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• (1555)

[*Translation*]

The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)): Good afternoon, everyone.

I call this meeting to order.

Welcome to meeting No. 78 of the House of Commons Standing Committee on Industry and Technology.

Today's meeting is taking place in a hybrid format, pursuant to the House order on June 23, 2022.

Pursuant to the order of reference of Thursday, June 1, 2023, we are beginning our study of C-42, An Act to amend the Canada Business Corporations Act and to make consequential and related amendments to other Acts.

I would like to welcome today's witnesses. First, we have Mr. Champagne, Minister of Innovation, Science and Industry, who is back before the committee.

Welcome, Mr. Champagne.

He is accompanied by Mark Schaan, Senior Assistant Deputy Minister, Strategy and Innovation Policy Sector.

Thank you very much for being with us, Mr. Schaan.

Without further ado, Minister, I give you the floor for five generous minutes.

Hon. François-Philippe Champagne (Minister of Innovation, Science and Industry): Thank you, Mr. Chair.

Good afternoon, colleagues.

Allow me first to express my thoughts for the people of Clova, in my community and the riding I represent in northern Mauricie, whose town has been overwhelmed by fire.

It's a pleasure for me to appear before the committee today to discuss Bill C-42.

As you can see, I am accompanied by Mark Schaan, who will also be with you to answer more detailed questions in the next hour.

[*English*]

As colleagues would know, our government is committed to a robust and effective regime that will combat money laundering and tax evasion, improve Canadians' trust in the marketplace and make Canada a leader in corporate transparency.

I'm pleased to note, Mr. Chair, that I've heard that in principle all the parties are in agreement that this is the way forward for the country.

I think that Canadians who are watching us today would agree that creating a free, public and searchable registry of beneficial owners of federally regulated Canadian corporations will increase corporate accountability and improve public trust in corporate institutions.

[*Translation*]

I'm delighted that all the opposition parties support the principle of Bill C-42, and I'm satisfied that, based on our discussions and those that the committee has had with the experts, we can find a consensual path on which to move forward together.

In that regard, I thought I would use my limited time today to underscore a few characteristics of the bill that are likely of particular interest to the members of this committee. The first point I would like to make is that the amendments proposed in Bill C-42 are based on the amendments made to the Canada Business Corporations Act, or CBCA, in 2018, 2019 and 2022.

Corporations already gather information on their beneficial owners. What we want to do today, Mr. Chair, is increase the amount of data that will be collected and ultimately published.

What we are doing is ensuring that the information is transmitted to the government and that a limited and reasonable amount of that data is published for transparency purposes.

The definition of control under the CBCA, which is 25% of voting rights—I know that committee members have discussed this from several angles and that the issue has also been raised in the House of Commons—stems from these previously made amendments, and it is entirely consistent with Canadian statutory provisions on money laundering, but also with the registries adopted around the world, particularly in the United Kingdom, the European Union, the United States and even Quebec.

[English]

The amendments proposed in Bill C-42 will require the CBCA corporations to collect and send additional information about their individuals of significant control in the form of residential addresses and citizenship.

Bill C-42 will also require Corporations Canada to make publicly available a portion of this information. It is important to note that individuals will continue to have the option to provide an address for service. When they do so, it is that latter address that will be made public.

Citizenship, like the date of birth, will be available to law enforcement, but, to protect the privacy of Canadians and to prevent fraud and discrimination, it will not be made public.

The bill also introduces an exemption regime for certain at-risk individuals. These exemptions are required to ensure our regime is charter compliant, targeted and, importantly, limited to public disclosure.

I want to be clear to all Canadians watching today that law enforcement will have full access to all the data collected.

[Translation]

Among other things, Bill C-42 contains very strict compliance provisions, and sanctions for simple non-compliance, whether due perhaps to ignorance or forgetfulness, for example, are consistent with other similar penalties provided for under the Canadian Business Corporations Act. However, penalties for willful non-compliance—and I emphasize the word "willful"—to conceal other offences, for example, will be among the most severe in the world.

Bill C-42 also provides for effective administrative sanctions and whistleblower protections.

• (1600)

[English]

Finally, Mr. Chair, the government has committed to making the beneficial ownership registry searchable and scalable to allow access to beneficial ownership data held by the provinces and territories that agree to participate.

In that vein, I'm happy to report to this committee that the Minister of Finance and I wrote to the ministers of finance for the provinces and territories this morning, asking them to join in this big endeavour so that we can cover as many corporations in Canada as possible. We have a long history of pan-Canadian collaboration on beneficial ownership transparency. Through this collaboration, we are looking to maximize coverage and ensure that the registry reaches its full potential. We will notably do so through the adoption of an international data standard that will facilitate interoperability.

[Translation]

Thank you, Mr. President.

I'm now ready to answer questions from my colleagues so we can proceed as quickly as possible to adopt this bill.

The Chair: Thank you very much, Minister.

[English]

To start this discussion on Bill C-42, I'll turn it over to Mr. Vis for six minutes.

The floor is yours, Mr. Vis.

Mr. Brad Vis (Mission—Matsqui—Fraser Canyon, CPC): Thank you, Mr. Chair.

Thank you, Minister. Thank you for being here today.

I read over your speech during question period today. You did reference interoperability with the provinces quite regularly in that speech when we debated each other.

What I'm concerned about is not just my concern; I know that members of the Liberal Party have raised it as well. You mentioned today that you're asking for the provinces to opt in. Are there tools available at the federal level whereby we could compel provinces and territories to participate in a pan-Canadian registry?

Hon. François-Philippe Champagne: First of all, I want to say thank you for the question, because you're right that it is very key.

As you know, there are about 500,000 corporations under the Canada Business Corporations Act, representing about 15% of all corporations operating in Canada. Our objective is to have a free, publicly available, searchable and pan-Canadian beneficial ownership registry.

The way we have approached it for now—let me just say it's for now—is to write to colleagues across the country. Quebec, as you know, has already put their registry in place, I think as of March of this year, and so has British Columbia. Based on past practices in terms of beneficial ownership, it seems that colleagues around the country would be willing to join in this big endeavour, because I think that should be the ultimate objective.

Mr. Brad Vis: Thank you.

One question that came up quite regularly during the debate was related to the threshold comment you made. As we all know, under the amendments to the CBCA under this bill, only an individual or a corporation with 25% of significant interest in a corporation would be covered.

Given that we all acknowledge money laundering as a problem, and given that there are only 500,000 corporations incorporated under the federal government, would it not be beneficial to consider amendments to lower the threshold of significant interest for the purposes of having more corporations covered under the legislation to improve Canada's capability to fight money laundering?

Hon. François-Philippe Champagne: That's a very good question. I want to say thank you to my honourable colleague, because that's something that made even me pause when we presented that.

The reason we went with 25% is that this is the threshold we have in law for money laundering and also for combatting the financing of terrorism.

That's one thing. The second thing, which is probably more relevant, is that if we want to ensure interoperability with other jurisdictions around the world, north of 120 jurisdictions around the world—if my memory serves me well—have agreed to have beneficial registries. We decided to meet and exceed the standards that have been put by the Financial Action Task Force of the G20. The reason is that if one jurisdiction changes the threshold, you can't compare the data. It won't be comparable with other jurisdictions.

On balance, to be consistent with the laws we have in Canada on money laundering and combatting the financing of terrorism, and also to be in line with the international standard, we decided that 25% was the right threshold. Otherwise, we'd have the issue that we'd be the only jurisdiction with a different threshold. For the record, it's quite important that when you search foreign ownership, you have something that allows you to compare apples with apples. If we start changing the threshold domestically, it won't be comparable with other jurisdictions and their own beneficial registries.

• (1605)

Mr. Brad Vis: I'll look into that a little further. I see your point, but I still think that there's something more we can do.

What I'm concerned about is stacked corporations, people going around the 25% threshold through the arrangements of their businesses. I just think, given that only 500,000 business are covered under the federal business act, that we could be doing more. The effectiveness of this registry will largely, therefore, fall upon provinces' opting in, but we have no guarantee that provinces are going to opt in as of right now. That's the grey area in whether this bill will actually be effective in combatting money laundering, in my opinion.

Mr. Chair, how much time do I have remaining?

The Chair: You have a minute and a half.

Mr. Brad Vis: My next question—

Hon. François-Philippe Champagne: Do you want me to comment on that?

Mr. Brad Vis: In 30 seconds or less, yes.

Hon. François-Philippe Champagne: I would say that I think there's an inclination of provinces to follow suit, and on the 25%, even if corporations were to stack, I would say that the obligation on the directors and officers of the company is to identify the individual of significant control—an actual person. Even if you're stacking to various shell companies, you still have a positive obligation under Canadian law to identify the physical person who ultimately is the beneficial owner of the company.

Mr. Brad Vis: In my province of British Columbia, we have the Vancouver model. Money laundering is a real and serious threat. The provincial government has put forward numerous commissions, as has been referenced in the House of Commons during this debate. I'm wondering, with respect to citizenship requirements, whether we could consider an amendment whereby information on all corporations under the CBCA that are owned by a foreign indi-

vidual, a non-Canadian citizen, could be made available or be reported as well.

Hon. François-Philippe Champagne: We did look at the B.C. model. I want to thank you, because B.C. also looked at the land registry in terms of beneficial ownership. I think that's a very good initiative, by the way.

I would say, with respect to citizenship, that there are two things that come to mind. One is around dual citizenship, and as you know, that could create issues. The second one would be—as you've seen with the European Court of Justice, which struck down the beneficial ownership registry publication, at least in Europe—that we have to make sure that we strike the right balance with the charter so that the information with respect to citizenship and birthright will be available to law enforcement but that only the name and address will be available to the public.

Mr. Brad Vis: Do we need to be concerned about the charter and its implications for non-Canadian citizens?

Hon. François-Philippe Champagne: I would say that it's a matter of balance. When we look at the European Court of Justice's decision, we don't want to fall into that. To your point, I think Canadians want us to try to strike the right balance so that, on one hand, if you're a bad actor, law enforcement will get access to all of that, and we'll find you. However, in terms of public disclosure, we thought that the balance to make sure that we don't have a challenge under the Charter of Rights and Freedoms was the right balance to strike. Therefore, the information is available to law enforcement, but what we made public is the address and the name of the individual of significant control.

The Chair: Thank you, Mr. Vis.

We'll go to Mr. Van Bynen for six minutes.

Mr. Tony Van Bynen (Newmarket—Aurora, Lib.): Thank you, Mr. Chair.

It's a pleasure to have you attend the committee again, Minister.

We've heard about what we're trying to accomplish, but we haven't talked about why. Why are we putting this bill forward now to this extent?

Hon. François-Philippe Champagne: I want to say thank you to my esteemed colleague.

There are probably three things we're trying to achieve.

The first one is to dissuade corporations from hiding assets. Certainly I think those who engage in an illicit activity—whether money laundering, terrorist financing or tax evasion—should be concerned, because we're going to put light on the type of corporation they may try to use in order to achieve that.

The second thing is to improve, I would say, the tracing and freezing of financial assets. There is more legislation that calls for us to take action, for example, to combat terrorism. I think the fact that north of 120 countries in the world have agreed to create such registries tells us that the world is going in one direction. We want to make sure Canada is at the forefront and leading, because we were one of the few nations that created the Financial Action Task Force of the G20.

The third one is to improve corporate accountability and to make sure that Canadians have trust when they're dealing with corporate institutions.

For me, it's dissuading corporations from hiding assets, improving trust, and improving the tracing and freezing of financial assets when we need to do so.

I would say more generally, for Canadians watching us, that it's for Canadians to be able to search online to see who owns a particular company. I think that would be relevant, and I would say that for the vast majority of corporations and small and medium-sized companies, what we're asking is not going to be a large burden, because they already have annual reports for which they already collect a number of pieces of information. They already collect the names and the date of birth. Now they'll have to provide the residential address and citizenship.

On the one hand, we're improving transparency. On the other hand, we're very mindful that the vast majority of all businesses in Canada are law-abiding. This is really to target the bad actors and make sure that in the case of those bad actors, we have more information and we can identify them and go after them if they are breaking any law.

For the vast majority of Canadian corporations and small and medium-sized businesses, I would think that this is not an extra burden. They already do an annual report and they already have to report when they have a change in directorship. I would say it's really balanced.

We want to make sure that Canada stands out in the world as one of these countries, which really means making sure that we have all the tools available to dissuade money laundering, terrorist financing and tax evasion, and I think this is going to go a long way towards that.

• (1610)

Mr. Tony Van Bynen: You mentioned that there are 500,000 Canadian corporations, and we're hearing conversations here that for it to be really effective, we need to engage the provinces. Can you speak to me a little more about the scalability of this registry?

Hon. François-Philippe Champagne: Thank you very much for that question.

I think colleagues have alluded to that. Something we have done, which is really crucial, is to adopt what we call the beneficial ownership data standard. That's a standard across the country to make sure that our registry would be interoperable with the one in British Columbia and the one in Quebec, and also that the data we would be collecting would also be consistent with that of the Financial Action Task Force of the G20.

You can see that there is a lot of value, going back to the stacking issue and foreign ownership that some colleagues have pointed out. We want to make sure that we have the registry first and that other provinces and territories can jump in and that it could eventually cover, for example, trusts. I think there might be a question about trusts and other forms of incorporation. Obviously this is dealing with Canadian business corporations. We all know that trusts are under provincial jurisdiction, but the day a province would, for example, adopt legislation in that regard, that could be added to the registry of beneficial ownership. It's an open-source kind of framework to make sure that the more we do together, the more information will be available, and that it will also be publicly searchable.

There's a lot of benefit to aligning with international standards—going back to the 25% that the colleague raised—and at the same time to having the beneficial ownership data standard, which is really going to help to make sure that whoever has a registry in Canada will have something that is interoperable.

At the end of the day, the final objective is to have a pan-Canadian beneficial ownership registry in which we have all the information so that CRA, law enforcement agencies, banks, journalists, Parliament and everyone can go and search it. If there are things to identify, people will have the information.

Mr. Tony Van Bynen: How much time do I have, Mr. Chair?

The Chair: You have 45 seconds.

Mr. Tony Van Bynen: What kind of measures will the government put into place to ensure compliance and the accuracy of the registry?

Hon. François-Philippe Champagne: First, I would say, going back to the fine issue, there's a \$5,000 statutory fine. People may ask, "Is that the cost of doing business?" I would say it's not. That is similar to any other form of non-compliance under the act. That could be for an act or an omission that is not wilful. When you're talking about wilfully providing false information, the fine is up to \$200,000 and six months in jail for directors and officers. That is among the most stringent penalties you would find in the world, I would say.

As I said, you keep the \$5,000 for someone who omitted—let's say, in good faith—to report something, but if someone does something wilfully, exposing themselves to jail, that, for me, is the hammer, and that's why I think we are best in class in that, if you look at other jurisdictions around the world.

The Chair: Thank you very much.

[*Translation*]

Go ahead, Mr. Lemire.

Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ): Thank you, Mr. Chair.

Minister, thank you for being with us. Thanks as well for mentioning in your opening remarks the mythic village of Clova, in your region, which was hit by the fires. We're in a similar situation in Abitibi-Témiscamingue, and I understand the feeling of being on alert. I offer all my sympathies and support to the people in your riding, particularly the forest workers and outfitting operators. An entire economic sector is being threatened.

I also want to re-extend our invitation to meet with us again to discuss the 2023-2024 supplementary estimates in accordance with our order of reference. That's a meeting that committee members always appreciate, as you know.

First, I'd like to address a few points. Bill C-42 would introduce a new social and environmental responsibility regime for business corporations. I want to emphasize that businesses would be required to consider environmental, social and governance factors in their business decisions and measures. The purpose of this provision is to encourage businesses to adopt a long-term vision and to make a positive contribution to society in addition to generating profits. In the Bloc Québécois' view, these are positive elements. I also want to note that you accepted our recommendation to increase transparency and to ensure greater shareholder accountability by increasing the responsibilities of corporate officers.

However, certain questions remain unanswered. Perhaps you can provide us with some clarification. For example, if business A belongs to corporation B, which in turn belongs to corporation C, is it possible to determine who is the beneficial owner, the one who makes the decisions, if the business is established in a less cooperative country, and if information isn't automatically disclosed to Canada? I am thinking of tax havens, for example.

Would Bill C-42 help identify the actual owner of a business that has assets in Canada?

• (1615)

Hon. François-Philippe Champagne: The short answer is yes. The directors and officers of the business have a positive duty to identify the ultimate owner of the business who holds more than 25% of voting rights, and that must be a physical person. In other words, the directors and officers of the Canadian corporation in question have a responsibility to gather and disclose that information. This bill thus creates a positive obligation for directors and officers.

That's why I told you earlier that there are two types of fines. There's a \$5,000 fine for those who fail to meet their obligations on time, as a result of an administrative error, for example. However, under the bill, someone who deliberately provided false or erroneous information would be liable to imprisonment for 6 months or a \$200,000 fine. This is important because it becomes the responsibility of directors or officers themselves to gather that information on the individuals who hold more than 25% of the corporation's capital stock. Even in the event of overlapping responsibilities, the Canadian director or officer himself or herself must ultimately gather that information and enter it in the registry.

Mr. Sébastien Lemire: We saw during our research that some territories, such as the Malaysian territory of Labuan and the British Virgin Islands have strict secrecy laws preventing the public and foreign courts from accessing information on the actual owners of

corporations. In other words, these are tax havens that protect each other. Some shell corporations were involved in transactions conducted in France, Brazil and the United States.

How are those countries currently managing this issue, and how are you managing the issues associated with the most stubborn tax havens, if I may call them that?

Hon. François-Philippe Champagne: First, the directors and officers of a business have a positive duty to take reasonable steps. The courts will have to define reasonable steps in specific cases, such as the one you just mentioned.

Here's something even more interesting. If memory serves me, approximately 120 countries or territories—128, if memory serves me—are also considering the possibility of establishing a beneficial ownership registry. So I think that will require international cooperation. I'm pleasantly surprised to see that so many countries have expressed a wish to establish such a registry.

Getting back to interoperability, that's important because, in a case such as the one you mentioned, the more countries or territories that have interoperable databases accessible to the public, the harder it will be for people who want to conceal their activities to do so. If more than 120 countries or territories in the world have a beneficial ownership registry, people will be able to crosschecks.

Second, humanity, or rather most countries, are becoming increasingly transparent, somewhat as they were in the case of the minimum income tax, which has been widely adopted around the world.

We also have to make a commitment to transparency, which is why it's important to adopt this bill. We have to demonstrate leadership.

• (1620)

Mr. Sébastien Lemire: I know that provides us with some tools. These measures will also help us secure a better framework and to be more agile if we want to address the problems raised by the technological transition, but there's no real response.

If people act in bad faith, they'll nevertheless be able to continue using tax havens without suffering any consequences. We can't really attack tax havens.

What you think about that?

Hon. François-Philippe Champagne: If the directors or officers of a Canadian corporation provide incorrect information, they'll be liable to six months in prison. I'd suggest they be careful because they'll have a positive duty under the act.

The issue of extraterritoriality was raised. So if 128 countries establish a beneficial ownership registry, it will be increasingly difficult to maintain tax havens. The more countries that have this type of registry, the harder it will be to maintain those tax havens. The international community is committed to this path.

Getting back to interoperability, which is essential, if our registry isn't compatible with those of other countries because we haven't amended the provision regarding 25% of the corporation's stock, it'll be harder for people looking for that information. That's why it's essential to have a common basis under this bill.

Mr. Sébastien Lemire: Thank you very much.

The Chair: Thank you very much, Mr. Lemire and Minister.

[English]

Members, as you can see, the bells are ringing. I would need unanimous consent to continue this meeting until 10 minutes before the vote.

Do I have unanimous consent for that?

Some hon. members: Agreed.

The Chair: Also, I'm just looking around the room, and if it's the intention of members to vote electronically, we could push it a little further and get more time with the minister.

Is that the understanding around the room?

Some hon. members: Agreed.

The Chair: That's perfect.

Mr. Fast, the floor is yours.

I'm sorry; I have Mr. Masse.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair. I appreciate it.

Thank you, Mr. Minister, for being here.

As we're talking about corporations and accountability, I want to first ask if the minister can update us with regard to Stellantis in Windsor. I'm not shaving until we get a deal, and you can see that I'm starting to get pretty rough here.

Some hon. members: Oh, oh!

Mr. Brian Masse: Can you perhaps give us a bit of an indication as to what's taking place? There's obviously a lot of interest not only in my community but also in Essex County and across Ontario and Canada.

Hon. François-Philippe Champagne: That's a very good question, Mr. Chair.

I'm very happy, and I think you'll have the opportunity to shave in the not-too-distant future. I would say that what you have seen unfolding is us trying to get the best possible deal for our workers, for the auto industry and for Canada. I can tell you that the negotiations with the company are progressing and that I'll be happy to keep you updated as things unfold.

You appreciate that these negotiations are complex and they are sometimes difficult, as you are from the auto sector, Mr. Masse. I remain very confident that we'll get to the right place for everyone at the end, but for now, the discussions are progressing. I think you've seen these things going on and on.

We've been in the auto sector for decades now. I would just say to everyone to take a deep breath. Negotiations are ongoing. For us, it's kind of a day-to-day activity to negotiate with these companies, because there are many companies that want to come to Canada to build batteries, to build the EV ecosystem of the future, not only in Ontario but in Quebec, so my job is to make sure we get the best possible deal for all of us.

Mr. Brian Masse: Before I get into questions, I want to acknowledge your hard work on this file. I appreciate your keeping us up as high as possible. I still want to advocate a national auto policy that's a bit more detailed, but at any rate I want to acknowledge your hard work on this issue in particular.

Hon. François-Philippe Champagne: Thank you, sir.

Mr. Brian Masse: Moving to this issue right here, I want to go back to the \$5,000 fine.

I understand what you're saying. It's jail or that, but to prosecute, litigate and charge—all of that—is a big public expense. Why would we not increase the fine? I think sending things through the court system should be the last resort.

The fine is up to \$5,000. Why not increase that to at least reflect the basic costs? Has there been costing? What would it actually cost the Canadian government to litigate somebody through that process?

• (1625)

Hon. François-Philippe Champagne: I'm quite happy to answer that, because I think you would probably agree with me, particularly as you are from the NDP.

The real, vast majority of Canadian corporations will comply and will provide the information needed to maintain the integrity of the system. I come from a small and medium-sized family business, and sometimes there can be an honest mistake made. You don't want to penalize a small business with a fine that would be disproportionate. However, if someone wilfully provides false information, you want to have the big hammer and say, "Well, in your case, you did something illegal. We'll go after you. You'll pay up to \$200,000 or you might have six months in jail."

When we did this kind of balance, I also had in mind the smaller guys who could make an honest mistake at some stage. As you know, \$5,000 is a lot of money for a lot of small corporations in Canada. We need to keep the small guy in mind and make sure that if it's an honest mistake, they'll pay a fine of \$5,000, while the bad guys may go to jail for up to six months.

Mr. Brian Masse: I appreciate that, but it's "up to" \$5,000, so the decision could be reflective of that anyway. It could be 500 bucks. If somebody does some type of administrative error, you're right: We don't want to go after the small thing.

By the way, when this came up eight years ago, the NDP actually had these amendments. Our amendments were defeated then, but they're actually here today, so we're very encouraged to see this come forward and we want to see it get done very quickly, hopefully in this session.

I don't want to be argumentative, but it's "up to" \$5,000. I understand it now: In the case that you mentioned, a small business might pay maybe 500 bucks, but for these larger corporations, why not have some flexibility so that it can go up to recovering the cost? If they have six months in jail when the hammer comes down, it's going to cost the taxpayers. Maybe I can ask our analysts to find out how much it would cost to prosecute a case like this. I'm curious. I don't know whether we can even find that out, but I'm willing to bet it's more than \$5,000, so we end up paying anyway.

Hon. François-Philippe Champagne: We can agree to disagree on the philosophy, but for an administrative mistake, let's make sure of the threshold for smaller companies. The vast majority of Canadian companies are small and medium-sized. For the bad actor, for someone who does something wilfully, let's make sure we have the big hammer.

I appreciate where you're coming from and I want to applaud the work of the NDP, and your work, Mr. Masse, in particular; you've done a lot of work on that. However, if you ask me philosophically where I come from, I will say this: For an honest mistake, it's \$5,000. That's consistent with what you find in the law in the Canada Business Corporations Act. However, if someone wilfully does something, you take out the big hammer. I'll ask the department, but I think this would be among the strongest penalties in the world. You want to punish the bad guys and somehow make sure that the vast majority of Canadian corporations will never have to deal with that kind of fine. You want to make sure you protect the small guy with a fine of \$5,000, which would still be significant for a small business.

Mr. Brian Masse: Okay.

On another issue, does this bill, in its context right now, do enough to give oversight of lawyers and accountants? That's primarily where the tools for money laundering are right now. Is it strong enough, in your opinion, for lawyers and accountants to be accessible and part of this review?

Hon. François-Philippe Champagne: We have a cross-referencing section. As we amend other laws.... If banks, for example, were to find a material difference in their records for a business in the registry, they would have to notify us. There are a number of systems in place to ensure the integrity of the registry and to make sure we detect that discrepancy. We'll have a risk-based system to make sure we can investigate and ensure the information in the registry is accurate and reliable.

There were also some questions about the power given under the law to adopt regulations. That's to keep up with the international standards. Today we're talking about date of birth and citizenship, but maybe two years from now, we will find out—to your point—that we should collect another piece of information. As you know, the bad guys always try to outsmart us, so we need to have the flexibility in the law to say, "This law is going to be there for the long term." Let's make sure that if the international standard moves,

we're going to move with it in the regulations to ensure we capture that and make the life of bad guys as difficult as it can be.

• (1630)

Mr. Brian Masse: I see I'm running out of time, Mr. Chair, but I want to say that I'm really interested in getting this bill through as quickly as possible.

I've been pushing fraud issues for a long time, and this is part of this repertoire of changes that are important, so thank you for tabling this bill.

Hon. François-Philippe Champagne: I want to thank the member.

Chair, I know unanimous consent is not something you find often in this House, but if there were a way to move that legislation more quickly, I think Canadians would applaud us in moving forward on it.

The Chair: We find it quite often here in this committee, Mr. Champagne. I appreciate the willingness of Mr. Masse to move quickly. That's music to my ears on this bill.

Mr. Généreux, the floor is yours.

[*Translation*]

Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC): Thank you, Mr. Chair.

Minister, my question will be brief, and I'd appreciate a brief answer as well.

What about Quebec's Registraire des entreprises, formerly the Inspecteur général des institutions financières, or IGIF, as regards correspondence concerning business registrations?

Hon. François-Philippe Champagne: Pardon me, Mr. Généreux, but I didn't understand the first part of your question.

Mr. Bernard Généreux: I'm referring to the correspondence between this bill and Quebec's Registraire des entreprises. Will amendments have to be made in Quebec, somewhat as is the case in British Columbia, to achieve interoperability?

Hon. François-Philippe Champagne: To my knowledge, that's one of the main reasons why we made sure to do that. As far as I know, there will be a form of interoperability between the regime we're proposing and the business registry in Quebec, without any amendments being necessary. That's what I understood. It's why the Beneficial Ownership Data Standard was initially established, and it focuses on all the provinces and territories. What we're proposing will be compatible with what's been done in Quebec and British Columbia.

Mr. Bernard Généreux: All right.

The registry was initially supposed to be implemented in 2025, but, as I understand it, you want that to be earlier. I imagine the main reason is so we can try to catch the bad guys, as at were.

Have any groups opposed the bill to date?

Hon. François-Philippe Champagne: We've begun a consultation, and we hope it will be in place by the end of 2023. That's why we'd like to be able, with the cooperation of members of this committee, to proceed quite quickly with the bill. One of the reasons is we want to play a leading role in the G20 in the fight against money laundering and definitely terrorism financing.

As to potential opposition to this kind of registry, I believe Mr. Schaan can tell you more about that. However, we have consulted approximately 80 organizations across the country. From what I've heard, people were broadly in favour of the registry we're proposing, first of all because there'd be interoperability between it and other existing registries.

In addition, this measure meets the standards adopted by the Organisation for Economic Cooperation and Development, the OECD, and within the G20. We're really up to the international standard. We meet all the criteria. I'd even say we exceed the international criteria that have been established. I can't imagine there could be any problem with lawyers and accountants. It's the international standard. I believe we're in good position to become global leaders in this area.

Mr. Bernard Généreux: Have we established a budget and assessed the costs associated with this registry?

I remember a certain registry that was established at one point. Costs were estimated at \$2 million but ultimately amounted to \$2 billion.

Hon. François-Philippe Champagne: We contacted Corporations Canada, which is part of my department, and increased its budget. I don't know if you remember, but it was more of a directory in that people just supplied information. Now Corporations Canada will obviously have to have agents who are able to guarantee information integrity and eventually to investigate.

We definitely had to acquire more powers, but, as I recall, that didn't entail funding along the lines of what you mentioned. We use a structure that's already in place. First, we change the IT tool so it's compatible, obviously. Then we'll have agents who will ensure information integrity.

Mr. Bernard Généreux: Allow me to ask you a question that comes from our analysts.

Subclause 2(2) of Bill C-42 would amend section 21.21 of the Canadian Business Corporations Act to allow the director appointed under the act to determine the information he or she wishes to receive among that appearing in the registry, rather than receive all the information appearing in the registry. However, section 21.21 of the act still appears under the heading "Amendments Not in Force" in the act. No order appears to have been made providing for division 30 of Budget Implementation Act, 2022, No. 1, clause 431 of which creates a new version of section 21.21 in the Canadian Business Corporations Act, to come into force.

When will section 21.21 come into force?

Why does Bill C-42 make an amendment to a provision that isn't yet in force?

I think that's a good question. Can you tell us more about that?

• (1635)

Hon. François-Philippe Champagne: It's definitely a good question. With your permission, we'll answer you in writing. As you may understand, as minister, I don't have all of the information I need to answer the question specifically, particularly as regards the coming into force. I'll be pleased to answer you in writing with the help of our officials.

Mr. Bernard Généreux: From what I understand, we're considering an amendment to a section that isn't yet in force. That's a bit strange. It seems to me you either include the section or delete it.

Hon. François-Philippe Champagne: Since you asked me the question, our officials have heard it, and I'm sure they'll have an answer to it in the next hour. Otherwise we'll answer you in writing.

Mr. Bernard Généreux: I thought you knew everything, Minister.

Hon. François-Philippe Champagne: Mr. Généreux, thank you for thinking I know everything, but I forget things at my age.

The Chair: Thank you, Mr. Généreux.

Go ahead, Ms. Lapointe.

Ms. Viviane Lapointe (Sudbury, Lib.): Thank you, Mr. Chair.

[English]

I will be sharing my time today with my colleague, MP McKinnon.

[Translation]

We are glad to have you here today, Minister.

What are businesses' new obligations? How will the government limit red tape?

Hon. François-Philippe Champagne: Thank you, Ms. Lapointe. It's always a pleasure to appear before the committee.

Businesses will be required to gather two new pieces of information. As you know, businesses were already gathering information such as the owner's name and date of birth. Under the proposed bill, they'll now be required to gather two additional pieces of information: their residential address and the address they use to send information to the corporation, as well as citizenship information. Two pieces of that information—name and address—will be published in the database. Date of birth and citizenship information will not be made public. However, the various agencies that are required to ensure compliance with the act will have access to it.

We've achieved what I consider a good balance because the Canadian Business Corporations Act already requires businesses to file an annual report. Businesses are also required to inform Corporations Canada when a new director is appointed within 15 days of that appointment.

Since businesses are already required to file an annual report, we've established that the coming into force would be on the date of incorporation. There will be no additional obligation. Once the act comes into force, businesses will have to gather the two additional pieces of information that I mentioned earlier.

The vast majority of Canadian businesses are small and medium-sized businesses, or PMEs. We haven't increased their administrative burden because we want to keep this simple. We also want information in the registry to make it possible to identify individuals who may wish to engage in unlawful activities, for example.

I think those are the reasons why we have a good balance for the country's businesses.

Ms. Viviane Lapointe: How does the proposed regime compare to national and international best practices?

Hon. François-Philippe Champagne: Thank you for that question.

Quebec and British Columbia have already demonstrated leadership in this area. The registry we're proposing is appealing because it's consistent with international best practices that have been established by the G20. The registry we want to put in place is comparable to what will be done in the United States, Europe, Japan and England.

We've followed best practices, and I'd even say we've exceeded them. I would remind you that Canada is a founding member of the Financial Action Task Force, or FATF. Once again, Canada has demonstrated leadership, which is why we've asked our colleagues in the provinces and territories to follow the example of British Columbia and Quebec. By the way, the Minister of Finance and I sent out a letter to that effect this morning.

Since we've been working on beneficial ownership with our provincial and territorial colleagues since 2017, I'm satisfied that they'll follow suit and that we'll one day have a national beneficial ownership registry.

[English]

Ms. Viviane Lapointe: Thank you, Minister.

Mr. Ron McKinnon (Coquitlam—Port Coquitlam, Lib.): Thank you, Minister, for being here today.

As a former IT professional, I'm already building this in my head, and I'm wondering about the search capability. I'd like to build on what Mr. Vis and Mr. Lemire said. They said the complexity of corporate ownership can be quite vast. It can involve companies owning companies that own themselves. I'm wondering if this public search tool will be able to drill down through that kind of structure and in fact accrue the actual beneficial ownership per person through that whole structure.

• (1640)

Hon. François-Philippe Champagne: One thing that is interesting is that some people have compared that with what you find in securities law, for example, but this is about natural persons. The positive obligation on the directors and officers of the corporation is to identify the ultimate beneficial owner, the individual who has significant control. That needs to be a natural person.

Whether people are stacking or, to the earlier question, using different shell companies or registering in a trust or other things, it is incumbent upon the directors and officers to publish or to provide the information about the beneficial owner, who is a natural person.

To your point on different corporations, at the end of the day there needs to be a natural person whom you identify as having more than 25% ownership of the company. I think that is the main difference.

I truly understand what you mean. As a lawyer, I can see why this registry is so important. As you know, under securities law, you need to list people who own more than 10% when it's a legal person, but this is about beneficial ownership, and the name you give needs to be for a natural person.

In terms of searchability, you'll be able to search for the name of that person. If you want to know if an individual owns a company, you'll be able to search for the name of that person, save for a minor under 18 who has an exemption or people exempted for security reasons. Otherwise, their name would be searchable in the database.

I think that's a powerful tool for banks, for law enforcement agencies, for anyone who is concerned about providing or making sure we have integrity in the system.

Mr. Ron McKinnon: To carry on with that, they may have officers and directors who are not necessarily, but probably are, shareholders of those other companies. They may be appointed by people. It seems to me that they would have an influence on the behaviour of the company that their company owns a part of. Is there a mechanism, or is it relevant, to be tracking the directors and officers of the companies that own a given company?

The Chair: Give a brief answer, please, Minister.

Hon. François-Philippe Champagne: First of all, we make sure that we verify the person providing the information. The officer and director of the Canadian corporation that is subject to the law have a positive obligation, so it's upon them to provide accurate information.

As I was saying to Mr. Masse beforehand, that's why it's so relevant. As a director or officer of a Canadian company that is subject to the law, if you wilfully provide information that is false, you're exposing yourself to six months in jail. The onus is on the director and officer of the Canadian corporation to provide accurate information about the beneficial owner of the company.

[Translation]

The Chair: Thank you.

Go ahead, Mr. Lemire.

Mr. Sébastien Lemire: Thank you, Mr. Chair.

As regards money laundering, Minister, can you provide us with any details on offences and the additional powers granted by the registry director?

Do you think these corporations can meet those time frames?

Hon. François-Philippe Champagne: I'd say yes. The amended act would come into force on an annual basis, which means that we would use the incorporation date to determine obligations. It wouldn't be the same date for all corporations. There would definitely be a date of coming into force, but the information would be provided in the corporations' next annual reports.

The other financial system stakeholders would thus have access to that information and could alert us if incorrect information were detected here and there in order to ensure the registry's integrity.

Mr. Sébastien Lemire: Will it be possible to search the registry for a business by its activity sector, such as entertainment or sports betting?

Hon. François-Philippe Champagne: As far as I know, searches, for the moment, will be done by the name of the business or that of the owner. It may be possible to search in different ways based on the future database. However, for it to be interoperable, we have to ensure that what we're doing is consistent with what's being done in Quebec and elsewhere in the country.

Mr. Sébastien Lemire: Yes, Quebec created its beneficial business owners registry, which it adopted in December 2020. Bill 78 contains provisions for the creation of that beneficial ownership registry and to make it public.

How will we make sure it's interoperable? What issues will the province face in cooperating with the other provinces as a result of Bill C-42.

What are the stumbling blocks? Are there only advantages?

• (1645)

Hon. François-Philippe Champagne: We've cooperated with the Quebec government so far. As you know, it often demonstrates leadership. There are no downsides as far as I know. The crucial issue was interoperability. Now that British Columbia, Quebec and the federal government have adopted this kind of registry, I think we've encouraged the other provinces and territories to do the same. It's really worthwhile to have a pan-Canadian regime, provided interoperability is possible.

That's where the data issue comes in. The reason for limiting ourselves to gathering or publishing only certain data is precisely to guarantee interoperability. When one of the stakeholders in the chain decides to operate differently, interoperability disappears. That's why we follow international best practices and why the platform will be similar to those of the federal government and Quebec.

The Chair: Thank you very much.

Go ahead, Mr. Masse.

[English]

Mr. Brian Masse: Thank you, Mr. Chair.

To continue with that, how do we compare with the United States in this process? They're obviously one of our biggest trading partners.

Hon. François-Philippe Champagne: Well, I would think the biggest difference that I'm aware of is that their registry will not be publicly available. That is a policy choice for our friends in the United States. Their registry will be available to law enforcement uniquely.

We made the choice in Canada, like other jurisdictions—the U.K. and others—to make it publicly available. We heard through consultation that people wanted that availability. One of the tenets of what we do is about transparency, and I think having a publicly searchable registry is of benefit to Canadians.

Mr. Brian Masse: Yes, I agree, and I commend the legislation for that.

Obviously, with our system of electoral politics versus theirs, I think their getting a public registry is probably impossible. That's not related as much to practical elements as it is to political elements and campaign financing, quite frankly, as I know from experience over there.

I have one last quick question.

Is the Senate prepared for this bill if we're able to move it quickly through the House? Are there any discussions going on there?

Hon. François-Philippe Champagne: I think so. My sense, at least, is that the Senate is as enthusiastic as the House is.

Mr. Chair, I know you've been able to do great things in the past. If we could get unanimous consent to move the bill along, I think the only ones who are going to benefit are Canadians at the end of the day. It will allow us to show that we lead internationally as well.

The Chair: Thank you very much, Minister.

Members, as you see, we're reaching the vote, so we'll have to suspend briefly. As soon as the vote is over, we'll come back for the second hour with officials.

Thank you, Minister Champagne.

Hon. François-Philippe Champagne: Are you done with me?

The Chair: Yes, we are done with you.

Hon. François-Philippe Champagne: I had another half hour for questions. That's okay, Mr. Chair. That's fine. I just wanted to be fair to Ed.

The Chair: Okay. The meeting is suspended.

• (1645) _____ (Pause) _____

• (1700)

The Chair: Colleagues, we're going to resume this meeting on Bill C-42. Thank you for your patience, and we apologize for the suspension. This is the kind of thing that happens at this time of the year in Parliament.

We now have the officials with us to answer your questions. I understand that there are no preliminary remarks, given that the minister has done that already.

We are now going to the Conservatives. Go ahead, Mr. Vis.

Mr. Brad Vis: Thank you, Mr. Chair.

I have a couple of follow-up questions from the last round.

A comment to start is that it seems that the positive obligation on behalf of corporations and the individuals running those corporations is where we're going to see, as I see it, the most vulnerability in this legislation. What comes to mind as well, in the context of positive obligation and putting all of that on individuals or corporations, is that corporations, under the bill, are only liable for a summary conviction with a fine not exceeding \$5,000.

Why is there the discrepancy between the \$200,000 fine for an individual, but an individual working under a corporation is only subject to \$5,000?

Mr. Mark Schaan (Senior Assistant Deputy Minister, Strategy and Innovation Policy Sector, Department of Industry): Thank you, Mr. Chair, for the question.

It is important to understand that the individual is not actually exempt from the \$200,000 fine if they are working under the corporation. We need to make a distinction between the fine that's levied against the corporation itself versus the officers and the directors of that corporation.

When there are actually contraventions of the act, there is the possibility of a \$5,000 fine against the corporation, which in many cases may be assetless or potentially able to dissolve quite quickly, and/or the opportunity to be able to come at the officers and the directors of that corporation for the contravention of the act, and they have a penalty of up to \$200,000 and six months in jail.

In the rooting out of bad behaviour by corporations, the corporation itself is not a natural person, so going at the corporation with stiff penalties when they have the capacity to dissolve is not necessarily seen as efficacious, whereas going at the individuals who are behind those corporations, even when they dissolve, is the effective way of ensuring that they actually come into compliance.

• (1705)

Mr. Brad Vis: Thank you. That is helpful.

In respect to our conversation on thresholds, the minister referenced the need for this bill, and subsequently the act, to be in line with the act that deals with the proceeds of crime and money laundering and terrorist financing.

Especially in my province, I believe there is general understanding that the law is not strong enough and has not led to enough convictions for money laundering and other white-collar crimes.

If we're adopting the standard, under that bill, of a 25% threshold, are we not limiting our ability to really get at the heart of money laundering and white-collar crime in Canada?

Mr. Mark Schaan: I'll pair your first question with your second, because it's important to look at it holistically.

We're adding tools to the overall tool kit for coming at white-collar crime, including terrorist financing and money laundering. The 25% standard is the standard that's been adopted internationally, and it's the standard, as noted, that's already in the proceeds of crime and money laundering and terrorist financing act. This is a "belt-and-suspenders" mechanism by which organizations and corporations, when they enter into financial arrangements with their financial institutions, are obligated to provide their beneficial ownership information to their financial institution.

By also then subsequently providing it to Corporations Canada, we're adding yet another mechanism by which law enforcement can continue to understand discrepancies and can look for organizations that are potentially not holding up to their transparency obligations.

Added to that are the efforts that my colleagues at the Department of Finance are far better able to speak to, which are the evolution of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and the evolution of FINTRAC. What we're adding here is one very important kind of tool kit, particularly in terms of international collaboration. We will essentially be joining the world in having a beneficial ownership standard that uses the same code and the same threshold.

Mr. Brad Vis: All parties agreed that the applicability of this bill, if passed into law, will largely be dependent on the participation of provincial and territorial jurisdictions. The minister indicated today in his opening comments that he wrote a letter, but so far we do not have any assurances, despite the minister's best wishes and despite the best wishes of Canadians and even of some provinces, that there will be full participation and that a beneficial ownership registry will in fact be pan-Canadian.

In his comments, the minister alluded to this as a first step, and then we'll see which provinces may opt in after that. According to that comment, what time frame has the department set to reach agreements with provinces and territories for their possible participation under this bill?

Mr. Mark Schaan: Mr. Chair, if you'll permit me, I'll back up slightly and say that increasing the overall transparency of ownership information related to corporations has been an ongoing, multi-year journey with the provinces and territories. Obviously, incorporation in Canada is a split jurisdiction. You're able to incorporate provincially, territorially or federally. It's not for us to be able to dictate that corporations have to incorporate in one place or another.

That being said, at the very beginning of this process we started by getting an agreement with all of the ministers of finance of the provinces, territories and federal government. The agreement was to ban bearer shares, first, and second, to collect beneficial ownership information at the level of the corporation. We then got a secondary agreement from all of the provinces and territories and the federal government to ensure that there was lawful access to that information at the place in situ, which is the corporate headquarters.

We've consulted with the provinces and territories about the beneficial ownership registry portion of that. There is no deadline set at this point for the beneficial ownership registry portion, but so far we have concurrence with step one, which is holding the information, and step two, which is getting law enforcement access to it in situ. Now we are advancing step three, which is the holding of the registry and making it public. We are committed to working with the provinces and territories on step three.

Mr. Brad Vis: I have one final quick question, Mr. Chair.

One of the registries that has been talked about during the debate and referenced in our chamber is the U.K. registry. One thing that's happened in the U.K. as it relates to exemptions is celebrities or wealthy people.... It's very easy to get an exemption from access to the information on a public registry.

What assurances can the department provide to Canadians that this will in fact be a rigorous registry? Will there be a set of published guidelines for possible exemptions, and who will ultimately make that decision?

• (1710)

Mr. Mark Schaan: The ultimate determinant of the exemption will be the director of Corporations Canada, who currently has the authority already to be able to make exemptions for other aspects of the Canada Business Corporations Act. The only automatic exemption is for those persons under the age of 18, for the protection of their privacy.

The other exemptions will be required to.... What we imagine under that is, potentially, blind trusts, because the purpose of a blind trust is defeated if you can publish the information related to it.

The director will need to make public, on an annual basis in their annual report, how many exemptions they've provided.

Mr. Brad Vis: That's good for today.

Thank you, Mr. Chair.

[Translation]

The Chair: Thanks very much, Mr. Vis.

Go ahead, Mr. Longfield.

[English]

Mr. Lloyd Longfield (Guelph, Lib.): Thank you, Mr. Chair.

Mr. Schaan, it's great to see you again. It was the 42nd Parliament when I was on INDU, and it's good to see some of my colleagues around the table from that time as well.

Back in those days, a few parliaments ago, this issue came up from time to time. We looked at money laundering in particular, and the exposure Canada has to actors from other countries coming

in and taking advantage of Canadian laws, which at the time weren't as strong as we are now making them.

I'm thinking about how the regulations work with the act—the PCMLTFR, the proceeds of crime and money laundering and terrorist financing regulations—and how those regulations would be improved by using this act.

What happens to those regulations following this act being enacted?

Mr. Mark Schaan: Thank you for the question.

I appreciate being back at INDU again.

The Proceeds of Crime (Money Laundering) and Terrorist Financing Act is the act that essentially binds the financial community in the way it helps root out money laundering, white-collar crime and various other aspects.

The regulations have an important crosswalk over to the beneficial ownership transparency provisions of the Canada Business Corporations Act as proposed, in part because, essentially, we're asking for similar information under the two statutes. One is under a regulatory framework, because it requires banks to collect a whole series of different information, and it evolves as we understand the nature of financial transactions, whereas this will be a legislative obligation on corporations under the Canada Business Corporations Act, which we feel comfortable legislating, in part because we know distinctly what information we're looking to collect.

We've kept ourselves a certain amount of regulatory flexibility to add to it over time, but by collecting the information at the level of the corporation and then also through the regulations at the level of the financial institution, we allow for those discrepancies to emerge and we allow for law enforcement to have yet another element by which they can start to piece together all of these different aspects to get at the ultimate money launderer or white-collar criminal.

Mr. Lloyd Longfield: Is there a mechanism with which this act could then retroactively look at corporations that might have been suspect under CRA investigation? How would this be looked at going forward, once the act is in place?

Mr. Mark Schaan: There are two verification mechanisms that are imagined under the course of the act—well, more than two, but there are two substantive crosswalk ones.

One, as noted, is that we do have a regulatory obligation for discrepancy reporting, to be determined under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, that will look across the two.

There's also a modest feedback loop between our information and that of the Canada Revenue Agency, simply to allow for such things as whether or not there are obvious discrepancies between the information that was filed under the beneficial ownership registry and the information provided to the CRA. It's a “ping” system, essentially, so it's not a transfer of information, necessarily; it's a mechanism by which Corporations Canada can have early detection in some ways.

At this stage, it's not imagined to pool all of that data. That's a further consideration that I think is down the road as we continue to evolve our posture with relation to money laundering and terrorist financing.

• (1715)

Mr. Lloyd Longfield: That's great. I'm thinking that with CRA in particular, since 2015 we've invested a lot of money in collecting offshore taxes that were due to the Government of Canada that we hadn't been collecting. They've been tightening the net around offshore activities like illegal tax avoidance. When you couple that with this act, it seems like we're going to be really tightening up in addressing companies that want to launder money in illegal ways outside the country as well as inside the country.

Mr. Mark Schaan: Yes. I think there are a number of ways you can look at it.

On the one hand, a number of organizations now are adding to their tool kit with respect to the rooting out of this noxious behaviour. Second, we have capacity for some of those systems to, in minimal ways, speak to one another. Then we have the international co-operation through using the international standard and through more and more countries adopting this, which essentially starts to make it increasingly challenging and ideally very inconvenient to try to be in the business of money laundering.

Mr. Lloyd Longfield: That's great. Thank you.

Finally, I have about 45 seconds, and I'm thinking of how we disseminate this information.

I've been on the boards of a few companies, and we have fiduciary responsibilities that we generally find out through our auditors and through accounting firms. Have we been engaging with auditors and accounting firms in terms of being able to roll this information out to boards of directors?

Mr. Mark Schaan: We've consulted quite widely, including with transparency organizations, lawyers and accountants, and the corporate community, including small businesses. We also imagine quite a robust outreach capacity to ensure people understand these obligations as they come into force, because a registry of individuals of significant control isn't necessarily something that's obvious to every business owner.

Mr. Lloyd Longfield: Thank you.

As always, those are great answers. I appreciate it.

The Chair: Thank you, Mr. Longfield.

[Translation]

Before giving Mr. Lemire the floor, I need the committee's unanimous consent for us to continue for 10 minutes or so before the vote, when the bell will ring.

Do I have unanimous consent? Yes?

Great.

Go ahead, Mr. the Meyer.

Mr. Sébastien Lemire: That's great. I'm going to try to figure out how much time that gives me to be fair with my colleague Mr. Masse.

Mr. Schaan, thanks for being with us, first of all.

How much do you think money laundering currently costs the country? Is there a cost to taking no action and letting matters play out?

Mr. Mark Schaan: I don't know. I don't know the exact figure, despite the many estimates that have been made. We'll be able to clarify that for the committee later on.

Mr. Sébastien Lemire: Is Bill C-42 really binding enough? Considering what's happened in recent years with the Panama Papers or the Paradise Papers, for example, could we have avoided that kind of scandal if we'd had provisions such as those proposed under Bill C-42?

Mr. Mark Schaan: Bill C-42 provides an additional tool to the agencies responsible for enforcing the act in order to combat money laundering and the financing of terrorism. It's not a miracle solution, but it is a tool that helps obtain information and that's another means to ensure that business corporations are required to provide information. Then it's possible to combine that information with other intelligence to combat money laundering and terrorism financing.

Mr. Sébastien Lemire: I think the lack of transparency leads to fraud, money laundering and laundering of proceeds of crime.

Does the government also aim to combat crime through transparency, or does it favour a laissez-faire approach instead?

Mr. Mark Schaan: I apologize, but would you please repeat the end of your question?

Mr. Sébastien Lemire: Is transparency a priority for the government? It seems to me transparency makes it possible to combat crime. Has the government adopted that same philosophy?

Mr. Mark Schaan: Some 30 to 40 amendments have been made to statutes since 2018 to expand, step by step, Canada's capacity to really combat money laundering and the laundering of proceeds of crime. I think that suggests that it's a priority for the government. That includes the changes made to the

[English]

Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

• (1720)

[Translation]

I don't know the French title.

Mr. Sébastien Lemire: Thank you.

As regards the fight against tax havens, do we currently have any free trade agreements with a country that one would call a tax haven?

Would Bill C-42 help provide bargaining tools to renew those trade agreements and ensure that transparency is a necessary criterion in allowing a Canadian corporation to do business with a less cooperative country?

Mr. Mark Schaan: The object of Bill C-42 is somewhat different. Trade agreements are normally reached between governments and concern taxes or free trade. Instead, this bill concerns the directors and officers of business corporations.

Directors and officers have a positive duty to name the human individual at the end of the chain. That includes persons outside the country and in foreign countries where there's a lack of transparency. This is really something other than a trade agreement. The directors and officers in Canada have a duty to provide the required beneficial ownership information even if the actual person at the end of the chain is located in Jersey or on a tropical island.

Mr. Sébastien Lemire: In Quebec, corporate ownership falls under the Civil Code of Quebec since it's a matter of provincial jurisdiction. From a legislative standpoint, does that complicate matters for your department when it comes to coordinating and matching the various guidance measures?

Mr. Mark Schaan: It's not a complication; it's a requirement. In Canada, incorporation is a provincial and territorial matter as well as a federal government matter. It's a shared jurisdiction.

A bill such as the one before us requires that all system stakeholders take the same approach.

[English]

You're only as good as your weakest link.

[Translation]

Mr. Sébastien Lemire: What would happen if Bill C-42 weren't adopted? What would be the economic or fiscal consequences of that?

Mr. Mark Schaan: I don't have any cost figures, but there would be consequences for Canada's reputation. Our country is involved in a global effort to combat money laundering and terrorism financing. If Canada didn't adopt a registry or step up its efforts to do so, it would be renegeing on its commitments, and the consequences of that could be very significant.

There would also be an economic cost because business corporations could still be used to launder money.

Mr. Sébastien Lemire: Thank you, Mr. Schaan.

The Chair: Thank you very much.

Go ahead, Mr. Masse.

[English]

Mr. Brian Masse: Thank you, Mr. Chair.

I'm glad to see these amendments. I hate to say "I told you so", but I'm going to say it, because some of these things are what were voted against the last time. One that I'm looking at right now—and I'm looking at my old notes—is a fight over the fines and penalties again, the \$200,000. It was talked about before. We had pushed for a million dollars. The \$5,000 fine.... I mean, these could be like the cost of doing business. With fraud and the type of pain and suffering this creates, \$200,000 is like a slap on the wrist. That's not a lot of money.

Why wouldn't we tie it to revenue or assets if we want to go with giving small businesses a break? I guess where I differ is where it

says up to \$5,000 and up to \$200,000. Where did these numbers come from? I really am interested in that.

This committee fought before to stop the use of fines and penalties as tax-deductible writeoffs. That was one of the first things I fought for here, because it was the cost of doing business. It hurt not only the consumers out there but also other businesses that were doing the right thing. That's the other part of this argument here—all the other businesses doing the right thing.

Where does the \$200,000 come from and where does the \$5,000 come from?

• (1725)

Mr. Mark Schaan: I think that again I'm going to make the important distinction between the fines that are levied against the corporation versus the fines that are actually attributable to the individual directors and officers of the corporation. The \$5,000 is consistent with all of the other penalties levelled against the corporation in the act. It's the consistent fine that we level against corporations for misconduct under the act. Again, we feel that the ability to render penalties against the corporation is a limited mechanism by which to actually root out the behaviour because it isn't tied to the individuals.

The \$200,000 is an individual liability, so again you can't tie it to revenue, because they're not corporations; they're individuals. When you imagine being a director or an officer of a corporation and potentially being liable for \$200,000 of your own money and six months in jail of your own time, it actually takes on quite a meaningful potential incentive to ensure that your corporation is actually on the right side of the law.

Mr. Brian Masse: When you look at the malfesance that's taken place in white-collar crime, I don't think that \$200,000 to many people is.... That's now the equivalent salary for professional occupations in general per year.

I'm sorry. I just don't have much faith in western democracies' treating white collar crimes as significant. There have been very few cases of people actually going to jail. If we're going to criminally prosecute somebody, a \$5,000 fine.... It's going to cost us significantly more to prosecute. If our threats are solely to just put people in the courts, then we're pushing into the court system, which is under stress now.

I guess I'll leave that for our debate. I appreciate where it comes from. At least we understand now.

Those are my questions, Mr. Chair, because it's going to be kind of a political fight, I guess, to some degree. I appreciate the officials, though, with their information.

The Chair: I think we understand that it's a political fight you have been waging for a long time, Mr. Masse. Mr. Longfield was commenting that you have not changed that much over the years. Consistency is good in politics.

That concludes our round of questions. However, we have a bit more time, so if anyone has more questions, I will open the floor. Otherwise, we will leave it at that.

Before I let you guys go....

Okay, I see Mr. Albas.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): I have a quick question for the officials.

To me, the implementation of this measure is going to stem largely from how simple it is for someone to be able to do a search, whether it be under the federal sphere or the provincial sphere. Has there actually been discussion about the interoperability between provincial and territorial systems, or are there going to be different programs for different provinces and you'll need to get a different sign-in code for each individual province?

You're going to have some that will be charging a fee, which raises the point, Mr. Schaan, of whether or not the federal government will be charging a fee for access to the registry. If you don't know, just tell me that, but I'd like to find out how your department views this work in that kind of scheme.

Mr. Mark Schaan: The commitment has been that the registry will be free and that it will be searchable.

It does two things that are important for the purposes of ease. One is that it adopts the beneficial ownership data standard—the international standards for the collection of information related to beneficial ownership—which means that the way we collect the information is interoperable with the information that's collected by our international counterparts and by provincial counterparts, should they adopt the international standard, which is increasingly common.

Mr. Dan Albas: I appreciate that there's an international standard. I appreciate that Canada is trying to align with that. The question is, will someone have to go to a different site to access the information? Will they be subject to different provisions provincially than they would be from the federal one?

Mr. Mark Schaan: Each province and territory—and the federal government, obviously—offers the opportunity to incorporate in their jurisdiction. To date, the two provinces that have adopted beneficial ownership registries largely conform to almost identical capacities in terms of what they ask of the individual corporation. They've used the beneficial ownership data standard, and with the exception of very small administrative differences, they are basic-

ly the same. We are building the system with the capacity to ingest and onboard provinces and territories into the system.

It's worth noting that there's a precedent for this. There's a system called MRAS; it's a common front end to all the corporate registries in the country that pings the individual back ends of all the provincial and territorial registries. It was a common project adopted by the provinces and territories and the federal government, so we've done it before. The capacity for us to be able to ensure that we have a federal registry that has the capacity—we've built it with that in mind. The full intent of the government is to make this a one-stop shop for beneficial ownership registry information.

● (1730)

Mr. Dan Albas: It could have the potential to do that—to have that interoperability to be a one-stop shop—but it's yet to be concluded.

Mr. Mark Schaan: The Constitution lets us work with the provinces and territories in the realm of their jurisdiction, which includes the capacity to incorporate.

Mr. Dan Albas: Thank you.

The Chair: Thank you, Mr. Albas.

I want to thank the officials for being with us this afternoon. It's much appreciated. Thank you for taking the time.

Just before I let you guys go, as you know, next Monday we are doing clause-by-clause study on precisely this bill, Bill C-42. With your permission, I'd ask for additional resources and maybe one more hour for the meeting so that we could have a full panel of witnesses and then do clause-by-clause study. I think that would be useful for this committee.

If that's okay, that's how I'll proceed. I'm not sure if the House will provide the resources, but I'll ask on behalf of the committee.

Some hon. members: Agreed.

The Chair: Perfect.

On that note, thank you, everyone. The meeting is adjourned.

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