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Chair

The Honourable Wayne Easter

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• (1555)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll call the meeting to order and continue our review of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

With us we have, from the Government of British Columbia, the Attorney General, the Honourable David Eby.

Minister Eby, welcome. Sorry for delaying you.

Do you have electronic voting in B.C.? We could certainly use it here.

Hon. David Eby (Attorney General of British Columbia, Ministry of Attorney General, Government of British Columbia): Not yet, Mr. Chair. We're working on it.

The Chair: The floor is yours. Welcome.

Hon. David Eby: Thank you very much.

It's a pleasure to be here at the committee. I want to thank the committee very much for the invitation to come to present to you today and to answer your questions. One of the reasons why I felt it was particularly valuable to take you up on this invitation is that I believe we have a very serious issue and are in need of concerted federal effort and assistance in dealing with it. I really wanted to bring that message to the committee personally.

I would like to share with you a few remarks and a bit of a narrative about my experiences in becoming a new minister in British Columbia. In July, I was sworn in as Attorney General with responsibility for gambling. That was really when my eyes were opened about some of the activities that have been taking place in British Columbia.

It was on one of my first days as minister responsible for gambling that I was briefed by our provincial regulator as part of the briefings I received as the new minister responsible. The first words that I heard at that briefing from a member of our regulator, the gaming policy and enforcement branch, were, "I think we are going to blow your mind."

Mr. Chair, I can say that my mind was, indeed, blown. The regulator walked me through extensive and overwhelming evidence of large-scale money laundering in Lower Mainland casinos. I was shown video and photographs of individuals wheeling large suitcases packed with \$20 bills, others bringing stacks of cash to casino cages. I was astounded by the audacity of those involved. On

a purely practical matter, \$800,000 in twenties is very heavy. It looked like they were helping somebody move a box of books.

I was equally astounded that this activity had been taking place in British Columbia without an effective criminal, legal, regulatory, or policy response for almost a decade. There have been, to my knowledge, no related criminal charges or tax prosecutions to date related to the activity that I witnessed.

Suspicious cash transactions began climbing at B.C. casinos in 2009 following the defunding of B.C.'s provincial integrated casino policing team. Large, suspicious cash transactions continued unabated from 2009 until late 2017, when our new government instructed B.C. casinos that they should no longer accept large cash transactions when they didn't know where the cash was coming from. We're still not done yet in terms of solving this problem.

I retained anti-money-laundering expert Dr. Peter German, a former senior RCMP officer and the author of Canada's leading textbook on anti-money-laundering law, who has been investigating and reviewing what has happened in British Columbia. He will advise me in a report that I will receive at the end of the month about how the province, at the provincial level, can address this problem.

At the federal level, I would really like this committee to understand the colossal nature of the regulatory failure that took place and, frankly, may still be taking place in British Columbia. The issue in British Columbia is so notorious and so severe that I was briefed on an international intelligence community training session in which international intelligence members were taught about something called the Vancouver model of money laundering.

We are famous internationally—or, more accurately, we have become infamous—for money laundering.

In the Vancouver model of money laundering, a wealthy individual from China, a country with strict currency export controls, wants to gamble. A gangster will meet that gambler at a casino, offering cash in amounts as high as hundreds of thousands of dollars. In one transaction, it was \$1.2 million in cash. The cash is the proceeds of gang crime. To pay for the cash, the gambler agrees to transfer money in China from his bank account into a bank account under the control of the gang. The gambler walks the illicit cash into the casino, completes a FINTRAC reporting form, buys chips, gambles, and on leaving, either cashes out, receiving a cheque, or carries the chips out of the casino.

In sum, the criminal gang has successfully laundered difficult-to-manage twenty-dollar bills, moving the money out of Canada while keeping their names off of FINTRAC forms. Those involved in the transaction can truthfully report that everyone is following all of the reporting rules. FINTRAC will aggressively audit and confirm that the reports have been made accurately.

● (1600)

The only real evidence of a problem is a guy lugging a hockey bag full of \$20 bills into the casino. You might think that this alone would be enough to start a police investigation or a Canada Revenue Agency investigation. It has not been. B.C.'s casino policing team was funded again and resurrected with a better mandate in 2016 and is now, unsurprisingly but thankfully, involved in a massive transnational criminal investigation.

I'd like to thank those who work at FINTRAC. I believe they collect critically important information and ensure it is accurate. The issue is not their fault, but there is a problem. An anti-money-laundering system that rigorously enforces compliance with reporting but does not have an enforcement arm puts a sheep mask on a wolf's face. While I know it is not true, I picture submitted FINTRAC forms being picked up by a lonely person at a fax machine in a giant warehouse, who puts the reports into boxes, and the warehouse is filled with boxes from floor to ceiling as far as the eye can see. Although this is clearly not the actual situation, it may as well be true given the apparent lack of action in British Columbia taken with regard to casino money launderers.

Unfortunately, the impact of FINTRAC reporting in B.C. has been that any criticism of allowing massive cash transactions with money from unknown sources is answered simply by, "We comply with all federal anti-money-laundering reporting rules." I have no confidence that any enforcement or investigation action would result from a report submitted this afternoon with the words "highly suspicious" in all caps and triple underlined. In fact, I believe the current reporting system actually reduces the possibility of action, because the individual completing the form would mistakenly believe that writing "highly suspicious" on the form and then submitting it was the same as reporting it to police. It is not the same.

Unfortunately, if FINTRAC has been concerned about a lack of action on its reports, it has been unable or unwilling to speak publicly about that lack of action. That needs to change. British Columbians take no comfort in the suggestion that this is somehow limited to casinos.

We will be asking Dr. German to take on a second phase, this time looking into real estate, following highly publicized reports of a link

between money laundering and our real estate market in British Columbia. Dr. German has requested that I provide you with his interim federally focused recommendations, given the timing of your committee and the timing of his report. It's a little bit like getting the last page of the book without receiving the book itself. I do have the recommendations for the committee here for you today, Mr. Chair, but unfortunately I didn't receive them in time for them to be translated for the committee. I'm in your hands about the best way to ensure the committee receives them.

Important work with the federal government is happening behind the scenes. I'm grateful for that support from the federal government. I'm appearing here so that all members of federal parliament—and as much as possible, all Canadians—can understand why we are asking for more support from the Canada Revenue Agency, the RCMP, and other federal agencies. We certainly hope the federal Parliament supports any interventions that are proposed by the government.

Thank you, Mr. Chair.

● (1605)

The Chair: Thank you very much, Mr. Minister, and thank you for your candour on the recommendations. Just leave them with the clerk, and we'll get them translated. Do we have to hold them as confidential until such time as the report is released?

Hon. David Eby: No, Mr. Chair. They can be public.

The Chair: Okay.

Dan, is that a point of order or what?

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): No, I was just going to ask if it would be possible to have—depending on how long the recommendations are, Minister—you read them into the record, and then we can ask questions about them. Would that work for everyone, because then at least they're in the record in both French and English? We'd hate to have the resource here and then think we passed the opportunity because we didn't have translation.

The Chair: I think that's a fair suggestion, if you could, Minister. Do you mind doing that?

Hon. David Eby: Not at all, Mr. Chair. I'd be glad to do that.

The Chair: Okay.

Hon. David Eby: Maybe I will....

The Chair: How many are there?

Hon. David Eby: Yes, I think I'll skip the background—

The Chair: Yes, just read the recommendations.

Hon. David Eby: I'll focus on the recommendations themselves.

For reference when you receive the official document, I'll start at paragraph 14, under the heading, "The Legal Profession":

Without question, the absence of reporting by lawyers is a significant gap in Canada and is a significant impediment to police investigations involving the movement of money through real estate and other financial sectors. Canada is an outlier here as well. Other common law jurisdictions, including the United Kingdom, have robust provisions in place which require financial reporting by lawyers. Quite frankly, consultation has occurred for years. There is a real need for legislation which can withstand a Charter challenge and requires the reporting of monies held in lawyer trust accounts.

The irony is that in British Columbia, most personal real estate transactions are handled by notaries, who do report to FINTRAC. It is hard to rationalize why their handling of money should be treated differently than that of lawyers.

Under the heading, "High Risk Sectors":

The consultation paper lists several businesses and persons to which legislation could be extended, through amendments to the PCMLTFA. It is something akin to 'whack a mole' as FinTRAC attempts to close gaps with vulnerable sectors that do not currently report. Of interest are the following:

Under the heading, "Par-mutuel or horse racing sector":

GPEB

—that's the gaming policy enforcement branch in British Columbia—

currently regulates this industry. I am not aware that B.C. has ever examined the prevalence of money laundering in the horse racing sector. Reporting requirements would certainly shed light on what is occurring.

Under the heading, "Auto dealers":

It is well documented that the criminal lifestyle is often attracted to expensive consumer goods; such as luxury cars and pleasure craft. Due to their high value, these items are also excellent places in which illegal cash can be reintroduced to the legitimate economy during the integration phase of the laundering process.

Luxury items are of interest because there is no tracking by government of cash purchases. They are not reportable transactions to FinTRAC.

Vancouver has been described as the number one super car city in North America. Also, auto dealers in Greater Vancouver are among the highest new and used luxury car dealers in Canada, by sales volume.

In essence, an individual can walk into a luxury auto dealership and purchase a high-end vehicle with \$400,000 cash. The only obstacle will be dealership policies.

An incredibly large number of 'curbers', unregulated intermediaries, are believed to be operating in B.C. and a vigorous awareness campaign is underway to alert British Columbians of the dangers inherent in dealing with curbers. The fact that these are all cash-based activities makes them extremely vulnerable to the introduction of dirty money.

Under the heading, "Company Service Providers":

This high-risk sector is relevant to the issue of beneficial ownership.

Pardon me, Mr. Chair, but it's difficult to pull out the recommendations, because clearly they are part of a larger integrated document. Maybe I'll start a little earlier because I might be able to get through the two pages that would give some context.

• (1610)

The Chair: Okay.

Hon. David Eby: On February 7, 2018, the Minister of Finance released a public consultation paper with respect to PCMLTFA. Parliamentary committee hearings on the statute are taking place this month in Ottawa.

Since 1989, Canada's Criminal Code has contained the offence of laundering as well as possession of the proceeds of crime. In 1993, Parliament enacted a federal statute, which required financial institutions to keep records of certain transactions. That legislation

was replaced in 2000 by the PCMLTFA—I'll call it the act from here on in—which has been amended many times since.

The act moved Canada from a recording to a reporting regime and created Canada's financial intelligence unit, FINTRAC. The legislation was a response to international commitments made by Canada.

Although the Criminal Code falls under the purview of the Attorney General of Canada, the Minister of Finance is accountable for the act. Approximately 100,000 businesses and financial institutions are now required to make large cash transaction reports and suspicious transaction reports to FINTRAC. Some industries have additional reporting requirements. In this regard, casinos must also make cash disbursement reports.

FINTRAC performs audits on reporting entities and does so every two years at B.C.'s casinos. It has the power to impose administrative monetary penalties. The largest penalty ever imposed with respect to casinos was meted out to BCLC in 2010. BCLC, the B.C. Lottery Corporation, appealed the administrative monetary penalty to the Federal Court. The case was resolved in 2016 in what is best described as a draw. By this time, FINTRAC was satisfied with the quality of BCLC reporting. In addition, its entire administrative monetary penalty structure had been called into question because of unrelated cases, which questioned the lack of objective criteria being used to determine the quantum of a penalty.

I'll skip ahead, Mr. Chair.

It is beneficial to review the latest FATF mutual evaluation of Canada's legislation, which points to various deficiencies in Canada's existing scheme. In the past, it has almost always been through this form of international peer pressure that substantive changes have been made to Canada's various criminal and other federal legislation related to proceeds of crime, money laundering, and corruption. The FATF review can be found at the link provided.

There are numerous references to casinos in the FATF report. I will not comment on the issues of beneficial ownership and whistle-blowers, with which the minister is already very familiar and which are covered in some depth in the consultation document.

Mr. Chair, I hope it was of some use to the committee to provide a little bit of an overview of the contents of that recommendation document. As I say, it is a piece of a much larger report that we're expecting to receive at the end of the month.

The Chair: Yes, and some of those points are raised in the Department of Finance discussion paper, as well, in relation to the FATF.

Okay, we'll turn to questions, and we'll go to five-minute rounds rather than the regular seven.

Mr. Fergus, go ahead.

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you very much, Mr. Chair.

Thank you, Minister, for your report. Also thank you for very quickly, given the time that you've been in office, drilling down on an important and, I think, huge issue for Canada and certainly for British Columbia in dealing with the proceeds of money laundering and terrorist financing.

I really appreciate, also, how you pointed out the loophole we seem to have in terms of dealing with how the criminal element can be using casinos to launder their money. I'm very interested in something, though. You made passing reference to it, but it's also come out in a lot of testimony, and it came out in the Department of Finance report, as well. It's the question of beneficial ownership.

I was wondering if you could give us a sense as to what British Columbia is doing in terms of increasing the transparency regarding beneficial ownership, in terms of private corporations that are registered on the provincial books, and how British Columbia would like to see Ottawa work co-operatively with it to perhaps establish a Canadian registry.

•(1615)

Hon. David Eby: The issue of beneficial ownership has been particularly acute in British Columbia as a result of our out-of-control real estate market. Metro Vancouver's real estate market was reviewed by Transparency International Canada. They looked at the top 100 properties, by value, in the assessment authority, and then they looked at the land title registrations for those properties. They found that for almost half of those properties, it was impossible to determine the true owner of the property. The properties were held by international trusts or by companies where the sole director was, for example, a lawyer, or were owned by a student or a housewife. The recommendations from that report, quite obviously, were of significant interest to British Columbians, who note that the average price for a family home in metro Vancouver far exceeds the average salary for a family. People naturally ask where the money is coming from.

It has been a priority for our government. The Minister of Finance has committed to establishing a land title registry in British Columbia in which the beneficial owner of the property must be declared. We're looking at international examples. I understand that the United Kingdom has adopted a beneficial ownership land registry based on similar concerns, and we anticipate introducing one in British Columbia. There is also a significant opportunity for British Columbia around corporate beneficial ownership. The Province of Alberta has a beneficial ownership scheme for its corporate entities.

I think it's important to underline how important it is for there to be a Canadian standard around corporate and land registry beneficial ownership, because we'll end up displacing the activity. If in British Columbia you have to declare beneficial ownership, they'll just move the money somewhere else.

I wouldn't wish the kind of issues that we've seen in British Columbia on other jurisdictions in Canada, so I think that a national standard would be welcome there. We've had good support, and I

understand there's great interest among federal government officials and elected members around introducing beneficial ownership disclosure requirements. I hope that we can work together on that in ensuring national standards.

Mr. Greg Fergus: What standards would you like to see the federal government adopt, or, if you prefer, what standards will British Columbia adopt for land registry and for beneficial ownership for private corporations?

Hon. David Eby: The policy work is still ongoing, and we'll be introducing legislation based on that policy work.

The bottom line for British Columbians is they want to know who owns the property, and they want to know where the money is coming from. The concern that I want to bring to this committee is an increasing lack of confidence in British Columbia around the enforcement of laws related to tax evasion, and the enforcement of laws related to the laundering of money.

I understand that there are logistical issues around the index offence, and there may be a need to revisit these pieces. However, the fact that we don't know who owns almost half of the most valuable properties in Vancouver and we don't know where the money came from is disturbing to a lot of British Columbians. That will be the mischief at which this legislative reform is aimed.

Mr. Greg Fergus: It's entirely—

The Chair: I'm sorry, Greg, we're out of time. I'll be turning to Mr. Albas.

Is that report available publicly, Minister?

Hon. David Eby: Yes, it is.

The Chair: Then we will find it and give it to committee members.

Hon. David Eby: The author is Adam Ross, and it's Transparency International Canada. I believe it's titled "No Reason to Hide".

The Chair: Thank you.

Mr. Albas, you have five minutes.

•(1620)

Mr. Dan Albas: Thank you, Mr. Chair.

Thank you, Minister, for coming from British Columbia and making the sojourn to be with us today.

You mentioned a number of areas where FINTRAC can be utilized in a different way to serve more than it currently does. They do important work. I've floated the idea of allowing FINTRAC, legislatively, to aggregate its data, so that policy-makers such as you in British Columbia can see the overall picture of how many cash sales are being done, which are perhaps not being picked up by Canada Mortgage and Housing Corporation or OSFI because they are provincially regulated mortgages.

I think that information is being collected now, but FINTRAC, legislatively, is not allowed to share information, beyond that for an individual case referred for investigation of terrorism, organized crime, or other money laundering. Would you be supportive, as a policy-maker from British Columbia, of seeing personal data being aggregated in such a way that it wouldn't affect any privacy laws but would give policy-makers such as you a better lens?

Hon. David Eby: Certainly one of the great frustrations for those of us with responsibility for ensuring adherence to the rule of law in British Columbia has been that we learn about what's happening in our real estate market or in our casinos through journalists. Sam Cooper of Postmedia and Kathy Tomlinson of *The Globe and Mail* are the ones who are providing a lot of the information. That is obviously not a desired situation. We need to be ahead of this activity. When it's publicly released in the newspaper, it means we're behind the criminals.

One of the great opportunities is exactly what you've said: better information sharing. FINTRAC has incredible information. They see trends years before we recognize them at the provincial level. We have all kinds of provincial legislative authority that we can levy to address different issues, but we have to know what they are. Anything you can do to provide or facilitate FINTRAC sharing that information proactively with the provincial government level would be of great benefit.

Mr. Dan Albas: Minister, when it comes to the casinos, I am quite alert to the case, but first of all, do you believe that B.C. is the only jurisdiction in Canada that has this issue with money laundering? Are you an outlier, or is this something that should be analyzed right across the country to see if there are other provinces that have a similar issue? Have you heard from any of your counterparts in other provinces in regard to this?

Hon. David Eby: I was the critic responsible for gaming for a couple of years in opposition before becoming the minister responsible, and I raised the issue of large cash transactions in our casinos. The answer that invariably came back, whether it was from people in the industry or whether it was from government, was that everybody was adhering and there were extensive audits and reviews of the reporting regime, and that as a result we could all have confidence that money laundering was not happening, and that the proceeds of crime, to quote the former finance minister, were not welcome in B.C. casinos. Obviously that was not the case.

I unfortunately don't know what's happening in other provinces and I can't speak to that, but I have no reason to think that criminal gangs confine themselves to metro Vancouver or that they don't share information about how things can work. However, there are some significant differences when I look at, for example, Ontario, which has a much larger police force in casinos than we did in British Columbia. We didn't even have a regulator present in the casinos outside of Monday to Friday, 9 to 5. I'm sure none of the members in this House frequents casinos, but if you've ever found yourself in a casino—as I have on social occasions—it tends not to be Monday to Friday, 9 to 5. We needed to have the regulator in place in the casino evenings and weekends, which is when this activity was taking place.

I apologize for taking all your time with this answer, but we had a pretty unique situation in B.C. in terms of a lack of regulatory

presence in our casinos and a provincial government that, in my opinion, did not take the actions necessary to clamp down on this. I hope it's not the case in other provinces, but I don't know.

The Chair: Dan, you can have a very short question.

Mr. Dan Albas: I do realize that, as the minister responsible now for the system, you have recommendations coming and you've made recommendations here. I commend you and your government for coming this far to talk about the federal component, but why have you not set up a task force or set up an edict directly that no more than \$10,000 of monies can be accepted at any one time? Why haven't you said you will no longer accept the practice of suitcases of \$20 bills? I think that is 100% within your power. Why have you not done that?

• (1625)

Hon. David Eby: I file those recommendations under the common sense category, and we have actually implemented them. In December of last year we implemented a requirement that casinos not accept cash in excess of \$10,000 when they don't know the origin of it, when they don't know where that cash came from. It has been incredibly successful. Our February total for suspicious cash transactions was \$200,000. The July 2015 total for suspicious cash transactions was \$20 million. We've reduced it by a factor of 100. However, I don't believe that solves the problem. I believe that money has moved elsewhere, and I also believe we have a concern that needs to be dealt with regarding bank drafts.

The Chair: Thank you both.

Mr. Julian.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Mr. Eby, thank you very much for being here. I know it's a 10,000-kilometre return trip, so it's very good of you to give your expertise and your knowledge about this.

I find it surprising that the former government appeared to be aware of all these problems and chose not to actually make the public aware of the difficulties and what was actually taking place in British Columbia's casinos.

Can you briefly run us through when a report was actually produced by the former government and when the report that allowed the public to become aware of the extent of the problem actually came to light?

Hon. David Eby: I asked Dr. German to advise me about how we got to this situation in British Columbia. That's one of the questions he will be providing information about. There are some pieces that are already in the public domain.

In 2009, when our integrated casino team, which received \$1 million per year in provincial funding, was defunded, there was a report prepared in advance of that to make recommendations about how to reform that team so it would be more effective. It advised the government, at that time, that there were criminal organizations operating in B.C. casinos, that they were laundering the proceeds of crime through B.C. casinos, and that there were extensive illegal gambling houses in the Lower Mainland. The government decided to move ahead with the defunding of the team. I believe that was a critical error and a very significant one that resulted in the situation that we faced.

There were a number of internal memos. There were individuals within the gaming policy enforcement branch, likely, within the B.C. Lottery Corporation, as they had shared responsibility. They were providing information to the ministry about this. An audit into this specific activity was prepared by a third party business firm called MNP. The report was completed the year before I was elected. That report was not released to the public. I released it shortly after taking responsibility for the file, when I was briefed on it, because I believed the public deserved to know what was happening in B.C. casinos. In my opinion, the government made a decision not to release that report because they were unprepared to take the action necessary, given the implications it would have for the provincial proceeds that come from gambling.

People who were bringing this money into the casinos were actually gambling and—I don't want to let any secrets out in front of the committee, but they were losing, because the house always wins—they were losing significant amounts of money and the province was making money from this activity.

Mr. Peter Julian: A report was actually produced and was withheld for over a year. During that time, of course, there was a provincial election, so the former B.C. Liberal government just withheld that information from the public.

Can you tell us the consequences of that delay of over 15 months? You mentioned that in July 2015, \$20 million of what we call snow washing or basically money laundering, huge amounts, were passing through the casinos. What were the consequences of waiting for that year?

Hon. David Eby: The peak of the activity, according to the reports that have been filed in B.C., was within July of 2015, when \$13.5 million in \$20 bills went through B.C. casinos and more than \$20 million in suspicious cash transactions. Following that peak and looking at the trend of suspicious cash transactions, it was about \$5 million a month going through B.C. casinos. That's about \$166,000 a day in suspicious cash transactions.

By point of comparison, in February, which is the most recent month for which we have information following our reforms, it was \$200,000 for the entire month. For the period between July 2015 and January, when we instituted those reforms, it was averaging about \$5 million a month. Literally hundreds of millions of dollars that have gone through B.C. casinos represent suspicious cash transactions. Not all of them necessarily involved the proceeds of crime, but certainly, large-scale money laundering was taking place.

• (1630)

The Chair: This is the last question.

Mr. Peter Julian: Thank you.

To what extent has the federal government actually been backing up and doing the enforcement that needs to be done? I'm speaking specifically to Canada Revenue Agency and to the RCMP. Do they have the resources to do the enforcement? Have they been co-operative, as part of the plan that the new government has shown in British Columbia to fight back against money laundering? What are the recommendations you can give us, specifically around those two agencies?

Hon. David Eby: One of the recommendations we've received from Dr. German is for increased resources for enforcement. The concern and the image I have in my mind of these FINTRAC reports sitting around gathering dust is, I believe, a function of inadequate funding. I believe the province has some responsibility here and I'm very hopeful that the federal government will also be good partners with us in ensuring that Revenue Canada and the RCMP have the resources necessary to investigate these reports when they're filed.

One of the concerns I have is that FINTRAC may be concerned that they're filing reports with police agencies in British Columbia and not seeing a response. I would have no way of knowing and I don't believe our government would have any way of knowing if FINTRAC was concerned that they were sending off reports to British Columbia and nothing was happening. Therefore, that lack of a loop between the reports being filed by FINTRAC and the government knowing whether or not police have resources to respond is a very significant problem.

In terms of Revenue Canada, I can't speak to the number of investigations that Revenue Canada has instituted because of reports they've received on what was happening in B.C. casinos. I hope there were some, but I have no idea.

The Chair: Thank you, both.

Go ahead, Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

Thank you for the presentation. It's not something I expected to be so blatant. I come from the Northwest Territories and we don't have any casinos, so this is new to me and I'm trying to envision people walking in.... I've been to casinos across the country, so I know quite a bit about casinos. Normally when you walk into a casino, there is security there, and if you have bags they'll want to know what's in your bag. To try to envision somebody walking in with suitcases full of \$20 bills to the tune of \$166,000 a day, that would have to be a lot of suitcases coming back and forth.

I'm going to assume, and maybe you could tell me if I'm right on this, that you're saying the casinos are co-operating with the individuals who are bringing in their bags. They're certainly not bringing them in the front door. It can't be that blatant. I've never seen...although I don't spend that much time there. Is that what you're saying, that there is an arrangement for them to come in and exchange money?

Hon. David Eby: Yes, the money was walked in the front door. That's the way the money was coming into the casinos. It wasn't in armoured cars or some sort of official channel. People with a shopping bag full of \$20 bills would walk up to the cage. This is what was taking place in casinos, and the casino service providers, in their defence, were doing everything that the provincial government asked them to do in terms of reporting, filling out forms, and disclosing this. Obviously it's a human activity. There are problems with the reporting from time to time, and so on, but the issue is not, in my opinion, with the reporting. The issue was that, if you walked the money into the casino, then it appeared to be no problem.

There is a very interesting story that broke about a gentleman named Michael Mancini. The allegation in a newspaper article was that Mr. Mancini had a significant amount of money in his car. The allegation is that he was involved in a car accident, was pulled over by police, and they found a significant amount of money. He was on his way to the casino, and when he was stopped by police they seized money from him. He also allegedly had drugs in the car.

It seems to me that, if you were able to get the money in the front doors of the casino, it was almost like getting it into the embassy. It was a whole different world from driving down the street and being stopped by a police officer and having a duffle bag full of \$20 bills in the back seat. That would have been seized, but if you were in the casino, it wouldn't be. I don't know why that is. I don't know why it was treated so differently.

When I was briefed about it, just as for you, it was beyond my comprehension that this had been taking place for so long and so openly.

•(1635)

Mr. Michael McLeod: To try to zero in on where some of the challenges are, the casinos are reporting it, as you indicated, but their reports are not going anywhere; they're kind of sitting on the shelf. Is that where the problem lies? Is it that there are not enough resources for FINTRAC or others?

You said you've not seen a whole lot of co-operation from the RCMP or from Canada Revenue Agency.

Hon. David Eby: The issue I have is that these are all black boxes to me. I don't know what's happening inside FINTRAC. I don't know what's happening inside Canada Revenue Agency, or within the RCMP's federal serious and organized crime division. I don't know what activity is taking place there.

I'm hopeful that this committee will take this information I'm presenting to you, that the feeling on the ground in British Columbia is that things aren't happening, that the reports are filed and things aren't happening. If you look into this and things are happening, then I'm very relieved by that. I'm not reassured, since there have been so few money laundering charges, or certainly tax evasion charges related to this. I don't know why that isn't happening in a more

accelerated way, but in any event, I hope you look into it and you can provide some assurance that there is a reason for the apparent lack of action. There may be a lot of action behind the scenes.

The Chair: Okay.

Before I go to Mr. Albas, the minister has a flight at 6:10—

Hon. David Eby: Thank you, Mr. Chair. I've changed to a later flight, so we're all right.

The Chair: Okay, you're okay.

Hon. David Eby: Thank you.

The Chair: All right.

We'll go to Mr. Albas, and then back to this side.

Mr. Dan Albas: Thank you, Mr. Chair.

Again, thank you, Minister, for your presence here.

We have heard that the CRA works with FINTRAC when cases are flagged. I hope, though, that there are ongoing investigations or, based on some of your comments today, that some of those files could be looked back on.

The frequent filers, so to speak, in large amounts could perhaps could be looked at by CRA to see whether tax evasion is happening.

You've said that phase two is to focus on real estate. Are you looking into the practice of builders' liens? I heard it is also the case that someone will buy a property—the builders will pay them for it—and then they'll fix it up, and that person will sell it as their principal residence so that there are no capital gains, and so on. However, what they'll do is put a builder's lien on it, because the house was originally bought with money that may be laundered. That's how they're able to get the money laundered; by actually using something like a builder's lien to do that. I really hope you look at that, because the touch points are all provincial.

Furthermore, we had an individual come in last week, as well as the Federation of Law Societies of Canada. I asked a question about a foreign subsidiary attempting to launder money in Canada from a foreign jurisdiction. They will come into an agreement with a host company with a backdoor agreement. They'll break an agreement, sue one another, and then the proceeds will then be cashed out.

Many foreign countries will have capital controls that will allow money to flow only if there is a court order.

Have you heard of any of this kind of activity? So far, one of the representatives of the law societies said it's theoretical, but have you heard of this technique, and do you think it needs to be looked at?

Hon. David Eby: There were two separate sets of allegations about the connection between the activity in our casinos and real estate.

On March 5, 2018, Kathy Tomlinson of *The Globe and Mail* wrote about allegations that 17 lenders, allegedly with connections to crime, loaned \$47 million in builders' liens and other loans against 45 properties. Postmedia's Sam Cooper, on September 30, 2017, made a series of allegations about a gentleman named Paul Jin and others who were allegedly involved in laundering money and transferring money in casinos. Mr. Jin was also allegedly heavily involved in real estate.

As the member said, some of these were builders' liens. Others appear to be just debt registered against the properties. As I say, these are good examples of us reading about this kind of thing in the newspaper. I've not heard about the specific situation that the member outlined, but certainly there is no end to the creativity of the schemes I have heard alleged.

The challenge for law enforcement on any of these files is, first of all, the complexity of determining the extent of the arrangement. I understand that the second piece is then proving that it's connected to an indexed offence that created the proceeds of crime in the first place. Those two factors are quite difficult for law enforcement, as I understand it. In the situation you described, it's incredibly difficult to—

• (1640)

Mr. Dan Albas: I'm glad all of these things are on your radar, Minister, because it is a problem the public wants tackled.

Again, we know that lawyers are not subject to FINTRAC. In the recommendations, you've raised that as being a concern. We heard from the law societies, they say that every province has a process for self-auditing and whatnot. The point was made, though, that in some cases, there was not enough data forthcoming from those law societies to point out that the job is being done at a FINTRAC level, or at least to that national standard.

That being said, we live in a federation. If a law society, let's say, in British Columbia was not forthcoming with data, would you look to put in place a framework that would secure that information to deal with this issue? I don't think that because of the Supreme Court decision a pan-Canadian approach is going to be applied. Perhaps that might be a way to deal with certain provinces where there is an issue of data.

What are your thoughts?

Hon. David Eby: Just for clarity on the record, the recommendation comes from Dr. German, about lawyers' trust accounts; and I look forward to reading his report about why he has identified this as an issue in British Columbia.

I have raised this issue with the Law Society of British Columbia. I've been advised that it is very engaged on this issue, and I'm sure it would be happy to provide information to the committee about the work it is doing on this point. It is something that is raised repeatedly internationally, as well as in the media in British Columbia, especially in relation to the situation where you have a company, with a lawyer as the sole director, that owns property. There's a lack of transparency around property ownership, for example. I think there is definitely opportunity for us to improve pieces around this. I look forward to working with our law society around that.

If this committee has any concerns about lawyers and their involvement or alleged involvement in any kind of unsavoury activity—lawyers do have an obligation not to be dupes of criminals and not to use their trust accounts for illegal purposes—I would be glad to have that information and raise it, in my role, as a bencher for the law society. I don't have that information yet, but I'd be glad to hear from the committee about any concerns that you have about it. I believe you'll find the law society of B.C. to be very forthcoming if you have concerns that you want to raise with it.

The Chair: We'll have to end it there.

We did have some of the federal organizations for lawyers the other day. I believe they are quite engaged as well in trying to find an accommodation with this Supreme Court decision.

Mr. Sorbara.

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

Welcome, Minister. Thank you for coming from B.C.

This week *The Hill Times* has run a piece on money laundering, obviously piggybacking off our committee's work, and I commend it for doing that. It's entitled "Feds float idea of beneficial ownership registry as House Finance Committee reviews anti-money laundering law". I was reading it over earlier this afternoon, and it states that "The RCMP estimated in 2009 that [approximately] \$15-billion was being money laundered in Canada each year." I don't know if that's an exact number, but it's a pretty big number, and it may speak to some of the things you've seen in B.C.

A white paper that was issued by the Department of Finance just prior to the beginning of our study recommended expanding the types of entities that must report to FINTRAC to include mortgage insurers; land registry and title insurance companies; non-federally regulated mortgage lenders; dealers in high-value goods, such as auction houses and jewellers; and unregulated financial companies.

Would you care to comment on that?

Hon. David Eby: Sure. I think there's a great value in expanding the number of reporting agencies, but the problem is, from my perspective, that we're not doing the basics. Anytime someone can walk a duffle bag full of \$20 bills into a casino and there's no apparent enforcement response, then I think we have some work to do on the basics. The province has a responsibility there, and I accept that responsibility, and we will do work on that. I hope we have good partners in the federal government on that.

I would love for us to be tracking people buying super cars with cash—cars that cost \$150,000 or are more valuable—to require disclosure for those who are walking cash into these car dealerships. I would also love to have comfort that if a report was filled out that said, “This is a really suspicious transaction. I hope somebody looks at it”, that this would happen as well. It's the two pieces: it's the reporting, plus enforcement.

• (1645)

Mr. Francesco Sorbara: In your testimony you used the example of an individual working for FINTRAC in some warehouse and receiving a fax or something like that. It didn't seem to be very useful, or maybe it was missing some other measure, which is the enforcement.

On the beneficial ownership registry, in my view, it has become quite apparent that we need to do that as a government and as a society. I've always heard the stories that in B.C. and other jurisdictions somebody purchases a house for \$10 million or \$15 million and it's owned by some corporation, but no one knows who is behind the corporation. How important is it that we get that information?

Hon. David Eby: It is difficult for me to provide a national perspective for you. All I can really do is to provide the British Columbia perspective. Housing is the number one political issue in British Columbia. In the Lower Mainland, the issue is acutely connected to the fact that our real estate has been totally disconnected from what local wages can pay, and that nobody can convincingly answer the question of where the money is coming from. I think that, as a matter of public confidence in government, we need to be able to answer the question of where the money in our housing market is coming from. I think that's why you see me sitting here today, because the people in British Columbia have clearly connected the issue of money laundering to impacts on their day-to-day life. It's about the 15-year-old, in December, who was driving with his parents, who got hit by a stray bullet in Vancouver. It's about that gang crime. Money laundering is not a victimless crime. It's also connected to the fact that we have big problems in our real estate market. I think it's critically important that we have beneficial ownership disclosure.

Mr. Francesco Sorbara: Minister, I applaud your efforts. I urge you to continue. This is something we need to battle. For the residents of the Lower Mainland, there is a disconnect in the housing issue. There are individuals, I have come to the conclusion, who are moving money into the Lower Mainland that you don't know about. It's funny that you can buy a house in Ontario or wherever and you'll file your taxes every year, but if an individual who may not be a Canadian citizen, who may be just a permanent resident or who may just want to relocate here does that, no one will ask where he got that money. We don't know. He may have gotten it offshore or from another entity.

The reporting requirements must be strengthened. The enforcement mechanisms must be improved. I completely agree with you, and again I applaud your efforts.

The Chair: Okay, thank you.

We'll go to two more questioners, and then we'll go to our next panel.

Mr. Albas is first, and then it's back to Ms. O'Connell.

Mr. Dan Albas: Thank you again, Mr. Minister, for being here.

There has been some discussion about mutual ownership, and I agree that there is a lot in the international community, going back to a meeting in the U.K., at which David Cameron, the Prime Minister at the time, made transparency in some of these things one of the most important things to go ahead, so I appreciate your point. There is a lot of international pressure to see all jurisdictions, including provinces, territories, and the federal government, up their game.

One of my first jobs was actually working at a law office, where I used BC OnLine, the old system. It is a tremendously helpful system for land title, and it works quite well.

Rather than looking at brand new registries—because right now people may not know that the federal government has a registry for all federally regulated incorporated companies, as does every province and territory—Minister, do you think there could be a way for us to look at including this information using existing registries, or do you think there must be a pan-Canadian one?

That may be a very difficult system to put in place. What are your thoughts about that?

• (1650)

Hon. David Eby: I'm not in any position to advise this committee on the best technical solution for requiring beneficial ownership disclosure, but, as someone from B.C., I can tell you that you don't need a new federal system. We're going to put that information in our provincial systems. From my perspective, what would be fastest for B.C. would be to have the feds say, “Here are the standards we are going to try to hit nationally around ensuring that beneficial ownership is disclosed. Can you make sure you have a registry in your province that discloses that information to the public?” That is something we can work with.

I agree with the challenges and the potential delay inherent in establishing a federal registry for provincial companies, or for provincial land title and so on. A federal registry for federal companies would be a good thing, but we can do it in B.C. with our existing systems.

Mr. Dan Albas: Okay, that's utilizing existing systems, just adding greater accountability when it comes to funding this thing. Okay, I sincerely appreciate that.

You talked about luxury items, specifically cars. I would imagine boats might apply, or whatnot, but what threshold do you think would be a good number to say? You mentioned a \$400,000 car. I don't think anyone in this room would say that is not a luxury vehicle, but what do you think should be the threshold? Ultimately FINTRAC has to have a number.

Hon. David Eby: The working definition for a supercar in British Columbia is \$150,000 or more. There are a lot of pickup trucks, as I understand it, that can get up in the neighbourhood of \$100,000 but are common working trucks in British Columbia, especially in rural areas.

Again, I'm getting a bit beyond my area of expertise, but what could work for British Columbia is the existing standard of \$10,000 or more in cash. The question is, if a bunch of reports are generated as a result of that, does FINTRAC have the capacity to manage that, and is somebody actually looking at the reports once they are generated?

Mr. Dan Albas: I think most people would say \$10,000 is quite low. Most people would probably think it's \$50,000 or even \$75,000 for a luxury car, specifically. We also have to bear in mind, at this committee, that the Income Tax Act gives a special capital cost allowance, or appreciation, to luxury cars. When you sell them, you can dispose of them and there's preferential treatment regarding depreciation. I think the point should be made that if someone launders a car and then gets a tax break, that might be odious to all of us here.

Minister, last, we've heard a number of comments—again going back to the Law Society—that there sometimes seems to be apprehension by authorities, and I mean both provincial police and RCMP, to pursue white collar crime or money laundering, because they're often complex cases.

Have you changed any of the criteria for the crown servants who ultimately make recommendations? In British Columbia, it's not the RCMP, as it is in other jurisdictions, that will see charges laid and then go to court. It's ultimately up to the crown. Have you encouraged the crown to deal with cases of mortgage fraud that have laundering components, or casino fraud charges, and that they should really penalize these cases and prosecute them to send a message? Have you done that?

Hon. David Eby: We have an independent crown in British Columbia, the criminal justice branch. I don't interfere in their daily prosecution decisions.

Mr. Dan Albas: You set policy.

Hon. David Eby: Absolutely, we set policy and we also set resources. I'm in conversations with our crown to ensure that they have the resources—because some of these cases are, as you say, incredibly complex—and that they can dedicate crown time to assist police. We also ensure, as is appropriate, that police are doing the investigation in a way, within their separate spheres of authority, that they have access to crown resources when they need them. We also ensure that crown resources are available to assist with disclosure and obligations to defence counsel so that we don't run into a Jordan situation where—

Mr. Dan Albas: You haven't resourced them, and you haven't changed the policy yet. Is that correct?

The Chair: Dan, we have to end it there. This is the last question in this block.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you, Mr. Chair.

Thank you for being here.

One of the areas you touched on is something I have asked several questions on, especially to FINTRAC, in terms of accountability when they put together a report and send it to the police or to investigators. I don't think even FINTRAC knows if it's then taken on.

It sounds as though, based on earlier testimony, FINTRAC believes it has the resources to handle the claims or the issues coming in. But one of the areas I was curious about—so I appreciate your testimony—is how anybody know, even if CSIS were to provide FINTRAC with information, that they then put that into a report and pass it on. How do we know if anybody is actually acting on that once FINTRAC makes the report?

With that being said, something raised in testimony was about the federal committee on public safety and the possibility of oversight opportunities there. I can't predict what the recommendations from this committee would be or even what the government's actions would be.

What would be the role, then, for provincial and territorial governments? You mentioned the frustration of not knowing if the police you are responsible for are acting on this. Have you given any thought to a potential role for that oversight, keeping in mind, for example, that a committee might be given that oversight role in the future?

If you haven't given that any thought, that's totally fine. I'm just kind of wrestling with how we deal with it from the national perspective while keeping in mind that police forces fall under provincial and territorial jurisdictions, in some instances.

How do we work together? Do you have any thoughts on working together and on how to close that gap?

• (1655)

Hon. David Eby: I think that is a really important question to raise with FINTRAC and with police services. One of the things I can imagine the police would report is that FINTRAC would ask, "Have you taken action on a file?" The police would report back, or Revenue Canada would report back, "Yes, we've taken action."

What would be useful for us to know is how we compare with other provinces. If the police are taking action on 10% of files in British Columbia, is that similar to other jurisdictions, or is it 90% in other jurisdictions? FINTRAC is in a unique position to advise us on the response they're receiving in B.C. or from specific police agencies. We have municipal forces as well as RCMP. Are there some that provide better responses than others?

Again, FINTRAC is in a unique position to advise us, but as far as I can tell, they can't or don't. Whether or not FINTRAC has adequate resources for the job they've been asked to take on is also a question for FINTRAC. I do think there is a way for us to know, generally—at a high level—about the responses they're receiving from law enforcement. And I—

Ms. Jennifer O'Connell: Thank you. I think—

Hon. David Eby: Sorry. Just in closing, I note that we have a number of provincial recommendations, about everything from policing to the crown to others, that are coming to us from Peter German. I encourage the committee, because this issue may also may also be dealt with, to get your hands on that report once it's publicly released as well.

Ms. Jennifer O'Connell: Thank you.

Just to clarify, based on the testimony we've had and the backgrounders from FINTRAC, its role is simply reporting. Asking that follow-up question, the suggestion that I would probably take from your testimony, then, is to extend FINTRAC's mandate to have some level of feedback on the reverse. In fairness, I don't think that they're collecting this data or this information and just aren't providing it. As it stands right now, its mandate doesn't provide for collecting that information. Perhaps this is an area where, based on what you're saying, just to have that reporting back to the various governments through FINTRAC would help, so then you can take that back within your mandate.

Hon. David Eby: I would be very concerned if it were a one-way channel of communication, just FINTRAC broadcasting with no feedback coming back from law enforcement. If that's the case, and your committee has uncovered that, I think that's a serious problem.

Ms. Jennifer O'Connell: Thank you.

The Chair: You have time for a very short one.

Ms. Jennifer O'Connell: In terms of the casinos, I think my colleague mentioned having cash brought in, as well as this idea that if it were anywhere else, and anyone was walking around with that much cash, they would be treated differently.

Is there some gap in federal regulation or in the legislation specifically around casinos that we should look at?

Hon. David Eby: I think that the challenge, if there is one other than just the sheer number of bodies around enforcement, is the requirement for proving the index offence in order to sustain a money laundering charge. I would hope that the committee would be looking at what tools might be available to address the kind of situation, in which someone who walks in with a duffle bag full of \$20 bills who is unable to explain where the money came from or who refuses to do so...because that's the kind of situation we faced in British Columbia.

• (1700)

Ms. Jennifer O'Connell: Thank you.

The Chair: With that, thank you very much, Mr. Minister.

Thank you to the committee for the questions.

Hon. David Eby: Thank you, Mr. Chair.

Thank you, committee members, for your thoughtful questions. I really appreciated them.

The Chair: Good luck catching your flight.

Hon. David Eby: Thank you.

The Chair: We will suspend for a couple of minutes. Could the other witnesses please come to the table? If any of you have to catch a flight, let us know, and we'll try to deal with you more quickly.

We'll suspend for three minutes.

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_____ (Pause) _____

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• (1705)

The Chair: We'll reconvene. My apologies for the votes, which are running us a half an hour behind.

We'll start with the Blockchain Association of Canada, and Mr. Kemper, Executive Director.

Welcome.

Mr. Kyle Kemper (Executive Director, Blockchain Association of Canada): The Blockchain Association of Canada welcomes the opportunity to present today and share our perspectives. The Blockchain Association of Canada's mission is to promote the acceptance and use of digital assets and blockchain-based technologies. We are supported by a diverse community that represents the industry both in Canada and globally. Through education, advocacy, and coordination with policy-makers, regulatory agencies, and industry across various jurisdictions, our goal is to develop a pro-growth legal environment that fosters innovation, job creation, and investment.

We represent a community of the world's leading innovators, operators, and investors in the digital asset and blockchain technology ecosystem, including leading-edge start-ups, software companies, global IT consultancies, financial institutions, insurance companies, law firms, and investment firms. The BAC understands that while many new financial technologies, or fintechs, are emerging, blockchain and other distributed ledger technologies, DLTs, impact governments and regulators throughout the globe. DLT applications offer a wide variety of practical and readily applicable opportunities for many industries.

The BAC supports legal and regulatory clarity around DLT and related smart contract technologies. Defined contours are needed to combat regulatory overreach, which is a potential issue for DLT in many jurisdictions at this time. Onerous regulatory requirements present obstacles to industry growth as DLT solutions develop and seek to enter the marketplace. A significant impediment to the fintech industry is the risk of burdensome regulations being imposed too early, which would hinder future innovation, discourage further investment in innovation, and/or restrict the utilization and incorporation of DLT into the financial services industry and other industries.

DLT raises many novel legal issues for lawmakers and regulators. For example, decentralized technologies may operate based on automated protocols and lack a centralized governor. These issues must be carefully studied before imposing rules that may not be well suited for their intended purpose. Lawmakers and regulators must not act too quickly by imposing regulations that risk hindering the efficiencies and promise that such technologies may deliver.

The BAC generally encourages regulators and governments to adopt a do-no-harm approach to regulation to allow DLT to develop and companies to innovate within a principles-based rather than a prescriptive environment.

The BAC encourages the government and regulators to facilitate the development and implementation of fintech, and specifically DLT, by supporting regulatory harmony. Consistency in regulatory treatment will be an important factor towards industry growth.

The Blockchain Association of Canada supports regulatory regimes, only to the extent that such obligations clarify the regulatory environment and do not pose additional or overlapping burdens and potential regulatory conflicts. The potential for multiple oversight authorities to certify and impose requirements on this emerging technology may hinder the development of the industry and the evolution of the technologies both in Canada and abroad.

I look forward to answering any questions you may have. Thank you.

The Chair: Thank you very much, Mr. Kemper.

We'll turn to the Canadian Real Estate Association, with Ms. McNeil, Director, and Mr. Parham, Legal Counsel.

The floor is yours.

Ms. Dina McNeil (Director, Government Relations, Canadian Real Estate Association): Thank you, Mr. Chair.

I'm Dina McNeil, Director of Government Relations at the Canadian Real Estate Association, or CREA. I'm joined today by Simon Parham, one of CREA's in-house legal counsel. We would like to thank the committee for the opportunity to participate in the five-year review of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

[*Translation*]

Our membership is made up of more than 125,000 real estate brokers and agents across the country. The Canadian Real Estate Association, or CREA for short, is one of Canada's largest single-

industry trade associations. We work on behalf of our members, as well as homebuyers and the public.

[*English*]

Given the size, importance, and stability of the real estate sector in this country, we understand why investors from around the world would be drawn to investing in real estate in Canada. We recognize that CREA and its members have a role to play in Canada's money laundering and terrorist financing regime. We continue to work with FINTRAC to improve guidance and create conditions conducive to realtors complying with the existing obligations. We communicate regularly with our members on the importance of complying with the law. We do this by delivering in-person or online presentations across the country, and by sharing comprehensive, updated information through articles, blogs, monthly newsletters, and email communications.

CREA also provides valuable tools such as FAQs and template compliance manuals and forms to facilitate record keeping and to help with the reporting obligations of our members. Most importantly, realtors and their brokerage offices from across this country do their part by trying their best to comply with Canada's money laundering and terrorist financing regime. They maintain complex, detailed compliance regimes and conduct a myriad of regulatory paperwork that FINTRAC requires, but that ultimately never sees the light of day.

That said, we do have concerns with the law and the application of the law as it stands today. As this committee has heard from other witnesses, money laundering and terrorist financing activities are highly intricate and complex, and are often difficult to recognize and detect. Many different actors and parties are involved in real estate transactions and we believe they should all have a role to play in combatting money laundering and terrorist financing.

However, we are concerned about the reporting and record keeping obligations, which cause a significant burden on realtors. It is not just a matter of reporting suspicious transactions to FINTRAC. Members have to keep various records and create a detailed compliance regime. This involves identifying a compliance officer, developing and maintaining compliance policies and procedures, conducting risk assessments of business activities and relationships, creating and maintaining a written ongoing compliance training program, and conducting an effectiveness review to test the compliance of the program every two years. The regulatory burden is significant and many brokers and agents try their best, but are frustrated, confused, and at a loss at how to keep up with the overwhelming requirements.

We feel that insufficient attention is being paid to the regulatory burden and compliance costs. Many realtors operate small businesses and have minimal expertise in analyzing money laundering indicators. Additionally, changes to the regulations and guidance are frequent and at times unclear, which makes it difficult for small business owners to keep up. We feel that implementing new requirements around beneficial ownership and politically exposed persons would cause significant frustration and increase the cost of compliance drastically. CREA would like to see a stable legislative and regulatory environment—

• (1710)

The Chair: Could I get you to slow down just a little bit.

Ms. Dina McNeil: They can't keep up?

CREA would like to see a stable legislative and regulatory environment giving realtors an opportunity to fully understand and comply with the existing obligations without continually having to adjust.

Closing existing loopholes for the real estate sector should be a focus of the government. We are encouraged that the white paper released by the Department of Finance presents the idea of expanding the types of reporting entities that must report to FINTRAC. This would create a more level playing field for real estate; yet, an obvious gap in the law continues to be ignored. Currently, real estate can be sold directly by individuals, which creates a vulnerability where money launderers can conduct real estate transactions without the transparency and examination required when using a realtor. CREA feels that reporting and record keeping obligations should be extended to the companies that facilitate such transactions. While the government is considering extending obligations to other reporting entities, we feel it would be wise to include the for-sale-by-owners companies.

If obligations continue to evolve, education and ongoing outreach efforts are essential for new and existing realtors to make sure that they understand their requirements. We ask that FINTRAC put in place a better outreach strategy to build strong partnerships with reporting entities to maximize compliance. It would also be helpful to clarify existing guidance in a manner that is meaningful to brokers and agents, and adopt policy interpretations that make sense. FINTRAC has the responsibility to try harder to understand that all reporting entities are not the same. A one-size-fits-all model should not be applied across the board. Moreover, when reporting entities ask for policy interpretations and clarifications, responding to the

entities' concerns in a timely manner is critical. We feel that greater outreach would have a greater impact in fighting money laundering and terrorist financing for the real estate sector.

We look forward to the committee's report and continuing to help improve the proceeds of crime money laundering and terrorist financing regime.

[*Translation*]

Thank you for listening.

Mr. Parham and I would be glad to answer any questions the committee members have.

[*English*]

The Chair: Thank you very much.

We'll turn now to Mr. Russell, President and CEO of the Investment Industry Association of Canada.

Welcome, Ian.

• (1715)

[*Translation*]

Mr. Ian Russell (President and Chief Executive Officer, Investment Industry Association of Canada): Thank you, Mr. Chair and members of the committee.

My name is Ian Russell, and I am President and CEO of the Investment Industry Association of Canada, or IIAC.

Thank you for the invitation to come before the committee today to present the views of the IIAC.

[*English*]

We look forward to giving our views on your five-year statutory review of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

As some of you know, the IIAC is the national association representing 123 investment dealers on securities regulation and public policy. Dealers have important obligations as reporting entities under the act and its regulations, similar to the other regulated financial intermediaries in Canada. Our members follow an extensive and onerous process to verify client identity and to ensure that they do not represent unacceptable financial crime risk. They're also required to have in place real-time risk mitigation measures to prevent suspicious transactions, and due diligence processes, especially in dealing with politically exposed persons.

We keep detailed records, and we submit mandatory reports on suspicious transactions to FINTRAC. We are subject to an audit process by FINTRAC and other regulatory authorities in Canada. We reviewed the Department of Finance discussion paper, and our perspective is really framed through that consultation paper that proposes measures both to improve the effectiveness of the legislation and also to facilitate the obligations and responsibilities of reporting entities.

First off, we applaud the consensus reached by the federal, provincial, and territorial finance ministers last December to improve the transparency and consistency of beneficial ownership information and access to the information.

Although corporate information reporting requirements are in place at both the federal and provincial levels, there are differences that pertain to the definition, collection, and disclosure of the information and the access to the information. In our view, governments really need to move expeditiously to harmonize beneficial ownership standards across Canada and in both the federal and provincial corporate law statutes.

They really need to look carefully at mechanisms to improve access to this information. We believe that the committee could play a significant role in encouraging federal and provincial governments to give a high priority to creating a central registry that can contain current and accurate information related to beneficial ownership. As was cited here in earlier testimony, the example that stands in front of us is the U.K.'s people with significant control register.

I think that a central registry, from your perspective, would achieve a more efficient and accurate transactional surveillance process for the marketplace. Finance ministers have committed to changes that will make information on beneficial ownership available to law enforcement, tax, and other authorities. We think that it should be extended, as it is in the U.K.'s model, to be accessible to, certainly, all reporting entities, and possibly to the general public, to meet public policy objectives. A central registry, as I said, would be of enormous benefit to securities dealers, who find it a very complicated and time-consuming process to work through the complexity of business structures, particularly private corporations.

Our other recommendations relate to facilitating the obligations of securities dealers and other reporting entities to improve the efficiency of the reporting exercise and also to relieve the compliance burden.

First, the legislation should be flexible to accommodate new technologies, such as digital identification in the verification process, and it should be sufficiently flexible to enable timely adaptation of a range of innovative technology. Facial recognition is a case in point.

Second, FINTRAC should engage in ongoing dialogue with securities dealers and other reporting entities to ensure greater transparency on FINTRAC requirements. For example, when reporting entities such as securities dealers send suspicious transaction reports to FINTRAC, we believe that FINTRAC should provide timely feedback to reporting entities, indicating which STRs happen to be suspicious, or not. In our view, that kind of an interactive process would certainly be helpful to the reporting

entities that are trying to track these transactional flows by particular counterparties.

• (1720)

Third, interactive communication between FINTRAC and the other regulators is important in our view. Regulators, such as the self-regulatory bodies that securities dealers are responsible to, also have money-laundering regulations. It certainly would be helpful if we could have congruence or a process that could ensure that there isn't a duplication in the rule-making process. That would come about by close coordination between FINTRAC and the regulators.

Finally, the other recommendation is with regard to subsection 62 (2) of the act. It provides certain exemptions from the record-keeping and verification requirements for reporting entities. What I have in mind here, in particular, are listed corporations and regulated financial institutions in Canada. In our view, there is scope to expand these exemptions to certain foreign-regulated entities that are subject to a comparable regulatory regime as in Canada. I'm thinking in particular of hedge funds and asset managers of all sorts in regimes such as the United Kingdom, where they are regulated under the FCA, or in the United States under the SEC. Again, the advantage of that is it would relieve the reporting entities of an identification burden that you could justify in this mutual-recognition process.

My understanding is that we have put forward this recommendation a number of times to Finance in the past. I think the push-back is creating precedents among some of these foreign jurisdictions, but, in our view, you can start with the U.S. and the U.K. You can include the G7, but certainly most of the transactional flows internationally or institutional flows are coming from the U.K. and the U.S. The other reason why it's important, aside from eliminating the compliance burden, is that these requirements can discourage these regulated financial institutions from transacting with dealers in the Canadian market in Canadian securities—and certainly, that's not in our public benefit. So we think that the protections are there from a money-laundering point of view and also from an investor protection point of view if a careful recognition process is in place.

With that, I'll close my remarks.

I'm happy to answer any questions on this subject matter, or anything else related to the act.

Thank you, Mr. Chair.

The Chair: Thanks very much.

We'll turn now to Transparency International Canada, and Mr. Meunier.

Mr. Denis Meunier (Senior Advisor on Beneficial Ownership, Transparency International Canada): Good afternoon, Mr. Chairman, and members of the committee.

[*Translation*]

Thank you for the opportunity to contribute to the committee's review. I will be giving my presentation in English but would be happy to answer questions in English or French.

[*English*]

I am an Advisor on Beneficial Ownership and Anti-Money Laundering with Transparency International Canada. I'm a former Deputy Director of FINTRAC and former Director General with the CRA's criminal investigation directorate.

Transparency International Canada is a member of the world's leading non-governmental anti-corruption organization, with more than 100 chapters worldwide and an international secretariat in Berlin. TI Canada has been at the forefront of our national anti-corruption and transparency agenda.

TI Canada welcomes the review of PCMLTFA. We recognize and support the work played by all the anti-money laundering/anti-terrorism financing partners in Canada and the critical role reporting entities play as a first line of defence in this fight.

We will be providing to this committee and the Department of Finance a more comprehensive submission on our recommendations. As we don't have much time, I would like to move directly to TI Canada's five key recommendations.

First, TI Canada recommends implementation of a nationally integrated, publicly accessible beneficial ownership registry of corporations in an open data format. The registry would be a one-stop shop with registrars, or a registrar, having appropriate powers to apply proportionate and dissuasive sanctions when information is untruthful.

Also, the act should be amended to require all reporting entities, including what are called DNFBPs—basically the ones that are not financial entities or institutions, such as real estate, which is now exempt from the obligation to identify beneficial ownership—to determine and verify the identity of the beneficial owner; determine if their customers are politically exposed persons, family members, or associates; and ensure that no accounts are opened or financial transactions completed until the beneficial owner has been identified, with their identity verified by a government-approved ID. Of course, this recommendation will be facilitated by the implementation of a publicly accessible beneficial ownership registry.

Canada needs to make beneficial ownership transparent. In Canada, more rigorous identity checks are done for individuals getting library cards than for those setting up companies. We need a proactive corporate registry function harmonized and integrated across Canada with powers to audit, compel information, apply sanctions, and detect and report suspicious activities.

Pending final legislative approvals, all 28 European Union member states are expected to implement a public registry by the end of 2019. A majority of the 37 FATF members—the international standard-setting body on money laundering—are expected to implement a publicly accessible beneficial ownership registry. It's not a stretch to anticipate that such a public registry will be the new FATF standard in a few years. That's the standard Canada should meet.

We welcome the positive steps the finance ministers announced on December 11, 2017 to ensure appropriate authorities know who runs which corporations in Canada. However, we believe they must go further. They must make the registry publicly accessible and look to also create a registry of trusts.

A public registry will allow all reporting entities, the public, and the media to work together to prevent and dissuade the abuse of corporations and trusts by secretive beneficial owners. This will lighten the burden on reporting entities and anyone doing business with corporations to more accurately assess their business risks. A publicly accessible registry is an investment in prevention. It would also ensure that Canada keeps up with international best practices such as those adopted by the UK and our new EU free trade partners.

Second, Canada's 2015 risk assessment was clear: legal professionals are inherently highly vulnerable to money laundering. The FATF evaluation of Canada also highlighted the gap created by the absence of lawyers from the AML/ATF regime and the lack of scope in their own regime. Without an independent expert assessment, Canadians have little information to be assured that the legal profession's rules and practices meet the current Canadian standards set by the act or even the FATF standards in protecting against money laundering and terrorist financing.

● (1725)

We recommend that the government bring legal professionals into the ALM/ATF regime in a constitutionally compliant way. The Solicitors Regulation Authority that regulates solicitors in England and Wales is a model that the Federation of Law Societies of Canada and the government should seriously explore.

We also recommend that the act should designate as high risk all financial transactions by legal professionals, especially those using trust accounts, and require reporting entities to take enhanced due diligence measures on those transactions, including determining the beneficial owner and the source of funds.

Third, we recommend strengthening the regime by expanding the number of DNFBPs covered under the act, as per the Department of Finance's recent consultation paper, especially for non federally regulated mortgage lenders because of the high vulnerability of real estate to money laundering.

We understand from law enforcement that money laundering charges by prosecutors are abandoned because of the complexity of linking money laundering to the predicate offence. The government should consider recklessness or gross negligence as a standard of proof.

This leads to our fourth recommendation, that the government bring Criminal Code amendments to make money laundering easier to investigate and prove, and that resources for police and prosecutors be re-examined to better support enforcement. Otherwise, laws without adequate enforcement are meaningless.

Concluding with our fifth recommendation, we recommend that comprehensive annual reports be published by the Government of Canada, in collaboration with all provinces and territories, on the AML/ATF regime's results for all Canadian jurisdictions, including the number of compliance violations, penalties issued, money laundering investigations, charges laid, prosecutions, convictions, forfeitures, and seizures, as well as activities by the Canada Border Services Agency that are related to the act.

We believe that more information and transparency should be available publicly on the results of the AML/ATF regime.

Thank you for the time you have offered us to speak today. I'd be happy to answer your questions.

• (1730)

The Chair: Thank you very much for the extensive brief.

As an individual, we have Mr. Jeremy Clark from Concordia University.

Jeremy, you're the last one.

Mr. Jeremy Clark (Assistant Professor, Concordia Institute for Information Systems Engineering, Concordia University, As an Individual): Thank you, Mr. Chair. I'm Jeremy Clark. I'm an Assistant Professor at the Concordia Institute for Information Systems Engineering in Montreal, at Concordia University. I received my Ph.D. in 2011 from the University of Waterloo. It was around that time, about eight years ago, that I first became interested in Bitcoin.

Bitcoin is an emerging digital currency that uses cryptography in a novel way to provide a secure cash-like system for creating new money, enabling transactions between participants, and recording transactions in a decentralized way on a ledger that we now call the blockchain.

Given my expertise as an engineer or a technologist, I feel that I can best assist you by providing the technical details of how Bitcoin and blockchain technologies work. I have had many conversations with regulators at FINTRAC, as well as Bank of Canada, the AMF in Quebec, the Department of Finance, CRTC, the RCMP, and others. I could perhaps play a policy expert on TV, but I'll stick to the technology for the purposes of today.

I continue to maintain that successful regulation in these areas requires an accurate understanding of the technology. Cryptocurrencies, including Bitcoin, are decentralized. What does that mean? It means they're operated by a network of computers. Anyone can join or leave at anytime from anywhere in the world with no one

company or server in charge. Transactions are deemed valid or invalid through the consensus of this network. For the best cryptocurrencies, transactions clear and settle in the order of seconds and can be conducted 24/7 with e-mail-like efficiency.

I want to emphasize that after the transaction is confirmed by the network, the unit value has actually moved. It's not like a digital authorization and then there's some actual settlement that happens behind the scenes. Once it's confirmed, the unit of value is actually settled and cleared.

If you hold Bitcoin, what does that actually mean? What is a Bitcoin, and where is it? It simply means that there's an entry on Bitcoin's ledger for you, and a balance that can go up or down. It's basically intangible beyond that. One parallel you might think about is cellphone minutes. What's a cellphone minute? Why do you have it? What exactly is it? It's basically just a ledger entry. Cellphone minutes have coincidentally been used as a makeshift currency in countries such as Kenya.

Anonymity is often ascribed to cryptocurrencies, but the level of anonymity varies. For Bitcoin, all transactions are recorded but without real world identities. Other cryptocurrencies might obfuscate identities further and/or hide transactional amounts. In all cases, transactions are Internet packets that originate from a computer and are no different from other forms of online communication that might be of interest to regulators or law enforcement. Cryptocurrencies have been suggested as being perfect for various financial crimes, such as tax evasion, terrorist financing, and currency smuggling. Governments have primarily looked at the on ramps and off ramps between cryptocurrencies and, say, the Canadian dollar. This is sensible in the short run.

There is also concern about the use of cryptocurrencies on online markets for illicit goods. Law enforcement has a very good track record of shutting these markets down, essentially by framing the issue as tracing Internet packets rather than focusing on the currency that is being used.

If we can zoom out for a second, we can take one of two postures in dealing with illicit cryptocurrency activity. We could try to take a stance of prevention, or one of detection. I think prevention will fail. Cryptocurrencies are open. It's an Internet-driven technology, and Bitcoin is just the first attempt at strong confidentiality and anonymity. It would honestly be technically easier and perhaps more productive to ban paper money than Bitcoin. Instead, we should focus on detection of criminal activities.

Finally, inside of Bitcoin, underlying it, is a novel technical innovation called the blockchain. We've seen blockchain projects from within the government, for example, from the Bank of Canada and the National Research Council. This technology has the potential to bring changes to accounting practices, transparency to procurement processes, new methods for raising capital within a company, and new ways of organizing financial markets. We're hopeful that blockchain technology generally adds transparency and accountability to the financial system.

I've tried to keep my remarks concise and brief. I once taught an entire course on Bitcoin, so I can literally talk about it for 24 hours. Thank you for your time. I look forward to answering your questions.

• (1735)

The Chair: You might have to talk to us for 24 hours on it.

Joël, the briefing was supposed to start at 6:30. Is that delayed until we're done?

Mr. Joël Lightbound (Louis-Hébert, Lib.): It's going to start at 6:30.

The Chair: That's a real problem for some of our members, because if anyone should be there, it should be finance committee members. I guess there's nothing we can do about it, but I certainly think the department should take into consideration that finance committee members need to be there for the briefing on the budget implementation act. I don't know what we can do about it at this stage.

Dan.

Mr. Dan Albas: I would just like to register my disappointment that again, at around 11:15 this morning, we got notice that there was going to be a technical briefing. During the previous parliament, there was at least a weekend, so that people knew. Again, I'm not going to be hard on the parliamentary secretary, because obviously it's not up to him when the tabling and the technical briefing are made available. That's something I would hope, though, that he would take back to his minister.

The Chair: Yes, as Chair, I think that when we get a document this thick, we do need a day before we go to a briefing by departmental officials. Anyway, we'll leave it alone for now. It's something we'll have to sort out for the next one for sure. It's no fault of yours, Joël, but it is a problem because we have witnesses here, who have come to town, and we can't ignore them.

Go ahead, Mr. Julian.

Mr. Peter Julian: Mr. Chair, the briefing could be postponed. It was scheduled at the last minute and I don't think that it shows respect for members of Parliament. The parliamentary secretary does have the ability to postpone it until tomorrow night, which I think would make a lot more sense.

Mr. Joël Lightbound: Mr. Chair, out of respect to all the officials who will be there tonight and the other parliamentarians who plan to attend, we'll proceed with the briefing. However, for the parts that members of the committee might miss, we'll see what we can do to offer perhaps another briefing on those parts members missed because they were at committee.

The Chair: Yes. I just noticed it on my BlackBerry, so that's why I asked you the question. We'll leave it at that, but certainly—and I don't think any members would be offside on this—for a briefing on a budget implementation act, we really need a day to see it first, before we have an opportunity to go to a briefing.

With that, we'll start with questions. We have about an hour.

Ms. O'Connell, we'll go to five-minute rounds.

Ms. Jennifer O'Connell: Thank you, Mr. Chair, and thank you all for being here and for your testimony.

I'm going to start with Mr. Kemper. I'm paraphrasing you a little bit, but you talked about regulations not going too fast and suffocating the development of the technology moving forward, which I can certainly understand. Regarding Mr. Clark's testimony too, the opportunities for blockchain technology are certainly interesting. I think from governments to private sector, everyone's very interested in what this can mean.

My specific question is around the type of regulation that maybe other governments or places around the world have gone too far, too fast with. I say this notwithstanding Bitcoin, because I think there are other issues in that regard; but in terms of blockchain technology, do you have specific examples where you're concerned about regulations that will stifle its development?

Mr. Kyle Kemper: Thank you for that good question.

One of the challenges with managing innovation is understanding that the effects of our decisions in in these rooms can have enormous consequences for the industry at large. Before we can go and make these regulations, it's really important that we understand the technology and its scope or the opportunities it presents.

Blockchain technology is a paradigm-shifting technology. It is like the Internet. It is like the automobile. It stands to change the very fabric of society. Around here, we have been discussing the rules and the regulations and looking at this from a wax and wick point of view, and now we have electricity. We need to be building sockets to encourage and utilize the benefits of this technology.

Listening to my fellow panellists here, they mentioned an open corporate registry. Absolutely. Blockchain can solve this perfectly. As far as real estate goes, and putting real estate titles onto a blockchain, absolutely.

As far as FINTRAC and compliance go, having proof that all of those records are submitted and are verifiable would be excellent, excellent, excellent.

The scope of the opportunities is just incredible. From an investment point of view, being able to track that, and thinking about when we register a corporation, as opposed to just assigning a number that says 100,000 shares to you and 100,000 shares to you, we could actually use tokens that are tied to digital identities, tied to permissions about whether you can vote, about who's the officer, who's the secretary, who's the legal counsel, and do you have access to a building. It all comes full circle.

Where are the regulations that are hindering it? I think there are those who speak very negatively about it, or suggest potentially banning the cryptocurrency. We saw that in New York, as one example, with their BitLicense agenda, to requires anybody who is developing solutions around Bitcoin and cryptocurrencies to have state approval. It actually pushed a lot of the businesses away.

If we develop regulations that way, if we think about the Internet, and if we require people to get licences to open websites, people are just going to open websites in other countries. They're going to move away to jurisdictions that are more friendly.

We need to understand that we're in a time of convergence where we have technologies like artificial intelligence, robotics, and automation all coming together as one, and that in order to register your company, you're going to be looking for the best conditions do that. So it's our duty. Thank you.

• (1740)

Ms. Jennifer O'Connell: I don't mean to cut you off, but I only have five minutes. I appreciate your idea.

Mr. Kemper, I don't disagree about the technological potential of blockchain, but I think what governments and regulators around the world are going to have to deal with is the separation or distinctions with issues around cryptocurrency. I fully understand that blockchain technology comes from cryptocurrency, but given the risks of money-laundering and terrorism financing on the cryptocurrency side, moving forward, how can regulators not stifle its technological development while addressing the very real issues I mention? Even if you don't want to get into the issues of terrorism financing and money-laundering, just look around the world at what we're seeing now in the sale of the currencies, and the illicit sales that are going on there, and people having all their money taken from cryptocurrency organizations that are not legitimate.

Mr. Clark, how do we as regulators round this issue?

Mr. Jeremy Clark: Sure. Once again, I'm more on the technology side than the policy side, but I'll try to answer as best I can.

On whether or not different countries have taken different approaches to regulating cryptocurrencies, I don't have a shining example of a country that did it wrong. There is a lot of criticism of something called the BitLicense in New York state. The community seemed to feel that this was a regulatory overreach.

In Canada, most Bitcoin people, or cryptocurrency or blockchain people, are fairly happy with the current state where exchanges are sort of operating as money service businesses. They're doing financial reporting. There are some concerns about banks, commercial banks, shutting down the bank accounts of businesses that operate with Bitcoin. That's maybe one criticism I've heard.

But, yes, sometimes regulation also can pave the way to say that we like this technology, and so sometimes remaining silent on certain issues as well can be a detriment. I know one bureaucrat, whom I won't name, who was basically shopping around a blockchain project and said, "I stopped asking whether we can do this, and I started asking, 'Do you know of a specific rule that you can point to that would get broken if we try to do this'?"

That was their approach for trying to make these blockchain projects work within government policy.

• (1745)

Ms. Jennifer O'Connell: Thank you.

The Chair: Thank you, all.

Mr. Kelly, go ahead.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you.

I'll start with Ms. McNeil. I was involved for many years in the mortgage industry, including being its industry representative on the Real Estate Council of Alberta. Many of the things you said struck me as quite familiar. It sounded to me like you were conveying a sense that the honest practitioner at times finds it onerous to comply with regulations, leading to a situation wherein the people who know the rules the best are the criminals, who then have the knowledge to circumvent or to find end runs around regulation. Is that similar to the experience of your members?

Ms. Dina McNeil: Do you want to take this one?

Mr. Simon Parham (Legal Counsel, Canadian Real Estate Association): Sure. Thank you for the question.

The first comment that you made, that some of our members—honest, well-meaning members—find this onerous, is certainly correct. I brought this little brick here as an example. This is 555 pages of guidance and regulation and the act itself that a brokerage would have to read to fully comply with the legislation. This does not include the 1,207 pages of policy interpretations that FINTRAC has issued, not all of which apply to the real estate sector, but they would still have to read through them as well as FINTRAC advisories. There's a lot.

Mr. Pat Kelly: Are there any particular irritants that your members talk to you about?

Mr. Simon Parham: It does vary. The difficulty we have is we do hear anecdotes and stories, and I'll give you one example. We recently heard of a situation in which a B.C. member was examined and cited by FINTRAC. We don't know the full details. We talked to the member, and they were cited for writing "Vancouver, B.C." on their identification form as opposed to "Vancouver, British Columbia". That kind of nitpicky distraction frustrates our members and sometimes takes people's eye off the ball of what is actually supposed to be accomplished here, which is detecting money laundering. That's an anecdotal observation.

The difficulty is that we don't have any aggregate statistics from FINTRAC about where our members are having difficulties, and that's the kind of information we could use. We've asked them many times for it.

Mr. Pat Kelly: With compliance?

Mr. Simon Parham: Exactly. We've asked them many times how we can help them and for them to show us over time where our members are struggling. We said that we could use our resources and that they could leverage us to help communicate that to our members. They've given us snapshots and said, "We heard this story out in B.C., and here's something from Toronto," but they do not provide us with any information—as far as we can tell, they don't have it—on where there are trends over time and where the problems are. For example, maybe there are bigger problems in B.C. than Ontario. We just don't know.

We hear a lot of stories, but at the end of the day they're anecdotes, and it would be much better if we had a complete picture from them.

Mr. Pat Kelly: Mr. Meunier, if I may, I'm looking at the preamble to your fourth recommendation, the concern that law enforcement is abandoning money laundering charges because of their complexity. What about even just getting to the investigation stage? In my career I repeatedly heard about the reluctance to prosecute fraud at all. Money laundering and terrorist financing are particular types of fraud. Was that your experience when you were at FINTRAC and the CRA?

• (1750)

Mr. Denis Meunier: I'd have to say that the best people to comment on that would certainly be active members of law enforcement.

In my own experience, I've had opportunities in the past to speak with crown prosecutors in a few provinces, and at the federal level—and they're swamped. To be fair, I believe FINTRAC probably has produced close to 2,000 disclosures, money laundering and terrorist financing, for the police. It's like drinking from a fire hose, if you're in the police investigation business. That's an issue. There are not 2,000 money laundering investigations ongoing in Canada every day.

There are choices being made by investigators and prosecutors, and the information that I had at the time when I was there was that prosecutors, because of the complexity of tying money laundering to the predicate offence, would be trading it off. They'd say to plead guilty to something and they'd drop it, and they would get an agreement with the defence.

Mr. Pat Kelly: If the predicate offence isn't even investigated, often.... Yes, there has to be a predicate—

The Chair: We're over your time. We'll probably come back to this.

I want to say to witnesses, if you have a supplementary point you want to raise when a question is directed at somebody else, don't be afraid to raise your hand. We'll try to let you in.

Mr. Julian.

Mr. Peter Julian: Thank you very much to all the witnesses. It's very interesting and compelling testimony.

Ms. McNeil, you talked about closing loopholes. Most Canadians would be very surprised to learn that owner-sale real estate isn't subject to the same system of checks and balances as when a realtor is involved. Do you have any idea of the percentage of sales across the country that are owner sales? We certainly see them advertised

more on television, but to what extent are we actually excluding from the real estate system of controls portions of real estate sales in this country?

Ms. Dina McNeil: Unfortunately, we don't have data on the sales that exclude realtors. We know how many transactions our members complete, but unfortunately from either mere posters or for-sale-by-owners, FSBOs, we don't have any data on that. We know in certain provinces it's definitely higher than others, but we don't have numbers.

Mr. Peter Julian: Would you even hazard a guess? Is it 5% of the market or 20% of the market?

Ms. Dina McNeil: In Quebec it's more like 20% of the market. We know that in that province it is higher. Other provinces, I would guess are at less than 20%, but I can't say for sure.

Mr. Peter Julian: It's certainly significant. What you're saying is, if there is a system of checks and balances for those transactions involving a realtor, it needs to be extended to that sector.

Ms. Dina McNeil: To the company that allows that to happen, not to the individual.

Mr. Peter Julian: Thank you.

[*Translation*]

I still have many questions, so I'm going to move on to Mr. Meunier.

You made some very interesting recommendations, particularly the last two: that the government amend the Criminal Code to make additional resources available to better support adequate law enforcement; and that the government publish annual reports providing an overview of all activities.

Your organization is doing very meaningful work, and you have a great deal of experience. To what extent are we ignoring what we should be doing to create a sound regime?

Mr. Denis Meunier: Thank you for your question.

On the second recommendation you mentioned, I would say that annual reports would be very welcome. Oftentimes, committees—and I've attended many committee meetings—don't have immediate access to information on the entire compliance continuum. The justice department is asked a question, for example, but doesn't have the answer. That's why we think all Canadians should be better informed about what is happening throughout the entire process, right from the outset. In other words, it should start with the reports banks and other financial institutions send to FINTRAC. Then, it would be possible to see the outcome of the long chain of events leading to the prosecutor's involvement. Having that information would be beneficial.

Not only would this enhance accountability to parliamentary committees, but it would also give Canadians an opportunity to see where the government is investing in resources and what the outcome of that investment is. It would be even more useful if the data were broken down by province.

I'm not sure whether that answers your question.

• (1755)

Mr. Peter Julian: Yes.

Some 250 million, or a quarter of a billion, transactions are reported. A few are referred to the Canada Revenue Agency, but we have no idea what goes on between FINTRAC and the CRA. You've worked in both places.

Do the two organizations communicate?

Mr. Denis Meunier: I can't speak to how things work today, but I assume they're going well and that the communication mechanism is even stronger than it used to be.

I have to say that, as soon as the legislation changed, in July 2010, and tax evasion became a predicate offence for money laundering purposes, the number of reports and communications received by the agency went way up. As far as I know, the two organizations work together very closely.

[English]

Mr. Peter Julian: Okay.

My last question is for Mr. Clark and Mr. Kemper.

You're strong advocates of and have good knowledge of cryptocurrency. Both of you mentioned detection of criminal activities, but I didn't sense any specific recommendations. Obviously, if we're moving more to blockchain, to cryptocurrency, we need recommendations as to how to identify criminal activity.

What recommendations can you make to us?

Mr. Jeremy Clark: I'll go first.

As I mentioned, you can think of the on ramps or off ramps: exchanging Canadian dollars for Bitcoin and vice versa. That's where you could look at how you want financial reporting to be handled by these organizations.

In terms of specific criminal activity, it just falls under the RCMP's jurisdiction. It could be different levels of police, but for federal crimes.... And they're doing a great job. They treat it like any Internet crime. That's not necessarily going to dig into the specifics of Bitcoin or the fact that a currency is being used.

The Chair: Mr. Kemper.

Mr. Kyle Kemper: I would say, work with the exchanges. We have this pulled-out-of-thin-air \$10,000 number where every time a transaction is over \$10,000, an STR is submitted. That's leading to so much data going into FINTRAC that it's being completely swamped with it.

The exchanges are the ones that are actually handling it. I've worked with the exchanges, and I've worked with many people in the industry. We know. We're the front-line warriors. Work with us towards building a better communications system and better data

towards actually making qualified STRs, as opposed to just blanketing anything over this number.

You can tie that back to digital identities and verified claims around things, as well, that will lead to.... I don't really know. The gentleman earlier was talking about them just being faxed off to the room.

The cryptocurrencies and digital currencies are not included in the 20 boxes at the bottom of the STR form. If they were included, if they were partitioned, and if you actually used blockchain behind them, you could have excellent actionable data. However, currently the forms are literally going in the mail and into a room. Who knows if action is being taken on them. It's a daunting task, and there is no way you could ever possibly have the resources to do that. However, if you make it a little bit more, and perhaps reward or incentivize action and good results and put in positive feedback loops, we will get to the bottom of identifying the criminal activities that are hurting society.

The Chair: Thank you.

We're out of time on that round.

Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Mr. Chair.

Welcome, everyone. It's very insightful testimony. I'm not really sure if I understand blockchain, Bitcoin, or cryptocurrency yet.

I'll just start with Mr. Meunier.

You seem to have some past experience with FINTRAC, I believe, and you also mentioned the CRA, if I am correct. Now you're over at Transparency International Canada, which is wonderful, and I'm sure they're leveraging your experience.

If you had to provide a quote or two about where Canada is in this in terms of transparency, anti-money-laundering effectiveness worldwide, say against our G7 or G20 partners, where would we rank today, in your view?

• (1800)

Mr. Denis Meunier: In a few words, we're behind the eight ball. We're going to continue to be behind the eight ball because the world trend is to go to publicly accessible beneficial ownership registries.

As I mentioned in my opening remarks, in a couple of months we expect that the European Union is going to make publicly accessible beneficial ownership available within the whole EU. We should remember that it is a new trade partner, and people who want to invest here will also want to know who they're dealing with. They might think of putting a little more pressure because the international standard, in my view, will change in a couple of years.

Mr. Francesco Sorbara: In your view, because you've worked for federal agencies—FINTRAC and the CRA—are there any jurisdictional issues to being able to set up an accessible beneficial registry in Canada because we don't have a national securities regulator yet? Is there anything preventing that from being done here in Canada?

Mr. Russell may wish to chime in on this as well.

Mr. Denis Meunier: You're addressing your question to?

Mr. Francesco Sorbara: First to Denis and then Ian.

Mr. Denis Meunier: The Minister of Finance is working very closely with the provinces on this, according to his announcement back in December. We're very happy to hear that.

There are obviously some challenges, I'm sure. The interprovincial trade agreement of 1994 was made as a result of a commitment of all provinces and the federal government to harmonize that. It's been a long time coming. There will be some definitional and systems and jurisdictional issues, but for the betterment of and the protection of our public interest, I encourage the governments to make it accessible publicly.

Mr. Francesco Sorbara: Ian.

Mr. Ian Russell: Mr. Meunier makes a very good point about the importance of the registry. When I saw the announcements by the governments, I was a bit concerned that they were talking more about the transparency of the system and standardization, which is very important, and maybe putting insufficient emphasis on an accessible registry. That certainly was in the white paper. I think that should carry a lot more priority.

To your point about jurisdiction, there isn't a jurisdictional issue here. We're simply talking about the provinces coming to some agreement on harmonizing the thresholds for beneficial ownership. I think everybody would benefit from having a uniform registry.

As the attorney general of B.C. said, if you leave out one province, then you're going to create distortions in the market. You need everybody to play.

The other option here in getting ahead of it is that you could build these things. I noticed that the attorney general talked about a B.C. registry. With technology today, you can link these registries. I was most intrigued by Mr. Meunier's point—he's much more of an expert in this area than I am—about the initiative to develop a more international database. This isn't unprecedented. We already have the CRS for tax reporting. We now file tax reports on non-residents in Canada in a central repository. The OECD oversees that. Precedents are in place to do it.

I think Canada can move quickly. We do have two levels of government, but I think we could do it.

Mr. Francesco Sorbara: If I could just stop you there, because I have a follow-up question.

The Chair: Ask one quick one.

Mr. Francesco Sorbara: Mr. Meunier, the attorney general of B.C., in his very thoughtful testimony earlier today, talked about the lack of enforcement after transactions are reported; there are mechanisms there, be they by FINTRAC and so forth. He used the analogy of someone at FINTRAC receiving a fax of a transaction over \$10,000, but then nothing happening.

Going back to the RCMP report from 2009, they estimated that \$15 billion is being laundered in Canada, which is probably not a conservative estimate. From your past experience, how do you feel about enforcement by FINTRAC and the CRA now that you are with Transparency International?

● (1805)

Mr. Denis Meunier: I think that enforcement is an issue, but it's not enforcement alone. It's prosecution as well. The minister who spoke before us made some very good points. I might disagree with the way he characterized the information being sent to FINTRAC, as it being faxed and being in paper boxes. That's obviously an exaggeration to make a point.

However, back to your question on enforcement, I do think that it has to be looked at. If you look at the annual report from FINTRAC, it will tell you how many thousands of disclosures to law enforcement have been made across this country, but you won't see an equivalent number—even if it's only 25%—ending up as criminal investigations and prosecutions. I'm convinced that all of these cases are being investigated, but are they being prosecuted? That's where I think it fails.

Based on an access to information request, FINTRAC produced a report showing me a sample of 40 convictions from 2000 to 2014. I don't know if that was the total number of convictions for money laundering over the 14-year period or not. They might be able to expand on that, because they did say it was a sample, but that's not a lot.

The Chair: Okay, thank you.

Mr. Albas.

Mr. Dan Albas: Thank you, Mr. Chair.

Thank you to each of our witnesses. I might not get a chance to directly interact with you, but I certainly think we have all benefited by your presence and certainly appreciate the comments and expertise you have today.

I will start with the real estate association. Thank you for your presentation.

In almost every conversation I've had with many of your members, often in my constituency and sometimes here in Ottawa, I will hear the common refrain that FINTRAC is a big pain in the *tochus*. They complain about it endlessly, saying that there is a lot of paperwork. FINTRAC has come here, and obviously they have very important work to do. I don't think either of you would say it's not important work.

Has FINTRAC met with you to discuss ways that your industry can comply more efficiently or any suggestions? I think you said it has been a one-way street and you're not sure whether they've listened. Is that correct?

Mr. Simon Parham: There are a number of ways we could work better with FINTRAC, or FINTRAC could work better with us, in order to get to where everyone wants to go, which is fighting money laundering.

You are correct. We recognize that there is money laundering in the real estate sector in Canada, and our members play a role, but there is a lot that they can do. They can give us tools in order to get where they want to go. One example would be more meaningful outreach.

We do meet with them on occasion, but not regularly. It can be a struggle sometimes to meet with them. When we do meet with them, we ask for policy interpretations. Sometimes we email them policy interpretations. It's great that we can do that, but when we get a response, which sometimes can take many months, which is not helpful, the policy interpretations we get can be vague or require further confirmation from them of what they exactly mean. They might just quote us the legislation again. They might not use the language that real estate brokers and salespersons use, which is really important. A one-size-fits-all approach and the use of generic language is not a helpful policy interpretation. That is something else that we could get.

Also, there may be instances where clear and specific regulation and guidance tailored to the real estate industry might be necessary. We're seeing this on the guidance side. Right now, FINTRAC is looking at updating their suspicious transaction reporting guide. What we're looking at right now is core guidance that is applicable to all sectors, but if you look at the language, a high percentage is geared towards financial institutions.

There are lots of ways that we think we can benefit.

• (1810)

The Chair: Mr. Russell wants in here for a minute.

Mr. Ian Russell: To follow up on your question, it seems to me that the response you got about the burden of complying with FINTRAC and the FINTRAC regulations or the act seemed to be related more to getting greater clarity, and whatever, from the FINTRAC people. I represent an industry that has 123 members in it. There are 80 firms that probably have, on average, maybe 20 professional employees. These are very small securities dealers that carry the full burden of compliance with FINTRAC.

Now you say, "How do we do that?" That's a big burden on very small securities firms, regional firms across the country. The reason they can do it is that there's a lot of technology out there to enable compliance, third-party entities, vendors who provide a lot of this technology to assist in the compliance.

Yes, there are issues with FINTRAC. We don't have the same level of communication as we would like, and that's another issue. Certainly we find that we have very small members who are able to comply with those regulations.

The Chair: Go ahead, Mr. Albas.

Mr. Dan Albas: Thank you for that.

Maybe I'll add that from my viewpoint, to be fair to FINTRAC, they actually are no longer the first thing cited by real estate professionals. There is now a regulator in B.C. that has been set up, and right now, when I talk to real estate people, complaints about it are actually well ahead of those about FINTRAC, at least to my mind.

Right now, FINTRAC, though, to be fair to them, is legislatively restrained from sharing information of any sort outside of what has been determined in law by Parliament. Would your organization be in favour of amendments being made to FINTRAC allowing them to give forward regulatory guidance to deal with what Mr. Russell is saying, as well as your data outlining where some of the issues are, so that there would be a better understanding? Moreover, would you

be in favour of what I mentioned to the minister from British Columbia, namely, that FINTRAC be given authorization to aggregate the data so that no personal privacy rights were waived but allowing real estate professionals who actually go through those efforts to give that information to FINTRAC and actually have a return where they could know what the market is doing and how many private cash sales there are?

I'll extend that as well to Mr. Russell.

Mr. Simon Parham: I think so, but they actually have given us some information. It has just been anecdotal, but if they feel they can't give us more without a legislative or regulatory amendment, then, yes, anything that would facilitate more of a two-way conversation would certainly be of benefit.

The Chair: Mr. Russell.

Mr. Ian Russell: Yes, first of all, I think there certainly is a lack of communication. You're citing the legislation. I do know that there is not a problem under the privacy laws, because we're talking about specific transactions with specific dealers who already have that privacy obligation.

The other point I wanted to make is kind of related to that. It seems to me—and Mr. Meunier talked about it in his testimony—that there isn't sufficient transparency to know exactly what is happening with FINTRAC and the responsibilities it is engaged in.

For example, from my members' point of view, it's not clear whether there are sufficient resources at FINTRAC to manage the transactions, or whether there's some reason they are not communicating back. There's no information on prosecutions, no information on actual convictions, and it seems to me that while much of the information shouldn't be made public—some of it could be and some may not be—it seems that government could come to grips with it because there are some important public policy questions that need to be raised.

The Chair: Okay, we'll be going to Mr. McLeod, but I'll ask this question first.

Basically, we're using the document of February 7 from the Department of Finance as the foundation for our hearing. Are there any glaring problems in that discussion paper that you want to present to us? If there are, then relay them to us because we should know about them. You can think about that, and we can come back to it.

Mr. McLeod.

• (1815)

Mr. Michael McLeod: Thank you, Mr. Chair. I want to thank everyone for their presentations.

We had the Auditor General present prior to everyone coming to the table, and he really opened my eyes to the extent of the problem in the casinos and gambling sector. He pointed out that in British Columbia the issue is not restricted to casinos. He made a reference to looking at real estate as part of their next round of review.

I wanted to ask a question of the people who are here from the real estate sector. In your own assessment, is there an issue with money laundering in the whole area of real estate? If there is, how widespread is it?

Mr. Simon Parham: We do recognize that there is an issue with money laundering in the real estate sector. We share the concerns when we see media reports in the news about money laundering in whatever city, in Vancouver or elsewhere in Canada. That concerns us. That is why we take very seriously the obligations that are imposed on our members.

As my colleague, Dina, mentioned in her opening remarks, we have prepared numerous materials. We prepare template forms and office compliance manuals. We communicate regularly with our members on specific issues that are brought to our attention, such as the need to do a training program or the need to file suspicious transaction reports.

It is a concern to us. At the same time, we're also concerned that the manner in which obligations are being imposed on our members may not be the most efficient or best way this could actually be done. Unfortunately, we don't know how much money laundering is going on in the real estate sector. If we knew, I think there would be another issue. We don't know those numbers.

Mr. Michael McLeod: Thank you.

You mentioned in your presentation that although you're meeting your FINTRAC requirements, which looks like it's a huge task to embark on, a lot of times the information never sees the light of day. What do you think the percentages of that are? Is it more than half? Is it three-quarters?

Ms. Dina McNeil: It's not necessarily data. What we can explain is that a realtor has to ID their client and fill out several forms for each transaction. That information is filed away and is usually never seen by FINTRAC. FINTRAC will see a large, suspicious cash transaction. All the other files that members and brokers have to fill out are not seen by FINTRAC. That's where the frustration comes from.

Mr. Michael McLeod: We've heard a lot about the rules and burden of having to oblige the government in filling out all the requirements. We talked about suspicious transactions and the \$10,000 limit, but we never talked about the penalties. The FATF had done a review and identified making penalties related to money laundering and terrorism financing more proportionate and dissuasive as something to consider.

Maybe you could all answer this. Do you support that? Should we be looking at stiffer penalties?

Mr. Simon Parham: There can be cases where penalties are warranted. We don't have a specific example where we would say that you should adjust it one way or the other, but I think it's important to recall the objective of this legislation, which is to detect and deter money laundering. The reporting entities, such as brokers and salespeople, are not the ultimate target. The money launderers are the ultimate target. The discussion on the compliance burden or whether the penalties placed on them are enough sometimes distracts from the real issue, which is what we can do to encourage more suspicious transaction reports being made to give FINTRAC what it wants.

● (1820)

Mr. Michael McLeod: Does anybody else care to comment?

Mr. Denis Meunier: I think my colleague has expressed it well. There is a regime of penalties at this point, and I think the penalties FATF may have referred to, if I'm correct, are perhaps in regard to the effort put into prosecution and trading off a predicate offence for money-laundering offences. I'm assuming that, though I could be wrong. At this point I don't know that we need to increase the penalties on the compliance side.

Mr. Ian Russell: It just seems to me that maybe the challenge is more around the detection of an actual money laundering transaction. The other issue is how difficult it is to prosecute, as opposed to an achieving an actual conviction, then a penalty, and then a recurrence of the crime. I don't think we're that far out. I think we're still sitting back and asking how effective detection is within FINTRAC and how successful they are at prosecution. Those seems to be the bigger uncertain questions.

The Chair: We'll go to Mr. Albas and then come back to one more on this side.

Mr. Albas.

Mr. Dan Albas: I think we've heard from a number of different industries that are subject to FINTRAC that there are administrative compliance costs in terms of time, data collection, etc. When I approached FINTRAC directly about this, they said they do not track the administrative compliance cost, because they know that what they do is important and that they are more focused on the efficacy of their efforts—not necessarily the efficiency. I'm a big believer in the point that you cannot manage something if you cannot measure it.

Would you be in favour of there being an inventory, industry by industry, about roughly how much time it takes to do it? To me, then you would have an impetus to try to reduce the compliance costs, which I think would ultimately benefit everyone. If there's greater compliance and efficiency, the chances are that the system will improve.

I'll just put it out to any of the groups here, maybe starting with Mr. Russell.

Mr. Ian Russell: I can appreciate that FINTRAC doesn't make that a priority, but on the other hand, if there is a suggestion, idea, or concept that, if it were put into place, could reduce the costs for the people who are complying, FINTRAC should not stand in the way of that. More importantly, it should be pushing and encouraging that.

The central registry on beneficial ownership would be one example. The other big example from my industry is moving forward with some kind of mutual recognition scheme for foreign institutions that are transacting in Canada. If they're in an acceptable jurisdiction, you shouldn't have to go through their identity.

These initiatives make a lot of sense, and it's just inertia on the part of government, it seems to me, not to move forward with them. It would relieve the burden, certainly for my industry, if we had their proactive support.

Mr. Kyle Kemper: I would suggest that they're not going to want to have measurements and statistics about their efficiency because they're not doing a good job. They're inundated with information. We need to consciously and critically think about the goals of these organizations, and start thinking about the fact that we have electricity and don't need to be thinking about candles anymore. We need to think about how we redesign these entire systems to be very efficient, seamless, and not even require centralized authorities to oversee them all. That is the potential that blockchain brings to us.

It worked for FINTRAC, but it also works for real estate, identity, taxation, and monetary policy. However, we are now in a time of change and need to address at a very high level how we're going to move forward as a country and a civilization. Are we going to try to take this new technology and hem it into the previous paradigm, or are we going to embrace it and ascend into the new age? To that end, there's a need for a national blockchain strategy or a task force with decision-making power, with the ability to make mistakes, work with international partners, and to try things, to implement pilots.

One of the things we've done at the Blockchain Association is to work with superclusters. We put in a bid for superclusters, but we're a horizontal industry that's spread out everywhere, representing global interests. There is tons of support; everybody is supported. We put out letters of support to all of the supercluster finalists and to those that were selected. We're looking forward to working with each of them, to bringing together all the stakeholders, and identifying and understanding the challenges industries face at a multi-stakeholder level.

As a government, you can't tell the industry how to do things, and industry can't tell the government how to do things. Collectively, you must agree and then work together toward implementing these new solutions, and not be afraid of making mistakes, in the understanding that we don't know everything. Then we move forward.

• (1825)

The Chair: Mr. Meunier.

Mr. Denis Meunier: At Transparency International Canada, certainly our goal is ensuring greater transparency. If it comes with efficiency, savings, and compliance, we're all for it. Certainly, a beneficial ownership registry that's publicly accessible would help all of the reporting entities—all of them. It would reduce their costs. If there are other measures that can be implemented that would facilitate compliance, all the better, because they might encourage more compliance and transparency, as well as better detection and conviction.

Mr. Jeremy Clark: That question is not really within my expertise, so I'll defer to my colleagues.

Ms. Dina McNeil: We don't have data from all our members on this, but we know that complying with FINTRAC costs between \$10,000 and \$100,000 for different reporting entities. For small businesses, a one- or two-person operation, it could cost them up to \$10,000. That doesn't include all the time they spend filling out the forms.

Definitely, if we can work with FINTRAC to be a little more efficient and bring down the costs, then compliance will go up. We would be pleased to work with FINTRAC.

Mr. Dan Albas: Thank you.

The Chair: I'll be coming to Ms. O'Connell.

Mr. Clark, that question wasn't within your expertise, but can blockchain be used as a tool to deal with some of the problems we talked about here with money laundering and the proceeds of crime as they relate to FINTRAC? If so, how?

Mr. Jeremy Clark: Sure. You can think of a blockchain as providing database-like structures. The only difference is that you don't have to decide who holds that database, so you sidestep the governance issue of who's going to hold that data.

It also has very strong technical properties in terms of what data can be written. The data that's written will be validated according to sets of rules you can write, and you can write these in software or code. To the extent that you could think of a computer being able to record or act on this information, then a blockchain could be dropped in to provide that same functionality. It could be done in a way that you don't have to pick one person to be in charge of running that database.

It is a relevant technology. There are a lot of open questions and research questions before you can just drop one in.

The Chair: Okay, thank you. It's nothing but been complicated.

Ms. O'Connell, you have the floor.

Ms. Jennifer O'Connell: I want to ask a question of the real estate association.

I've heard you on the compliance issues and the paper work. Your comments about nitpickiness with things that really don't contribute to what we're all trying to deal with here were well said.

The compliance will have to be there. There's obviously a huge risk of money laundering in the real estate market. If compliance were streamlined—I think that is probably a safe way to put it—how can we ensure that real estate agents are actually doing this work? I knew my real estate agent when I bought my house. He knew who I was and didn't really have to do much background checking. Of course, I still signed all the papers and went through all of that.

I'm from the GTA and we had the attorney general from B.C. here, and homes are selling within hours, in certain cases. How are we ensuring that the agents themselves are actually getting to know their clients? How can we feel secure in their doing that if the compromise is to somehow streamline the process as well? Have you given any thought to that?

Mr. Simon Parham: First, I would mention that the regulations already include some measures to encourage compliance, such as fines or AMPs. Also, recently specific obligations were introduced to basically require brokers and agents to document every step of the way. They're called "reasonable measure" records.

There are, then, some things in place. I think, however, that you can streamline some areas in cases in which the obligations imposed don't really make sense. For example, we have a policy interpretation from FINTRAC that says you have an obligation to know who your client is, and if you do repeat business with them you have an obligation to make sure that, say, their occupation hasn't changed.

However, what if you're doing two transactions concurrently? Basically, what FINTRAC has told us is that if you ask someone what their job is—let's suppose they say they're a plumber—and you're doing another transaction, you have to ask them again: "Remember that a minute ago I asked whether you were a plumber? We want to know whether you are still a plumber." This makes no sense.

If we had a policy interpretation that recognized the way real estate actually is being conducted, which is that people often buy and sell homes at the same time or in a very short period and there is no need necessarily to ask the exact same question, such as, "Did your date of birth change?" or "Did your occupation change?", it would be a way for FINTRAC to have more credibility. Then we could tell

that what they're really saying is that they want to make sure you know whom you're dealing with.

We don't have an issue with that. We know we have a role, but it has to make sense.

● (1830)

Ms. Jennifer O'Connell: Thank you.

The Chair: I see no other burning questions. Are we okay?

Thank you very much to the witnesses. I will say that I do know that the Department of Finance is looking for feedback on that discussion paper. In case you think of something in the meantime, and if you are presenting papers to the Department of Finance, it might be helpful to send us a copy as well so that we're not working at cross-purposes. Just forward it to the clerk and we'll get it.

We've covered quite a number of bases here this afternoon. Thank you, each and every one, for your presentations.

The meeting is adjourned.

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