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Chair: Mr. Peter Fonseca



Standing Committee on Finance

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• (1100)

[*English*]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call this meeting to order. We are resuming meeting number 126 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, January 30, 2024, the committee is meeting to discuss the statutory review of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

Today's meeting is taking place in a hybrid format. Pursuant to Standing Order 15.1, members are attending in person in the room and remotely using the Zoom application.

I'd like to make a few comments for the benefit of the members.

Although this room is equipped with a powerful audio system, feedback events can occur. These can be extremely harmful to interpreters and cause serious injuries. The most common cause of sound feedback is an earpiece worn too close to the microphone. We therefore ask all participants to exercise a high degree of caution when handling the earpieces, especially when your microphone or your neighbour's microphone is turned on.

In order to prevent incidents and safeguard the hearing health of the interpreters, I invite participants to ensure they speak into the microphone into which their headset is plugged and to avoid manipulating the earbuds by placing them on the table away from the microphone when they are not in use.

I remind you that all comments should be addressed through the chair.

For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the "raise hand" function. The clerk and I will manage the speaking order as best we can. We appreciate your patience and understanding in this regard.

For this study, the statutory review of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, we have with us a number of officials from the Department of Finance. We have the associate assistant deputy minister, Julien Brazeau, with us. We have the director general of the financial crimes and security division, Erin Hunt. Joining Julien and Erin is the director of financial crimes policy, Charlene Davidson.

Welcome to all of you. Thank you for coming on such short notice.

We know that you have some opening remarks prepared for us. You'll do those and then we'll get into members' questions.

Go ahead, Mr. Brazeau.

Mr. Julien Brazeau (Associate Assistant Deputy Minister, Department of Finance): Thank you so much.

[*Translation*]

Good morning. Thank you for the invitation to speak about Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime in the context of the parliamentary review of the Proceeds of Crime and Terrorist Financing Act.

I would like to start my remarks by briefly outlining the state of money laundering and terrorist financing in Canada and explaining why it is important to address these serious financial crimes. I also plan to explain the regime, the role of the Act, and the many regime partners working on financial crime in Canada. I would further situate my remarks in the context of important recent international and domestic reviews of Canada's regime, followed by the responses the government has taken since the last parliamentary review in 2018.

[*English*]

Money laundering and terrorist financing are serious financial crimes that pose real threats to the safety of Canadians and the integrity of Canada's financial system. Financial crime is not a victimless crime. It affects our society by supporting, rewarding and perpetuating broader criminal and terrorist activities in Canada.

The proceeds of crime being laundered in Canada are generated through predicate crimes such as cyber-fraud, automotive theft, human trafficking and drug trafficking, including in fentanyl, which has killed many Canadians. Money laundering can affect affordability by driving up prices in sectors where it is present. For example, the expert panel on money laundering appointed by the Government of British Columbia estimated that money laundering in B.C.'s real estate sector raised housing prices by approximately 5% in 2018. Also, terrorist financing supports the activities of domestic and international terrorists, including deadly and destructive attacks in Canada and abroad.

The complex efforts criminals employ to disguise the proceeds of crime make the scope of money laundering and terrorist financing in Canada difficult to estimate. That being said, in 2021, a report by Criminal Intelligence Service Canada estimated that between \$45 billion and \$113 billion Canadian is laundered in Canada each year.

Canada maintains an extensive regime to detect, deter and disrupt financial crimes. The regime consists of 13 departments and agencies, each with their respective mandates, led by the Department of Finance. The regime is established by federal statutes, including the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and the Criminal Code.

The PCMLTFA is an essential component of Canada's regime. The act establishes the Financial Transactions and Reports Analysis Centre of Canada, or FINTRAC, as it's more commonly known, as Canada's anti-money laundering and anti-terrorist financing regulator and financial intelligence unit and defines its operations. It also requires financial institutions and designated non-financial businesses and professions to report certain financial transactions to FINTRAC, have compliance and training programs in place, identify clients and keep records.

Collectively, businesses subject to the PCMLTFA and its regulations are known as "reporting entities". There are over 24,000 reporting entities that play a critical frontline role in efforts to prevent and detect money laundering and terrorist financing in Canada. Reporting entities include banks, credit unions, casinos, real estate professionals, money services businesses, accountants, dealers in precious metals and stones, and the armoured car sector.

• (1105)

[Translation]

Canada's regime operates based on three interdependent pillars. The Department of Finance's role aligns with the first pillar: policy and coordination. The department is responsible for leading the assessment of money laundering and terrorist financing risks and developing and coordinating domestic and international policy. Other regime partners also play an important role in informing and developing policy, including Public Safety, Justice, Global Affairs, and Innovation, Science, and Economic Development Canada.

The role played by FINTRAC, the Financial Transactions and Reports Analysis Centre of Canada, aligns with the second pillar of the regime, prevention and detection. It is responsible for promoting, supervising, and enforcing anti-money laundering and anti-terrorist financing compliance and collecting, analyzing, and disseminating financial and other intelligence.

The third pillar, investigation and disruption, involves identifying, investigating, prosecuting, and sanctioning money laundering and terrorist financing offences. Responsibility for implementing this pillar rests with federal agencies, including the Royal Canadian Mounted Police, the Canada Border Services Agency, the Canada Revenue Agency, the Canadian Security Intelligence Service, and the Public Prosecution Service of Canada.

While the regime as a whole falls under federal jurisdiction, there are many areas with shared provincial and territorial responsibility. Provincial and municipal law enforcement bodies, provincial

Crown attorneys' offices or prosecution services, civil forfeiture offices, and provincial regulators play important roles in combating the laundering of proceeds of crime and terrorist financing.

[English]

Canada's regime has been the subject of a number of domestic and international reviews in recent years. These reviews found that Canada's regime generally has a strong legal framework, but achieving operational effectiveness remains a persistent challenge. Other criticisms of Canada's regime include challenges in the ability to use financial intelligence, ensure transparency of legal persons and arrangements, successfully investigate and prosecute money laundering, and deprive criminals of the proceeds of crime. The government acknowledges these important reviews and is committed to bringing forward measures to strengthen Canada's regime.

The rapidly evolving and complex nature of financial crime requires ongoing changes to improve and modernize Canada's regime. In recent years, the government has brought forward measures to provide tools to support law enforcement investigations and prosecutions, enhance information sharing and address risks posed by new technologies and sectors.

Since 2019, the government has made investments of \$319 million, with close to \$50 million ongoing, to strengthen data and inform technology resources, financial intelligence, information sharing and investigative capacity to support money laundering investigations in Canada. Significant funding also went to FINTRAC and the RCMP.

[Translation]

A public and searchable beneficial ownership registry of federal corporations was launched in January 2024. It will address the use of anonymous Canadian shell companies to conceal the true ownership of property, business, or other valuable assets with a view to laundering money, avoiding taxes, evading sanctions, or interfering with our democracy.

The need for a beneficial ownership registry was a key finding of the mutual evaluation by FATF, the Financial Action Task Force, and of the Cullen Commission and the 2018 parliamentary review of the Proceeds of Crime and Terrorist Financing Act. The federal government will continue calling upon provincial and territorial governments to advance a national approach to beneficial ownership transparency.

Budget 2023 also announced a suite of legislative and regulatory measures to strengthen the investigative, enforcement, and information sharing tools of Canada's regime. This includes changes to: enhance information sharing powers within the finance portfolio and allow FINTRAC to better support decision making, including on national security risks; allow the Minister of Finance to direct reporting entities to undertake enhanced due diligence to help counter risks to the financial system, including from foreign interference; and require the financial sector to report information on sanctioned assets to FINTRAC.

• (1110)

[*English*]

In June 2023, the government launched a public consultation on strengthening the regime. The government took a broad and comprehensive look at Canada's regime and considered many potential measures for its improvement.

This included improving operational effectiveness and enforcement outcomes, facilitating greater information sharing, modernizing legislative and regulatory obligations while balancing the burden on the private sector, and responding to national and economic security risks that have evolved in the past two decades since the PCMLTFA was first enacted, including the risks posed by Russia's illegal invasion of Ukraine.

The government received 129 written submissions from a wide variety of stakeholders, which indicated strong support for further measures to strengthen Canada's regime to improve operational results. For example, submissions spoke to support for dedicated anti-money laundering and anti-terrorist financing investigative and prosecutorial resources and support for the creation of a Canadian financial crimes agency, support for the creation of a corporate beneficial ownership registry and support for greater information sharing, including private-to-private and public-to-private information sharing to detect, deter and disrupt money laundering and terrorist financing.

Many suggestions were made to strengthen and/or modernize criminal justice measures to combat money laundering and terrorist financing, such as proposals to reflect the use of new technologies and address third party money laundering. Regarding sanctions evasion and threats to the security of Canada, most stakeholders agreed that FINTRAC should be enabled to provide intelligence on these matters, though some were concerned regarding the possible dilution of the PCMLTFA beyond its core focus on anti-money laundering and anti-terrorist financing.

Finally, submissions indicated support for taking a risk-based approach to anti-money laundering and anti-terrorist financing regulation, including to the expansion of the framework to new entities, and many suggestions were also made to improve regulatory compliance and streamline administrative burden while maintaining the intelligence value of reporting to FINTRAC.

[*Translation*]

In summary, the government is committed to continuing to strengthen Canada's regime. The regime seeks to combat money laundering and terrorist financing while respecting the constitutional division of powers, the Canadian Charter of Rights and Free-

doms and the privacy rights of Canadians. The regime relies on multiple partners and all levels of government to work collectively to detect, deter and disrupt illicit financial flows.

The government has undertaken investments and other measures in recent years to strengthen the framework and respond to evolving risks.

[*English*]

The government has undertaken investments and other measures in recent years to strengthen the framework and respond to evolving risks. The parliamentary review of the PCMLTFA provides an important means to continue to improve the regime, and the government is ready to support the Standing Committee on Finance in carrying out the review.

I, as well my colleagues Ms. Hunt and Ms. Davidson, would now be happy to answer any questions.

The Chair: Thank you, Mr. Brazeau and colleagues, for coming before the finance committee to answer questions from members. That is what we are going to get into right now.

In this first round of questions, each party will have up to six minutes to ask questions.

We are starting with MP Chambers for the first six minutes.

Mr. Adam Chambers (Simcoe North, CPC): Thank you very much, Mr. Chair.

Welcome back to committee to those of you returning for your second time or more.

You mentioned "achieving operational effectiveness". In layman's terms, would it be fair to say this basically includes to catch more and convict more money launderers, tax evaders and criminals?

Mr. Julien Brazeau: Yes.

Mr. Adam Chambers: When you say that the government has done some international comparisons, does the department have any international comparisons on the operational effectiveness of the regime? For example, in a previous appearance, we had some information that showed that in one year, four convictions under the act were achieved. In the next year, there were maybe 12. Do we know how our operational effectiveness compares to that of our peer jurisdictions?

• (1115)

Mr. Julien Brazeau: We do have and released in March 2023 some metrics around the operational effectiveness of the regime. It showed that in a 10-year time span, the effectiveness of our ability to prosecute financial crimes has steadily declined and has not been aligned with the risk profile of money laundering in Canada.

In terms of what's been done internationally, I will turn to Erin, who can speak to that more specifically.

Ms. Erin Hunt (Director General, Financial Crimes and Security Division, Department of Finance): Thank you. That's an excellent question.

What I would add is that Canada is a member of the Financial Action Task Force, which is an international money laundering standard-setter and the body that undertakes peer reviews of all countries around the world on how they're meeting their money laundering and terrorist financing standards.

Those reviews show that Canada has a strong money laundering framework, but our operational effectiveness is lower and could be improved. In comparison to other countries, Canada is among the lower of our peers in the G7, for example, in how effective our regime is in combatting money laundering and terrorist financing.

There's one area where Canada's regime is a bit different from those of some of the countries that have high effectiveness in their enforcement: Those countries often have a dedicated police force focused on combatting financial crimes in this space.

Mr. Adam Chambers: Thank you very much.

The Coles Notes version is that it's a decent regime, but on metrics and outcomes, we don't catch and convict and that's quite difficult in comparison. I would appreciate direction on where the March release is, if that's possible.

I have a couple of other questions. I'm going to run out of time, so feel free to follow up with information.

You referenced British Columbia's Cullen commission and said that potentially 5% of the house price appreciation is related to money laundering. Has the department looked at a similar analysis for the rest of the country on the impact of money laundering on the housing market specifically?

Mr. Julien Brazeau: I don't have that data with me. We can take that back, though.

Mr. Adam Chambers: Sure. If there is anything on that, I'd be very interested in hearing about it.

You talked about private-to-private information sharing. Bill C-27, the privacy act, is being reviewed now. The financial services sector for many years has asked for the ability to share information with peers in cases of suspected money laundering. Today they can already do that for fraud. I'm telling you all things you already know.

Did the Department of Finance make any recommendations to the government on expanding the safe harbour provision, if you will, in Bill C-27?

Mr. Julien Brazeau: That's an area of active discussion at the moment. We've had discussions with our ISED colleagues and with the Canadian Bankers Association. We recognize the importance of moving that forward, so it's under consideration.

Mr. Adam Chambers: Is there currently no provision?

Mr. Julien Brazeau: There's no provision at the moment that provides the safe harbour that financial institutions are seeking.

Mr. Adam Chambers: You mentioned reporting entities. One of the big differences between Canada and the U.S. is that land title companies in the U.S. are an equivalent reporting entity. Land title companies are not going to pay an insurance claim to somebody they don't know. If we're trying to find out who individuals are, I'd recommend we consider adding land title companies to a reporting entity list. I'm not in their good books now. I'm off their Christmas card list, but I would strongly recommend we look at those.

It appears you had a summary of the consultation, which you released in June. If there is a summary and the department has provided it to the minister or the government, it would serve our interests very well to have the summary of the consultation responses you received. I think that would help direct us in our inquiry. I note that the last Parliament spent 14 hearings on this matter. I'd love to spend 25, but we might have somewhat fewer than that. If you could provide that information, that might help us focus our efforts and decide where to go.

I have 10 seconds left, so we'll come back to it, but I'd like to hear from you before we leave today about where you would recommend we focus some effort regarding things that have not yet been probed sufficiently.

I appreciate your appearance here today.

I would like to reserve the right to recall the witnesses later, Mr. Chair.

• (1120)

The Chair: You have that right.

Mr. Adam Chambers: Thank you.

The Chair: Thank you, MP Chambers.

We now go over to MP Weiler for six minutes.

Mr. Patrick Weiler (West Vancouver—Sunshine Coast—Sea to Sky Country, Lib.): Thank you, Chair.

I want to thank our witnesses for being here today as we start our study, which is not quite a legislative review—we would need a motion for that—but a bit of a taste of the work we're going to do. I appreciate your laying out the many steps that have been taken in recent years to address some of the shortcomings in Canada's anti-money laundering regime.

Mr. Brazeau, something you touched on in your opening was some news from earlier this year on the beneficial ownership registry for federally incorporated corporations. This is of course based on Bill C-42, which passed into law last year.

I was hoping you might be able to share with this committee in further detail how getting access to this beneficial ownership information will help the government to better go after money laundering by understanding who the real owners of property are and explain to us how this will work with the beneficial ownership registries that are in other jurisdictions as well.

Mr. Julien Brazeau: Thank you. I'm happy to answer the question.

The use of Canadian shell companies to conceal the true ownership of businesses is a real problem. FINTRAC estimates that 70% of money laundering cases in Canada involve a shell corporation. The ability to determine who are the rightful owners of those corporations is important not just for money laundering purposes, but for tax evasion purposes and other purposes as well.

The government, as you've said, introduced a bill, and the federal registry went live just a few weeks ago now. This is a searchable and publicly accessible registry with information. Some information will be shared directly with some of our enforcement partners—that is, information that is not made public—but again, the goal is to help our enforcement partners determine who are the rightful owners.

One limitation of the federal open banking regime is that federal incorporations account for only about 15% of corporations in Canada; therefore, there's a need to collaborate with provinces. Since 2016, a working group has been established of federal, provincial and territorial partners to discuss beneficial ownership, and all provinces or territories have put in place some laws that require at least the gathering of information on beneficial ownership.

The Province of Quebec took a head start in the creation of a publicly accessible regime. The Province of British Columbia has now committed to doing that as well. At the federal level, we're working closely with our provincial partners to see how we can integrate those provincial regimes to ensure we have a full pan-Canadian framework that would be accessible for our enforcement entities.

Mr. Patrick Weiler: Thank you.

You mentioned a few of the provinces that have already brought in or have intentions to bring in those regimes. I'm curious at this point to know if there are jurisdictions that have yet to make that commitment or, to your point on the need to work together, have yet to commit to sharing that information with the federal regime, which of course is critically important to tackle money laundering.

Also, in order to go after what is oftentimes transnational crime as well, it's critically important for Canada to work with other jurisdictions on the need to have a similar format for information so that it is easily shareable.

Mr. Julien Brazeau: Absent Quebec and British Columbia, I would say that Ontario has started talking about the potential creation of a registry itself. We've had productive conversations with our provincial and territorial partners in that regard. I think it's a question of prioritization among their respective governments as well. In some cases, some of them do have registries, but they are pay-for-access registries. How we can align that with the goal of having publicly accessible free access for Canadians is an area under consideration.

As I said, it's an area of active discussions for us and for partners at the Department of Innovation, Science and Economic Development, which oversees the registry as well. We're hopeful that in the coming months and years we'll be able to get some momentum and get additional provinces on board.

Mr. Patrick Weiler: One of the other changes announced in the budget last year is a new requirement for money services business-

es to be registered. I understand that regulations are being put together on that matter. I know it's oftentimes pointed to by many folks in my community that those are major risks for people laundering money, and many people have information they are sharing about that.

I was hoping that you might speak a bit more to the importance of having this registration system and how that might help the government tackle money laundering that may be taking place at some of the money services businesses across the country.

• (1125)

Mr. Julien Brazeau: Sure. I'm happy to.

I'll start by talking about benefits more broadly and being a reporting entity under FINTRAC and then maybe turn to my colleagues. They can speak a bit more to the specific changes in the legislation and regulations.

The goal of having reporting entities is to ensure they are subjecting the clients they deal with to enhanced due diligence and ensure they are reporting suspicious transactions to FINTRAC. FINTRAC relies on all of those disclosures to form the basis of its intelligence, which it refers to the RCMP and other provincial police services to investigate and then to the prosecution service to prosecute.

We continuously, as a regime, evaluate where the risks exist in the regime and look to expand the number of reporting entities based on what level of risk they represent. As you've mentioned, over the past couple of years, we've broadened the number of reporting entities on a number of occasions, including for armoured cars and players in the mortgage sector and real estate sector, cognizant of the ML risk in that space.

I'll turn to my colleague Charlene. She can speak more specifically to the latest changes.

The Chair: Madam Davidson, it will have to be very quick. We're over time already.

Ms. Charlene Davidson (Director, Financial Crimes Policy, Department of Finance): Thank you very much for the question.

The obligation for money services businesses to register has been in place for several years now. What we did through budget 2023 was try to strengthen the requirements for registration—for example, the kinds of documents required for criminal record checks and the types of verification required for translated documents coming from other countries. Anything we can do to ensure we're not registering MSBs that might have business owners who are criminals or who are involved in organized crime protects Canada from these types of crimes.

The Chair: Thank you.

Thank you, MP Weiler.

It's over to MP Ste-Marie.

[Translation]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

Thank you to the witnesses for being here.

I also want to welcome the members who are joining the committee today. We have Ms. Collins, who is not a frequent visitor, Ms. Shanahan and Mr. Aldag, who are leaving us, and Ms. Gainey, who is continuing to gain experience on the Standing Committee on Finance.

It is a pleasure to work with you.

Mr. Brazeau, your presentation and discussion were very interesting. We are learning a lot about this subject, which is of great concern to us. You talked about the beneficial ownership registry. Mr. Weiler asked some good questions about that. While this exists at the federal level and in Quebec, there is still a lot of work to do in each province so it is well coordinated and usable.

When the bill was considered, before it was enacted by Parliament, people often said they had the impression that when it came to fraud, financial structuring and money laundering, frequent use was being made of shell companies. At this time, the beneficial ownership registry does would not go that far, obviously.

What work is being done at present, in your department, to get access to beneficial owners in tax havens?

Mr. Julien Brazeau: Thank you for your question.

First, the beneficial ownership registry is going to help entities like the Canada Revenue Agency identify these individuals and carry out investigations relating to the use of shell companies in tax havens, as you say.

I will be honest with you: tax havens and income tax are not areas in which I have direct knowledge. However, I will be happy to consult my colleagues on this question and provide you with an answer later.

Mr. Gabriel Ste-Marie: Many thanks for that.

So I will change the subject and focus on fraud in the banking system, in particular identity theft for opening an account.

Is it correct that at present, the banks are not required to report the number of attempted frauds that they succeed in blocking?

• (1130)

Mr. Julien Brazeau: Financial institutions, including banks, have certain obligations. One of their obligations is to report any suspicious transaction to FINTRAC, the Financial Transactions and Reports Analysis Centre of Canada. Then, if FINTRAC thinks the information could be useful in an investigation, it forwards it to the provincial police service concerned or to the RCMP.

Financial institutions are also bound by obligations associated with guideline B-20 from OSFI, the Office of the Superintendent of Financial Institutions. That guideline requires financial institutions to verify the information they receive and make sure that the statements made by consumers are true.

Regarding fraud in the system, we rely on police services and the criminal justice system to initiate the necessary prosecutions.

Mr. Gabriel Ste-Marie: Thank you; that is very clear. However, I am still going to ask you for a second confirmation.

To my knowledge, when someone opens a bank account or obtains a credit card by fraud, the financial institution is obliged to report it. However, I believe that if an institution saw that an account had been opened at midnight with somewhat shady information and decided to block the transaction, it was not obliged to report the event, given that no fraud had been committed.

If I understand correctly, you are telling me that even those cases must be reported to FINTRAC by financial institutions. Is that right?

Mr. Julien Brazeau: If the institution has doubts about the legitimacy of a transaction, then, in theory, it must report it to FINTRAC.

I encourage you, in your study of the revision of the act, to have representatives of FINTRAC testify. I think they could provide the committee with some very useful information.

Mr. Gabriel Ste-Marie: That is true, I could ask them my questions about cases where the transactions were blocked.

I would now like to talk about cases of fraud that are detected in financial institutions. I have the impression that previously, as a general rule, the institution reimbursed the client who was defrauded. However, it seems to me that we are now seeing a reversal of responsibility and the institutions are increasingly blaming the customer.

Is your perception the same as mine?

Mr. Julien Brazeau: In fact, the Proceeds of Crime and Terrorist Financing Act is aimed at fraud detection, not restitution practices. This aspect is more in the nature of consumer protection.

I can't answer your question because I don't have the figures to back me up on this point. I think the Financial Consumer Agency of Canada, the FCAC, would be in a better position than me to give you that information.

Mr. Gabriel Ste-Marie: Right, thank you.

My time is almost up, but I would like to ask you one final question.

Do you think that consumers have enough information about attempted frauds at each financial institution?

Do you believe that there is enough information transparency at present, or should we, as legislators, bring in legislation that includes measures to give consumers access to more information about the subject we are concerned with?

Mr. Julien Brazeau: I think that is a question that is worth discussing. We would certainly like to know the committee's opinion on that subject.

As I said, that seems to be something that relates more to consumer protection. The anti-money laundering regime focuses more on detecting crimes at reporting enterprises and entities. That is certainly a problem, and we would be happy to hear your views and discuss it with you.

The Chair: Thank you, Mr. Brazeau and Mr. Ste-Marie.

[*English*]

We now welcome MP Collins.

The floor is yours for six minutes.

Ms. Laurel Collins (Victoria, NDP): Thank you, Mr. Chair.

I want to thank the witnesses for being here.

I still remember the 2017 Transparency International study that came out. It said that Canada had tied with South Korea for the worst transparency regime, and the term “snow-washing” was used very frequently here in Canada and around the world. It sounds as though progress has been made since then.

I think about the impact of this, especially with Mr. Brazeau having mentioned the statistic of 5%. In my home community of Victoria, the median cost of a single-family home is about \$1.1 million. The benchmark value is about \$1.2 million. That means for first-time homebuyers, there is \$50,000 to \$60,000 in increased costs, which is a huge amount. Folks are being impacted, and we know that's driving up rent prices as well.

The NDP has done a lot of work on pushing for a beneficial ownership registry, one that's public and searchable, and it sounds as though that work is under way.

I'm curious as to whether we are following international standards for things like ID verification, a tip line for whistle-blowers and a registrar with comprehensive powers so that we know people can be issued significant fines.

• (1135)

Ms. Erin Hunt: I can say pretty simply that the answer to that is yes.

I will start with the whistle-blower protections. One of the things we introduced very recently was new whistle-blower protections under the PCMLTFA to ensure that those who are reporting to FINTRAC have protections similar to those that already exist under the Criminal Code.

In terms of ID verification, this is a fundamental aspect of the PCMLTFA. All of our reporting entities have a responsibility to ensure that those they're doing business with do that type of due diligence so they know who their clients are. That's a fundamental aspect of how our regime works.

Perhaps Charlene has something else she would like to add.

Ms. Charlene Davidson: Sure. Thank you.

You also mentioned having the proper regulatory authorities for the beneficial ownership registry, and that's really important. The components of that exist in Bill C-42, and we continue to work with ISED on increasing those powers and authorities.

Ms. Laurel Collins: I'm curious as to how effectively it's up and running. I know we're just getting started. Can you give an update of where we're at and what needs to happen next?

Mr. Julien Brazeau: We have just started. It was just launched a couple of weeks ago, so I think it's early days at this point with regard to determining what the effectiveness is.

Certainly, the policy decision to have Corporations Canada do this was accompanied by funds to increase its capacity to assess this information and enforce it. The weeks and months ahead will give us a better sense of how that's working. Again, there is still important work ahead in terms of working with provinces and territories, because I think the real value of beneficial ownership registries lies in our ability to have the most complete information possible. That's the importance of this continued work.

Ms. Laurel Collins: Thanks so much. I'm looking forward to seeing the work that happens between the B.C. government and the federal government. It's good to see folks on track.

You mentioned the Cullen commission. As you know, it released its final report in 2022. Most of the report pertained to B.C., but there were a couple of recommendations for the federal government. One was “that the Ministry of Finance—either in conjunction with Canada Mortgage and Housing Corporation or on its own—develop the required data and conduct a market integrity analysis in order to identify suspicious transactions and activity in real estate.” Another was “that the Ministry of Finance develop an action plan for addressing the data gaps and data quality issues identified by the federal-provincial working group on real estate in its reports, focusing on data issues within the Province's jurisdiction.” Of course, the report also recommended the public beneficial ownership registry.

Mr. Julien Brazeau: I'm happy to speak on that.

We think the Cullen commission was an important milestone for the regime. Recognizing that the focus was on the provincial regime, we certainly took note of the recommendations, as they involved the broader federal regime.

In terms of the creation of a real property registry, that issue is a bit complicated by the fact that real estate and property lie more within the provincial remit. We continue to have discussions with federal-provincial-territorial partners about the broader corporations beneficial ownership registry, however.

Ms. Laurel Collins: In terms of action on those two specific recommendations, has there been anything concretely developed to address those data gaps?

• (1140)

Mr. Julien Brazeau: Is this in terms of data gaps for the real estate sector in particular?

Ms. Laurel Collins: Yes.

Mr. Julien Brazeau: We work consistently with the CMHC to try to better our understanding of information related to the real estate sector, especially in the current context, where the real estate sector and access to housing are so important. There are ongoing discussions in that regard. I would say they are specific not only to the Cullen recommendations but also to broader policy on housing.

The Chair: Thank you, MP Collins.

Now we're moving into our second round, members and witnesses.

We're starting with MP Morantz for five minutes.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair.

Mr. Brazeau, on Tuesday, there was a rather explosive report published by Sam Cooper at The Bureau. Because you're nodding your head, I think you're probably aware of this report.

The report outlines very serious allegations of mortgage fraud at HSBC, which led to a commensurate campaign of money laundering. Essentially, the allegations are that mortgage applicants would apply for mortgages and submit fraudulent income verification letters to get large mortgages to close on homes using the proceeds of crime and laundered cash. These are very serious allegations.

I'm wondering whether you could tell me if, before the Minister of Finance approved the merger in December between HSBC and the Royal Bank of Canada, she was aware of these allegations.

Mr. Julien Brazeau: To be honest, I'll have to take that back. We're certainly aware of the report that came out this week. I think it is an area of serious concern. Whether it formed part of the analysis the minister relied on, we can come back to you on that.

Mr. Marty Morantz: Are you saying you don't know whether she knew, or that you can't say at this point?

Mr. Julien Brazeau: I'll have to find out from OSFI, because the information would have been disclosed to OSFI in the context of—

Mr. Marty Morantz: You don't know.

Mr. Julien Brazeau: I don't know.

Mr. Marty Morantz: Okay.

What's odd about it is that last July, FINTRAC published a report raising these very concerns. Perhaps you are aware of the report. It was about the banking industry and money laundering in 2023.

Are you aware of the report where FINTRAC basically talked about the issue of fraudulent mortgage transactions as it relates to money laundering?

Mr. Julien Brazeau: We're aware of the report, absolutely, and of the claims of fraud. Where there's evidence, we certainly encourage—

Mr. Marty Morantz: That report predated the minister's approval. Having that information from FINTRAC, wouldn't the natural question have been whether or not this was going on within HSBC? Was that question not asked before the minister approved the merger?

Mr. Julien Brazeau: In terms of discussions that FINTRAC might have been having with HSBC, we're not aware of those. In the context of approving the transaction, the minister did impose criteria on RBC in regard to enhanced due diligence and ensuring that they do a full accounting of their AML and ATF practices, with a view toward ensuring that the practices are in accordance with what is expected under the PCMLTFA. That was a precondition that was agreed to by RBC.

Mr. Marty Morantz: Was there a departmental briefing note prepared for the minister prior to her approving the merger?

Mr. Julien Brazeau: There was advice provided to the minister, yes.

Mr. Marty Morantz: Could that briefing note be tabled with the committee?

Mr. Julien Brazeau: I'll have to take that back. We can get back to you on that.

Mr. Marty Morantz: You'll let us know whether or not it can be tabled.

Mr. Julien Brazeau: Yes. It's advice provided to the minister, as in any other transaction that happens in the financial sector.

Mr. Marty Morantz: Do you know whether in that briefing note there was any mention of widespread mortgage fraud as it pertains to money laundering?

Mr. Julien Brazeau: I can't confirm what was in that briefing note.

Mr. Marty Morantz: You can't confirm or you don't know.

Mr. Julien Brazeau: I can't confirm what was in the briefing note. I don't have direct knowledge of it, but we can get back to you.

Mr. Marty Morantz: You may have indirect knowledge of it, though.

Voices: Oh, oh!

Mr. Julien Brazeau: I don't have knowledge around the discussion around mortgage fraud in the context of the RBC and HSBC—

• (1145)

Mr. Marty Morantz: Okay. I'm not getting definitive answers of no here, which I find quite interesting.

Just out of curiosity, assuming that at some point this all comes to light and fines are levied, who would be responsible to pay the fines if the merger and acquisition goes through? Would it be the Royal Bank of Canada?

Mr. Julien Brazeau: To the extent that the society is dissolved, I'm not sure. We'd have to take a look at what the implications are and who would be the parties found responsible for doing it. If it's fraud and it's individual parties who perpetrated that fraud, then those individuals could still be found liable.

Mr. Marty Morantz: I have just one last question. If this turns out to be of concern to the department and the minister and the transaction doesn't close until March, does the minister have the ability to pause or revoke the approval of the merger?

Mr. Julien Brazeau: The minister has ultimate approval over the transaction and can choose to revoke or endorse that at any point.

Mr. Marty Morantz: Thank you very much.

The Chair: Thank you, MP Morantz.

Now we'll go to MP Dzerowicz.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much, Mr. Chair.

I want to thank all of our panellists today. This has been a very interesting discussion.

I'm on my iPhone. For some reason, the Internet in my office keeps going out.

One of the first questions asked was about Canada and where it stands compared with other countries. It was articulated that Canada has a strong framework, but it needs some work on its operational efficiency in that we don't have a dedicated police force.

In budget 2022 we created a new Canada financial crimes agency. That's meant to become Canada's lead enforcement agency. Is that not meant to be the dedicated police force for money laundering? How is that working?

Mr. Julien Brazeau: You're right that budget 2022 spoke about the potential creation of a financial crimes agency. Work is ongoing. Public Safety has had leadership over that file.

These are complex conversations given the potential integration of prosecution services into investigation teams and how we can improve operational results. Those discussions are ongoing, with advice expected to be provided to the government on the potential options, the scope of crimes that would be covered and how that would be funded.

Those discussions are ongoing. At this time, the financial crimes agency has yet to be formally created.

Ms. Julie Dzerowicz: What I've also been hearing is that money launderers are constantly evolving their methods and how this works. I was looking at past budgets. I know that every fiscal document since 2019 has consistently updated the AML regime to make sure we try to keep up to date and are plugging as many holes as possible.

Is it fair to say that there's no magic-bullet solution to money laundering and that governments and regulators will constantly need to be plugging holes in the regime?

Mr. Julien Brazeau: That is certainly a fair statement. Criminals tend to be sophisticated. When you plug one hole, they will find the next weakest point of entry.

The nature of transnational crime has changed as well. The use of technologies to perpetrate crimes has evolved. It's an ever-evolving sector, which is why we continue to assess risks as they evolve and broaden the scope and number of reporting entities as a result.

Ms. Julie Dzerowicz: Thank you.

I was also noticing that this finance committee did a fairly extensive study on money laundering in 2018, I believe. It's about time we come back to it. I think it's a very important area.

Could you talk to us about some of the key areas of improvement in the AML regime? What can our committee focus on as part of our parliamentary review? In what areas can parliamentarians provide you with some constructive recommendations?

I know you talked quite a bit about provinces and territories and the need for them to step up. Maybe there's some federal leadership or enticement we want to focus on there.

Is there any advice on any of those questions?

Mr. Julien Brazeau: I think it speaks to the question asked by MP Chambers about areas of focus for the committee. I'm happy to speak about those.

As we talked about, successive reviews have pointed to the issues around operational effectiveness. We would certainly welcome the committee's views and reflections on how we can move the dial on the issue of effectiveness in Canada's regime, being mindful that the trend on prosecutions in Canada is not in line with Canada's risk profile.

We'd also welcome the committee's views on evolving risks posed by new technologies. We've taken some measures for the use of cryptocurrencies, crowdfunding platforms, "white-label" ATMs, etc., but we welcome the committee's views on how that landscape is evolving and what risks it represents.

● (1150)

Ms. Julie Dzerowicz: That's helpful.

I have another quick question. You already spoke a bit about this. Can you speak more about some of the ongoing enforcement issues with the AML regime?

Ms. Erin Hunt: That's an excellent question. I would answer it this way. The enforcement landscape involves investigations, laying charges, prosecutions and depriving criminals of the proceeds of their crimes. It's a spectrum of actions that need to work together. When we look at effective enforcement and how we can improve that, we try to see how we can improve each one of those elements and create a stronger framework to achieve more prosecutions and charges and to deprive criminals of the proceeds of crime. This looks at criminal aspects, civilian forfeiture regimes and other elements, and it links to both what the federal government can do and what provincial counterparts can do. They are all involved in all four of those aspects of effective enforcement.

Ms. Julie Dzerowicz: Thanks so much.

The Chair: Thanks, MP Dzerowicz.

Now we go to MP Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Does your department have information about the money that is extracted fraudulently by the criminals in the crimes we are talking about: money laundering?

Do you have information to show that a portion of that money is used for major international crime or international terrorism, or is used, rather, by local criminals? Are those criminals connected with international terrorism networks, for example?

What information do you have on that subject?

Mr. Julien Brazeau: I can confirm that these are not crimes that are committed solely within Canada. There is actually a very international aspect. The crimes and money laundering are very closely connected to cross-border crime and terrorism financing.

With regard to the information we receive, we are considering developing policies. In my opinion, the intelligence services and police services know the nature of these crimes a little better than we do, but yes, I can confirm that these crimes are committed not just in Canada, but also outside Canada.

Mr. Gabriel Ste-Marie: Thank you for confirming that.

So identity theft, to access a bank account or use a credit card, can be used to support and finance international terrorism. That is very concerning.

Ms. Hunt pointed to the technologies being developed at present. My colleague Mr. Chambers said that in order to manage the situation better, we have to look at what the United States is doing and make sure that someone who initiates a transaction is actually a resident of the country.

If I understand correctly, that is not the case in Canada at present; instead, it is complete anarchy.

Do you agree that there should be better oversight and we could look to how it is done in the United States? It is far from perfect and there are a lot of problems, but it would still be a step in the right direction.

Mr. Julien Brazeau: We are always trying to draw on what is happening in other countries' financial regimes and we do a lot to follow the advice of the FATF, the Financial Action Task Force, the international organization that develops standards on money laundering and terrorist financing issues.

The new technologies actually present a major challenge and complicate our investigators' work. We have invested large amounts of money in the Financial Transactions and Reports Analysis Centre of Canada and other organizations, to enhance their capacity to detect this type of crime. However, we still want to know your thoughts on the subject.

• (1155)

The Chair: Thank you, Mr. Ste-Marie.

[*English*]

Now we'll go to MP Collins, please.

Ms. Laurel Collins: Thank you, Mr. Chair.

Thanks again to our witnesses.

I'm sorry. I'm going to follow up on my last question because I'm not really clear on the answer.

Has the Department of Finance conducted a market integrity analysis in order to identify suspicious transactions and activity in real estate?

Mr. Julien Brazeau: In terms of a specific market, no, we haven't at this point.

Ms. Laurel Collins: Is there any plan to do that?

Mr. Julien Brazeau: We are still actively looking at all the Cullen commission recommendations. The goal is to address all of them.

Ms. Laurel Collins: Has an action plan been developed to address the data gaps we were talking about that were identified in the provincial-federal working group?

Mr. Julien Brazeau: Yes, we do have detailed work plans with regard to information sharing.

Ms. Laurel Collins: Could we get a follow-up to the committee once there's been any start on a plan for market integrity analysis?

Mr. Julien Brazeau: We can take that back. We have reflected on all of the Cullen commission's recommendations, and we have taken a number of measures. We would be happy to report back on what actions the government has taken to address those.

Ms. Laurel Collins: The NDP caucus was recently in Edmonton, and we heard from newcomers there about being targeted for money laundering. Newcomers often face barriers when it comes to accessing credit and capital. Often, they are more vulnerable to accepting loans from bad actors. In some cases, newcomers took out loans from what seemed like a safe source, and then that source came to them and told them they needed to run the money through their business. In some ways, they were forced into this money laundering scheme and didn't know how they could access help.

Have you heard anything about this kind of thing? If so, what is the department doing to combat it and what kinds of tools are available to explore it?

Mr. Julien Brazeau: As we talked about when MP Weiler asked the question, money services businesses, which encompass some of these businesses, have been reporting entities for some time. We've strengthened the regime in the past few years in terms of what obligations are imposed on these businesses. We're aware that new Canadians can be taken advantage of. Obviously that's not an outcome we want.

We've taken measures, but to the extent that the committee would like to reflect on that question a bit more and see how those could be strengthened to identify more gaps, we'd welcome those views.

The Chair: Thank you, MP Collins.

Go ahead, MP Lawrence.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you very much.

Thank you for your time today and for appearing in person.

I want to outline some of the facts of the situation. If you don't have the numbers off the top of your head, that's fine. I would appreciate your undertaking to provide them to the committee at your earliest convenience.

How much money do you estimate was laundered through Canada in 2023, or 2022 if you don't have that?

Mr. Julien Brazeau: We can take that back. I think I provided a figure of somewhere between \$40 billion to \$110 billion per year.

Mr. Philip Lawrence: Yes, that was that in 2020. I was wondering if you had a more recent number.

Mr. Julien Brazeau: That's the most recent we have.

Mr. Philip Lawrence: Do you have a number for 2015 as well?

Mr. Julien Brazeau: For 2015, we can take that back and see what we have.

Mr. Philip Lawrence: That's perfect.

How many individuals, companies or entities were convicted of money laundering offences in 2023?

Mr. Julien Brazeau: We can take that back as well. I don't think we have those statistics.

Mr. Philip Lawrence: That's perfect. If I could get the numbers for convictions from 2015 to 2023, that would be terrific.

What is Canada's ranking? Of course, currently there are various international organizations with respect to money laundering and defence effectiveness in the OECD or the G7.

Mr. Julien Brazeau: In the context of AML, we look at the FATF, which is the body that does the mutual evaluations of countries and assets. There's no particular ranking to say a country is number one versus number 50. You're rated on your ability and on how effective you are in different measures under the regime. As we said in our last evaluation in 2016, the regime was viewed as generally having a strong legal framework but being weaker in operational effectiveness.

In an update to that review in 2021, our results were actually increased in some respects but then decreased in others. The standards for the FATF have become more difficult, I would say, not easier to meet over time. Canada is heading into its next mutual evaluation next year, so it will be an important time to look at not just our technical compliance, which is what laws we have on the books, but also the effectiveness of the regime more broadly.

• (1200)

Mr. Philip Lawrence: Thank you very much. I appreciate that.

I just want to follow up on my colleague's question. You said that in the HSBC acquisition by RBC, there was a higher level of diligence, including that HSBC should be upholding current AML regulations. If, as in the Sam Cooper story, there were widespread mortgage fraud, would that, in your opinion, violate the condition?

Mr. Julien Brazeau: We're looking at it in the context of money laundering and terrorist financing. Fraud would be a broader criminal issue for the undertaking as it relates to RBC.

Mr. Philip Lawrence: They're not upholding their AML obligations if they're allowing large-scale mortgage fraud to happen by those of other nationalities.

Mr. Julien Brazeau: I understood that. The undertaking relates to RBC given that they're the party undertaking the transaction. They are required to apply enhanced due diligence and ensure that they're meeting all the objectives. To the extent that the minister would find that they are not doing that, it would be at the minister's discretion to determine whether she wanted to take measures as a result of that.

Mr. Philip Lawrence: Wasn't a condition in the agreement that HSBC uphold the AML standards?

Mr. Julien Brazeau: Because HSBC is exiting the market, the obligation falls onto RBC as the entity that now owns HSBC.

Mr. Philip Lawrence: Just to be clear, though, if prior to the merger HSBC was not in compliance with regulatory requirements

with respect to money laundering, that wouldn't affect.... There were no conditions put in place for that.

Mr. Julien Brazeau: Do you mean in terms of their previous compliance with the AML and ATF?

Mr. Philip Lawrence: Yes. I mean to allow the merger to take place.

Mr. Julien Brazeau: I can't say whether that was a consideration, but no, the undertakings relate to RBC to ensure that on a going forward basis, it is compliant.

Mr. Philip Lawrence: Here is another change of subject. Artificial intelligence is very much in the headlines and it can be very beneficial, but numerous authors have written about the deleterious impacts. To what extent is your department readying itself for the impact of artificial intelligence on money laundering and criminal activity?

Mr. Julien Brazeau: For artificial intelligence, we absolutely recognize that it's both an opportunity and a threat. We review our financial sector statutes every five to seven years because there are sunset clauses in our acts. We're in one of those reviews at the moment. We issued a public consultation that closed recently.

One of the topics we're looking at specifically is AI and how it presents opportunities and challenges and what that means for financial services more broadly. We're in the process of looking at the feedback we've received and talking to experts about what is coming down the pike and what measures will have to be taken from a legislative and regulatory perspective to trust those services.

Mr. Philip Lawrence: Please move quickly on that.

The Chair: Thank you, MP Lawrence.

Go ahead, MP Thompson.

Ms. Joanne Thompson (St. John's East, Lib.): Thank you and welcome to the committee.

I want to circle back to some of the points that have already been brought forward and delve into more specifics, beginning with how you've seen the trends of money laundering and terrorist financing evolve over the last two decades. Could you be a bit more specific in terms of what we've seen in that period of time?

Mr. Julien Brazeau: Sure. I'd be happy to.

Over the past two decades, we've seen that financial crimes are not victimless crimes. We've talked about the impacts on the real estate market and the impacts that fentanyl has had on drug users across Canada. We've seen the use of technology to mask the identity of individuals. We've seen the use of complex or corporate structures to, again, obfuscate the ability to identify who the ultimate perpetrators of crimes are.

Canada is an open economy with a stable financial sector, but one that is easily accessible. As a result, it makes Canada a target for money laundering and terrorism financing. Certainly, we've seen the complexity of those cases increase over the past two decades.

• (1205)

Ms. Joanne Thompson: Staying with the same theme, are there new groups or new motivations driving money laundering and terrorist financing, specifically around regimes that are linked to right-wing terrorism or extreme white nationalism?

Mr. Julien Brazeau: In March 2023, in addition to releasing the regime strategy and some of the performance metrics, we released the updated national inherent risk assessment. The national inherent risk assessment, or the NIRA, is the tool through which we work with our intelligence and enforcement partners to identify risks and how those risks are evolving.

If you look to the NIRA, you will see that the issue of ideologically motivated crimes has been identified as a growing area of concern for the government. The NIRA is used as a tool to try to inform how we prioritize our enforcement efforts and where we need to dedicate resources.

The issue of white nationalist groups and ideologically motivated crimes is an area of concern that we're mindful of.

Ms. Joanne Thompson: The last thread in that line of questions is on the technologies and the proliferation of cryptocurrency. You mentioned AI. I don't know if you want to add anything else to that. Could you comment on how this is impacting money laundering and terrorism?

Mr. Julien Brazeau: On the use of cryptocurrency, again, there are benefits and disadvantages to the technologies that underlie these innovations. I think one of the drawbacks from the AML and ATF perspective is that the use of cryptocurrency often masks, from a privacy perspective, who the users are. That represents a challenge. The ability for us to track the money is complicated as well. As I mentioned, we have invested important amounts with FINTRAC and with regime partners to increase their ability to identify those crimes. We've also added cryptocurrencies and the users and distributors of cryptocurrencies as reporting entities under the regime.

We are looking at trying to cast a broader net to catch these technologies, but as we said, these things evolve quickly. We would appreciate the committee's views and recommendations on how we remain at the forefront of those innovations.

Ms. Joanne Thompson: Thank you.

I'll put in another question, following on what you've said, to try to pull out more specifics.

The Cullen commission report said that FINTRAC is not sharing enough information. You've referenced that you're taking the recommendations seriously and will certainly act on those recommendations. Are you able to say—because obviously the reporting is so central to the previous comments—what you have started in the short term?

Mr. Julien Brazeau: I'll speak very briefly to it, and then I'll turn to Charlene. She has more specifics on it.

We've looked to expand the number of parties to which FINTRAC can provide disclosure reports. We've also looked at that in the context of sanctions and the use of potential intelligence to inform sanctions evasion and things of this sort. We are actively iterating on how that intelligence and those intelligence products can be better used or disseminated within the law enforcement community to inform prosecutions.

Charlene, did you want to talk to a couple of specific examples?

Ms. Charlene Davidson: Thank you very much.

In budget 2023, in order to increase information sharing from FINTRAC, we established powers for FINTRAC to disseminate strategic analysis related to the financing of threats to the security of Canada. We also expanded the designated information that FINTRAC is allowed to disclose to law enforcement when it has reasonable grounds to believe that the information would be relevant to investigating or prosecuting a money laundering or terrorist financing offence. OSFI, the prudential supervisor for banks in Canada, was designated as a recipient of FINTRAC financial intelligence as it pertains to threats to the security of Canada.

In addition, in the fall economic statement in 2023, in order to combat environmental crimes, FINTRAC.... It's under consideration, as the bill hasn't passed yet, but it is proposed that FINTRAC be able to share financial intelligence information with Environment and Climate Change Canada and the Department of Fisheries and Oceans to combat environmental crime.

The Chair: Thank you, MP Thompson.

Members and witnesses, we're moving into our third round.

MP Hallan is first.

• (1210)

Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC): Thank you, Chair.

Before I get started, I just want to put a motion on notice, if you could pause my time, please.

As the committee knows, more tax hikes are coming on April 1. I think it's really important for us in this committee to make sure that we stop them as soon as we can, especially the escalator tax, which is supposed to go up on April 1. As we know, business costs are skyrocketing, with 40-year highs in inflation, and insolvencies and bankruptcies are on the rise.

Therefore, the Conservatives would like to put the following motion on notice:

Given that:

- a. Taxes on beer, wine and liquor will automatically increase on April 1, 2024;
- b. This year's tax increase will be 4.7%—the amount equivalent to average inflation over the past year; and
- c. Canadians and businesses cannot afford another tax increase;

The committee report to the House that it calls on the government to cancel its April 1, 2024, tax increase on beer, wine and liquor.

I'd just like to put that on notice, please. Thank you.

The Chair: Yes, that's captured.

Go ahead.

Mr. Jasraj Singh Hallan: Thanks, Chair.

Thank you to the finance officials for being here today.

Ms. Hunt, you mentioned earlier that Canada's ranking is on the lower end when it comes to effectiveness. Do you have the number for what ranking we are?

Ms. Erin Hunt: It's an excellent question.

I think Julien mentioned that Canada doesn't get a specific ranking with a numerical value. We're evaluated on two areas under the Financial Action Task Force. We're evaluated on our technical compliance. There are about 40 recommendations against which Canada is evaluated. We're given a recommended grade, we could say, on each one of those technical compliance areas. We're also evaluated on our overall effectiveness. There are 11 areas where we're evaluated on our overall effectiveness.

Canada's ranking is a combination of those factors, but no one country is given a specific.... There's no numerical order.

Mr. Jasraj Singh Hallan: Okay. What are some of the main factors there that have been decreasing since 2015?

Ms. Erin Hunt: That's an excellent question.

Canada, as we have said, has a very strong legal framework. In one of the areas in our 2021 report where we were re-evaluated on some of the technical compliance, our ranking changed with respect to our coverage of non-profit organizations. The standards with which Canada was evaluated in 2015 changed as FATF continued to evolve where they saw risks—

Mr. Jasraj Singh Hallan: It's interesting how it changed in a negative way. It went down.

Ms. Erin Hunt: It became more stringent, yes, so Canada's evaluation was lowered in our 2021 evaluation with respect to our obligations on non-profit organizations.

Mr. Jasraj Singh Hallan: Were the transparency requirements one of those factors that went down as well?

Mr. Julien Brazeau: No. Beneficial ownership and transparency were one of the gaps listed by the FATF during the 2016 review.

Mr. Jasraj Singh Hallan: Since 2015, has the ranking gone down or up or stayed the same?

Mr. Julien Brazeau: We haven't been re-evaluated formally by the FATF since 2016. It can only happen every five to seven years, but there was a reassessment in 2021 and our ranking went up in some regards and down in others.

Mr. Jasraj Singh Hallan: Did all the rankings still stay in the lower end or did they go down overall?

Mr. Julien Brazeau: I would say they remained sort of stable.

Mr. Jasraj Singh Hallan: Okay. I'll move on.

I wanted to know about the investigations. How many investigations have there been since 2015 until now?

Mr. Julien Brazeau: We can take that back. I don't have the numbers.

Mr. Jasraj Singh Hallan: I'd like to get a follow-up as well on how many of those investigations led to actual fines, what the total number of fines was and the percentage of people who were set free where there were no charges whatsoever. Can we get those specific areas covered in what you return to this committee?

Mr. Julien Brazeau: Okay.

Mr. Jasraj Singh Hallan: From 2015 on, did any specific legislative changes take place that made our ranking, in your words, go down, or were there any hindrances when it comes to investigating any type of money laundering taking place?

Mr. Julien Brazeau: No. Since the last review, the government has been trying to address a number of gaps. There are some long-standing gaps, like the coverage of lawyers in Canada's regime. The Supreme Court determined that solicitor-client privilege stopped lawyers from being covered, but—

• (1215)

Mr. Jasraj Singh Hallan: I just have a bit of time.

Transparency International ranks us absolutely at the bottom in the G20. Regarding the rise in auto thefts and the money laundering that we know is taking place right now, what are some of the barriers...or why is this increasing in Canada with all the rules we have in place? It seems like it has gotten a lot worse since 2015.

Mr. Julien Brazeau: On transparency in particular, I will point to the beneficial ownership registry, which has just been launched and is aimed at attracting transparency.

Mr. Jasraj Singh Hallan: If it had been implemented before, would it have been effective now for some of the auto thefts we're seeing?

Mr. Julien Brazeau: To the extent that organized crime groups are hiding behind shell corporations, yes, potentially.

Mr. Jasraj Singh Hallan: There is no definitive...that it would have stopped this, so it may not have made any difference at all. Is that right?

Mr. Julien Brazeau: It may not have. We don't know the nature of the criminal organizations here.

Mr. Jasraj Singh Hallan: Okay. There's no proof that this change, which took place in November, may do anything for the car thefts happening now.

Mr. Julien Brazeau: On car thefts in particular, I'm not sure. I think we'd have to talk to police services. They have a better understanding of how criminality is set up. The goal of beneficial ownership is to provide more transparency on who the ultimate owners of corporations are.

Mr. Jasraj Singh Hallan: Thank you.

The Chair: Thank you, MP Hallan.

Now we go to MP Weiler.

Mr. Patrick Weiler: Thank you, Mr. Chair.

Getting back to your earlier point, only 15% of companies are incorporated federally, so it's very important that we have the provinces step up with similar beneficial ownership registries for corporations.

I want to touch on a number you mentioned earlier. You said there were 24,000 entities reporting to FINTRAC. I saw in the last annual report that about 35 million transactions are reported to FINTRAC every year. In some ways, that's a tremendous amount of information. A lot of times, for a lot of these transactions reported, it's like trying to find a needle in a haystack.

I was hoping you might be able to explain what the government is doing to make sure the information shared with FINTRAC can get to the appropriate authorities in a way that's useful for decisions and investigations, so they can determine whether any suspicious transactions for organized crime are involved.

Mr. Julien Brazeau: Sure. I'm happy to talk about the issue broadly.

Again I'll turn to Charlene. I think Charlene listed a number of new disclosure partners for FINTRAC. The goal there is to allow FINTRAC to use its intelligence products and disseminate them to a broader set of law enforcement agencies and regulators in order to inform their review. That has been the focus of our work over the past few years.

You're right. There's a huge volume of information gathered by FINTRAC. FINTRAC tries to consolidate that and look for trends. When they see those trends, they refer them to federal and provincial police services.

Charlene, did you want to talk a bit more specifically about how we strengthen information sharing?

Ms. Charlene Davidson: The value add FINTRAC offers is that it can take all the information coming in to it from reporting entities, look for the information that Julien spoke about—trends, comparisons, putting people together and networking—and can digest that information and prepackage it to go out to law enforcement partners.

There are two ways that's done. Law enforcement, through a voluntary information record, or VIR, can submit information to FINTRAC on a potentially ongoing investigation or case it may be developing. If FINTRAC finds reasonable grounds that the information, paired with information it already has in this database, can be disclosed to an investigation that's related to money laundering or terrorist financing, it will disclose it.

The other type of disclosure is what's called proactive disclosure. This is for the beginnings of a case. It's financial information that FINTRAC puts together on its own and sends out proactively to the relevant police department in the hope that it will begin an investigation.

Ultimately, the use of that financial intelligence and the types of investigations that are taken up are a decision for law enforcement.

• (1220)

Mr. Patrick Weiler: Thank you.

One of the recent changes made was a new offence for structuring transactions so that avoid being reported as obligations under the act we're talking about today. I was hoping you might be able to explain how that might aid in tackling the issue we're talking about today.

Ms. Charlene Davidson: As you may know, one of the methods criminals can use to integrate their money or place their money into the financial system is through structuring. A simple example of this is depositing large sums of money in cash just under the reporting threshold, which is \$10,000—so \$9,900. They can do this over multiple days with the same financial institution or many financial institutions. Budget 2023 introduced a new criminal offence for purposely structuring financial transactions to avoid having the financial institution do the reporting.

Mr. Patrick Weiler: This is my last question. I'm curious to know what type of work is being done to help with education for reporting entities and other organizations so that we can ensure we have the best possible compliance with the objectives of the act.

Ms. Charlene Davidson: That's actually one of the main roles that FINTRAC plays. FINTRAC has a dual mandate. It's Canada's financial intelligence unit, but it's also Canada's regulator for the PCMLTFA. That means it has the primary oversight to ensure compliance with all reporting entities—the 24,000 businesses you mentioned.

One of the first things FINTRAC does is work with new reporting entities or new sectors that come on board or have new obligations under the act. It spends quite a bit of time—one to two years—working with the sector, educating it on what its obligations are and what a good compliance program would look like within its institution.

I am sure this committee will eventually speak with FINTRAC. That is something it can elaborate on.

The Chair: Thank you, MP Weiler.

Go ahead, MP Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

I am going to start by commenting on what Ms. Davidson said about the voluntary disclosure program.

I think that in many cases in Canada, this program has strayed from its purpose. For example, it is being used as an escape hatch for people who are trying to structure transactions in connection with tax havens so they don't have to pay their fair share. When they get caught and are held to account, they use this program, so that goes against its actual purpose. These people are not penalized in any way; they are just asked to pay what they were required to pay in the first place.

In Quebec or in other countries, like the United States, there is a truly significant penalty when a person gets caught or uses a program like the voluntary disclosure program. That program is an incentive for clients and big corporations doing this kind of structuring. They tell themselves it is worth it to try to commit the fraud, because, anyway, the little rap on the knuckles they get doesn't hurt. This situation has got to change. I wanted to make that comment.

My question relates to what Ms. Hunt said at the beginning of the meeting and also somewhat to what Mr. Hallan talked about.

Why does Canada rank less favourably than the other countries in terms of what is done to combat these crimes?

Ms. Hunt, if I understood correctly, the fact that there is no police force dedicated to financial crime or money laundering.

Does Ms. Hunt or anyone want to answer my question: can you explain why there is no such police force? What arrangement has been made at present to have that kind of service? Should each province have its own specialized police force that would work in coordination, given the legislative system in the federation? Could you answer all these questions in a few minutes?

Ms. Erin Hunt: Thank you for your question.

I would like to start by pointing out that unlike other countries, Canada has no specialized police force. Some countries have a very high level of effectiveness, and that is one of the points that distinguishes them from Canada. That is a point I really wanted to make clear concerning Canada.

It is an important question, in my opinion. We would like to know the committee's views about how to improve this aspect in Canada. The government has introduced the possibility of creating a Canadian financial crimes agency in Canada. That work is underway, and we would like to know the committee's views about how an agency of that kind could be created. We would also like to know whether it is an important idea, to make progress on this issue and improve the process of investigations and trials in Canada, and so on.

• (1225)

The Chair: Thank you, Ms. Hunt.

Thank you, Mr. Ste-Marie.

[*English*]

We will now go to MP Collins.

Ms. Laurel Collins: Thank you, Mr. Chair, and thank you for all the good work you folks are doing.

I was looking at the money laundering threat assessment and some of the things that were ranked as very high threat ratings. One that jumped out at me was pollution crime.

Before becoming a member of Parliament, I was involved in the fight to save Shawnigan Lake. There was contaminated soil being dumped close to a watershed. We know the impacts of this kind of contaminated soil on the environment and human health. Through that campaign, it was uncovered that the company had a secret profit-sharing deal with the engineers who were doing the safety assessments for it. Luckily, we were able to stop that from happening. It took four years.

I'm curious. What is the connection between money laundering and this kind of pollution crime?

Mr. Julien Brazeau: As you say, it's an area of focus and one that was identified in the NIRA. Recently, I believe, it was in the fall economic statement. We put forward measures that would allow FINTRAC to start sharing information with the Department of Environment and Climate Change, with a view to addressing some of the risks that are arising and the link between money laundering and environmental crimes.

Ms. Laurel Collins: Thank you for that work.

I was looking at a few of the other ones, such as Ponzi investment schemes and telemarketing and mass-marketing schemes. This is something that impacts my constituents. Many people have lost money through these kinds of schemes.

What work is being done, because that was one of the very high threats?

Ms. Charlene Davidson: That kind of threat is getting larger in Canada. The role of organized crime and transnational organized crime is also increasing, especially in that space. Canada does have the anti-fraud centre, to which people can report cases of fraud.

Fraud is actually one of the larger predicate offences in Canada. It produces a lot of proceeds of crime. That is certainly one of the areas of focus on which FINTRAC produces strategic intelligence and discloses information.

Ms. Laurel Collins: Do I still have time?

The Chair: I think that's time.

Ms. Laurel Collins: Okay, not to worry.

The Chair: Thank you, MP Collins.

We will move to MP Morantz.

Mr. Marty Morantz: Thank you, Mr. Chair.

Ms. Hunt, I just want to follow up on something you mentioned earlier regarding non-profits. You said there was a gap in the system as it pertained to the operation of non-profits. Is there a concern that non-profits could be utilized as a vehicle to raise funding for terrorism?

Ms. Erin Hunt: That's an excellent question.

The Financial Action Task Force has identified that non-profit organizations, as well as charities, do have a risk with respect to terrorism financing in particular.

FATF's recommendations focus in particular on having a sector understand its risks so that it makes sure it has processes in place for the risks in that space. Canada's evaluation was with respect to ensuring that our sector understands the risks it may face. It's not a blanket statement; it's just that the sector itself understands the risks.

Mr. Marty Morantz: On that subject, specifically as it pertains to the IRGC, do you have any information or knowledge that the IRGC may be raising money for terrorism through Canadian non-profits?

• (1230)

Ms. Erin Hunt: I can't answer that question. I'm sorry.

Mr. Marty Morantz: Is it that you can't answer or that you don't know?

Ms. Erin Hunt: I don't know.

Mr. Marty Morantz: You don't know. Okay.

Could you maybe look into if there is anything and come back to the committee with it?

Mr. Julien Brazeau: We can certainly undertake that. I think that would probably be more within our intelligence and enforcement partners, but we can take that back.

Mr. Marty Morantz: That's fair enough.

I just want to go back to the 2018 report that had some fairly specific recommendations with respect to changes to the Criminal Code. One recommendation was to "bring forward Criminal Code and Privacy Act amendments in order to better facilitate money laundering investigations". That was six years ago now. Was that done?

Mr. Julien Brazeau: There have been some changes to the Criminal Code.

To be honest, the Criminal Code rests squarely under the Department of Justice's purview. They would certainly welcome your questioning of them. I know they've worked on a number of measures in that regard, but they'll be able to provide you with a more fulsome answer on those—

Mr. Marty Morantz: Maybe this falls under your purview.

The next part of the recommendation was that "any necessary resources be made available to law enforcement and prosecutors to pursue money-laundering and terrorism financing activities".

Given that you're in the Department of Finance, I presume that you know the answer to that question.

Mr. Julien Brazeau: A number of resources have been provided. I think I spoke about the \$320 million that has been given to different regime partners to move that forward, including to the RCMP. They have created teams dedicated to money laundering. There was the creation of what we call FC3 within Public Safety Canada, which is charged with the coordination of the regime more broadly as well.

Yes, there have been a number of investments in that regard.

Mr. Marty Morantz: I just want to return to Mr. Cooper's report for a second.

Under the proceeds of crime legislation, banks, as reporting entities, are required to report suspicious transactions. The whistleblower in Mr. Cooper's report went to great lengths to let more senior people at HSBC know of his concerns regarding fraudulent mortgage transactions.

Do you know if, as a reporting entity, HSBC reported those suspicious transactions?

Mr. Julien Brazeau: I don't. That would be a question that FINTRAC could answer more specifically.

Mr. Marty Morantz: Would you mind following up with them about that, checking with your colleagues and providing that information to the committee?

Mr. Julien Brazeau: Sure.

Mr. Marty Morantz: Those are all my questions, actually.

The Chair: Thank you, MP Morantz.

Now we'll go to MP Dzerowicz.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair.

I am going back to you, Ms. Hunt, and the last question I left you with, which was a bit unfair, to be honest. I gave you all of two seconds to respond to a very huge question, which was speaking to some of the ongoing enforcement issues of the AML regime.

I'm sure you can go through a lot. I know you split this into different buckets, which I fully understand. If there is something you want to highlight in each of those areas that you think we need to be aware of or need to be focused on, that would be helpful.

I'll also give you a part two. What I am hearing is that there is quite a bit of responsibility and some unique powers at the provincial level. I wonder whether there are some issues there as well when we're trying to look at enforcement issues.

I am wondering if you could take a couple of minutes to address that.

Ms. Erin Hunt: That's an excellent question. Yes, I started on that before, but it is a complicated question.

I think one of the fundamental challenges with financial crimes is that they are extremely complicated issues. They require a dedicated set of experts who have really detailed knowledge in very challenging areas of financial cryptocurrency, financial markets and how the transactions work. That expertise is really important to develop across the country.

In Canada, one of our strengths is our federation. It also means that there are a lot of players involved in this space at the federal, provincial and municipal levels. Ensuring that our system is effective in this space is a continual challenge, one where the committee's work on recommendations and how we can improve effective enforcement is certainly of benefit.

One of the areas we highlighted in Julien's opening remarks was the use of financial intelligence. This is obviously a really important way to detect...and where to begin investigations. In that area, we can continue to look at ways we may be able to improve that. Charlene has spoken to how we're looking to expand the disclosure recipients as a means to leverage that: Is there more we can do?

On the prosecution side, I think this is an area in Canada where we recognize the importance of the independence of the prosecution services. One process the RCMP has is IMLITs, or integrated money laundering investigative teams. They often include prosecutorial expertise to ensure they are effective and efficient.

The other area was taking or restraining the product of proceeds of crime. In this area, at the federal level it's criminal forfeiture, but at the provincial level there's also an opportunity to explore whether civilian forfeiture is something we may be able to pursue to look at the effectiveness of Canada's regime.

• (1235)

Ms. Julie Dzerowicz: I appreciate that. That's very helpful.

Again, I'm asking these questions with the objective of trying to get to how we can do this better. How complementary are the federal and provincial regimes, from your perspective? Is there something you can recommend that would make it more complementary and more effective?

Mr. Julien Brazeau: Based on the Constitution, there is a division of powers. The regimes are complementary in some regards, but at the same time, provinces have oversight of some aspects of the regime that the federal government does not.

I think I've spoken to work at the working level, from our perspective, with federal and provincial territorial partners. I think a dedicated forum for those discussions and the ability to have conversations, whether they be among ministers of justice or public safety, on a more regular basis around how these issues are evolving and how they're considering these issues would certainly be beneficial.

Again, I think that's an interesting area for the committee to look at. We'd certainly welcome the recommendations.

Ms. Julie Dzerowicz: I think those are all my questions right now.

Thank you so much.

The Chair: Thank you, MP Dzerowicz.

It's over to you, MP Chambers.

Mr. Adam Chambers: Thank you very much, Mr. Chair.

You started off by saying how many agencies are involved that touch money laundering, or a portion of it. I'm wondering who in the federal government goes to bed at night and wakes up every

morning and the only thing they think about is money laundering. Who is the owner?

Mr. Julien Brazeau: Finance has the overall lead for the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. That being said, we don't have a line of sight on the criminals and what they're doing. That would be police services and our intelligence partners. They live more of the criminality aspect. We live the policy side.

Mr. Adam Chambers: Just for my own clarification, you're the assistant deputy minister of financial sector policy. In addition to money laundering activities, it's very wide. You're doing open banking. You're doing the widely held rule. You're doing OSFI. Is that right?

Mr. Julien Brazeau: Yes.

Mr. Adam Chambers: Okay.

Who goes around to the other departments, knocks on the door and says, "Hey, there's an issue with money laundering"? Who does that? Would you say that Finance has the lead?

Mr. Julien Brazeau: Yes, Finance does have the lead, and we have an internal governance structure, which is probably bureaucratic in nature. At the DG, ADM and DM levels, there are regular touchpoints specifically on AML.

Mr. Adam Chambers: That's perfect.

You know what a net worth assessment by the CRA is. The number of net worth assessments completed by the CRA has dropped over 54% within the last five or six years. They used to do about 13,000 to 14,000 net worth assessments a year, but now, in 2023, up until December they were at only 400 and something.

Have we spoken to our friends at the CRA to ask what's happening there?

• (1240)

Mr. Julien Brazeau: I can't speak to the issue of net worth assessments specifically, but the CRA is part of the group of entities and agencies that discuss certain issues around money laundering.

Mr. Adam Chambers: They also receive actionable intelligence from FINTRAC, I believe. The number of net worth assessments that have been completed based on actionable intelligence has also dropped proportionally the same.

I suspect that the number of actionable intelligence reports sent to the CRA hasn't dropped, but I would be very interested to know how many actionable intelligence reports had been sent to CRA over the same time period. Currently, we have a number for net worth assessments that have been completed, and it shows a significant drop. I would be very interested to know if you could help us on that. Is it that the actionable intelligence has dropped or are they reshuffling resources within the CRA? I have a suspicion about what the answer is, but if we have data to support that, I think it would be very helpful.

Mr. Julien Brazeau: We can certainly take back the question on the number of disclosures.

Mr. Adam Chambers: Thank you very much.

In terms of catching and convicting, in the United States it's illegal to lie to the police. They have a RICO statute and laws. For wire fraud, it's 20 years in jail. You can also be charged with perjury for making a mistake in statutory declarations. As long as the piece of paper says, "You'll be charged with perjury if you lie on this paper", it's 15 years in jail.

Canada has no similar serious criminal penalties. Do you think that's an area where we should be pushing?

Mr. Julien Brazeau: I think that's certainly an area where we'd appreciate the committee's input.

Some hon. members: Oh, oh!

Mr. Adam Chambers: For my last question, have you heard of Bill C-289?

Mr. Julien Brazeau: Yes. It's a private member's bill.

Mr. Adam Chambers: I would be very curious to know what the advice was to the government on moving forward with that bill.

Mr. Julien Brazeau: Again, we can take that back.

Mr. Adam Chambers: Sure. I don't need it now.

Mr. Julien Brazeau: I will just say that the bill was more criminal in nature and the Department of Justice provided the advice. We can take that back, but to the extent that you will be meeting with the Department of Justice, I would encourage you to ask them the question as well.

Mr. Adam Chambers: I look forward to meeting with the Department of Justice.

Thank you very much for your time.

The Chair: Thank you, MP Chambers.

Now we'll go to MP Thompson.

Ms. Joanne Thompson: Thank you.

Could you speak to the interplay between sanctions enforcement and anti-money laundering?

Mr. Julien Brazeau: We're happy to.

It's an area of ongoing reflection for us, I would say, especially given the unprecedented scope and scale of the Russian sanctions. We see sanctions and sanctions evasion as an emerging threat for the financial system. We've seen that a lot of the hallmarks that are common to sanctions are also common to money laundering and financial crimes.

As you know, sanctions policy, especially as it relates to the Special Economic Measures Act, lies with Global Affairs. We've passed in past budgets and fall economic statements a number of amendments that would allow FINTRAC to play a bigger role in being able to leverage its intelligence products and in sharing that information with Global Affairs so they can target and identify sanctions evasion.

It's definitely an area of concern. That's another area where we would certainly welcome the committee's views, as it's looking to undertake its study, on the nexus between financial crimes and sanctions evasion.

Ms. Joanne Thompson: Thank you.

This is clearly not just a Canadian problem. All western democracies have to deal with this. I'd be really interested in some international comparators, if you could speak about some of the unique challenges other countries are facing.

Mr. Julien Brazeau: Sure. As I said, Canada is just one country in the global regime. The Financial Action Task Force is the first and foremost authority when it comes to creating standards.

I think other countries have similar challenges to us. Beneficial ownership is an issue that's shared among jurisdictions. The prevalence and development of technology and how that technology is being used to perpetrate crimes are issues as well.

Those issues are not unique to Canada. The federated nature of Canada, as Erin has said, comes with benefits, but also some complications as they relate to the coordination between the federal and provincial regime for law enforcement and the like. However, many of the risks identified in the NIRA that we've spoken about today are common across the globe.

• (1245)

Ms. Joanne Thompson: I do not have further questions, but I really appreciate your being here today and very quickly accommodating the two-hour request. Thank you.

The Chair: Thank you, MP Thompson.

Go ahead, MP Ste-Marie.

[Translation]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Some time ago, a hard-hitting report about fraud on social media was broadcast on *La facture*. It reported on a case that had happened on Facebook.

A young retiree in the Gatineau region had seen a very convincing advertisement on Facebook that urged him to invest in cryptocurrency and Bitcoin because there were big returns. The individual in question, who was intelligent and level-headed, decided he was going to do a test. He invested small amounts and then withdrew them. It worked. There was a return. Everything went well.

He then decided to manage his retirement fund himself. He invested all the savings he had accumulated over his lifetime. Once the money was transferred, radio silence. The money had been transferred out of the country. There was no longer any way to recover his money. Having lost all the savings he had accumulated over his life, this retiree was obliged to go back to work.

Artificial intelligence is increasingly being used to get access to celebrities and make them say anything you like.

What is the federal government doing so that this kind of thing never happens again?

Mr. Julien Brazeau: Thank you for your question.

The issue of fraud goes well beyond the scope of these discussions today, which deal with money laundering and terrorist financing.

First, the Department of Finance is examining precisely these issues, relating to virtual currencies and how they will be used in the future.

A number of discussions concern the regulatory agencies, including how to decide what measures we should put in place to protect Canada. What is called the Financial Consumer Agency of Canada, the FCAC, has published statements designed to make Canadians aware of the risks inherent in these practices.

As I have said, this is an area that we are looking at giving further consideration to.

Mr. Gabriel Ste-Marie: Thank you.

I am thinking of one element in particular that needs to be examined: financial institutions that allow hundreds of thousands of dollars to be transferred out of Canada. At that point, there are no longer any guarantees for that money. The regulations in place should be taken into account and the verifications to be done should be doubled or even tripled before allowing that kind of transfer.

On an entirely different subject, Mr. Brazeau, a little earlier you mentioned the Supreme Court judgment dealing with protection of solicitor-client privilege.

Can you explain in more detail what impact that judgment has when it comes to combatting money laundering?

How does the situation compare with other countries?

Mr. Julien Brazeau: Thank you for your question.

I think all these problems related to the legal profession are important.

The Supreme Court decision says that adding lawyers as reporting entities for the purposes of the act is not legal. That being said, the Supreme Court nonetheless left the door open to finding a mechanism that aligns with the Canadian constitution.

Since that decision was handed down, the Department of Finance has been working closely with the Federation of Law Societies of Canada.

Because it is the federation that publishes the guidelines, we are working with it to make sure those guidelines are harmonized with the recommendations of FATF, the Financial Action Task Force, to make sure the profession is properly regulated, in a sense, when it comes to international standards.

Even though lawyers are not reporting entities for the purposes of the act at present, there are initiatives and measures in place to take into account the risks inherent in the profession.

• (1250)

The Chair: Thank you, Mr. Ste-Marie.

[English]

Now we'll go to MP Collins.

Ms. Laurel Collins: Thank you, Mr. Chair.

I just wanted to follow up on some of the questions about far-right terrorist financing and in particular on the terrorist financing threat assessment. The Proud Boys, the Russian Imperial Movement and the Aryan Strikeforce are neo-Nazi and neo-fascist organizations that we have seen become more of a threat in recent years.

I am curious as to how this has changed the landscape and what kinds of financing mechanisms they are using, whether it's as corporations, real estate agents or developers. What does this new landscape look like?

Mr. Julien Brazeau: We have talked about this. The landscape is changing, and the latest national inherent risk assessment identified these extremists and ideological groups as an area of risk. I think our intelligence agencies would probably be better placed than we would to tell you which mechanisms and how these agencies are using these mechanisms, but there is no doubt that some of these groups are engaged in activities that further foment terrorism.

In identifying them in the NIRA, the goal is to prioritize and work on these key vulnerabilities in the Canadian context, but again, I would suggest that our intelligence partners would probably be better placed to tell you exactly how they're leveraging those things.

Ms. Laurel Collins: I also wanted to follow up on the question from my colleague about the IRGC. I noticed that it was not on the March 2023 list. I'm curious. Is that because it wasn't listed as a terrorist organization at that point? If we were to update that list, do you have a sense of whether it would appear?

Ms. Charlene Davidson: Any of the specific groups named in the 2023 document are those that were listed under the Criminal Code as a terrorist group at that time.

Ms. Laurel Collins: Do you look into other groups like the IRGC, groups that might not fall on that list in the 2023 assessment? Would you have been recognizing other groups that might not fall on that list and tracking them?

Ms. Charlene Davidson: No. The report focuses on those that are listed entities only. I think the question of what's being followed and new trends or emerging threats would be for our intelligence partners.

Ms. Laurel Collins: Thanks.

The Chair: Thank you, MP Collins.

As one of our last two questioners, we have MP Lawrence.

Mr. Philip Lawrence: Thank you very much.

I am going to follow up on my colleague's questions. They're excellent questions, I might add.

Because of this government's refusal to list the IRGC as a terrorist group, are you saying that they're not tracked and there is no reporting responsibility because of that failure, even though numerous times in Parliament, over and over again, we have called upon the government to list it as terrorist and it won't?

Mr. Julien Brazeau: Our intelligence and law enforcement partners would be more aware of how they are tracked. What we do in the context of the NIRA is work and focus on those that are listed in the Criminal Code, but I wouldn't want to give you the impression that our intelligence partners or law enforcement are not looking at it.

Mr. Philip Lawrence: You'd be obligated to perform additional reporting and monitoring for listed entities as opposed to non-listed entities. Is that not correct?

Mr. Julien Brazeau: That's correct, yes. There is a ministerial directive that relates to that.

Mr. Philip Lawrence: If in fact they were listed, as has been asked for by Parliament multiple times, it would provide greater monitoring of the IRGC.

Ms. Erin Hunt: To answer your question on the terrorist organizations, reporting entities are required to follow the terrorist organizations and ensure they are looking at those specifically. In addition, in the PCMLTFA, the minister has the ability to issue directives with respect to certain partners that may pose a danger to—

Mr. Philip Lawrence: Is there a directive with respect to—

Ms. Erin Hunt: There is a directive with respect to Iran.

Mr. Philip Lawrence: Could you table that with the committee?

Ms. Erin Hunt: Yes, we can.

Mr. Philip Lawrence: Thank you.

They are not a terrorist organization; they're not currently designated as such. As they are not currently listed as a terrorist organization, that could limit or reduce the amount of monitoring, therefore allowing for greater funding of Iran and its terrorist activities.

• (1255)

Ms. Erin Hunt: The Iran directive is not specific to any one entity. It is with respect to transactions with Iran. Reporting entities are required to place additional due diligence on—

Mr. Philip Lawrence: If they were listed, would there be greater monitoring?

Ms. Erin Hunt: There would be additional monitoring with respect to their role as a terrorist entity, like other terrorist entities.

Mr. Philip Lawrence: Presumably, if the IRGC were subject to greater monitoring, and if money laundering was going on, we would be able to stop more of it. We are allowing more money to go out every day to the IRGC, a terrorist organization, because of this government's wilful disobedience of the will of Parliament.

Ms. Erin Hunt: Under the PCMLTFA, every organization has obligations to identify what it sees as suspicious transaction reporting. That remains, regardless. They have to do additional due diligence with respect to Iran due to the ministerial directive in force.

Mr. Philip Lawrence: However, listed organizations have a higher standard than non-listed organizations.

Ms. Charlene Davidson: For listed organizations, those types of financial transactions would be prohibited.

Mr. Philip Lawrence: Therefore it's a higher standard.

Ms. Charlene Davidson: Yes.

Mr. Philip Lawrence: Thank you for that.

How much time do I have left, Mr. Chair?

The Chair: You have two minutes.

Mr. Philip Lawrence: To conclude, we know you're doing the best you can. If my frustration came out towards you, I apologize. It's just extremely frustrating to me that Parliament has voted multiple times to give you the additional tools you need to prevent the IRGC from laundering money through our country to fund their terrorist activities. We need to give you guys the ability to do that.

I'll ask one last time so we're clear. If, in fact, the IRGC were listed as a terrorist organization, would your ability to stop their money laundering activities be enhanced? Just say yes or no.

Ms. Erin Hunt: Under our sanctions laws, Canadians are prohibited from dealing with sanctioned entities.

Mr. Philip Lawrence: Thank you.

I'll leave the last....

Mr. Jasraj Singh Hallan: Mr. Chair, in the last minute, I want to confirm this with the witnesses. There have been substantial requests made for documentation, investigation numbers and those kinds of things. I want to make sure, following routine proceedings, that within three weeks, as it is outlined, we can get those answers from the officials. Can I get you to confirm that?

The Chair: Well, I know the officials will make their best effort to get us the information that has been requested and that they said they can provide.

Mr. Jasraj Singh Hallan: For any undertakings that have been confirmed, I want to make sure we get that.

The Chair: Yes, we will, regarding what has been requested of the officials.

We're going to MP Weiler.

Mr. Patrick Weiler: Thanks, Mr. Chair.

Earlier in your testimony, you brought up the significant investments that have been made in law enforcement in recent years to better collect and share data related to organized crime and money laundering. I think you mentioned about \$319 million.

Also in your testimony, you mentioned some of the challenges with operational effectiveness. Of course, this is a very challenging topic. You're dealing with organized crime operating over multiple jurisdictions and using shell companies, in many cases, to obscure the real ownership of different assets in order to exploit wherever there may be a gap. That speaks to the ongoing challenge of updating the regime.

Speaking of operational challenges, one of the things proposed a couple of years ago was the creation of a Canada financial crimes agency. I know this is a Public Safety lead. They've been leading a consultation for over a year now on this.

I am curious to know, from your point of view, what role you see Finance playing in such an agency. What type of input have you provided to the consultation as this body is being contemplated?

Mr. Julien Brazeau: We've been working closely with Public Safety and the rest of the regime partners. This has been a topic discussed in governance committees at the DG, ADM and DM levels. We've had a number of discussions with enforcement partners as well to identify the challenges and the scope we would envisage for a financial crimes agency. I would say that work is ongoing.

As I said, I think there are some constitutional limits to what can be done, and there are questions of policing reform to be addressed. These are important and broad questions, so they are all being discussed in the context of this initiative. We're hopeful that within the short to medium term, we'll be able to land on a recommendation that will be presented to cabinet.

• (1300)

Mr. Patrick Weiler: I'm very much looking forward to seeing what that is. Oftentimes, it's a big challenge for the prosecution service and for law enforcement to have the dedicated expertise—forensic accountants and others—to be able to go after this type of crime. I would be looking forward to seeing that as well.

We talked a bit today about the importance of working with the provinces and territories. We've seen a number of provinces take some pretty significant steps on civil forfeiture. My province of British Columbia, just last year, passed legislation to allow for unexplained wealth orders. This is really important when you're trying to tackle a very complex level of crime where, in a way, you can reverse the onus so the suspect will have to prove how an asset was achieved.

What are your thoughts about the federal government looking at introducing a similar type of measure within its area of jurisdiction? How might that help with tackling money laundering in Canada?

Mr. Julien Brazeau: Certainly, we're conscious of and have looked at the B.C. experience on unexplained wealth orders. It's been an area of discussion as well between the federal government and B.C.

It's an area where we welcome the committee's views on the federal role, mindful that the provinces play a closer role when it comes to unexplained wealth orders. However, within the federal jurisdiction, how can we help advance that case? In the consultation paper, we specifically consulted on that and received some feedback in that regard, but we welcome the committee's views on it.

Mr. Patrick Weiler: We have a request to look at unexplained wealth orders, artificial intelligence, cryptocurrencies and potential offences. Are there any other areas you would like this committee to explore in the forthcoming parliamentary review of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act?

Mr. Julien Brazeau: We also talked about the intersection between financial crimes and sanctions. That's an area of growing concern.

I would suggest another area. How do we actually streamline some of the obligations that are imposed on Canadian businesses? Regulation in the sector is really important, but at the same time, we realize that it places a heavy burden on our financial institutions to ensure that they comply. We'd welcome your views on how we potentially create efficiencies there without damaging the regime or damaging the intelligence we gather. How do we make it easier for Canadian businesses to comply with their obligations?

Ms. Erin Hunt: If I could add to Julien's answer, the consultation document took a really broad look at the regime. We would welcome the committee's views on the areas that were advanced in the consultation document. We deliberately looked at a variety of different topics that could warrant further review.

The Chair: Thank you, MP Weiler.

Go ahead, MP Ste-Marie.

[Translation]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

I have a point of order. On Thursday of next week, if all goes well, the committee should be able to adopt the report on the pre-budget consultations. Up to now, we have not set a date for when each party would be able to submit a dissenting or supplementary opinion. I would like to ask your guidance so we can choose a date for submitting our dissenting or supplementary opinions.

[English]

The Chair: That's a great question. Thank you for that.

Next Thursday we will be doing the PBC report. I don't want to presume whether we'll get through it. I would love to say that we're going to get through it on Thursday. If that happens, we have a break week after that before we come back. I would want to table that right away in the House, and that would be next Monday.

It would probably be next Friday.

• (1305)

[Translation]

Mr. Gabriel Ste-Marie: Thank you.

[English]

The Chair: That's dependent on getting through the PBC. I wish I could foretell the future, but I can't.

What we can do right now is thank our great Department of Finance officials for being with us and for giving us so much testimony for this study. We really appreciate your time and your coming on such short notice.

The meeting is adjourned.

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