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Chair: Mr. Joël Lightbound





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• (1630)

[Translation]

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

I call the meeting to order.

Welcome to meeting number 80 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 of June 23, 2022. Pursuant to the order of reference of Thursday, June 1, 2023, we are continuing our study of Bill 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 the witnesses and thank them for their patience. We are getting started a bit late because of voting in the House.

We have with us today Justin Brown, senior director, financial crimes policy, governance and transparency, Department of Finance; Annette Ryan, deputy director, Financial Transactions and Reports Analysis Centre of Canada; Sasha Caldera, campaign manager, beneficial ownership transparency, Publish What You Pay Canada; Denis Beaudoin, director, financial crime, Royal Canadian Mounted Police; and James Cohen, executive director, Transparency International Canada.

Thank you all for making time to meet with the committee to discuss this important bill. As you know, you will each have five minutes for your opening statement.

Without further ado, I will turn the floor over to Ms. Ryan for five minutes.

**Ms. Annette Ryan (Deputy Director, Partnership, Policy and Analysis, Financial Transactions and Reports Analysis Centre of Canada):** Thank you, Mr. Chair.

My colleague from the Department of Finance is going to tell you about our coordinated efforts.

[English]

**Mr. Justin Brown (Senior Director, Financial Crimes Policy, Governance and Transparency, Department of Finance):** Hi, everyone. My name is Justin Brown. I'm the senior director of financial crimes, governance and transparency at the Department of Finance. I'll provide an overview on behalf of the Department of Finance as well as of my colleague Annette Ryan from the Financial Transactions and Reports Analysis Centre of Canada.

In addition to the proposed amendments to the Canada Business Corporations Act, which would stand up a federal publicly accessible registry of beneficial ownership information, the government is putting forward consequential amendments to the Income Tax Act and to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

While Corporations Canada would maintain responsibility for the federal beneficial ownership registry, the government seeks to use additional mechanisms to help support the accuracy of the registry by cross-referencing beneficial ownership information held by other sources.

The Income Tax Act restricts the provision of and access to taxpayer information. Specific exemptions must be enacted in order to share taxpayer information. Clause 17 authorizes the sharing of information relating to shareholdings and to corporate ownership structures of private corporations collected by the Canada Revenue Agency. Providing access to this information would enable officials at Innovation, Science and Economic Development Canada, and at Corporations Canada, to verify and to validate data reported by private corporations to the corporate beneficial ownership registry.

The taxpayer information on shareholdings and on corporate ownership structures would not be published through the corporate beneficial ownership registry and would be shared for the sole purpose of verifying and validating data reported by private corporations to the corporate beneficial ownership registry.

Clause 18 would give the Governor in Council the power to make regulations under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act respecting the reporting of discrepancies in information obtained on the beneficial ownership and control of an entity.

Persons and entities regulated under that act, including banks, credit unions, life insurance companies, money services, businesses and real estate businesses, are all required to implement measures to detect and deter money laundering and terrorist financing. On meeting certain conditions, these include requirements to obtain and confirm the accuracy of beneficial ownership information when doing business with a client that is a corporation.

A public registry would provide reporting entities with a tool to help confirm the accuracy of the beneficial ownership information they obtain from clients. Upon becoming aware of material discrepancies between the beneficial ownership information in their records and that filed with the registry, reporting entities would be required to inform Corporations Canada.

The proposed regulation-making authority would allow the government to proceed with regulations setting out the terms and the conditions of a discrepancy-reporting requirement. These regulations would specify the details necessary for implementing the scheme, such as when a discrepancy should be reported, information to be provided in a discrepancy report, record-keeping requirements and consequences for non-compliance.

To conclude, this cross-referencing of beneficial ownership data would supplement Corporation Canada's compliance efforts and would help improve the data integrity of the registry.

Thank you.

• (1635)

[*Translation*]

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

Now we will hear from Sasha Caldera, from Publish What You Pay Canada.

[*English*]

**Mr. Sasha Caldera (Campaign Manager, Beneficial Ownership Transparency, Publish What You Pay Canada):** Mr. Chair and fellow committee members, thank you for inviting me to speak today.

My name is Sasha Caldera, and I am the beneficial ownership transparency campaign manager at Publish What You Pay Canada. Publish What You Pay Canada is part of the global “publish what you pay” movement of civil society organizations working to make oil, gas and mineral governance open, accountable and responsive to all people. For the past five and a half years, I've been leading a coalition of three civil society organizations to advocate for a public beneficial ownership registry with our partners Transparency International Canada and Canadians for Tax Fairness.

Bill C-42 will deliver a critical blow to criminals who desire to take advantage of corporations governed under the CBCA. We applaud Minister Champagne's commitment to ensuring that Canada's beneficial ownership registry is publicly accessible, free of cost, searchable and scalable with provinces and territories.

As Canada is a G7 country with an advanced service economy and an AAA credit rating, experts estimate that approximately \$45 billion to \$113 billion is laundered annually into the country. Canada's publicly accessible registry is in line with the G20 and Five Eyes countries that are deploying these tools as part of national security strategies to prevent corrupt foreign officials from hiding dirty money in liberal democracies. Currently, 108 countries around the world have made commitments to implement publicly accessible registries.

Bill C-42 is a positive step, and we recommend the following legislative amendments to strengthen the deterrence capability of Canada's registry.

First, allow anyone to have the ability to search by country of residence and name of corporation.

Second, ensure all publicly accessible data fields are searchable.

Third, forbid post office boxes to act as the service address.

Fourth, add hybrid offences to subsection 21.1(1) or 21.31(1) of the CBCA.

Finally, require beneficial owners to submit non-expired, government-issued photo ID numbers to corporations for safekeeping and future ID verification.

These amendments will improve the searchability of the registry, penalize sophisticated offenders who have the financial resources to absorb current offences and add mechanisms to prevent beneficial owners from knowingly abusing the PO box system or providing false information to corporations.

We are pleased to hear there are efforts on behalf of Minister Champagne and Minister Freeland to reach out to provinces and territories. To bring provinces on board, we recommend the federal government strike an agreement with provinces and territories that allows provincially registered corporations to send beneficial ownership information directly to the federal registry. Provinces would need to pass legislation in their own business acts, yet this harmonization approach was used during the first beneficial ownership agreement in 2017.

The federal government can also suggest that provinces can choose to implement their own beneficial ownership registries using the same design parameters and with the beneficial ownership open-data standard to ensure they are interoperable with the federal government. Through a flexible approach, smaller provinces would not have to devote resources to upgrading their own business registries, while larger provinces can follow the lead of early adopters like British Columbia and Quebec.

As someone who was born and raised in Richmond, British Columbia, I think this registry will mean a lot for my hometown and the province of B.C. Richmond is one of the entry points for money laundering in Canada, and the harm to the province has been well documented by the B.C. Cullen commission. From the fentanyl crisis and increased gang violence in broad daylight to underground casinos and artificially inflated real estate, my hometown has changed.

The impact of Bill C-42 will be felt beyond Canada's borders. Should Canada pass this legislation, this registry will be cheered on by communities around the world that are relying on these tools to track down officials who are looting tax dollars from national treasuries or stealing vital foreign-aid dollars for personal gain. This registry will be a game-changer in the global fight against tax evasion, organized crime, corruption, bribery and terrorist financing. I am proud to see Canada taking this decisive step today.

Thank you so much for your time, and I am happy to take your questions.

• (1640)

[Translation]

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

We will now go to Superintendent Beaudoin from the Royal Canadian Mounted Police.

Go ahead, Mr. Beaudoin.

**Supt Denis Beaudoin (Director, Financial Crime, Royal Canadian Mounted Police):** Thank you, Mr. Chair.

I'm pleased to appear before the committee today. I am Superintendent Denis Beaudoin, and I am the director of financial crime in federal policing criminal operations at the Royal Canadian Mounted Police, or RCMP.

I want to say first that the RCMP welcomes the measures to implement a beneficial ownership registry. The resulting transparency and disclosure of information will enhance our efforts to combat financial crime.

As you know, keeping beneficial ownership information hidden is a technique used for money laundering and terrorist financing. Front companies or shell corporations make trade-based money laundering much easier by separating illicit actors from their activities. When information about a company's beneficial owners is concealed, it increases the risk of tax evasion, sanctions evasion, and the domestic and international movement of proceeds of crime.

Without transparency around verified beneficial ownership, our ability to prevent and combat financial crimes is undermined. Not being able to quickly identify the beneficial owners of a company without their knowing can slow criminal investigations, prevent police from tracing suspects, witnesses and evidence, and hinder the identification and seizure of suspected proceeds of crime.

[English]

The importance of beneficial ownership transparency is well recognized internationally, and beneficial ownership registries are increasingly the international norm. They have existed in the U.K. and in the EU countries since 2016 and have proven a useful tool for law enforcement in deterring the misuse of corporations for illicit finance activities.

Evolving global anti-money laundering standards now expect countries to make these registries accessible to, at a minimum, competent authorities, with the majority of Canada's G7 and Five Eyes counterparts having implemented these registries to put them in place.

In 2021, G7 finance ministers and central bank governors agreed that beneficial ownership registries are an effective tool to tackle illicit finance. The Financial Action Task Force, which is the global money laundering and terrorism financing oversight mechanism, recently adopted new requirements with respect to beneficial ownership registries. Canada is a founding member of the FATF, and the RCMP is a full participant in the Canadian delegation.

With Canada making efforts to address beneficial ownership gaps, including through Bill C-42, we are showing that we are contributing to the global fight against financial crime.

[Translation]

Identifying beneficial owners of corporations means lifting the veil of anonymity on the people behind the transactions and account activities. Beneficial ownership registries are an effective tool for law enforcement. When we combine the information in the registry with other evidence and investigative practices, we are better able to track illicit funds. Registry information serves to complement other evidence-gathering methods, which can take longer and potentially alert suspects to an ongoing investigation. Lastly, this measure will improve the application of sanctions here and abroad, and make it easier to track and freeze financial assets.

Although the RCMP welcomes the bill, the legislation will apply only to a small percentage of companies in Canada, since most of them are incorporated under provincial statutes. In order to prevent illicit actors from exploiting vulnerabilities, it is necessary to address beneficial ownership transparency across the country if we want the registry to be useful. Otherwise, criminals will use provinces without registries to launder the money their criminal activities generate. The full co-operation of provincial and territorial governments is vital.

[English]

While a transparent corporate registry is a step in the right direction, it will not resolve all the challenges law enforcement faces in its fight against financial crime. The RCMP welcomes the recent changes announced in the budget, such as the criminalization of the unregistered money service business and the addition of a structuring offence.

Looking at our international partners, Canada's AML regime could benefit from better information-sharing legislation between private and public organizations and tools to investigate professional money launderers. We're working with our AML partners to address these information-sharing gaps and challenges.

Thank you for the opportunity to be here today. I welcome any questions.

• (1645)

[*Translation*]

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

We will now hear from Mr. Cohen, from Transparency International Canada.

Go ahead, Mr. Cohen.

[*English*]

**Mr. James Cohen (Executive Director, Transparency International Canada):** Mr. Chairman and members of the committee, thank you for inviting me to speak to you today. My name is James Cohen, and I am the executive director of Transparency International Canada.

TI Canada is a registered charity and is the Canadian chapter of Transparency International, the world's leading anti-corruption movement.

TI Canada, a member of the informally known “end snow-washing coalition”, along with Publish What You Pay Canada and Canadians for Tax Fairness, is enthusiastically supportive of Bill C-42, which will establish a publicly accessible corporate beneficial ownership registry at the federal level in Canada.

Not only are we pleased with the government's introduction of Bill C-42, but we are greatly encouraged to see the cross-party support for the principles of the bill. All parties should be proud to work in this co-operative manner to achieve a win for Canadians in the fight against global corruption.

The term “snow washing” was coined in the Toronto Star and CBC's 2016 investigations into the Panama papers. Essentially, it means bring your dirty money to Canada and it will be cleaned like the pure white snow. Why? First, who thinks of Canada as a destination for illicit funds? Importantly, second, our laws have had transparency gaps and weak enforcement.

TI Canada led a coalition report in 2022, called “Snow-washing, Inc”, where we looked at the websites of foreign corporate service providers. Their sales pitches are shocking in how blatant they are, letting potential clients know that a Canadian or provincial limited partnership is a great vehicle for funds to not be noticed. One website went so far as to say, if you think the U.K. has become too transparent thanks to their registry of significant control, why not try Canada?

While a public beneficial ownership registry is not a panacea for solving money laundering, it is a critically important tool in the fight to end snow washing. As an example of its effectiveness, the civil society organization Global Witness conducted research where they observed that Scottish limited partnerships, which were notorious for being abused by criminals, saw a steady increase of incorporation from 2011 to 2016. In 2016, when SLPs became subject to a registry of significant control disclosure in the U.K., their incorporation rate dropped by 80%. Transparency International has also documented numerous cases of civil society organizations working across borders to help identify kleptocrats and their stolen assets.

On the content of Bill C-42 itself, TI Canada is pleased to see a number of features that the coalition called for, such as zero pay for search, protection for whistle-blowers, and a tiered system for data for the public and for law enforcement.

I would also add that the justification for Bill C-42, which is not just to fight money laundering but also as a form of corporate due diligence, will hopefully bolster the beneficial ownership registry from legal challenges like we saw in Europe last year, where anti-money laundering directive five only justified registries from an AML perspective.

Where the real merit of the registry will come will be its implementation. We urge the government to provide the necessary funding for the registry so that it may be staffed, so regular risk-based approaches to data reviews can take place and so that a dependable form of data verification can be set in place.

Of course, as everyone knows, the provinces and territories need to work with the federal government to make this registry truly effective. I implore provincial representatives who are following these hearings to respond to Minister Champagne's and Minister Freeland's letters to co-operate. Do not be the holdout secrecy jurisdictions in Canada. It's not a reputation that you want.

After years of being an international laggard on this front, Canada now has a foot to stand on, diplomatically, to bring holdout countries up to our standard on beneficial ownership transparency. We encourage the Canadian government to do just that, especially at the Conference of State Parties to the UN Convention Against Corruption later this year. The more the good guys co-operate on this, the more the bad guys lose and we can work toward ending snow washing.

Thank you. I am happy to take any questions from the committee.

[*Translation*]

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

Thank you to all the witnesses for their opening statements.

We will now begin the discussion.

Mr. Vis, you have the floor for six minutes.

[*English*]

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

Thank you to all of the witnesses here today.

To the group that sent in this awesome document on Friday, I wish we'd had a bit of time between hearing from witnesses and receiving the information. However, we're going to do our very best to get some of your amendments that you brought forward put into the bill today. I think you do a lot of good work.

Mr. Caldera, coming from British Columbia as well, I've seen first-hand the damage that money laundering has done in our province. It's one of the big reasons that we're working with the government to see this legislation pass. I don't think the legislation is perfect, but it is a very positive step in the right direction to giving our law enforcement agencies the tools they need to stop and end snow washing.

With that, I don't know if you guys.... Were any of you provided access to any of the amendments that were brought forward by our party or any other political party?

• (1650)

**Mr. Sasha Caldera:** No, not to my knowledge.

**Mr. Brad Vis:** Okay. They're confidential.

On that note, then, one of the big challenges that I think everyone around this table has recognized since we had our last meeting is the undeniable fact that most corporations in Canada are not registered with the federal government. When we break it down with a significant threshold, the number of companies that would be included in this is actually quite small.

This is for Mr. Caldera and Mr. Cohen: Would your organizations be in favour of stronger provisions in the legislation to ensure provincial participation—and the minister, I will note, has committed to working with the provinces—and, in the case of fines, if a province or territory makes an agreement with the federal government to participate in it, of the Criminal Code provisions embedded in this legislation applying to provincial corporations as well?

**Mr. Sasha Caldera:** Maybe I can answer this one.

With respect to the threshold, I think you're referring to the 25% versus 10%. Is that correct?

**Mr. Brad Vis:** That's one thing. I just said that as a side comment, but my real question is this: If we get provinces to opt in, should provinces and territories be subject to the same Criminal Code provisions as federally registered corporations?

**Mr. Sasha Caldera:** Yes, I think they should because this could pertain specifically to beneficial ownership information. Because the registry is set up in such a way where provinces, should they choose to do so, can send their beneficial ownership information in to the federal registry, I think those penalties or offences could apply.

**Mr. Brad Vis:** You're from Richmond. One of the big problems that we have in Richmond is numbered companies buying up very critical agricultural land. In some cases, they build mega mansions on it. In other cases, we don't know who owns this land or what their purpose for holding this land is.

Do you think that this legislation could be strengthened if we included some provisions to have real estate included with the numbered companies, that their real estate listings be available to law enforcement agencies? It is an undeniable fact that in Richmond,

British Columbia, there is land that is used for money-laundering purposes.

**Mr. Sasha Caldera:** I think the tricky part with real estate is that, because it is provincially regulated, that always makes legislation like this a little more complicated. One advantage in B.C. is the land owner transparency registry, which would cover companies that have an interest in land.

What we're thinking, as a coalition, is that these beneficial ownership property registries, twinned with a pan-Canadian corporate registry, should be able to provide enough information to law enforcement and competent authorities to triangulate individuals of significant control.

**Mr. Brad Vis:** With regard to thresholds, you wrote in your letter to the committee that you support the spirit of some of the discussions we've had around this table on lowering the threshold to 10% for significant ownership or, as another option, adopting more stringent language, as found in the U.K. registry, to ensure that stacked corporations, or the problem that Mr. Van Bynen and I raised regarding stacked corporations, could be addressed accordingly.

Maybe I'll pose this question to the RCMP.

Would lowering the threshold to 10% create any unnecessary administrative complications between the terrorism financing and money-laundering act and this registry? Could we work it out so that law enforcement agencies have the right information if the threshold under this legislation is different from, say, the threshold for significant ownership in the other legislation?

• (1655)

**Supt Denis Beaudoin:** I don't think it would create a burden on law enforcement. I think the burden may be on the registry itself just because of the increased amount of ownership and everything that would have to be kept. The RCMP standpoint is that the more names and more information, the better. As we're trying to make links in a criminal investigation, it certainly can help.

**Mr. Brad Vis:** Then, Mr. Beaudoin, if we were to adopt a lower threshold of significant ownership, that would provide the RCMP with more tools to combat money laundering in Canada, and maybe we could work out the administrative challenges with the terrorism financing and money laundering act later.

**Supt Denis Beaudoin:** Yes. As I said, the more people we find who own these companies, the better, as we're trying to make links.

**Mr. Brad Vis:** Okay—

**The Chair:** Thank you very much, Mr. Vis. I'm afraid that's all the time you have.

I will now yield the floor to Mr. Sorbara.

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Thank you, Chair.

It's wonderful to join the committee this afternoon. I want to say thank you for the opportunity and also applaud the committee, all individuals here from all parties, for the great work they've done on this bill.

If I can just go back in time a little bit, in my first session of Parliament, I had the good fortune of participating in a study entitled "Confronting Money Laundering and Terrorist Financing: Moving Canada Forward". It was published in November of 2018 and we travelled to the U.K.; Washington, D.C.; Toronto; and New York. We had extensive missions. There was a rotation between the Senate and the House every five years when this study was taking place, and the first recommendation was—I'm just looking at it now—to implement a public registry, a beneficial ownership registry with the threshold of 25%. I was reading a list of recommendations just now, so I'm very happy to see that this is going forward. I applaud the chair and Minister Champagne and the entire team for the work that's been done. This is a huge step forward.

Sasha, I kind of nodded to you when you were giving your comments. I also had the good fortune of growing up and living in British Columbia before I moved to Ontario and became an MP among other things. I wonder if you could elaborate on just how big a step the implementation of this public beneficial registry is in combatting money laundering, especially within the real estate sector in British Columbia.

**Mr. Sasha Caldera:** I can for sure. Thank you for your question. This registry will be a game-changer for the province and for combatting the proceeds of crime.

Previously Canada didn't have an understanding of who ultimately controls a private corporation that is governed under the CBCA. We know that criminals, for instance, are able to hide and to use these corporations and abuse Canada's tax systems. We also know that remaining anonymous, for instance, allows for broader crimes to impact community safety—anything from drug trafficking to weapons trafficking and some of the incidents that have been publicly noted, in Richmond in particular.

**Mr. Francesco Sorbara:** With regard to the protection of privacy, there have been concerns about how we strike the balance between protecting privacy and implementing the public beneficial ownership registry.

As I understand the situation, we are a fiscal federation and we do need the provinces to get on board. I think it's a ninety-ten split, if I'm not mistaken, so we do need the provinces on board on this as well. Can you speak to the privacy considerations and the balance there, please?

That's for either you, Sasha, or James.

**Mr. Sasha Caldera:** I can for sure. I'll add some comments and then I can turn it over to my colleague James from TI Canada.

Privacy is really important. It's a protected right in Canada, and having the fields that would be publicly accessible under this bill is actually quite compatible with Canada's privacy rights and the protections under our charter.

We carried out an analysis back in 2019, and our findings actually corroborate quite well which fields would be publicly accessible in this bill.

James, do you have any other comments?

• (1700)

**Mr. James Cohen:** Thank you for the question.

We'd be more than happy to circulate the publication on the study we conducted to any committee member who wants it.

In terms of striking the balance between having the data and achieving the mandate or the purpose of the bill, we found that there was balance there, but there was also the opt-out option, of course, for anybody who felt that their safety was genuinely in peril. Of course, minors are not included on the registry.

We also want to see in this registry a balance between protecting Canadians who are going about their perfectly legal business and making sure that the more nefarious things going on aren't able to be hidden.

**Mr. Francesco Sorbara:** Thank you.

Thank you, Chair.

**The Chair:** Thank you very much.

[*Translation*]

Go ahead, Mr. Lemire. You have six minutes.

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

I'm going to start with Mr. Beaudoin, from the RCMP.

During a previous study, the committee heard from a former RCMP fraud investigator, and he said that fraud and fraud awareness were not a priority for the RCMP, and by extension, the federal government. In response to a question from my fellow member Brian Massey, he very respectfully said that, when he was in the RCMP, it frustrated him that the RCMP did not understand fraud or its impact on victims.

Mr. Beaudoin, does the RCMP have the resources it needs to do its job? Does it need more resources so you can better investigate fraud?

**Supt Denis Beaudoin:** Fraud is a very broad term that encompasses many different types of fraud. To say that fraud is not seen as a priority is not true, but the types of fraud that will lead to investigations have to be prioritized. For instance, the RCMP usually prioritizes cases where the victim of the fraudulent activity is the Government of Canada.

The Canadian Anti-fraud Centre, which is overseen by the RCMP, works with police forces in provinces and territories to ensure that ties exist with those provinces and territories, as well as with jurisdictions outside the country, in order to carry out fraud investigations all over the country.



The nature of fraud has changed over the past five to 10 years. Cybercrime and use of the Internet to obtain money fraudulently has really changed the fraud landscape. There is no doubt that we could do more if we had more resources, as is true for every other government department and agency.

The RCMP's fraud efforts are focused on investments. Four units deal with that type of crime. However, the RCMP does not have the capacity to deal with every case of fraud in the country.

**Mr. Sébastien Lemire:** Bill C-42 obviously seeks to strengthen the tools to take action. Will it also give the RCMP more powers, and if so, which ones?

**Supt Denis Beaudoin:** Bill C-42 will provide the powers required to find criminals that use corporations as a front to commit fraud. Sometimes, they are Canadian companies incorporated in other countries—usually the same ones, in fact. Bill C-42 will give us the ability, further to an independent process, to identify those corporations involved in fraud.

In my opening remarks, I stressed the importance of paying attention to provinces and territories, to prevent criminals from choosing those where incorporation practices are not transparent.

**Mr. Sébastien Lemire:** Indeed, I think alignment between the federal, provincial and Quebec governments is key, under the circumstances.

How does the RCMP operate now, and how will it operate once Bill C-42 is passed? What additional powers does it give you, in terms of co-operation?

• (1705)

**Supt Denis Beaudoin:** As I said, the bill will give us the ability to obtain information on criminals that use certain companies to hide their illegal activities. We'll see how the provinces go about applying the provisions.

The biggest advantage federally is that the bill will give us the ability to access the information independently. Currently, we can ask the companies for it, but doing that alerts them to the fact that they are on the police's radar, and they will be more careful. That's something we want to avoid when conducting criminal investigations. We will see how the provinces implement the legislation and how we will be able to obtain the information we're looking for.

**Mr. Sébastien Lemire:** On the surface, it doesn't change anything about how you interact with police services in the provinces, but were they to react, you would be able to respond accordingly.

Is that right?

**Supt Denis Beaudoin:** Sorry, but I'm not sure I understood your question. We already work with other police services. As I understand Bill C-42, it will give all police services access to the information on the criminals. We already have very smooth co-operation with most police services in Canada. The bill will strengthen that co-operation, because they will have access to the information as well.

**Mr. Sébastien Lemire:** As far as your search efforts go, do you need to know the types of corporations on the registry? Entertainment or sports betting companies come to mind. Right now, there's no way to know that.

Would that information help you refine your search? Would it give you the ability to respond faster and in a more targeted way?

**Supt Denis Beaudoin:** That might not be helpful. In my experience, criminals lie or give very general information. We wouldn't rely on that information to investigate the activities of a corporation on the registry. Other facts have to corroborate the information. We will probably save some time. We'll have to see how criminals adapt their behaviour. Whenever legislative changes are made in Canada, criminals change how they operate. That's the dilemma. We will have to see how their tactics change.

As I said, the more information that's available, the better it is for us. If Parliament wants to make that information available through this bill, we won't say no.

**Mr. Sébastien Lemire:** Thank you for the work you're doing. It's tremendously important.

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

Over to you, Mr. Masse.

[English]

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair.

I'm going to quote a couple of things from a February 28, 2017, Toronto Star article entitled "New law won't stop Canada being used for money laundering, tax evasion, critics say". What hasn't been discussed a lot here is that this is actually our second attempt in recent years to deal with this. Bill C-25 was the first one. At that time, Minister Bains said it "would provide the foundation for a 21st-century marketplace. They will align Canada's framework laws with best practices in jurisdictions around the world." In my comments in that article, I said, "It's a missed opportunity.... The message to the financial community is: 'We're taking a pass.'" I also said, "I think we're going to get called out by the international community for this.... There are glaring holes in corporate accountability and transparency."

My first question for you, Mr. Caldera, is this. Will we have the same reaction in passing this piece of legislation as it's currently written? Again, that was my problem with the previous one, Bill C-25. What is your opinion on this? Is it going to be a missed opportunity again, or do we have it right this time? Ironically, most of these amendments are things that actually got voted against when I tabled them for Bill C-25.

I'd like to hear from you on where we're going to be when this is done.

**Mr. Sasha Caldera:** Absolutely. Thank you for your question.

Largely, I think a lot of the elements are correct in this bill. From our perspective, we've worked on this topic for about six and a half years—Transparency International seven years—and we don't want perfect to be the enemy of the good. What's in this bill is quite good. It will move Canada forward and it will be celebrated worldwide. More specifically, it will have utility, because it will apply to every single corporation that is governed under the CBCA.

Where the gap does exist is foreign corporations, for instance, which are incorporated in other jurisdictions outside Canada. Those are not covered under the CBCA. We are recommending as a next step for the federal government working with provinces and territories to try to see if there is an agreement that could be reached where those foreign companies, upon registering provincially to carry on business, can also disclose beneficial owners. That will just make this entire effort a lot stronger. The United States, in their Corporate Transparency Act, has included disclosure of beneficial owners for foreign entities.

• (1710)

**Mr. Brian Masse:** I want to thank my colleague and friend from the Bloc, Monsieur Lemire, for mentioning fraud, because I thought Bill C-25 was complete fraud. It made us look like we had legislation on the issue when, basically, we really didn't have anything effective.

What you're saying about the bill is don't let the opportunity pass, but at the same time, you would like to see other areas strengthened in the bill. We could do a little better. As we go through our clause-by-clause, we could keep that in mind.

Would you agree that there is probably room, internationally, to allow us to do that? We often hear as members of Parliament that we can't do this because of a trade agreement with whomever, or we can't do that because of other legal systems. We get that all the time. If we improve this bill, what's the context internationally for us?

**Mr. Sasha Caldera:** It just depends on the will on behalf of political parties. If there's political will, you could certainly include provisions requiring disclosure of foreign corporations. The way this is set up is that at the provincial level, when a foreign company is registering to carry on business, it's done with the provinces. Our perspective is that this should be step two on behalf of the federal government. Canada can start work with the provinces and territories in requiring this.

It's important to remember that this work on beneficial ownership transparency is going to be iterative, and it needs to happen step by step. Canada has already taken the first step with phase one of beneficial ownership requirements, where corporations hold an internal register. This step we consider to be step two, but there are still several steps that need to be taken.

I think, with this bill, Canada is well on its way.

**Mr. Brian Masse:** That's good to hear.

I have one quick question to the RCMP with regard to resources for this. I know it's been referenced.

Are there any other added components in this that you'd prefer to see happen, or where internationally, somebody has a better practice than us, or is there something you've noticed? Even if we don't have them in this time around, we might want to think about them in the future.

I think this bill should probably be an evolution past what we do here today, as we start to work with the provinces more comprehensively, as well as other international communities. Is there something out there that you don't have that would be helpful in the tool box?

**Supt Denis Beaudoin:** There is not specifically for this bill. Sometimes we tend to compare things with other countries. I think we're going to have to see how this bill, if it's adopted, fits in the Canadian legislative system. Something may work internationally, but then it doesn't fit with our charter and case law, as an example.

I think it would certainly be prudent to see its implementation and then assess how criminals, as I said, adapt their methodology and see if it can be better suited.

**Mr. Brian Masse:** We're obviously cognizant that we're asking you to do more with the same budget.

If we want to take this seriously.... I don't think, in North American society, we take corporate crime very seriously. I really don't. Sometimes there are these odd cases here and there, but there's not enough of that. We're more concerned with petty stuff, in my opinion, than some of the white-collar stuff that's been going on.

I'm out of time. Thank you, Mr. Chair.

• (1715)

[*Translation*]

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

We now go to Mr. Williams.

[*English*]

**Mr. Ryan Williams (Bay of Quinte, CPC):** I'll give it to Mr. Perkins for now, Chair.

**Mr. Rick Perkins (South Shore—St. Margarets, CPC):** Thank you, witnesses.

I know we focus a lot on a beneficial registry around financial transaction issues in organized crime and money laundering. In another committee I sit on, fisheries, we're dealing with the issue of trying to understand who is a beneficial owner of a fisheries licence that is granted by the Department of Fisheries and Oceans. Fisheries and Oceans, in the end, doesn't actually know. That's why, for 17 months, it's been doing a separate beneficial registry survey, which now requires part of it to go through a forensic accountant.

I don't know if it's Ms. Ryan or Mr. Caldera, or which witness wants to speak to the issue of a broader application of this beyond the obvious money laundering issues.

Go ahead, Mr. Cohen.

**Mr. Sasha Caldera:** I'll defer to my colleague Mr. Cohen.

**Mr. James Cohen:** Thank you very much for that question.

Indeed, the issue of beneficial ownership transparency in government procurement, licensing, permits and grants is a very serious issue. While we've been pushing for a registry all these years, if the government were to adopt beneficial ownership transparency as part of the due diligence process for procurement, grants, licences and permits, the power of the person and the power of the government to issue those various processes would be incredibly powerful in compelling a lot of companies to come forward with that information and deterring those who want to exploit our system.

I've looked a bit at the recent news on your committee's work on beneficial ownership in fisheries. We have to frame that while keeping in mind—I'm sure you've seen plenty of articles about it—the impact of illegal fishing and overfishing in our oceans. If we're connecting corruption as an underpinning issue to some of our society's greatest ills, whether they be conflict, societal inequality or environmental degradation, there's always an element of corruption there. If we want to get at these issues of illegal fishing and illegal trawlers, and people trying to exploit Canada's own fisheries, I would say it's incumbent on the government to know whom we're issuing these permits to.

In next steps, I would advise the government to start expanding who needs to apply—

**Mr. Rick Perkins:** Yes, and it goes along on that, even on the question of, for example, how DFO has a policy that no company is supposed to have a monopoly in any particular species, but they don't know how to enforce that, through the fact that they don't know who the companies are. Also, we don't know the state of the foreign ownership of our fishery, for example.

I think Ms. Ryan has some comments.

**Ms. Annette Ryan:** Thank you.

If I may speak on behalf of FINTRAC, the anti-money laundering agency, I would point to recent work we've done with international partners in the area of wildlife trafficking. That effort was really geared towards giving indicators to our partners in the financial sector so that they could build on some of these interlocking blocks in the money-laundering space.

As we make progress on the beneficial ownership of corporations, this work would give them essentially a line of sight to what they should be looking for in terms of patterns of financial transactions that are problematic and that they should report to us so that we, in turn, can do our work and report to others within the overall regime.

**Mr. Rick Perkins:** Thank you.

Mr. Caldera, you have a number of proposals. Hopefully, I'm going to propose some amendments a little later today when we get through this. Could you explain the importance in such a registry of having things such as were written in the letter about ID numbers from non-expired government-issued ID as part of that, and country of residence and name of corporation—some of the other detail you asked for—added to the bill, so that it's more than a numbered com-

pany and who the directors are and there is some sort of verification, presumably, behind this as to who the ultimate owner is?

• (1720)

**Mr. Sasha Caldera:** Absolutely, and thank you for your question.

Let's start with the ability for anyone to search by country of residence and the name of the corporation. This is information that would already be collected by the registry itself. It would be part of the service address. We want to differentiate that information field from jurisdiction of residence, which is solely for tax purposes. We're not recommending that this field be publicly accessible, due to privacy considerations.

On being able to search by country of residence, if you would imagine yourself in the global south, for instance, and you suspect that the nephew of a mayor or the nephew of an official is perhaps involved in money laundering or has a really poor reputation of stealing from national treasuries, you can search beneficial owners by the country of residence and where their service address might be, which would be really powerful as a tool.

Searching by the name of the corporation is a function that the U.K. registry has, and it allows for reverse searching. If you don't know the name of the beneficial owner, you can look up the name of the corporation, for instance. That would be incredibly helpful. In some of our other recommendations, we just want to ensure that all publicly accessible data is searchable. We included some specifics on that. We believe that this is in line with the minister's vision for this bill.

Adding hybrid offences as well is something that we heard from committee members. In fact, this is a position we've long had at Publish What you Pay Canada and Transparency International Canada. We think a hybrid offence can be used in those instances when you're dealing with really sophisticated criminals who have the ability to financially absorb penalties. We're talking about large organized crime or terrorist organizations where \$200,000 is something that they can absorb absolutely. We think this will be a measure just for those offences where they are knowingly committing that offence.

With the ID numbers, we just think this is a progressive measure. It would be in line with what the United States is doing. We aren't asking companies to hold the government-issued ID itself, but rather the ID number, so it minimizes any privacy and information intrusion.

**Mr. Rick Perkins:** Mr. Chair, I think I have time for one more question for Mr. Beaudoin.

One of the challenges, as my colleague pointed out, which you know, is that 90% plus of registered companies in Canada are provincial, so this gets to a small portion of it. We have an amendment proposal here that would at least allow I think the linking, on agreement with the provinces, of a provincial registry.

Wouldn't it be more helpful to be able to search all in one database, where you have an agreement for a provincial and a federal registry, rather than all of these independent jurisdictions across the country that make it more difficult not only for law enforcement but for individuals who want to do a search?

**Supt Denis Beaudoin:** It's a short answer, but yes, it would be much easier to search one database instead of searching 14 databases.

**Mr. Rick Perkins:** Thank you.

[*Translation*]

**The Chair:** Thank you.

It is now Mr. Gaheer's turn.

[*English*]

**Mr. Iqwinder Gaheer (Mississauga—Malton, Lib.):** Thank you, Chair.

Thank you to all the witnesses for making time for this committee.

My questions are for Ms. Ryan from FINTRAC. We know that the bill sets the threshold at 25% for what beneficial ownership is. We've heard testimony, and I think some colleagues have actually suggested that they would prefer a lower threshold, and 10% is a number that's been thrown around.

Could you speak a little bit about what the international standards are and what Canadian provinces are doing?

**Ms. Annette Ryan:** I might start first with the international standards. If further study allows, I would refer the committee to the requirements of the Financial Action Task Force, which is the international peer standard-setting body that has put forward conditions in respect of beneficial ownership. I am looking at the requirements now.

I would view the need for Canada as being to move forward on establishing the registry, more so than the threshold percentage itself.

In terms of the moving forward with the provinces and territories, as my colleague from the RCMP has said, it would be incredibly helpful to have interlocking sets of registries so that we can search them all on a common basis, which is built from work that's been done to set them on the same definitions.

• (1725)

**Mr. Iqwinder Gaheer:** The 25% number is comparable to peers—the U.K., the EU, the U.S. Is that right?

**Ms. Annette Ryan:** Yes.

**Mr. Iqwinder Gaheer:** It is, okay.

For the gentleman from the RCMP, we know that the bill also includes protections for whistle-blowers. Could you elaborate on that and why you think that should be brought forward?

**Supt Denis Beaudoin:** I remember reading it. Maybe I could get back to you.

In general, protection for whistle-blowers is extremely important, whether it's a different type of financial crime.... However, we need

people to come forward with allegations in order to start a specific investigation. Any legislation that would allow for better protection and foster a willingness for people to come participate as witnesses to a financial crime would be extremely well received.

**Mr. Iqwinder Gaheer:** Back to the individuals from FINTRAC, will the government be able to verify the information that's being provided? How so?

**Ms. Annette Ryan:** I would share the answer with my colleague from the Department of Finance, which is leading on the policy side, but I'm also happy to speak to how it works in practice.

**Mr. Justin Brown:** Thank you.

As part of the bill, Corporations Canada maintains the responsibility for the registry and is being provided a tool kit to ensure its integrity. From an anti-money laundering FINTRAC perspective, we have reporting entities, which are entities that have existing anti-money laundering requirements. Under existing requirements, they already have to verify beneficial ownership information.

Part of this bill is to require those entities to notify Corporations Canada while they're conducting their business if they notice any discrepancies between the information that they're receiving from their corporate clients and what's available in the public registry. Corporations Canada would then exercise their tools to conduct the proper follow-ups.

**Mr. Iqwinder Gaheer:** I'd like more information on the provinces and territories about why it's important for them to play ball here, and possibly more information about how that can be facilitated.

**Mr. Justin Brown:** Sure. I'd be happy to build on whatever's been said. Incorporation is a shared jurisdiction in Canada, and federal incorporation is less than 15% of all corporations of Canada. This bill would represent an important step by implementing a federal registry of corporations. However, 85% of corporations would not be covered.

The government is committed to continuing to work closely with the provinces and territories to create a pan-Canadian solution, a pan-Canadian approach to this issue. That could include provinces and territories joining the federal registry, or it could include provinces and territories incorporating their own registries and then making them interoperable with the federal one.

**Mr. Iqwinder Gaheer:** Thank you so much.

[*Translation*]

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

Over to you, Mr. Lemire.

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

Mr. Brown, when Minister Champagne was here last week, I asked him how much money was being laundered in Canada, and I wasn't able to get an answer.

Are you able to shed any light on that?

[*English*]

**Mr. Brian Masse:** I have a point of order. We don't have translation.

[Translation]

**The Chair:** All right.

Just a moment, Mr. Lemire. There's an issue with the interpretation. We're going to check on that.

I'm being told that the interpretation is working now. Wonderful.

You can start over, Mr. Lemire.

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

Mr. Brown, last week I asked Minister Champagne how much money was being laundered in the country, and he wasn't able to give me an answer.

Are you able to give us that information?

• (1730)

**Mr. Justin Brown:** I can give you a few figures and some explanation.

According to the UN, money laundering represents between 2% and 5% of GDP. In Canada, that would be \$40 billion to \$100 billion.

I can give you another figure. It comes from the Canadian Security Intelligence Service's 2020 report, which pegs money laundering in Canada at between \$45 billion and \$113 billion Canadian. I should mention, though, that there is no agreed upon method for calculating how much money is being laundered in Canada or globally. Some say that the estimates aren't high enough, because what criminals try to do is hide the money their activities generate. Others think the estimates are too high because the same amounts can be recorded two or three times. It's really tough to say exactly how much is being laundered.

**Mr. Sébastien Lemire:** That really leaves an impression. It would be easy to find the money to fight money laundering if we could catch it at the source, when the fraud is being committed.

Do you think Bill C-42 gives the Department of Finance enough tools to recover that money? Does it give you additional tools to address the problem? How would you like to see the bill improved?

**Mr. Justin Brown:** The bill is very important. It addresses a gaping hole in the country's legislative framework. It's a very important step, but there is no silver bullet for this problem. As already mentioned, working with the provinces and territories will be very important to come up with a truly pan-Canadian solution.

The recovery of assets linked to crime, and investigations and prosecutions also represent significant gaps. More effort is needed on that front. The government actually announced that it plans to establish a dedicated financial crimes agency. More information will be provided in the fall. The goal is to bring together expertise, prioritize financial crimes, and leverage highly trained experts to conduct investigations and prosecutions and recover assets.

**Mr. Sébastien Lemire:** That's good news. Thank you.

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

Over to you, Mr. Masse.

[English]

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

I'll continue with Mr. Brown.

For this change in the legislation, are there enough staffing resources? Is the government planning on contracting, or is some of the work already being contracted out to McKinsey and other third parties? Are we relying, right now, on our public servants for that, who are permanent employees?

**Mr. Justin Brown:** I can say that, last year, almost \$40 million was provided to ISED to support work with them, and to Corporations Canada to develop and implement this work. That includes the next steps in terms of working with the provinces.

**Mr. Brian Masse:** In that funding, what were the percentages or contracts going to third parties to provide that, or is it public servants—who are permanent employees—doing that work?

**Mr. Justin Brown:** I do not have those figures. Perhaps ISED would have numbers on where they spent those funds. I don't have them.

**Mr. Brian Masse:** Okay, that's fair enough.

Mr. Chair, I'd like to propose that we get that answer. I'd like that from ISED.

One of the things I'm concerned about here is consistency. Also, with some of the third-party groups and their activities, you could potentially have a poisoning of the well in investigations on this.

Thank you very much for your testimony here today.

Thank you, Mr. Chair.

[Translation]

**The Chair:** Thank you very much.

Go ahead, Mr. Williams.

[English]

**Mr. Ryan Williams:** Thank you very much, Mr. Chair.

Thank you to our witnesses.

Mr. Beaudoin, I think one of the changes to this bill—we've heard the stats of potentially \$113 billion that's laundered in Canada—is supposed to provide whistle-blower protection as one of the bill's aspects. Do you think the proposals made in this bill go far enough for whistle-blower protection?

**Supt Denis Beaudoin:** Like I said, whistle-blower protection is an important piece of legislation that enables people to come forward to the RCMP or to other departments, to ensure that the law is put in place and is applied properly. We welcome anything regarding the whistle-blower protection that's in the bill right now.

• (1735)

**Mr. Ryan Williams:** Do you think it goes far enough at this point?

**Supt Denis Beaudoin:** I would have to get back to you and would have to really study that piece of legislation.

**Mr. Ryan Williams:** If you could just have a look and give your opinion. I think one of the aspects we're looking for is to ensure that we do go far enough. We don't want to just catch up but to make sure that those who can come forward do so, especially to the RCMP, and that they're protected. Otherwise, in some aspects, this may not go far enough to protect those individuals.

I also want to talk about the future of fraud. We study a lot of different bills. We're talking about not only the benefits but also the drawbacks of blockchain and of cryptocurrencies. We're certainly talking about privacy protection and then AI. For all of these, does this bill go far enough to look to the future of fraud?

I'll start with Ms. Ryan with FINTRAC.

Currently, do we track Interac payments when it comes to Interac? Canada is one of the only nations to use Interac from bank account to bank account. Is that something covered in this legislation? Do you think we go far enough right now?

**Ms. Annette Ryan:** Thank you for the question.

I would say that, specifically for this legislation, the focus is not Interac or the payment system. It's focused more on the identification of corporate entities that transact on either end of a financial transaction.

To that end, I think it has a different focus—this bill. The aspect of understanding how we can follow payments across networks, and so on, is something that we see as a future piece of work as we continue to work with entities that are already regulated under our system, which include financial entities that use Interac to transact between them and then the newly incorporated members of the regime through the payment service provider in the community, but that does not extend to Interac, which is providing more of an infrastructure than that service element.

**Mr. Ryan Williams:** I understand, with this bill, that we're taking step one, which allows us to see everyone who is incorporated. We do see, though, as much as cryptocurrencies are great, that they can also be used to skirt the system. Do you see that as also being another bill we need to look at for protection, but not necessarily in this piece of legislation?

**Ms. Annette Ryan:** That's another great question, and I appreciate it.

I would say there has been legislation that's been brought forward to bring cryptocurrency dealers into the anti-money laundering regime. Starting in June of 2020, those money service businesses and the virtual currency dealers had to register with FINTRAC. The following year, they had to begin reporting to us about dealings in the cryptocurrency space. Those separate amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act have brought those entities into the regime already.

I'd be happy to expand on that, but that's kind of the punchline of it: They are already included in the regime.

**Mr. Ryan Williams:** Thank you.

Mr. Brown, you did say this legislation is great, but it's not perfect—not to use your words against you.

What would you add to make it a little more perfect? What can we do to this bill, one or two things, to make it just a little better?

**Mr. Justin Brown:** I'm not sure those were my words, to be honest.

**Voices:** Oh, oh!

**A witness:** I think they're my words.

**Mr. Ryan Williams:** I'm sorry.

**Mr. Justin Brown:** Without commenting on whether or not this bill is perfect.... As I said, if it were passed, based on international standards and our own examination, it would leave an important gap for corporate beneficial ownership registries on a Canadian approach. It would cover up to 15% of incorporations in Canada that are done at a federal level, which, obviously, leaves up to 85% or more at a provincial and territorial level. That's why it's so important to continue to work with the provinces and territories to develop this pan-Canadian approach.

I'll say that, for several years now, we've had a working group with the provinces and territories. It's a rather mature relationship. It's an ongoing discussion, so we're well prepared to deepen that engagement. I believe Minister Champagne said that, last week, a letter went out from Minister Champagne and Minister Freeland to their provincial and territorial counterparts to help use the momentum of this bill to deepen and further that work. That's going to be one of our major priorities.

If this bill passes, it will be a very important step to then exploring that pan-Canadian approach even more.

• (1740)

**Mr. Ryan Williams:** This is the last question.

Mr. Caldera, you can answer this as well.

What is the projection from the government, if this bill goes forward? We have \$113 billion a year in money laundering right now. What will we drive that number down to?

**Mr. Justin Brown:** I'm beginning to regret giving that statistic, which was provided by the United Nations. I do not own that statistic. I'm just trying to be helpful and provide information. That's not just in Canada. That was a global range—2% to 5%. I spoke already about the limits of the methodology.

Again, there's no one piece of legislation or activity that will completely bring that down. There are a lot of initiatives. As I mentioned, the government is looking to establish a Canadian financial crimes agency. In terms of looking at some of the biggest gaps in the effectiveness of the Canadian regime, having a group of experts who prioritize this—who have the expertise to investigate and prosecute money laundering and terrorist financing offences, and to go after or seize the assets of criminals—will take us a long way, in addition to important legislative changes like this.

[*Translation*]

**The Chair:** Thank you.

[*English*]

**Mr. Sasha Caldera:** Thank you.

I would say it's very difficult. In fact, it would be almost impossible to forecast how much these illicit financial flows would be reduced as a result of this registry, because the problem is so complex.

What I can say is this: There is emerging evidence coming from the U.K. that shows the beneficial ownership property registry is having an impact on reducing the number of incorporations coming from tax havens. That's one way we can look at the effectiveness of this registry—its deterrence capability.

I believe my colleague from TI Canada can speak more to that effect.

**Mr. James Cohen:** Thank you for the question.

To build on my colleague's point, when you're looking at the numbers exactly.... By their very nature, they're secretive, so they're difficult to find.

You want to look at impact. I think that might also wind up being something that gets.... If there's any last holdout province that doesn't want to join this registry and, all of a sudden, we see a certain province's limited partnerships starting to skyrocket as other provinces go down, there's pressure to be put on that particular holdout jurisdiction: Why do you want to be Canada's remaining secrecy jurisdiction?

This follows what we saw with the U.K. registry, where Scottish limited partnerships dropped by 80%. This is one way to mine the data once the registry comes online: Look for movement shifts, because, of course, the crooks are going to go where the weakest link is. This is why it has to be a harmonized approach. It's not just a federal approach.

[*Translation*]

**The Chair:** Thank you.

Over to, Mr. Van Bynen.

[*English*]

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

Thank you to the witnesses as well.

I'd like to come back to a recommendation.

I believe, in 2018, the House of Commons Standing Committee on Finance recommended we establish a body similar to the U.K.'s Office for Professional Body Anti-Money Laundering Supervision.

Did we make any progress on that, or was that implemented?

**Mr. Justin Brown:** I'm sorry. I'd have to look back at specifically what that office does in the Canadian context.

**Mr. Tony Van Bynen:** Okay.

Let's go forward, then, to the risk-based approach raised by Mr. Cohen.

Could you tell me what that looks like as opposed to ratcheting down the limitations to 10%? How could we be more effective if we established a risk-based approach? What would the criteria be? How well would that work across the different groups who are here as witnesses?

**Mr. James Cohen:** Thank you for the question.

I don't think, for one, lowering the threshold from 25% to 10% and a risk-based approach are mutually exclusive. I think they actually go hand in hand. I would note that the 25% isn't so much a standard as it was an initial global recommendation that everyone just kind of grabbed on to. There is room to go down to 10% and provide more information for the RCMP.

I'm not an expert on the risk-based approach. I'm sure there are others at the witness table who can speak to the specifics of it. It's essentially modelling and looking at what the typical patterns are that one would see in money laundering; what the data that we're now being provided shows us; being able to do an analysis as opposed to doing one-at-a-time searches of companies; being able to strategically mine through the data and see where the activities of a certain company match our modelling; and taking a little bit of a deeper look into a company, just in case.

One of the said experts would know.

• (1745)

**Ms. Annette Ryan:** Thank you for the question.

In terms of FINTRAC's role, we're both a regulator of the private sector for literally hundreds of obligations that they have to comply with in the relevant anti-money laundering statute in carrying out their obligations. As part of those requirements, we work with businesses so that they scope beneficial ownership requirements into how they assess clients that they're going to do business with. There's an element of risk assessment in terms of the private sector accepting a given business entity or so on as a client.

There are further risk assessments that go on in terms of how they monitor those transactions and decide what's a problematic set of interactions that they, in turn, report to us in FINTRAC. We layer on other risk assessments in terms of our compliance functions. As we look back in terms of the reporting entities that we oversee, which ones present profiles that are problematic so that they would be higher on our list of compliance examinations?

It does happen at different stages in how we do our work. Depending on your question, I could speak more fully on that.

**Mr. Tony Van Bynen:** I wanted to determine if there was any measure of success by the body that was apparently recommended in the U.K. We can come back to that.

Have any countries successfully made progress on money laundering? I'm sure there must be some dialogue going along with the groups on an international basis. What are some of those examples of best practices? I know that we've heard of the U.K. What are some examples of best practices that you're aware of?

**Mr. Justin Brown:** I would say that money laundering is something that all jurisdictions in the world struggle with in terms of addressing. In terms of successes, perhaps my colleagues can give specific examples.

What does good look like? The standards are set by the Financial Action Task Force. Similarly, most countries struggle to meet all those standards, similar to Canada. We all have our own unique challenges that are based on the threats faced by our countries and also our different structures of governance and legislative parameters. Some areas where Canada does particularly well in, other countries might struggle in, and vice versa.

Go ahead, Annette or Denis.

**Ms. Annette Ryan:** Most simply, sir, money laundering, terrorist financing or crime are not static targets. I think my colleague from the RCMP described that well earlier. We absolutely work very closely with a range of international partners—in particular the Five Eyes countries most closely, but through a range of bodies—to stay current with the most recent trends in criminality, money laundering, etc., and adjust our system's tack towards those threats. To the extent that those efforts surface gaps in the policy landscape, then we absolutely share them with our colleagues, such as the finance ministry.

I would also flag that the report you mentioned, the 2018 study, is poised to have its next overall assessment of the regime. There's currently a publicly available consultation paper about what those most pressing challenges would be.

• (1750)

**Mr. Tony Van Bynen:** I have one last question.

Given the interaction not only across the departments here but internationally, doesn't it become a bit problematic if we have different criteria, different levels and different reporting mechanisms?

**Mr. Justin Brown:** Standards exist to help countries understand what the main risks are and what main actions they should be taking to address those risks. They are standards. They're not prescriptive, in general, so each country can implement them in its own way. There are technical standards, which refer more to legislation and regulations, and then the FATF assesses effectiveness.

We all sort of have the same baseline, but then every country is going to implement things in a different way. I'd say that, domestically, we have a very good relationship between all of the different organizations involved in countering money laundering and terrorist financing. Internationally, similarly, Canada has a seat at the table in terms of establishing those standards and representing our

positions. Our colleagues in different organizations, similarly, have relationships with their counterparts internationally, and they find a way to share information to support the anti-money laundering efforts in each others' jurisdictions.

We have, I think, a pretty successful and sophisticated regime for doing that.

**Mr. Tony Van Bynen:** Is there any estimate as to how much the workload would increase by dropping from 25% down to 10%, and do we have the capacity to respond to that?

**Mr. Justin Brown:** I don't have an estimate on the workload. I would echo comments by Mr. Beaudoin. From a strictly anti-money laundering perspective, more information is better.

However, in terms of providing advice on anti-money laundering policy, we always look to the administrative burden and whether something is "implementable", if that's a word. I can't speak to this piece of legislation, but on an anti-money laundering side, I would say that, if we were to look to lower the current threshold of 25% to 10%, I would want to undertake consultations with reporting entities to understand what that means to them in terms of their administrative burdens.

In the context of this beneficial ownership, I think it would also be important to understand what the perspectives are of the provinces. If you have a federal regime with a standard of 10% but the provinces have already mostly signed on to a level of 25%, just understanding their perspectives would be important to me in providing advice so that I would understand the impact of their being willing to buy into a pan-Canadian solution. I'm not saying what their views are. I'm just saying that would be a consideration from my perspective.

**Mr. Tony Van Bynen:** The question would be return on effort.

**Mr. Justin Brown:** Yes. There's always a cost-benefit of collecting more information versus the potential burden put on reporting entities in our case and on corporations in the case of this bill.

**Mr. Tony Van Bynen:** Thank you.

[*Translation*]

**The Chair:** Thank you, Mr. Van Bynen.

It is now Mr. Généreux's turn.

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

Mr. Beaudoin, the registry is the main tool provided in the bill. The names of individuals with at least 25% of the corporation's shares will be disclosed.

Are there tools, other than the registry, that should have been included in the bill? What tools not included in the bill would have been helpful to you?



**Supt Denis Beaudoin:** I don't think anything glaring is missing from Bill C-42. To repeat what others have mentioned, I think it's important to ensure that the regime is pan-Canadian. That's the most important thing, especially when you consider the fact that the share percentage varies from province to province. In some places, it's 25%, and in others, it's 10%. Criminals will go to areas or countries that don't have these kinds of rules. Corporations that are under criminal investigation by the RCMP or that are being used to launder money will be incorporated in those jurisdictions.

That's why the most important thing is to ensure that the legislation applies to the entire country. The provinces and territories have to be brought in, whether through this regime or an independent one.

• (1755)

**Mr. Bernard Généreux:** I see. Thank you.

Mr. Brown, you just said that a number of provinces had a 25% threshold. Do you know whether all 10 provinces and three territories have that threshold in place, or do some still need to make adjustments?

**Mr. Justin Brown:** I'm not certain all the provinces and territories have that threshold. It may be nine out of the 10 provinces.

**Mr. Bernard Généreux:** Which province hasn't established that threshold yet?

**Mr. Justin Brown:** I can't give you any details. I know that the government signed an agreement with the provinces and territories in 2017, and it was further to those discussions that the 25% threshold was established. That's where the threshold in Bill C-42 came from.

**Mr. Bernard Généreux:** If an amendment was adopted and the threshold chosen, whether 15% or 20%, for example, was different from the one chosen by the provinces that had already made a decision, would that be a problem? Wouldn't it be better for everyone to have the same threshold?

**Mr. Justin Brown:** I don't know. We're in a state of uncertainty. We've been talking about a certain threshold with the provinces and territories for about six years, and we have a plan of engagement to find a pan-Canadian solution to this. We believe that all provinces and territories can adopt the approach proposed in this bill. If we lower the threshold to 10%, I don't know how the provinces and territories would react. Personally, I don't know whether this would complicate the exchange of information between the federal government and the provinces and territories. I'm not saying it's impossible, but it's not certain.

**Mr. Bernard Généreux:** When this bill is passed, what will the federal government expect from provinces and territories in terms of working together to ensure that the federal registry matches the provincial ones, and that it's as efficient as possible?

**Mr. Justin Brown:** The primary goal of the federal approach is to ensure interoperability with the provinces and territories. It is designed with that goal in mind. There are, however, many technical details that will need to be discussed with the provinces and territories. The portal, for example, comes to mind.

The federal government is committed to discussing and working in partnership with the provinces and territories. As I said, the min-

isters sent a letter last week to their provincial and territorial counterparts to renew these discussions with a view to adopting a pan-Canadian approach. This bill is an important sign that the federal approach has been established. It provides a model for all of Canada.

**Mr. Bernard Généreux:** Minister Champagne told us that the \$200,000 fine was unheard of anywhere in the world. He said it was higher than fines set in the 130 or 150 countries with which we have international agreements.

Can you corroborate these statements?

**Mr. Justin Brown:** I can't really comment on the size of fines in other countries.

**Mr. Bernard Généreux:** Mr. Beaudoin, do you believe that such a fine will truly deter potential fraudsters or those involved in money laundering?

**Supt Denis Beaudoin:** That's certainly a good question.

I believe another witness said that a criminal organization that makes hundreds of millions of dollars in profits would certainly be able to pay such a fine. As I understand it, these fines would only apply when there is intent to defraud or intent to circumvent the registry. The bill provides for two fines, one of \$5,000 and the other of \$200,000. It will be a matter of seeing how the government can apply both provisions.

**Mr. Bernard Généreux:** I don't know who will be able to answer this question, but I'd like to know who will be responsible for determining whether this was a mistake made in good faith or whether there was genuine intent to defraud. I'm a contractor myself, and I do paperwork all day long. Sometimes people make mistakes.

Is it up to the RCMP to determine whether there has been fraud or attempted fraud? It may happen that someone on the register as a director or business owner makes a mistake. Who will determine if it was a mistake made in good faith?

• (1800)

**Supt Denis Beaudoin:** It will be a matter of determining the person's intent, not unlike any investigation. This isn't always easy to do. You have to identify why such a mistake might have been made, what lies behind it. Often, there's an alert—I'm searching for the right expression.

**Mr. Bernard Généreux:** A whistleblower.

**Supt Denis Beaudoin:** Exactly. It's important to put legislative provisions in place to protect whistleblowers and ensure that the investigating entity has all the facts. The investigating entity will have to prove intent to defraud the system.

**Mr. Bernard Généreux:** I find it interesting to hear in your comments that under this process, the Department of Finance or the Department of Revenue determines that there is possible fraud or that there is reason to investigate. The file is then transferred to you.

Is that how it works?

**Supt Denis Beaudoin:** As I understand it, after consulting my colleagues at Innovation, Science and Economic Development Canada, or ISDE, the responsibility for implementing this lies with them. However, as this is federal legislation, the RCMP could consider the evidence during investigations of money laundering, drug trafficking or other crimes.

**The Chair:** Excuse me for interrupting you, Mr. Beaudoin, but there is no interpretation at the moment.

**Mr. Sébastien Lemire:** Mr. Chair, I can hear interpretation into English on the French channel.

**The Chair:** My colleagues who are listening on the English channel...

**Mr. Sébastien Lemire:** I was listening on the French channel and I could hear the interpretation into English.

**The Chair:** Mr. Beaudoin, could you please repeat your answer?

**Supt Denis Beaudoin:** I consulted my colleagues at ISDE, and as I understand it, they will be responsible for implementing this law. However, this is federal legislation. Therefore, the RCMP would also have jurisdiction. It could be called upon to use the evidence obtained in a broad investigation into money laundering, fraud, drug trafficking, and so on.

In fact, if we find evidence that allows us to lay a charge on a company, we could certainly do so.

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

Ms. Lapointe, you have the floor.

[English]

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

I have a question for all the witnesses.

What do you believe are the consequences of not passing this legislation and making these changes?

**Ms. Annette Ryan:** I'll go first.

This is a big help. The absence of this bill, this measure, means that it's just that much easier for professional money launderers or criminals to establish corporations that can hide the ultimate beneficial ownerships, the intents of these businesses and the actions of these entities.

It makes it harder for FINTRAC and the RCMP—if I could speak for Denis—to establish those linkages between entities, and the finding of the networks is really core to how we push back even more broadly in terms of the threats that face the country, either through money laundering or the underlying crimes we're talking about, as well as terrorist financing.

Absent this bill and these measures, money laundering and serious crime is just that much easier and pervasive. I think the civic society colleagues have spoken very well to the international position that puts Canada in, in terms of an easier jurisdiction for bad folks to do business in.

**Mr. Justin Brown:** I would mostly echo. It's one of our largest legislative gaps in terms of anti-money laundering. If this legislation doesn't go forward, we wouldn't be plugging that gap federally. It would most likely impede our progress to implementing a pan-

Canadian solution, and we would continue to be offside our international standards, our international obligations. Canada's corporate and financial sector would continue to experience the reputational damages accordingly.

• (1805)

**Supt Denis Beaudoin:** I would certainly echo the comments from Annette and Justin. When we look internationally at our policing partners, there are several tools they have that we sometimes don't, and that's certainly one of them. As I said in my opening remarks, we certainly welcome this. Not doing it would, again, keep us back from the rest of the world and from moving forward.

**Mr. Sasha Caldera:** I share the perspectives of my fellow colleagues from the RCMP, Finance Canada and FINTRAC.

Just to ground this in what the impact would be at the community level, you would see increased risk to public safety if this legislation does not pass. You would see continued foreign influence and foreign interference if this legislation does not pass. You would also see a continuation of business fraud and consumer fraud.

This is a really important bill to pass. It will strengthen the integrity of Canada's economy and hopefully shut these actors out.

**Mr. James Cohen:** To build on the agreement that this bill needs to be passed and to put into perspective, again, the consequences of its not being passed, it's been well documented that Canada is a laggard in this area by the Financial Action Task Force, by Transparency International—ourselves at the global level—based on G20 beneficial ownership high-level principles, and by the bad guys themselves.

As I said in my opening testimony, there are websites by enablers overseas who are blatantly marketing Canada as a jurisdiction to bring dirty money to. Just as we're talking about any province being a holdout province and thus being the place for crooks to stash their cash within Canada, if we're the holdout amongst FATF community western nations, it will progressively come here.

As we look at the impacts of the Cullen commission in British Columbia, it started a lot with money laundering in casinos. Everyone said, "As there's going to be pressure, that money will go somewhere else." Lo and behold, last year we saw the Ontario auditor general's report say that casinos are increasingly becoming a money-laundering issue in Ontario.

As Europe regains its ground on money laundering, on beneficial ownership registries post the court decision, as the U.S. implements it and as all of the FATF members and the over 100 other countries around the world continue to work on this, if we don't move forward, Canada is the last stop for the crooks to stash their cash.

**Ms. Viviane Lapointe:** My next question is for Ms. Ryan.

Having legislation is the starting point, but we need to ensure that the intent of the bill is covered in the application of it.

In your opinion, what is required to ensure that financial institutions report the information to the registry when they suspect illegal activities? What barriers do you think need to be removed to make that process easier for those financial institutions?

**Ms. Annette Ryan:** Thanks for the question.

I think it can't be stated enough just how much work our private sector currently does to keep essentially bad money out of the system. They already follow a range of requirements to check their clients and to make sure that corporate entities can be traced to their beneficial owners. It really needs to be said just how much we appreciate the efforts of banks, realtors, accountants, etc.

While some of the details of the discrepancy reporting will remain to be seen, the core idea is that as they do business with entities and are able to look at their financial records and understand them as clients, if that doesn't line up with what's in the corporate registries that are publicly available, then essentially it's a common-sense step to allow them to be able to report back to Corporations Canada and make sure that the overall system sees the same picture.

We will, as a regulator, be thinking about how that works in practice. That's a step to come once the law is passed.

• (1810)

[*Translation*]

**The Chair:** Thank you, Ms. Lapointe.

Mr. Lemire, the floor is yours.

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

As you know, representatives of the Canadian Federation of Independent Business were scheduled to attend today, but the Federation cancelled its appearance on Friday, according to a letter received by Committee members today. The Federation has nonetheless shared some of its concerns with us, and I have turned them into questions.

Mr. Brown, how might public disclosure affect the competitiveness of small businesses in relation to their competitors? Will the registry be public, which might not necessarily be the case for registries in other countries? Could this harm the competitiveness of our small and medium-sized businesses?

**Mr. Justin Brown:** That question is better directed to officials at Innovation, Science and Economic Development Canada. I can tell you, however, that more and more countries are considering a public registry model, even if it goes further than the international standard.

As previously stated, the bill provides a balance between the publication of information and the protection of information that will be disclosed to government authorities, including exemptions. To the best of my knowledge, the bill seeks to strike the right balance between the publication of information and the protection of sensitive information.

**Mr. Sébastien Lemire:** Mr. Caldera, is it international practice to make this information public? The United States doesn't seem to

have made that decision. Why hasn't it? Do they want to dissuade fraudsters from using their scheme in Canada and thus move the problem elsewhere? Does this concern you?

[*English*]

**Mr. Sasha Caldera:** Thank you so much for your question.

I just want to comment that small and medium-sized enterprises can use a publicly accessible beneficial ownership registry to carry out supplier due diligence. If one business is about to transact with another business, they can use the registry to understand who might be the beneficial owners of that contractor, for instance, as part of their due diligence perspective.

In the United States, they took a very different approach for a variety of reasons. When we spoke with our colleagues in the United States, who have driven a public beneficial ownership registry campaign on behalf of civil society, they commented that campaign financing, for instance, was the biggest barrier preventing the United States from making their own beneficial ownership registry publicly accessible.

Did I answer that question clearly?

[*Translation*]

**Mr. Sébastien Lemire:** Yes, that does answer my question overall.

Thank you very much.

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

Mr. Masse, you have the floor.

[*English*]

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

With regard, Mr. Beaudoin, to the fines and penalties, I think right now the \$200,000 is a joke. I'm going to look for an amendment on that. It reminds me that in this country we used to be able to write off environmental fines and penalties and other tax deductions for, basically, criminal activity. It was used basically as part of operations. One could get up to 40% to 50% —in fact, one drug company had a \$40-million fine for illegal marketing but got \$11 million of that back at tax time.

I guess with this legislation, it will be up to a million dollars, so it will allow for those cases. If it's a small business or a small organization and it's an honest mistake, it could be looked at and they could set that lower. To you, is even a million too little?

In terms of what we're dealing with here, with it being up to a million, there's no guarantee that you're going to get that. Obviously there is going to be some review on that. What are your thoughts on that?

I think that \$200,000 is the cost of doing business really.

**Supt Denis Beaudoin:** It's always difficult, when new laws pass, to understand how we can investigate it, how the Public Prosecution Service of Canada will interpret the law and how we can use it. Sometimes a law is passed and we're excited about it, but then in real life it's hard to gather the evidence as written in the law. That's the first thing.

The second thing, to answer your question, is that some criminals will always commit crimes. You could put whatever limit you wanted to on that penalty. I think that at some point, if somebody decides to do money laundering, they are still going to lie to the registry. They are still going to do it. I think the enforcement is going to be important there.

The penalty goes to a certain degree, but, again, making sure that people are held to account will go just as far.

• (1815)

**Mr. Brian Masse:** I think that's critical, because another minister was here and he was saying he wanted to rely on the courts also for some of the fines. As a former city councillor, I always found it very irritating that some crimes weren't sent to the courts because it would have cost way too much money and time and taken officers off streets to go to court appearances instead of doing public safety out there. What I'm worrying about here is that, if our fines and penalties aren't strong enough, then it's going to cost us more through that type of a model. If we at least recover the base amount for actually taking somebody to court, then we're not putting the burden back on the public for somebody doing the wrong thing.

**Supt Denis Beaudoin:** At the federal level, we will provide officers for courts when necessary.

I think the PPSC establishes public interest when deciding to go forward with charges or not, and this is when it takes into account how long a trial may take, how much of the court's time it may take and how much it may cost. These things are taken into consideration when they make a decision.

**Mr. Brian Masse:** Go ahead, Ms. Ryan, and then that's my final time.

Thank you, Mr. Chair.

**Ms. Annette Ryan:** I just wanted to say that finding out a specific entity has such an egregious misrepresentation of its beneficial ownerships is informative as well. To the extent that we are informed about who the beneficial owners are, that allows us to do our work and essentially shed light on whether that effort was part of a professional money-laundering effort.

I think it is important to keep in mind that this is within the context of several laws, and the specific penalties around the reporting have backstops.

**Mr. Brian Masse:** Thank you.

Thank you, Mr. Chair.

**The Chair:** Thank you very much.

Thank you for your expertise and for enlightening this committee, and for your advocacy as well. This has been a long time coming. You're helping us get closer to finally having a registry here in Canada, so many thanks to all of the witnesses today.

This concludes our third round.

We'll suspend briefly, and then at 6:30, we'll resume this meeting for clause-by-clause.

The meeting is suspended.

• (1815)

(Pause)

• (1825)

**The Chair:** Colleagues, I call this meeting back to order.

Again this week we are blessed with the presence of Mr. Schaan, who's now almost a permanent member of this committee. He's always here.

Thank you very much for being here with us to answer our questions as we go through clause-by-clause on Bill C-42.

He's accompanied by Martin Simard, who is the senior director, strategy and innovation policy sector at ISSED.

Thanks to both of you.

• (1830)

[*Translation*]

Without further ado, dear colleagues, we will begin clause-by-clause consideration of Bill C-42.

There is a new clause, clause 0.1.

[*English*]

Go ahead, Mr. Perkins.

**Mr. Rick Perkins:** I'd like to move CPC-1. I believe that's the order I should go in.

CPC-1 changes the threshold. Regardless of where the threshold is set, it's our view that criminals will attempt to circumvent it. By reducing the threshold to 10%, we limit their ability to do so. We believe that having 10% as the threshold for shareholder reporting and disclosure, as we discussed with the recent witnesses, is a better level.

I don't know if you want to do comments. I know we're trying to be short on time. I'll just introduce CPC-1.

**The Chair:** That's perfect. Thank you very much, Mr. Perkins.

Are there any comments on CPC-1?

Mr. Gaheer.

**Mr. Iqwinder Gaheer:** We've heard testimony on this already. I think questions were asked earlier.

If you look at what's in line with our international counterparts, it's a different threshold. The threshold is 25%. I think with 10% we would be an outlier. Again, we've heard testimony from multiple individuals earlier today on the same fact.

**The Chair:** Thank you very much.

Mr. Perkins.

**Mr. Rick Perkins:** I don't think we would be an outlier. I would call it being a leader.

We heard the RCMP say that they thought it would be much more beneficial to them and what they're doing if it was reduced to 10%, rather than at the current 25%. It would give them greater insight. As we know, in lots of other different types of industries, we've used 10% as a shareholder limit rule over the years, whether it's banking or other things. I believe this would provide us with greater tools.

It doesn't take much. There are lots of companies that are around 20%, and 20% can be an influential part of that. Depending on how widely held the corporation is, a 20% owner may be the largest shareholder.

**The Chair:** Thank you.

Mr. Masse.

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

I struggled with this a little bit too. We have a similar amendment. We're wanting to be, obviously, somewhat in line with others. At the same time, this is why I referenced Bill C-25. Its disastrous repercussion led us here to this day because the previous bill by then-minister Bains was so deficient. I think we can go with the 10% and I think we'll be fine. We're known so poorly, so this is catching up.

[Translation]

**The Chair:** I'll recognize Mr. Fillmore, who will be followed by Ms. Lapointe, then Mr. Williams.

Mr. Fillmore, you have the floor.

[English]

**Mr. Andy Fillmore (Halifax, Lib.):** Thanks very much, Chair.

Just on this point, by way of example, we're building the next generation of naval ships here in Halifax. A tremendous amount of debate and energy has gone on around the interoperability of our systems with our Five Eyes and other NATO partners.

Inventing a new language at the very time we should be creating a common language to discuss funding terrorism and other things.... It is just absolutely the wrong time. I think we heard very clearly from Mr. Brown that it's not only within Canada that we are seeking a nationwide standard on this, which has essentially been established now by the provinces and territories at 25%. We're also seeking an international common language.

I agree with Mr. Gaheer's phrasing that we would, in fact, be making ourselves an outlier here at a time in the world when we need to be able to communicate clearly and quickly and share data and interpretation of data for the maximum impact on the shortest turnover possible.

I would strongly urge members to consider keeping the common language that's already been established.

Thank you.

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

Go ahead, Madam Lapointe.

**Ms. Viviane Lapointe:** Recognizing that the 25% threshold has been adopted by most major areas, or the G20, to our officials, what would be the impact of this proposed change?

• (1835)

**Mr. Mark Schaan (Senior Assistant Deputy Minister, Strategy and Innovation Policy Sector, Department of Industry):** I'll speak to three areas of impact that we would note.

First, as noted, this has been a collective exercise over the course of successive rounds of legislative amendments to try to ensure a cohesive approach with the provinces and territories across the country. The 25% standard was what was agreed to with the provinces and territories. That's what they are working to hold their beneficial ownership standard to as they build out their legislative requirements.

The differential between those potentially does a couple of things. One is that it may shift people out of the Canada Business Corporations Act and into a provincial or territorial incorporation. The second is obviously that it doesn't create a unified national standard.

The second is, as you have noted, the comparability across regimes in terms of the ability to be able to look across and actually understand they are comparing apples to apples.

The third is probably more of an implementation issue. This is premised on the the notion of belts and suspenders, in many ways. There is a corresponding obligation in the Proceeds of Crime (Money Laundering) and Terrorist Financing Act for financial institutions to collect information related to 25% beneficial owners and to discrepancy match that information against the information that is contained in our registry.

They will be collecting different information from what we will be collecting in our registry, so the capacity for the efficiency of the discrepancy matching becomes both administratively burdensome and inconsistent.

[Translation]

**The Chair:** Mr. Williams, the floor is yours.

[English]

**Mr. Ryan Williams:** Thank you, Mr. Chair.

Mr. Schaan, the argument is that we are already an outlier, because it seems, based on prior witnesses, we are being touted or advertised as a place to money launder. It seems to be that we would want to push the international standard and perhaps be a leader.

In your opinion, would going under 10% dissuade business in Canada? That is for either one of you.

**Mr. Mark Schaan:** There are two things I would want to make sure that people understand.

One is "control in fact". The rule is 25% or control in fact. Obligations related to the organization actually provide for control in situations where they live under the 25% standard. They would still be decreed as beneficial owners and be required to report the natural person in that particular regard.

The second is obviously the complexity of either having multiple standards at play or the degree to which individual organizations will be now required to provide further information regarding the makeup of their corporations. Given that we have 99% small and medium-sized enterprises in this country, that is obviously something we would contemplate.

**Mr. Ryan Williams:** In term of the provinces, have any provinces advocated for less than 25%?

**Mr. Mark Schaan:** To date, the commitment from the provinces and territories is the 25% standard set up by FATF.

[*Translation*]

**The Chair:** Thank you.

Mr. Masse, you have the floor.

[*English*]

**Mr. Brian Masse:** I am willing to bet they were asked to be at 25%, whether or not they were even offered 10%. I'm wondering whether legislative-wise.... Here's what I'm worried about. They have to come back here to look at altering the percentage. Is there a way, legislatively, we can give the minister the power to do that through regulation, and/or is there a way to allow the minister to go to 10% unilaterally, to start at 25% and go with that? That is my big concern.

I get the concept that you want to do something a little easier here. I listened very carefully to your response in terms of what the commitment was, what they were asking and who has advocated for what, but that's what I'm concerned about. We already wasted time with Bill C-25. Many of these things.... We had motions that were voted against on these very problems.

Is there a way for us to legislate some flexibility here that would allow the minister, again, to go down to 10% unilaterally through regulations and/or perhaps mandate a review of that every year, for example?

**Mr. Mark Schaan:** I'm not a legislative drafter. All I can offer would be that right now we are building on the legislative building blocks that came through both in the Budget Implementation Act and then subsequently. The requirement for organizations to hold information about individuals with significant control was set out in precedential legislation. We would need to both shift the legislation to suggest that the minister would set out what an individual with significant control is in the regulations and then get those regulations through the system.

That's my elementary understanding of what would be required if you needed to move this out of the legislation. Right now, it is in legislation, and it's the requirement that corporations are already upholding right now, because they maintain registries of individuals with significant control set at 25%.

• (1840)

**Mr. Brian Masse:** I'm wondering, Mr. Chair, whether there's any appetite to push this one amendment to later on or whether we need to go clause by clause to see—if we don't finish today—whether or not we could actually get the legislative solution that I'm suggesting. If not, I'm going to stand with my similar.... I assume that voting on this makes NDP-1 irrelevant.

**The Chair:** It does make it moot. I suggest that we....

No, we have to go clause by clause, Mr. Masse, so this is sequential—

**Mr. Brian Masse:** Fair enough.

**The Chair:** —unless there is unanimous consent to do otherwise. I'm guessing there is not, Mr. Masse.

Are there any more comments? Otherwise, I can feel everybody's position.

**Mr. Brian Masse:** I would ask for unanimous consent, then.

**The Chair:** You would like to ask for unanimous consent to postpone the vote on CPC-1.

**Mr. Brian Masse:** Yes.

**The Chair:** Is there unanimous consent for postponing the vote on CPC-1 and NDP-1? They are the same.

**Some hon. members:** No.

**The Chair:** I'm sorry, Mr. Masse, but it was worth trying.

If there are no more comments on CPC-1, I would call the vote on the amendment.

(Amendment negatived: nays 6; yeas 5 [*See Minutes of Proceedings*])

(On clause 1)

**The Chair:** That brings us to clause 1.

Mr. Perkins.

**Mr. Rick Perkins:** I'd like to propose CPC-2.

CPC-2 deals with the issue of real estate. Criminals, as we know, have long used real estate, immovable assets and purchasing through corporations to launder their money. A lot of that's been going on in British Columbia, but it's going on across the entire country, specifically with regard to real property immovables in the scope of the public registry. This, perhaps, might be suspenders and a belt, but in legislation, I kind of like suspenders and a belt to make sure that it's there. It will help discourage criminals from parking their money in Canadian real estate, which we know is a major problem in Canada.

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

Are there any comments on amendment CPC-2, which was just proposed by Mr. Perkins?

If there are no comments, I suggest we go to a recorded vote.

(Amendment negatived: nays 6; yeas 5 [*See Minutes of Proceedings*])

(Clause 1 agreed to)

(On clause 2)

• (1845)

**The Chair:** Are there amendments on clause 2?

Mr. Masse, do you have an amendment to move on clause 2?

**Mr. Brian Masse:** I have an amendment that Bill C-42, in clause 2, be amended by replacing line 32 on page 2 with the following: “\$100,000”.

**The Chair:** What's the name of the amendment, Mr. Masse, just the number? Is it NDP-2?

**Mr. Brian Masse:** I think that's NDP-2.

**The Chair:** Yes, it has to be.

Yes. I'm sorry, Mr. Masse. You can go ahead and move your amendment.

**Mr. Brian Masse:** Generally speaking, I want to increase the fines and penalties, and that's to make this up to \$100,000. I won't speak to it too much other than just to say that it's to make our fines and penalties—and this will be similar to what I'll be submitting later on in clause 5—a little more appropriate than what we currently have. Also, just to remind everybody, it's “up to” so it doesn't mandate. There's the full review and everything. It just gives more flexibility and opportunity for the fines.

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

Are there any comments on NDP-2?

I see Mr. Perkins.

**Mr. Rick Perkins:** I think we've heard testimony before, but I would support this amendment. I don't think \$200,000 is enough. I think it's a modest amount for doing business. I like that it's “up to”, so it obviously could be less if required. One might even argue that \$1 million is perhaps a little low, but pick your number.

I would love to see these things sometimes—being a new guy here—attached to some sort of CPI escalator. In five or 10 years from now, this may seem like a low number. I support this amendment.

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

Are there any more comments on NDP-2? I will call the amendment to a vote.

(Amendment agreed to: yeas 11; nays 0)

(Clause 2 as amended agreed to)

[Translation]

(Clause 3)

**The Chair:** Shall clause 3 carry?

(Clause 3 agreed to.)

[English]

(On clause 4)

**The Chair:** We're moving on now to clause 4. Are there amendments on clause 4?

I have Mr. Perkins.

**Mr. Rick Perkins:** I'll give everyone a chance to catch up to CPC-19.

As written, Bill C-42 does not require the director of Corporations Canada to share information collected from the registrars of corporations with their provincial counterparts, as we read it.

The Liberals talked about interoperability of the federal public registry, but I think it has to be a little more specific in this bill. Provinces and the federal government must be on the same page in information sharing, if possible. We're proposing this amendment to try to make sure that we're better tied on that sharing of information.

I actually wouldn't mind having the officials comment on this.

• (1850)

**Mr. Mark Schaan:** Certainly, the intent is obviously for the director of Corporations Canada to share the information with provinces and territories. The “may provide” in this particular case is there because the provinces and territories have not yet all—to date—accepted to participate in a pan-Canadian registry.

Absent actual formal participation, this would have an obligation for the director of Corporations Canada to send potentially sensitive information to a province with no capacity to receive it or potentially to a registry that is not yet interoperable with the federal one. Our goal here was to say “may provide”, and obviously, the intent, the whole goal of this, is to make it interoperable, but there are instances where it would not be appropriate to do so.

**Mr. Rick Perkins:** If I could ask about that, even if a province hasn't set up its own registry, would it not be of some value for that government as well to understand the data? They may have information they would want to share with the federal government about those corporations.

**Mr. Mark Schaan:** It depends on the treatment of that information.

Obviously, the privacy assessment on this particular bill was done on the remit of the degree to which all participating parties were subject to the same regime. The notion that beneficial ownership information collected by the director of Corporations Canada would flow to an organization without a registry introduces potential risks.

**Mr. Rick Perkins:** Most provinces have a privacy law consistent with federal privacy law, do they not, plus or minus?

**Mr. Mark Schaan:** I think the treatment of the information, obviously, and how it's dealt with once it's received by the province. It's essentially compelling the director to potentially send information where there isn't an actual docking capacity.

**Mr. Martin Simard (Senior Director, Strategy and Innovation Policy Sector, Department of Industry):** I can add that, if you look at the entirety of the provision, it's not upon request. You would create a provision that the director of Corporations Canada “shall” send the information, even if nobody else is on the line. The province has not requested the information. You create this obligation to share. It's not like “share upon request”, which you often see in the law.

**Mr. Rick Perkins:** The “shall” compels you in the law.

**Mr. Martin Simard:** It's just “shall”, even if nobody has asked for it.

**Mr. Rick Perkins:** Thank you.

[*Translation*]

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

Are there any more comments on amendment CPC-19?

I call the vote.

(Amendment negatived: nays 7; yeas 4. [*See Minutes of Proceedings*])

(Clause 4)

**The Chair:** We're moving on to clause 4.

Are there any other amendments, Mr. Perkins?

[*English*]

**Mr. Rick Perkins:** Mr. Chair, I'm assuming some of these were advance notices. If you're not ruling them out of order, I'm okay to move them.

On CPC-24—I'll give you a chance to catch up—it's back to the issue of real estate. It makes sure the street address... If there's no address, a description of the location of the real estate and property is included in the registry.

I mentioned earlier that criminals use real estate, obviously, to launder money. We have a money-laundering problem. Real estate is a big part of it. Anything that provides greater transparency about where that money is or who owns that property would be beneficial to, I think, understanding and investigating where proceeds of crime are going.

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

Are there comments on CPC-24?

Yes, of course, go ahead, Mr. Schaan.

**Mr. Mark Schaan:** I have no further comments on this one. I think it was clear to members that this would make public the information about beneficial owners and the land they own, which obviously, in our perspective, is what the registry is intending to do: provide some light on the actual person associated with the corporation.

• (1855)

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

If there are no more questions or comments on CPC-24, I would ask for a vote.

(Amendment negatived: nays 6; yeas 5 [*See Minutes of Proceedings*])

[*Translation*]

**The Chair:** We're continuing with clause 4.

Are there any other amendments?

[*English*]

**Mr. Rick Perkins:** Amendment CPC-28, for reference, ensures that investigative bodies are able to access information that is collected by the director, but that is granted an exemption on being made public, and gives the reasons for its exemption.

As it stands, the only method for law enforcement to access non-public information from the registry is via the corporation's own register. This will ensure that law enforcement does not have to go to the corporation, potentially tipping off the suspect. It will also ensure that the only automatic exception be granted to minors—that's the only automatic exception—and that all other exemptions from the public registry be granted by an application under proposed subsection 21.303(3).

[*Translation*]

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

Are there any other comments or questions on amendment CPC-28?

Mr. Gaheer, you have the floor.

[*English*]

**Mr. Iqwinder Gaheer:** Can we ask the officials what the effect of this amendment would be?

**The Chair:** Go ahead, Mr. Schaan.

**Mr. Mark Schaan:** We would just bring the attention of the committee to the changes that were adopted in the Budget Implementation Act, 2022, No. 1, changes that preceded this on the beneficial ownership, where in section 21.301, there is a provision that reads:

The Director may provide all or part of the information received under section 21.21 to an investigative body referred to in subsection 21.31(2), the Financial Transactions and Reports Analysis Centre of Canada or any prescribed entity.

By our read, there is a capacity for the director to provide this information to law enforcement.

[*Translation*]

**The Chair:** I call the vote on amendment CPC-28.

(Amendment negatived: nays 7; yeas 4. [*See Minutes of Proceedings*])

• (1900)

**The Chair:** Are there any other amendments members wish to move on clause 4?

[*English*]

I can wait one second, Mr. Perkins.

**Mr. Rick Perkins:** I'm sorry about that, Mr. Chair.

This is one of the ones we sent in today. It's the one that came out of the testimony of one of the groups that was here a little earlier to provide a little more transparency in the registry. That was part of the letter I think we all received on Friday. This was distributed by email to committee members today.

I move, that Bill C-42, in clause 4, be amended by adding after line 16 on page 3 the following: “(c.1) their jurisdiction of residence for tax purposes” and “(c.2) the name of the corporation”.

We have a hard copy that I think we can distribute.



**The Chair:** Okay. Just for more clarity for members, this is the amendment referenced 12517837, if that's clearer for everyone. It's not a numbered amendment because it was sent after the deadline.

Are there any questions on the proposed amendment to clause 4 by Mr. Perkins?

**Mr. Rick Perkins:** Can we wait a second until everyone has the amendment?

**The Chair:** Yes. It's being distributed, but I'll recognize Mr. Fillmore.

**Mr. Andy Fillmore:** Thank you.

Briefly, I wonder if we could hear from the officials on any impact they perceive from this amendment.

**Mr. Mark Schaan:** We would note two things about this amendment.

First, the notion of the “jurisdiction of residence for tax purposes” is a field that's already being collected, but it is not being made public. That's to make sure that's understood in terms of what the gist of the amendment is.

Second, on the name of the corporation, I want to be transparent about exactly what we intend to do with the registry. The Canada Business Corporations Act already makes public the names of the corporations that are incorporated under the Canada Business Corporations Act.

What the beneficial ownership registry will make public is the natural person who is the ultimate individual of significant control of that Canada Business Corporations Act corporation. By asking for the name of the corporation, that is not in keeping with the individual of significant control, which is at the heart of the beneficial ownership registry. What we are asking for is the human at the end of the chain who actually exercises control of the organization.

The name of the corporation, I assume to be in this particular case, is potentially the corporation of the individual of significant control, which is not the information we're asking for. We're asking for the natural person. Otherwise, it's the name of the corporation that is incorporated under the Canada Business Corporations Act, which is already public because it's part of the nature of the corporations registry.

That's our confusion on (c.2).

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

Go ahead, Mr. Perkins.

**Mr. Rick Perkins:** This isn't a substitute for what you're collecting. It's additional information on the traceability. Then you can go back and search that name again within the registry, which you won't have if you just have the name of the individual.

**Mr. Mark Schaan:** What I want to be clear about is that what we've asked corporations to provide is the natural person. I would not know how to implement (c.2) because I don't know what is intended by the name of the corporation.

What we've asked for is a natural person, which by nature is not a corporation. Not all natural persons are necessarily incorporated

or of a corporate nature. In fact, they can't be if they're a natural person, but they might be investing through one.

● (1905)

**Mr. Rick Perkins:** Does that impede the registry at all?

**Mr. Mark Schaan:** Yes. New paragraph (c.2), as it stands now would, at least from an implementation perspective, sow confusion, because I don't know what it's asking for. If it's asking for the name of the corporation that the individual of significant control is investing in, that's how you get to it in the registry.

If I'm Mark Schaan Incorporated and my beneficial owner is Mark Schaan, the name of the company is Mark Schaan Incorporated, which you already clicked on to get to the individual of significant control. The individual of significant control is the natural person at the end of it, who is Mark Schaan. That's what we're asking for.

We're not asking for the name of the company. What we're asking for are humans, not corporations, because corporations by their very nature.... Then, we're in a rabbit hole of trying to figure it out.

**The Chair:** Mr. Masse.

**Mr. Brian Masse:** I'm trying to follow this.

I read this.... Am I wrong? It wouldn't name also the person.

Let's say it was Loblaws. It wouldn't name the person. That's what I—

**Mr. Mark Schaan:** The obligation on the registry is to provide the natural person at the very end of the chain. It is not to provide the corporation that has individuals who have significant control. It's the natural person who controls that. Otherwise, you could end up in this endless loop, where corporation one is owned by two, which is owned by three, which is owned by four and by five.

What our law asks for is this: Who is the human, the natural person, at the very end of the chain who is actually exercising control? If that person is exercising greater than 25% of control, that's whose name appears in the individuals of significant control registry.

**Mr. Brian Masse:** Okay. If it were corporations, though, would it not then have to list every single corporation that was part of that scheme? I understand your point here. This is—

**Mr. Mark Schaan:** It would list the individual with significant control at the very end of that.

Let's imagine that “Mark Schaan Inc.” was a conglomerate, and I was owned by 900 affiliate companies, but the ultimate controller of that organization was Mark Schaan. I would put “Mark Schaan”. If it was ultimately owned by a grouping of individuals, if there's a collection of natural persons actually at the back end of that, I would list the collection of natural persons. If my family dynasty owns this conglomerate, we would list the “Mark Schaan dynasty”, which does not exist, as the natural persons who own said dynasty.

**Mr. Brian Masse:** I've been here long enough to know the “Mark Schaan dynasty”. We've been here together a long time.

**Voices:** Oh, oh!

**Mr. Mark Schaan:** We have indeed.

**Mr. Brian Masse:** Thanks for explaining that so clearly. Actually, I get where it's gotten complicated.

Thank you, Mr. Chair.

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

I see Mr. Van Bynen.

**Mr. Tony Van Bynen:** I heard some conversation earlier with the experts. The term raised was “reverse search”. I'm wondering if this is what they're trying to accomplish. Is it possible to do a reverse search? Can we tell what corporations the “Mark Schaan dynasty” owns?

**Mr. Mark Schaan:** You'll be able to search by beneficial owner or by individual with significant control, and you'll be able to search, as you can now, by corporation. Both of those features will exist.

In terms of being able to “reverse search” details about that individual, there are limited details about the individual that will allow you to be able to search by the parameters that are public and, by that, potentially uncover additional information.

**The Chair:** I don't see any more comments on the amendment 12517837 proposed by Mr. Perkins.

Let's move to a vote.

(Amendment negated: nays 7; yeas 4)

[*Translation*]

**The Chair:** Are there any further amendments?

[*English*]

Mr. Perkins.

**Mr. Rick Perkins:** Thank you, Mr. Chair.

This is another one that's not in the main package but is being distributed now. It was emailed to you earlier. It's number 12517956. The clerk is emailing it now.

In essence, what this does, it's about searchability. I move that Bill C-42, in clause 4, be amended (a) by deleting lines 17 and 18 on page 3, and (b) by replacing lines 20 to 22 on page 3 with the following: “(2) The Director shall make the information referred to in subsection 21.1(1) that was sent to the Director under section 21.21 available to the public in a searchable format.”

We're trying to get a more usable searchable format for public disclosure and transparency as a condition here in the act.

• (1910)

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

Mr. Vis.

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

This was put forward by Transparency International. It was interesting that they put this forward, because they didn't see, despite comments made by the minister, that the register would be free and would be available to the public in the actual legislation.

I think this amendment just simply clarifies the point that it would do what the government said it would do.

Thank you, Mr. Chair.

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

Are there any comments or questions on the amendment ending with 956 proposed by Mr. Perkins?

Seeing that there are no comments, I would ask for a vote.

(Amendment negated: nays 6; yeas 4)

**The Chair:** We're still on clause 4.

Mr. Perkins.

**Mr. Rick Perkins:** Thank you, Mr. Chair.

Again, on the ones distributed, for the clerk, it's the one ending in 8066.

This is an amendment that Bill C-42, in clause 4, be amended by replacing line 23 on page 3 to line 2 on page 4 with the following: “(3) A post office box shall not be used as an address for service.”

I guess this is pretty self-evident. If you want something traceable to enable investigation beyond money laundering or criminal activity.... Post office boxes are used quite often for corporate entities and the register. This would say that this is not allowed.

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

I'll recognize Mr. Vis, and then Mr. Gaheer.

**Mr. Brad Vis:** Again, the #endsnowwashing campaign put this forward, because in my province this is a common tactic used by criminals and an easy loophole to exploit. I hope in good faith we can have support for this important and simple amendment from a lot of good people, who are only trying to make us a safer country.

Thank you.

**The Chair:** Mr. Gaheer.

[*Translation*]

Mr. Lemire will be next.

[*English*]

**Mr. Iqwinder Gaheer:** I want to ask the officials about the impact of this amendment.

**Mr. Mark Schaan:** It is currently the situation, with Corporations Canada, that a residential address for service cannot be a postal box, except in cases where the jurisdiction is only served by a post box. That is for the purposes of protecting individuals for whom a rural route or a post box is the only means by which to address service. That is the current practice of Corporations Canada. This would actually remove the current exception, as we would see it, that allows for the post office box to serve in those jurisdictions where it is the only means by which service can be rendered.

• (1915)

[*Translation*]

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

Mr. Lemire, the floor is yours.

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

I just have a question about the translation. In the French version, it says “*aux fins de signification*”.

Is that the right translation for “address for service”?

**The Chair:** As far as I know, that’s the case.

**Mr. Sébastien Lemire:** Thank you.

**The Chair:** I think it really is the case, Mr. Lemire.

Any further comments?

There are none.

I call the vote on amendment number 12518066, moved by Mr. Perkins.

(Amendment negated: nays 7; yeas 4. [*See Minutes of Proceedings*])

**The Chair:** Thank you very much, Madam Clerk.

Are there other amendments on clause 4?

There are none.

[*English*]

(Clause 4 agreed to)

(On clause 5)

**The Chair:** We have Mr. Masse.

**Mr. Brian Masse:** I have an amendment, NDP-3. I move that Bill C-42, in clause 5, be amended by adding after line 9 on page 4, “(2) Subsection 21.4(5) of the Act is replaced by the following: (5) A person who commits an offence under any of subsections (1) to (4) is liable on summary conviction to a fine not exceeding \$1,000,000 or to imprisonment for a term not exceeding five years or to both.”

Again, that is consistent with allowing a more responsible penalty, especially as some of our current penalties could even cost the public. The overall framework of this is “up to”. The discretion is there, so it won’t get others caught in the situation.

[*Translation*]

**The Chair:** Thank you, Mr. Masse, for moving amendment NDP-3.

Are there any comments or questions on amendment NDP-3?

There are none. In that case, I call the vote.

(Amendment agreed to: yeas 11; nays 0.)

**The Chair:** Are there any other amendments on clause 5?

[*English*]

(Clause 5 as amended agreed to)

(Clauses 6 to 14 inclusive agreed to)

(On clause 15)

• (1920)

[*Translation*]

**The Chair:** Are there any other amendments members wish to move on clause 15?

[*English*]

**Mr. Brad Vis:** Yes. I’d like to move CPC-73, which would amend Bill C-42 (a) by adding after line 26 on page 7 the following:

(2.1) The Director may, with the approval of the Minister, enter into an agreement or arrangement with a provincial corporate registry or with a provincial government department or agency that is responsible for corporate law in the province for the purpose of facilitating timely access to beneficial ownership information that could relate to the commission or potential commission of wrongdoing as described in paragraph (3)(b).

In (b), it would add after line 34 on page 7 the following:

(4) In this section and in sections 21.1 to 22, corporation includes a corporation that is incorporated under a Act of the legislature of a province that has entered into an agreement under subsection (2.1).

Of the approximately 4.3 million businesses in Canada, just 400,000 are incorporated federally and subject to CBCA regulations. Businesses incorporated provincially would be included in this public registry. Once an agreement between the province and the federal government is reached, however, they would not be subject to the penalties for non-compliance. This amendment will ensure that provincially incorporated businesses, in agreement to be part of the registry, face the same penalties as those incorporated federally.

Thank you, Mr. Chair.

• (1925)

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

Are there any comments or questions on amendment CPC-73, which was proposed by Mr. Chong and moved here by Mr. Vis?

Mr. Perkins.

**Mr. Rick Perkins:** I’m just curious to hear Mr. Schaan’s views.

**Mr. Mark Schaan:** I’ll be honest, Mr. Chair, that our reading of the amendment is not aligned with the description that was just provided in the second portion. On the first portion, yes, this would allow the director to provide information about wrongdoings. That, to our estimation, can already be shared with the relevant provincial authorities for corporate wrongdoings, and that is the provincial police.

The understanding that by sharing this information those provincial entities would constitute themselves as being subject to the penalties of the act would not be our read or understanding of the act.

**Mr. Brad Vis:** It’s not what I said.

**Mr. Rick Perkins:** I'm sorry. I think he said it exempts them from the penalties of the act. The provincial penalties would exist, not the federal ones, for non-compliance. It's just incorporating whatever is in a provincial registry into the federal registry. That's all it is.

**Mr. Mark Schaan:** Perhaps, Mr. Chair, the member could reread the sentence. I understood that they would now be subject to federal penalties. If that's not the case, I'm....

**Mr. Brad Vis:** I'll just read that back.

I said in my notes here that businesses incorporated provincially would be included in this public registry. However, once an agreement between the province and the federal government is reached, they would not be subject to the penalties for non-compliance. Therefore, this amendment would ensure that provincially incorporated businesses face the same penalties as those incorporated federally.

**Mr. Rick Perkins:** They just wouldn't be subject to the non-compliance provisions. That's all.

**The Chair:** Thank you.

Mr. Vis.

**Mr. Brad Vis:** If there is an agreement.... When the minister was speaking, we asked how we were going to ensure that the provinces actually participate in this registry. He said, "I wrote them a letter." I thought, and Mr. Chong, who is watching this thought, thought that's not really enough assurance to ensure the interoperability of this registry moving forward with provincial beneficial ownership registries.

Secondly, we thought a way of ensuring that provincial businesses would be subject to the same penalties for non-compliance would be this clause.

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

Everyone has heard the proposed amendment.

[*Translation*]

Are there questions or comments on amendment CPC-73?

Mr. Lemire, you have the floor.

**Mr. Sébastien Lemire:** I just want to make sure I'm interpreting this correctly.

If there were a penalty to apply, which regime would take precedence, the provincial or the federal one?

**The Chair:** I assume your question is addressed to Mr. Schaan.

Mr. Schaan, you have the floor.

**Mr. Mark Schaan:** I thank the member for the question.

From what we know of the effects of this bill, it would make provincially incorporated companies corporations for the purposes of the Canada Business Corporations Act. I have difficulty understanding this, because of the many aspects of the Canada Business Corporations Act that distinguish the federal regime from that of the provinces and territories. If we adopt an approach whereby all companies having entered into an agreement with the Government of Canada are considered corporations for the purposes of sec-

tions 21.1 to 22, those companies will be subject to the same requirements as federally incorporated companies, since they will be considered corporations within the meaning of the Act.

I don't know which penalty would apply, as the regimes differ widely. For example, the maximum fine for the province of Quebec is \$25,000, whereas the maximum fine that was passed today, which was originally set at \$200,000, is now \$1 million. So I don't understand the second part of the amendment. I'm sorry. This is what it says:

[*English*]

In this section and in sections 21.1 to 22, corporation includes a corporation that is incorporated under an Act of the legislature of a province

It suggests that it is subsuming those corporations for the purposes of sections 21.1 to 22.

[*Translation*]

They would be subject to the same requirements as federally incorporated companies.

• (1930)

[*English*]

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

[*Translation*]

**The Chair:** Mr. Vis, the floor is yours.

[*English*]

**Mr. Brad Vis:** I just think that, with respect to interoperability, if our goal is to have all businesses in Canada.... This is the goal of the minister. If our goal is to have all businesses in Canada under one working beneficial ownership registry by reaching agreements with the provinces and territories, it only makes sense under law that everyone would be subject to the same penalties and fines. There should not be a set of penalties and fines for the provinces and a set for federally regulated businesses. It is in line with the objectives of everyone at this committee to see a motion like this pass by applying Criminal Code provisions accordingly.

**The Chair:** If there are no more comments on the amendment CPC-73, I would call the vote.

(Amendment negatived: nays 7; yeas 4)

(Clause 15 agreed to)

[*Translation*]

**The Chair:** Thank you very much.

[*English*]

(Clauses 16 to 21 inclusive agreed to)

**The Chair:** Shall the title carry?

**Some hon. members:** Agreed.

[*Translation*]

**The Chair:** Shall the bill, as amended, carry?

[*English*]

**Some hon. members:** Agreed.

**The Chair:** Shall the chair report the bill as amended to the House?

**Some hon. members:** Agreed.

[*Translation*]

**The Chair:** Shall the Committee order a reprint of the Bill, as amended, for the use of the House at report stage?

**Some hon. members:** Agreed.

**The Chair:** Wonderful. I would like to congratulate Committee members for this fine effort. Thank you.

• (1935)

[*English*]

I recognize Mr. Masse.

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

I actually want to congratulate you for your first piece of legislation that is going to the chamber.

Thanks to all the officials and witnesses who participated in this journey.

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

I echo your comments. Thank you to Mr. Schaan, Mr. Simard, the legislative clerks, our clerk, the interpreters and also the members of this committee. We've had a very collegial committee from the start.

I think this is a piece of legislation we all agreed with on principle. I'm glad to see it move forward. I want to thank you for your collaboration.

**Mr. Rick Perkins:** I'd like to thank the chair as well. I'd also like to thank Mr. Fillmore for the work he did on the weekend.

**The Chair:** Yes, thank you very much, Mr. Fillmore.

Thanks to all.

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