (1030)

**The Chair:** We have time for another brief question.

**Hon. Scott Brison:** You mentioned somebody fiddling with LIBOR and examples of other financial malfeasance. To what extent is there an overlap with the kinds of governance and approaches to terrorism financing that would also apply to other types of financial malfeasance, including for instance, tax evasion and offshoring money? Is there a significant overlap? Does that augment, perhaps, the importance of placing resources and increasing resources?

**Mr. Paul Kennedy:** Clearly you have multiple options. When they had the Colombians going strongly in terms of the cocaine trade, they were obviously anxious to look for ways to move their money out because they had warehouses filled with dollar-bill equivalents rotting. They looked for new technology in terms of how to transfer money.

Yes, if you get your money illicitly and haven't reported it for tax purposes, if you're a Russian oligarch you're looking to get it out and hide it in some way. If you're a drug cartel guy, you're doing it too, or if you're a terrorist you're doing it.

As my colleagues pointed out, there is an overlap between organized crime—drug trafficking or whatever you want—and terrorism. They're the first ones to adopt new technology and to use it to hide their funds for different purposes. So, yes, the lessons learned in one are applicable to the other, because these are techniques that people use.

**The Chair:** Thank you, Mr. Brison.

We'll go back to Mr. Saxton, please.

**Mr. Andrew Saxton:** I have a question for Professor Tupman.

Professor, you talked about the deep web. Can you explain what the deep web is, and how does one access it?

**Prof. Bill Tupman:** It was set up apparently by U.S. naval intelligence as a special experiment. It's been used to keep dissidents in touch with each other in the west and allow them to invade the controls put upon them by their government.

Like a lot of things, it originated as an intelligence tool and as a piece of information interaction that benefited western desires to change the world. It has slowly been abused.

If you want to access it, you have to get the software. The problem is you can access the browser, but you don't know where any of the sites are unless somebody actually tells you.

You need to be very, very careful going down there, because there are an awful lot of pedophile sites. That's where they have disappeared to.

I can send you the software, and I can send you various other things, but I can't tell you where to go.

What I would recommend is to ask—

**Mr. Andrew Saxton:** That's fine. I think we're just interested in the explanation.

**Prof. Bill Tupman:** Oh, okay. Was that a good enough explanation?

**Mr. Andrew Saxton:** I think it was fine, thank you.

**Prof. Bill Tupman:** It's exactly the same; it's just very difficult to access.

**Mr. Andrew Saxton:** Thank you very much.

My next question is for Mr. Kumar.

Can you explain the difference between dealing with ISIL and dealing with al Qaeda? How has financing changed, and how does dealing with these two groups differ?

**Dr. Amit Kumar:** Thank you, sir, for your question. It's an excellent question. We keep on wrestling with this day in and day out.

ISIS' origins are with al Qaeda in Iraq. ISIS is the new name of al Qaeda in Iraq, as a matter of fact.

We've had problems dealing with al Qaeda financing. Obviously, the U.S. and Canada and all the international partners have been attacking al Qaeda central and trying to choke off its finances with a good degree of success. But what that led to was the splintering of al Qaeda, the rise of al Qaeda affiliates, cells, and smaller groups, and so on which to a large extent were self-sustaining. We were just on the verge of dealing with that problem, and then we had ISIS, formerly called al Qaeda in Iraq, spring up.

What is happening within the financial and logistical relationships among affiliates, thanks to technology in a great measure and to YouTube and social media and so on, is that there has been an increasing level of interaction between affiliates. Our measures of targeted sanctions, while they may have been successful in some measure against al Qaeda central, are difficult to apply against al Qaeda affiliates and ISIS, which is an al Qaeda affiliate of sorts but has relationships across the board with many affiliates.

That's why you see Boko Haram aligning with ISIS, and a segment of the Tehreek-e-Taliban in Pakistan and Afghanistan aligning with ISIS. ISIS is in a way the new al Qaeda, but in my research and my sense of this terrorist organization, they are not too different. It's just that, going with the times, ISIS has adopted, as one of the witnesses said, a more outsourced financing paradigm.

One thing that I want to mention and bring to the committee's attention is the shift, whether in FATF or at the national level, and even within the UN, to risk-based application of anti-money laundering and countering the financing of terrorism, and also the stress on effectiveness.

I think Ms. Duhaime very rightly said that we lack convictions and lack prosecutions. What has to happen really is.... The banks need information from the government also. It can't be a one-way track, whereby the financial sector has to give information to the government.

As I mentioned, one of my recommendations is that, if there is a two-way information flow, the banks are better informed to look for what is suspicious and what is not. Going by the risk-based modelling, banks know their vulnerabilities and the government knows the threats, and risk is a function of vulnerabilities, threats, and consequences. If the public and private sectors come together, risks can be, I would say, compared with vulnerabilities. We can have a risk mapping, a vulnerability mapping, and a threat mapping. That way a risk-based, more informed, and more focused effort could ensue.

Thank you.

• (1035)

**Mr. Andrew Saxton:** Thank you very much.

**The Chair:** Thank you, Mr. Saxton.

[*Translation*]

Mr. Dionne Labelle, go ahead.

**Mr. Pierre Dionne Labelle:** Thank you, Mr. Chair.

Several layers of crime are involved. We have organized crime, tax evasion and, now, we are dealing with another layer—terrorist financing.

I noted a few of your recommendations, which are very relevant. For instance, you recommended creating a review committee for FINTRAC and a centre of excellence for anything that has to do with technology and money transfers on technological platforms, such as analytical grids and so on.

I think the boldest suggestion came from Mr. Kennedy, who proposed a complete overhaul of Canadian police services. Is that pretty much what you are asking us to do?

[*English*]

**Mr. Paul Kennedy:** Yes, definitely. There is a famous expression, I think by Will Rogers, which says that you might be on the right track, but if you don't start moving, you're going to get run over.

What we had was a model from the 1950s with the RCMP out west. The western provinces at that time, as they were lightly populated, were not necessarily prosperous. Ontario and certainly Quebec have their own policing. You have to ask yourself, why, in a prosperous province such as British Columbia, do we still have 7,000 RCMP officers out there doing this kind of work? Some of the unfortunate problems the RCMP has had are due to the poor financing that is there.

As chairman of the commission dealing with public complaints against the RCMP, I dealt with a shooting case that resulted in a fatality. Mr. Cullen, I am sure you are very familiar with the Ian Bush case. When the officer went into his station, there was no one there at that time, not a soul. The officer had somebody he had arrested, and he was talking to him. To record what happened, he had to take, at the time, a video cassette recorder, put it in, and activate it, which hadn't been done. It only looked one way.

In another model, in Burnaby, B.C., when you walk into that station, there are motion detector cameras, CCTV, that record everything that transpires. There is a shooting and a lengthy inquiry as to what happened. Why? Because not only are they frequently undermanned there, but they are underfinanced and don't have the latest technology. You'll probably see other comments in terms of shootings that occur where they do not have the proper equipment.

The RCMP's reputation is attacked in many areas. The resources are being rededicated to visible crime, which is crime on the street that people are concerned about. The officer you hire and train to do that is not an officer you can use for the sophisticated crime that I am talking about.

If you can have municipal policing in Edmonton, Calgary, and these places, why is the RCMP in some of these areas? Get them out of there. Don't distract them. Let's have a national police force that deals with complex crime that can't be addressed. It can be done. It has been done. We should be doing more of it. We have to save the RCMP from itself, because it is wedded to this model that, I think, is killing it.

• (1040)

[Translation]

**Mr. Pierre Dionne Labelle:** Thank you, Mr. Kennedy.

I would like to wrap up by asking a question about the United Nations.

Mr. Kumar, you question the effectiveness of the UN action in terms of combatting terrorist financing. What kind of a role do you recommend Canada play within the UN to make its counterterrorism efforts more effective? Does Canada have a clear role to play in that area? Is there somewhere we should be focusing our energy such as a specific committee or framework?

[English]

**Dr. Amit Kumar:** Thank you so much, sir, for the question. It's a great question.

I would advocate essentially two committees to look at. One is the 1267 al Qaeda committee and its related Taliban committee, which is the 1988 committee, and the other is the counterterrorism executive directorate, which is the 1373 directorate.

Canada, by virtue of the funds and expertise that it has lent to the UN counterterrorism efforts over many years, and its active support for that, has to be asking the questions. The people of Canada and the people's representatives really deserve answers, and the Government of Canada does, too, from the UN in terms of two metrics.

What are the impact metrics? What impact have the 1373 measures and the 1267 measures had on stemming or controlling terrorist financing? That's one.

The other is in terms of asking the 1267 monitoring team, the al Qaeda-Taliban monitoring team, as well as the counterterrorism executive directorate, for information on the effectiveness of implementation. Effectiveness of implementation and impact are very important. With all these tax dollars spent, the people, as well as the government and the people's representatives, deserve answers to that.

Those are two committees, and two questions to ask of each committee.

Thank you.

[Translation]

**The Chair:** Thank you, Mr. Dionne Labelle.

[English]

Unfortunately, we are bumping up against time here.

Ms. Duhaime, I want to follow up with you on your comments on sanctions law as the third pillar that is not operating well.

We don't have a lot of time. Can you briefly expand on your criticism there and what should be done? If you want to follow up in writing to me, you can certainly do that as well.

**Ms. Christine Duhaime:** I'd be happy to follow up.

The sanctions regime in Canada is its own separate animal, but it's still what we include in our analysis of financial crime with the banks, screened for when they are looking at transactions. Because it's its own separate little animal, for lack of a better word, it isn't heavily scrutinized in terms of compliance with the enforcement agencies and there aren't a lot of prosecutions.

Fortunately though, our sanctions laws are a really effective tool and they too have a listed entity type of regime like we do for terrorist organizations. If we were to actually implement that a bit more effectively, we would see a decrease in terrorist financing and money laundering, quite frankly.

• (1045)

**The Chair:** I appreciate that. If there is anything further you want to add to that, I would be pleased to receive that and distribute it to all the members. That goes to all of our witnesses. If there's anything further, and a number of you mentioned reports, please do submit them to the clerk, and we will ensure that all members do receive copies.

I want to thank you so much for this very interesting session. To the witnesses here in Ottawa, thank you, and to those in the U.S. and the U.K., thank you so much for joining us by video conference.

Colleagues, very briefly, you have a motion in front of you. I'm sorry, I should have given you more notice. We don't have to deal with it today unless it's okay with everybody, but I'm happy to deal with it after the break if members would rather deal with it after the break.

Mr. Saxton.

**Mr. Andrew Saxton:** I think the most important thing is that the people who actually gave those statements are okay with it.

**The Chair:** Absolutely, they are okay with it, yes.

**Mr. Nathan Cullen:** That was my question as well and if they are, then I think the committee should be fine with this for our report.

**The Chair:** All in favour of this motion?

(Motion agreed to)

**The Chair:** The meeting is adjourned.

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