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Tuesday, March 8, 2011

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Chair

Mr. James Rajotte

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•(0845)

[Translation]

The Vice-Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good morning.

[English]

Good morning to the witnesses.

[Translation]

We are here in accordance with Standing Order 108(2) to study tax evasion and offshore bank accounts.

We have two groups of witnesses: people from the Financial Transactions and Reports Analysis Centre of Canada, and people from the Royal Canadian Mounted Police.

I think you have 10 minutes more or less, Mr. Meunier. Go ahead.

[English]

Mr. Denis Meunier (Assistant Director, Financial Analysis and Disclosures, Financial Transactions and Reports Analysis Centre of Canada): Thank you, Mr. Chairman.

I would like to make a brief opening remark about FINTRAC's mandate and what we do.

With me today is our senior legal counsel, Yvon Carrière.

The legislation adopted by Parliament in 2000, the Proceeds of Crime (Money Laundering) Act, created FINTRAC as an independent agency reporting to the Minister of Finance with a mandate to detect, deter, and prevent money laundering. In 2001, post-9/11, the Anti-terrorism Act added combatting terrorist activity financing to our mandate.

FINTRAC is Canada's financial intelligence unit, or FIU. We have a staff of slightly over 300, and we have three regional offices in addition to our headquarters.

We are a unique agency in Canada, as our mandate is both to analyze financial transaction information and disclose certain information to investigators within the thresholds, and to provide strategic-level financial intelligence.

[Translation]

The Minister of Finance is responsible to Parliament for our act and for making proposals for amendments to the act and the regulations made under it.

I think it is important to clarify exactly what money laundering is. The Financial Action Task Force, or FATF, defines money

laundering as the processing of the proceeds of criminal acts to disguise their illegal origin. In essence, money laundering makes it more complicated to identify the criminal origin of the money, which is now clean. That is where we come in.

Under Canadian law, a money laundering offence involves various acts committed with the intention to conceal or convert property or the proceeds of property, such as money, knowing or believing that these were derived from the commission of a designated offence.

[English]

In this context, a designated offence means most serious offences under the Criminal Code or any other federal act. It includes, but is not limited to, those relating to illegal drug trafficking, bribery, fraud, forgery, murder, robbery, counterfeit money, stock manipulation, and, since very recently, tax evasion.

To give you the most accurate picture of our agency, I would also underline what FINTRAC is not. We are not an investigative body. We do not have powers to gather evidence, lay charges, seize and freeze assets, or create watch lists of suspect terrorist financiers. FINTRAC does not investigate or prosecute suspected offences.

Rather, we are an analytic body that produces financial intelligence to be disclosed, if appropriate, to help further investigations conducted by law enforcement and security agencies and to provide strategic-level analysis to policy departments and assessment agencies.

Because we hold millions of financial transaction records of Canadians, Parliament wanted to ensure that the act was drafted quite carefully to be very specific and clear on what information we can receive and what information we can disclose. The act stipulates that we can only release information to police where we have reasonable grounds to suspect that the information would be relevant to an investigation or prosecution of a money-laundering offence or a terrorist activity financing offence.

•(0850)

[Translation]

Furthermore, the act requires that, once FINTRAC has reached that "reasonable grounds to suspect" threshold, it must disclose that information. In the same way, once FINTRAC has reasonable grounds to suspect that certain information would be relevant to threats to the security of Canada, the act stipulates it must disclose that information to the Canadian Security Intelligence Service.

Our job, in brief, is to provide financial intelligence leads to law enforcement and to national security and intelligence agencies. We are a resource for every police department in Canada, with a unique ability to follow the criminal money trail across the country and around the world.

We also disclose information to the Canada Revenue Agency, the Canada Border Services Agency and the Communications Security Establishment when specific additional statutory tests in relation to disclosure to these agencies are met. Finally, we may disclose information to foreign financial intelligence units, as well.

[English]

Our work begins with the daily intake of over 65,000 reports on several kinds of financial transactions from a variety of businesses, which we call reporting entities. The most prominent of these entities are banks; however, we also receive reports from casinos, credit unions, life insurance companies, and money service businesses, not to give you an exhaustive list, but all of whom are obligated by the act to send reports to us.

We received several categories of reports. We are required by law to receive terrorist property reports, suspicious transaction reports, or STRs, and reports of attempted suspicious transactions, large cash transaction reports of \$10,000 or more, or LCTRs, casino disbursement reports, and reports of international electronic funds transfers, or EFTs, of \$10,000 or more. When I say "international", I mean EFTs entering or leaving the country. We are not authorized to receive reports of domestic EFTs.

Over the years we have built a very large database of these different types of transaction reports. Through sophisticated computer programs and the skills of highly trained and experienced analysts, we can analyze this data from both a tactical and strategic perspective and understand it in combination with information from other sources, such as law enforcement databases, commercially or publicly available databases, and sometimes information from foreign financial intelligence units.

We specifically look for financial transactions and patterns that make us suspect money laundering or terrorist activity financing. As you can imagine, the movement of illicit funds is often a well-hidden and complex affair, involving hundreds and sometimes even thousands of transactions, as well as dozens of individuals and companies.

I would like to note that our act was carefully crafted to provide the highest possible protection for personal information, while also making it possible for some information to be disclosed to law enforcement.

We are the only federal agency whose mandate specifically includes an obligation to ensure the protection of personal information under its control. Our data banks cannot be accessed by any other outside body. And the act provides for serious criminal penalties to be applied to the unauthorized disclosure of information.

[Translation]

Now let me turn to the subject of interest to this committee, that is, tax evasion by Canadians through use of offshore bank accounts.

In the last two years, we have stepped up our disclosures to the Canada Revenue Agency, sending them 287 cases. These disclosures have been used for criminal investigation into tax matters and also by their Special Enforcement Program, which targets those persons suspected of deriving taxable income from such crimes as commercial fraud and drug trafficking. We know from feedback from CRA that our disclosures have been useful to them in carrying out their investigations and audits and recovering millions in federal taxes.

[English]

Until just recently, FINTRAC could provide case disclosures to the Canada Revenue Agency when a dual threshold was met. First, there had to be a reasonable suspicion that the information being disclosed was relevant to money laundering, and secondly, a determination had to be made that the information was relevant to tax evasion.

In the cases we disclosed to the CRA in the past, the predicate offence was very often linked to drug trafficking or fraud. I might add that in these cases the police are the lead investigators, and the culprits are usually investigated in relation to the predicate offence and money laundering. In other words, the law did not permit us to use tax evasion as a predicate offence, that is, the criminal activity giving rise to the proceeds from which to build a case disclosure.

With the recent adoption of Bill C-9, we are now permitted to use tax evasion as a predicate offence from which to build a case disclosure. The Criminal Code regulations were amended to make tax evasion a predicate offence to money laundering when determining whether to send a case to the CRA.

But equally important, just weeks ago, on February 14, pursuant to the coming into force of the regulations to the bill, the threshold for disclosing information to CRA was lowered from "determining" to "reasonable grounds to suspect" that the information being disclosed is relevant to tax evasion.

As you may know, we received additional funding in Budget 2010 to help fight tax evasion. FINTRAC analysts recently received in-depth training on the impact of these legislative and regulatory changes. Also, we received training from CRA specialists on tax evasion with respect to the work they do.

In cases of money laundering, we have developed what we call indicators of money laundering, which are used more or less by financial intelligence agencies around the world to determine money laundering. We have now done the same with tax evasion, through the assistance of CRA. Over the last three years we have worked with the Canada Revenue Agency to develop indicators of tax evasion that would help our analysts determine when cases could be referred to the CRA.

With the changes in the law, the additional funding, and with such training, we feel we are poised to provide more information to help tax investigators with their tax evasion cases.

Thank you.

● (0855)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Monsieur Meunier.

From the Royal Canadian Mounted Police...I'm not sure who's going to do the presentation.

Mr. White, go ahead.

Assistant Commissioner Stephen White (Director General, Financial Crime, Royal Canadian Mounted Police): Good morning, Mr. Chair and members of the committee. Thank you very much for inviting us to participate in today's hearing.

I have here with me today Superintendent Stephen Foster, who oversees our commercial crime branch at our headquarters in Ottawa, and Inspector Dave Rudderham, who oversees our commercial crime unit in the city of Winnipeg. I am the director general for the RCMP's financial crime programs.

I'm pleased to have this opportunity to say a few words about financial crime, our involvement related to income-tax-related investigations, and our ongoing relationship with the Canada Revenue Agency.

In today's complex and increasingly global environment, criminal activity often involves multiple jurisdictions. Criminals today are becoming much more sophisticated in disguising their illegal profits without compromising themselves. Criminals are now taking advantage of the globalization of the world economy by transferring funds quickly across international borders. Rapid developments in financial information, technology, and communication allow money to move anywhere in the world with speed and ease, making it much more difficult for law enforcement scrutiny and providing criminal organizations new financial avenues. As a result, addressing increasingly complex transnational financial crimes requires law enforcement to work closely together with domestic and international partners.

Generally, tax evasion involves individuals or companies attempting to conceal income earned from taxation authorities. This same increasingly connected global environment also creates significant opportunities for tax evasion-related activities. In August 2010, Bill C-9 amended the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, making tax evasion a designated predicate offence for money laundering. In other words, tax evasion is a criminal offence that, if committed, could give rise to criminal

proceeds—the evaded taxes. In addition, laundering the proceeds of tax evasion will also be a money laundering offence.

Unlike the Canada Revenue Agency, the RCMP is not a primary recipient of tax evasion information. CRA has its own investigative capacity and is well positioned to investigate tax evasion. As a result, the RCMP generally does not investigate income tax evasion related to legitimate funds earning income offshore.

[*Translation*]

When the RCMP does identify activity related to income tax matters, it is almost always incidental to an investigation we are conducting on another matter. When feasible, matters are referred to the CRA for their action.

● (0900)

[*English*]

The RCMP commercial crime and integrated proceeds of crime programs have long had a close working relationship with the Canada Revenue Agency. The working relationship between the CRA and the RCMP commercial crime program dates back to the early 1970s, and the integrated proceeds of crime units have been working closely with the CRA since they were created in the mid-1990s. The RCMP may share information with the CRA; however, the RCMP only shares information with the CRA when it is permitted by law and the sharing will not jeopardize an ongoing criminal investigation.

Information sharing between the Canada Revenue Agency and the RCMP as it relates to income tax matters is generally from the RCMP to the CRA. The Canada Revenue Agency does not generally make referrals to the RCMP. When requested by CRA investigators, the RCMP does provide assistance to them. In some instances, tax-related information may be provided by the Canada Revenue Agency to the RCMP pursuant to a judicial order under the Criminal Code or after charges have been laid in relation to a criminal investigation.

Through the RCMP integrated proceeds of crime program, the RCMP regularly shares and refers information to the Canada Revenue Agency regarding tax-related matters. Between March 1999 and March 2009, the RCMP proceeds of crime program made referrals to the Canada Revenue Agency that resulted in federal tax assessments totalling approximately \$145 million.

[*Translation*]

In preparation for this appearance, we conducted a search of the RCMP's occurrence records and found that for the same 10-year period, from 1999 to 2009, the RCMP initiated 542 files related to the Income Tax Act. These files pertained primarily to providing assistance to the Canada Revenue Agency.

[*English*]

Within the RCMP financial crime program we currently do not have any investigative resources dedicated solely to tax evasion. However, with the recent legislative amendments I just mentioned, the future may see the RCMP becoming more involved in investigating tax evasion connected to proceeds of crime and money laundering.

As I indicated earlier, the changing environment is one of the greatest challenges we face in our efforts to combat all types of financial crime. The growing sophistication of criminal activity is abetted by the same techniques and technologies that spur legitimate opportunities for business.

As Canada's national police service, the RCMP recognizes that it has an important role to play in combatting financial crime and helping to protect Canada's economic integrity.

Mr. Chair, honourable members of the committee, that concludes my prepared remarks. I would now be happy to answer any questions you may have.

Thank you.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. White. We will go directly to members for questions.

Mrs. Shelly Glover (Saint Boniface, CPC): I have a point of order.

The Vice-Chair (Mr. Massimo Pacetti): Yes, go ahead.

Mrs. Shelly Glover: The point of order has to do with the conversations we had, prior to receiving these witnesses, with regard to going in camera, simply because of the nature of some of the questions we may have and the need to protect the secrecy of the investigation.

I would ask my colleagues around the table if we can now proceed to go in camera so that we can ask specific questions, such as about indicators and so on. I know that we had this conversation before. I'm a little surprised that we're in public, because it was decided that we would be inviting the police to go in camera.

I would refer that to you, Mr. Chair.

The Vice-Chair (Mr. Massimo Pacetti): Thank you.

It's not necessarily a point of order, but it's something we discussed at the steering committee.

Can I first ask Mr. White and Mr. Meunier if it would it be preferable if we were in camera? Then I'll go to the members.

A/Commr Stephen White: We can tailor our responses accordingly.

The Vice-Chair (Mr. Massimo Pacetti): If we were in camera, would you speak of a specific case anyway?

A/Commr Stephen White: I would probably not speak about specific details of an investigation.

The Vice-Chair (Mr. Massimo Pacetti): What about Monsieur Meunier?

Mr. Denis Meunier: The law would prevent us from disclosing any specific information about individuals. However, there are a few indicators we could share with you that are public knowledge. But we would reserve judgment, for operational reasons, about going into more details. There are some that are publicly available that the committee may wish to hear about again.

The Vice-Chair (Mr. Massimo Pacetti): Thank you.

Members, the committee meeting is not televised. It's up to the members. I'll just hear one or two interventions, and then we'll decide.

Mr. Szabo, you wanted to speak.

Mr. Paul Szabo (Mississauga South, Lib.): For the purposes of our study, I wasn't anticipating getting involved with any specific cases.

Given the disclosures that have been made already about the things you do and the things you monitor, and so on, I suspect that most of the things you're going to talk about flow from what's already been said.

I'm more interested in whether the witnesses could at least give me, for my edification, a little bit of information about what these other—

• (0905)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Szabo. I just want to get a feeling from the.... It's not your question period. You're speaking to the chair, not to the witnesses.

Monsieur Paillé, I want to hear you.

[*Translation*]

Mr. Daniel Paillé (Hochelaga, BQ): Mr. Chair, I will go along with your wishes.

I would like the session to remain public. One way or another, we are going to hear it on *Enquête* or another program.

The Vice-Chair (Mr. Massimo Pacetti): I will inform you that the meeting on March 22 will be in camera.

Mr. Thomas Mulcair (Outremont, NDP): If I assume that Mr. White's answer to be that he might have "tailored" his responses, as he just said, I think, personally, that even the in camera sessions are held in the presence of staff and a lot of people. If it is only because of that, I prefer that the session remain public. In the event that there were really things that he thinks he could tell us in camera, we could make a decision on that later. But for now, the presentation was relatively factual and I don't think there is any reason to change the general rule of Parliament, which is openness.

The Vice-Chair (Mr. Massimo Pacetti): Perfect.

Ms. Glover, you have the floor.

[*English*]

Mrs. Shelly Glover: I'm going to ask my colleagues to then consider inviting Mr. Rudderham to come back, simply because I intend to ask questions, given my law enforcement background, that deal with specifics on how we improve what we have. Without being able to ask questions with regard to how they get from A to Z, which in a public setting would actually educate those who want to commit crimes, it's going to be very difficult to complete a thorough study.

I'll agree with my colleagues that we continue today in public, but if we intend to do a fulsome assessment of this problem and get to some suggestions from the grassroots folks who are working in it, I would suggest that we re-invite Mr. Rudderham.

The Vice-Chair (Mr. Massimo Pacetti): Okay. Thank you.

Mrs. Shelly Glover: If I could, I'll just finish, Mr. Chair.

I think for today's purposes we will stay high level, but I would like to hear whether my colleagues are in agreement that we invite the RCMP back.

Mr. Massimo Pacetti: Go ahead, Mrs. McLeod.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): I don't believe it was anyone's intention to be delving into specific cases, but when our witnesses indicate that they would have to tailor the responses according to the nature of being in camera or out of camera, it makes me wonder if we might be missing some critical information for the study. So either we go in camera or, as my colleague suggested, we come back to this another time.

The Vice-Chair (Mr. Massimo Pacetti): I'm going to allow that the meeting stay in public, and as we roll along we'll see if we need to be in camera. I'll leave five minutes at the end to see if we need to invite Mr. Rudderham back.

Mr. Szabo, you have seven minutes.

Mr. Paul Szabo: Thank you, Mr. Chairman.

Mr. Meunier, one of the things you mentioned was that your process has moved from determining a situation to having reasonable grounds. How did that change the way you do your business?

Mr. Denis Meunier: The change simply occurred on February 14 of this year.

Determining is a much stricter interpretation in law than reasonable grounds to suspect. It is the combination of the July change in the legislation making tax evasion a predicate offence combined with the February 14 change in the act to a lower threshold. Together this will allow us to identify exclusively money laundering cases related to tax evasion. We'll be able to refer those to the CRA, as opposed to prior to last July when the regulations made tax evasion a predicate offence.

Prior to February 14, where, to make it simple, the cases we were referring to the CRA were cases that first identified drugs or fraud, etc., we could not exclusively refer to the CRA cases that were exclusively tax evasion. We had to refer to them cases that included it—for instance, money laundering cases that involved drugs, fraud, or some other predicate offence.

I don't know if I'm making myself clear.

• (0910)

Mr. Paul Szabo: My impression would be that the intensity at which you have to do your work and the detail all of a sudden hit a lower threshold, and you pass it on probably a little quicker than you otherwise would, which means that the demands on your resources go down.

Do you anticipate that this is going to change the resources you have to do what you do?

Mr. Denis Meunier: We received additional funding in Budget 2010. We've just hired the analysts and put them through some training, and in the last few months we've been working with CRA.

The additional resources are going to be dedicated to the identification of more cases of money laundering where tax evasion is a predicate offence. We expect the number of referrals to increase in an important way within the next six months once we have our analysts trained, and they are being trained, to identify these things.

Mr. Paul Szabo: I wouldn't have guessed that. If you have to come up with reasonable grounds as opposed to determining that

there is a problem, it would seem that the intensity and need for investigation is that you have to nail the case down before you report it. Otherwise, if you just have a suspicion or some markers out there to say that somebody ought to look at this, that requires less expertise, fewer people, less training, and less money.

Mr. Denis Meunier: The way it works is that we have about 150 million transactions in our database. It requires the same amount of time to identify which of these transactions and patterns are reported in triggers that we use to start a case. It requires the same amount of time.

That threshold was slightly more difficult to reach in the past to determine, but this will make it a little easier. But the amount of time we spend in going from determining to reasonable grounds to suspect is one of judgment.

All of the work, 99% of the work, goes into analyzing a series of complex transactions. As I mentioned, we have 150 million transactions in the database, but it's still basically putting the case together. We use suspicious transaction reports, large cash transaction reports, EFTs, information from open sources, and volunteered information that we may receive from law enforcement, police, CRA, etc. That's how we put these cases together.

There's not much of a saving, if you will, because all the work is done prior to getting to that point.

Mr. Paul Szabo: Okay.

Mr. White, the work you do has not been totally dedicated to tax evasion. Do you have, for the committee's purposes, some information that you could give us about some of the signals, the signs in the work that you were able to do, that help in the detection and the approach to it?

A/Commr Stephen White: Do you mean the detection of tax evasion?

Mr. Paul Szabo: Yes.

• (0915)

A/Commr Stephen White: Most of what we see and what we refer to the Canada Revenue Agency emerges through our proceeds of crime and money laundering investigations. We're actually investigating proceeds being generated from criminal activity. An example would be drug trafficking. We do an investigation. We identify an individual who we believe is involved in drug trafficking. We identify significant assets related to that individual. It could be property. It could be bank accounts. It could be funds held in offshore bank accounts. Based on the context of the investigation, we will develop grounds on which to believe that all these are criminal funds and that the Canada Revenue Agency is not aware they have these funds either domestically or offshore. We will make a referral to the Canada Revenue Agency. They will do their background due diligence and assessment on the individual.

Mr. Paul Szabo: Your work is tax evasion, whether that be domestic or offshore, and cases will vary.

On the recovery of the \$145 million that you referred to, that is relative to what number of cases, for instance?

A/Commr Stephen White: I can't say if it's a recovery of \$145 million. We've made referrals to the Canada Revenue Agency of quite a number of cases over that 10-year period. They have done their tax assessment on those individuals to the amount of \$145 million. I'm not sure of the exact amount they have recovered out of that assessment.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Szabo.

Thank you, Mr. White.

[Translation]

Mr. Paillé, you have seven minutes.

Mr. Daniel Paillé: Thank you.

Mr. White, I think you have submitted 542 cases to the CRA in 10 years. Is that correct?

A/Commr Stephen White: We're talking about 542 cases that we have opened. In most cases, it was assistance to the agency.

Mr. Daniel Paillé: You also said that in the Royal Canadian Mounted Police, you had no team of specialists on tax evasion.

I would draw a parallel with FINTRAC. You say there are 150 million transactions in your database algorithm. You receive 65,000 reports, and I assume that is per year.

A/Commr Stephen White: It's per day.

Mr. Daniel Paillé: For the 287 cases sent to the CRA, is that the number per year?

Mr. Denis Meunier: No, it's for a period of about two years.

Mr. Daniel Paillé: It seems to me that over a 10-year period, the Royal Canadian Mounted Police has sent about 50 cases a year. In your case, we're talking about 65,000 reports per day, but you disclose about 140 cases per year. You don't find that figure ridiculously low?

Mr. Denis Meunier: In we recent years, we have increased the number of disclosures by nearly 200%. In fact, three years ago, the number of disclosures to police forces and the CRA totalled 210. The next year, there were 559, and last year, 576. This year there will probably be more.

Mr. Yvon Carrière (Senior Counsel, Department of Finance, Financial Transactions and Reports Analysis Centre of Canada): I would like to point out that a disclosure to the CRA may contain thousands of financial transactions, sometimes even tens of thousands. We aren't talking about one transaction per disclosure here.

Mr. Daniel Paillé: At the Royal Canadian Mounted Police there are no tax specialists. For FINTRAC, there was reference to people being trained. How many people work at your centre? How many tax specialists are there who are able to detect this kind of thing? I'm a tax specialist myself, so I know that you can't make this up. There has to be a foundation, there has to be some training. How many are there at your centre?

Mr. Denis Meunier: There are about 300 employees at the agency. But that isn't 300 analysts. We have a large contingent of employees working in computer support. There are about 60 or

70 analysts. There have been accountants, so they were professionals, and there are lawyers, in particular. However, it isn't necessary to be a tax specialist. What we're interested in is money laundering. So we focus on the conduct of transactions. That is the focus of our attention.

Our role is not to conduct investigations into drug trafficking or fraud or even tax evasion. Our responsibility is to detect money laundering. We work in collaboration with the CRA, which gives us training and indicators of tax evasion. Our analysts use those indicators to determine whether the conduct corresponds to money laundering or tax evasion.

• (0920)

Mr. Daniel Paillé: In terms of training for your staff, do you have exchanges with other organizations at the international level?

Mr. Denis Meunier: There is a system of memorandums of understanding that covers 73 countries—

Mr. Daniel Paillé: Yes, but we're talking about training for your staff.

Mr. Denis Meunier: For our part, we train other agencies.

Mr. Daniel Paillé: My next question is more for the representatives of the RCMP.

Not many penalties are imposed in Canada. On that point, I will give you two examples. First, the Voluntary Disclosure Program allows a person who feels a little guilty to disclose things to the CRA without penalty or prosecution. In addition, the general anti-avoidance rule doesn't result in a penalty. You can simply be denied the tax benefit you had claimed.

As a police force, does the RCMP think that this lack of penalties is an incentive for people to get deeply involved in these activities? If they get caught, they just have to beg pardon. It is easier to beg pardon than to ask permission.

[English]

A/Commr Stephen White: I guess from a law enforcement perspective what we would look at is what would be an effective deterrent, regardless of the type of criminal activity, whether it's tax evasion or fraudulent activity. The greatest deterrent is always being caught. After that, obviously, it would be whether there's a prison sentence or a fine.

[Translation]

Mr. Daniel Paillé: If they get caught, but if there is no fine and no prosecution, it's like getting your knuckles rapped by your mother.

[English]

A/Commr Stephen White: The less severe the consequences, the less effective the deterrent, I would think.

[Translation]

Mr. Daniel Paillé: From what you said, you send the CRA a lot of information, but it isn't entirely reciprocated. Do you think that's reasonable?

[English]

A/Commr Stephen White: Under current legislation, the Canada Revenue Agency is very limited in their ability to refer tax information of Canadians to us. That's why under the Criminal Code there is a provision for law enforcement to get an order for us to go and get tax information to assist us in an investigation.

[Translation]

Mr. Daniel Paillé: Am I summarizing the situation properly if I say there is little prevention, that you always come in after the fact and you are chasing after the wrongdoers?

[English]

A/Commr Stephen White: Not always. If we're doing a criminal investigation such as drug trafficking, for example, and we need to do a further assessment of an individual's revenue, of legitimate income, we use that order under the Criminal Code, signed by a judge, to go and ask Revenue Canada for that information during an investigation.

[Translation]

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Paillé

Ms. Glover, you have seven minutes.

Mrs. Shelly Glover: Thank you, Mr. Chair.

[English]

I am very impressed with Inspector Rudderham's reputation. We in the police service in Winnipeg are very familiar with the work he's done in Saskatchewan and Manitoba.

I'm going to have to tailor some of my questions; I'll ask them when you come back and we'll be in camera. But I do want to ask you, sir—because we only have seven minutes—with your experience in the proceeds of crime world, money laundering, etc., if you have some recommendations to improve the system, I would ask that you share those with us here and now.

We have listened to the police services across the country, and that's why Bill C-9 has come about. I believe that this is a tool that you are able to use now. What would you suggest that we, as the lawmakers, could do to improve the ability to target these tax havens and these tax evaders?

Inspector David G. Rudderham (D Division, Financial Integrity (Manitoba), Royal Canadian Mounted Police): That's a very complex question. It's very difficult. I think when we approach any investigation we look at where the information is lawfully accessible. I think tax havens, from my experience, provided a block because the road ended; your investigative avenues ended at that point.

I know when working with Revenue Canada we are restricted to what information we can get from them. The Criminal Code only allows it under basically three areas of investigation: drugs, terrorism, and organized crime. One of the things I'd like to see is the ability to request tax information from Revenue Canada by way of affidavit for all indictable offences under the code. Specifically, in my work now it's for frauds. For one single improvement, that would be my suggestion.

● (0925)

Mrs. Shelly Glover: Okay. Proceeds of crime is important. We've just touched on it. I would think that you have some suggestions with regard to how we deal with proceeds of crime when someone is identified as being a tax evader and has gone through the process. Do you have some suggestions on how we improve our proceeds of crime follow-up?

Insp David G. Rudderham: Not specifically.

Mrs. Shelly Glover: In Manitoba we have a proceeds of crime unit at the provincial level. They have a much different threshold in order to seize property. For example, they can actually seize property there before a conviction is obtained. I would think that this is a very good tool in order to go after some of the people we're talking about. Are you familiar with that program in Manitoba?

Insp David G. Rudderham: Yes, I am.

Mrs. Shelly Glover: What do you think of that program, and how could we tailor it to this situation—or could we?

Insp David G. Rudderham: I think in one respect we're going to have to. With the law now having changed to include tax evasion as a predicate offence for possession of proceeds of crime and money laundering, we're going to have to look at assisting CRA in any way we can to identify those funds, and we'll now have an ability to restrain those funds wherever they are.

Mrs. Shelly Glover: Very good. I was going to ask you to take me through a case—not a specific case—but I'll ask you that another time.

I'd like you to address the indicators, Mr. Meunier, if you could identify what those indicators are. How long does it take from the time you determine there's an indicator? What is the process, and how long does it take before you finally get to a position where you can go after these folks for tax evasion—well, not you, but share it with CRA so they can do it?

Mr. Denis Meunier: I can tell you generally in our work, in urgent cases, we can respond within 24 hours, making a disclosure to law enforcement if there's an ongoing investigation. But on average—

Mrs. Shelly Glover: Give me an example of an indicator and take me through the process.

Mr. Denis Meunier: Okay. I'll give you an example of pre-tax evasion as a predicate offence.

Let's say you had somebody who opened a business and opened an account with a bank. They had two or three employees, and they said they were building furniture.

The banks, after a while, would have sent us a suspicious transaction report saying that the individual had unusual activity in the account: large cash deposits, structured deposits under the threshold of \$10,000, sending EFTs to a bank account in the U.S. with no rationale for it as a small enterprise, no payroll deductions, no payment of GST, no payment to suppliers.

You know, suddenly just something doesn't smell right. The individual might even have mentioned that he'd been paying the staff under the table, in cash.

We also get a voluntary information record from the police, identifying the person involved in a.... The police were involved in a drug investigation on this particular individual.

So in terms of the indicators and the kinds of transactional behaviour that we would notice, it would be the unusual or no payments to suppliers and the large cash deposits for a business that normally would have a lot more credit card or debit card accounts.

That information came from the banks. Combined with the information that we had there, as well as open source, the person didn't exist on the...or had no place of business.

All of these things indicated to us that we had reasonable grounds to suspect a money laundering offence at that time, drugs being one; the police provided the information. Of course, we reached the threshold or the determination that this looked like tax evasion as well, so we would have referred this to the RCMP.

Mrs. Shelly Glover: It's all reactive indicators. You don't have proactive indicators?

Mr. Denis Meunier: Yes, we do.

Mrs. Shelly Glover: What are those?

Mr. Denis Meunier: I'll go back to the pre-tax evasion situation prior to July, when tax evasion was not a predicate offence.

We run patterns. We have computer programs that help us proactively identify, with all of the information we get every day, some of these cases. If we can detect, either with a suspicious transaction report...and we get about 64,000 suspicious transactions a year, so those are good cases. We will proactively go toward the police or CRA with indications and say, look, here's a pattern that looks like drugs and tax evasion.

So we do this without being prompted by police or the CRA. We do this active analysis.

• (0930)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Ms. Glover.
[Translation]

Thank you, Mr. Meunier.

Mr. Mulcair, you have seven minutes.

Mr. Thomas Mulcair: Thank you, Mr. Chair.

Mr. Meunier, Mr. White, I first want to congratulate you, something we rarely do here. Your presentations were extremely clear and I sincerely thank you for that.

I want to ask you a few questions so we can find out, somewhat as Ms. Glover did, what we can do to help.

I attended a conference in London a few months ago where they gave us a statistics that astounded me. They told us that every four days, the equivalent of the GDP of the entire world is transferred on this planet. That is astounding. It means that the filters we have to put in place to try to find out what is being done properly and what is being done crookedly have to be as elaborate as what is in place.

We must not fall into what Mr. Rudderham described: it must not turn around in a nanosecond and end up in a black box in the

Cayman Islands. We have to be as cunning as the people who are doing that. So that is kind of what I want to look at which you today.

One thing sometimes surprises us when we examine the cases offered as examples. I am always very careful, as well, not to drag you into our purely partisan world. I am going to try to adhere to that today.

I'm going to talk to you about a concrete case, one that has already been tried and is over: the Earl Jones case. I have the entire file, all the court documents and all the internal documents from the Beaconsfield branch of the Royal Bank of Canada, where Earl Jones did business and where he stole \$50 million from his clients in an absolutely classic Ponzi scheme.

In the documents from the bank, it says at every stage:

[English]

They told him he was using an interest account for reasons that were not related to the normal establishment of such an account. It was clearly illegal and he could get into trouble.

[Translation]

That went on that way for years and years, in the Earl Jones case.

There is a disagreement between the Conservatives and us. They say the best thing to do is to create a national securities regulator, and I never cease to repeat that the Office of the Superintendent of Financial Institutions did nothing in the case of Earl Jones.

Does a case like Earl Jones's affect you directly or indirectly, the people at FINTRAC, or does it fall strictly within the responsibility of the Office of the Superintendent of Financial Institutions of Canada?

Mr. Denis Meunier: I can't comment on the Earl Jones case. However, if that kind of case arose, we would obviously rely on the reports we received from the financial institutions.

A bank that detects that kind of conduct on the part of a client is obliged to send us suspicious transaction reports when it determines that it has reasonable grounds to think that transactions are connected with money laundering. When we receive that information, we put it together, and if we reach the disclosure threshold required by the legislation, we have to share it with the police—I'm describing what happens generally. If those requirements are met, we have to disclose the information.

Mr. Thomas Mulcair: Thank you, Mr. Meunier, for that answer, which was just as clear as your presentation.

Now, Mr. White, while trying to stay within the bounds of nonpartisanship, I am going to ask you a question about something that is in the news and that relates to what I said.

If people are in fact able to make that kind of transfer with the click of a mouse—that isn't something that just happened yesterday, it has been at least 30 years that this has been possible—then certain things have to be done every time a new structure to facilitate the transfer of money might be put in place.

The takeover of the Toronto Stock Exchange by the London Stock Exchange, which is controlled in the Middle East, is one of the things that are on the table at the moment. Are you going to be consulted on this subject, and your opinion asked for? The Department of Industry is going to make a determination, under the law, to determine whether the transaction represents a net benefit for Canada, as we saw in the potash case.

As experts, if you are the ones having to track that case, if I may use that expression, will you be consulted and will you be able to ask that certain things be considered? In fact, it's a stock exchange located in another country, controlled in the Middle East petrodollars, that is going to be in charge of our stock exchanges here. We will have even more problems. Will you at least be consulted about this? Will your opinion be solicited?

● (0935)

[English]

A/Commr Stephen White: I can't say for certain whether we will be asked to provide any opinion or input into that. Obviously, that type of decision is a larger policy decision for the Government of Canada. If we were asked, we would have to have all the information and all the dynamics of the actual process in order to do a proper assessment of whether we would see any impact on law enforcement, criminal activity, the flow of funds, or our ability to do our work as law enforcement officials. At this point, I haven't looked at it, and I don't think any of my colleagues have looked at it either.

Mr. Thomas Mulcair: I have a more general question that Mr. Rudderham, Mr. White, or Mr. Foster might be able to answer. We work with other parliaments. We wind up working with people who do our jobs. We try to come up with the best ideas to put into legislative form to keep the country working in the public interest. You wind up working with law enforcement officials in other jurisdictions. As Mr. Rudderham describes the black box in the Caymans...I've been in several conferences in France where President Sarkozy has been leading the charge on this and President Obama has also been very strong. Why can't we get through that black box? Why can't we get into it? What's missing when the most powerful, most structured countries in the world say that this is a priority but we just can't get through it? What's missing?

A/Commr Stephen White: In a number of cases, we can get through it. We have the mutual legal assistance treaty process, and Canada has mutual legal assistance treaties with a number of countries, including a number of tax haven countries such as the Caymans.

Some countries may be more protective in releasing information related to tax investigations, as opposed to other types of criminal activity such as drug trafficking. In our experience, they've been largely cooperative. In a place like the Cayman Islands, if we have a drug trafficking investigation and we know there are accounts established in those countries, we send an official request under the mutual legal assistance treaty. For the most part, cooperation in those types of investigations has been fairly good. Because we haven't been involved in many tax evasion investigations, we haven't had much experience in dealing with other countries on tax evasion.

Mr. Thomas Mulcair: But theoretically it would produce the same result?

A/Commr Stephen White: Do you mean on tax evasion?

Mr. Thomas Mulcair: If we now have these predicate offences you described, which in Canada now include tax evasion on the same footing as drug trafficking, then you'll be able to go, under the same treaty, to the Caymans and say this is tax evasion money and we're allowed to—

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Mulcair.

Could we have just a quick response?

A/Commr Stephen White: They're proceeds of crime. How they would react to that I can't say at this point, but that option is now available.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Mulcair.

Thank you, Mr. White.

Before we go the second round, just out of curiosity, can I ask why, Mr. Foster and Mr. White, you're in uniform and, Mr. Rudderham, you are not? It's just curiosity.

Insp David G. Rudderham: I was just unaware that they were going to wear uniforms.

The Vice-Chair (Mr. Massimo Pacetti): How comfortable are they, Mr. Foster and Mr. White? Your buttons are all the way up. It's pretty hot in here. Are you okay?

Voices: Oh, oh!

A/Commr Stephen White: We're fine.

The Vice-Chair (Mr. Massimo Pacetti): Mr. Brison, go ahead for five minutes, please.

Hon. Scott Brison (Kings—Hants, Lib.): I have no questions on red serge or anything like that this morning.

Further to Mr. Mulcair's questions on cooperation with other jurisdictions, given the complexity of financial instruments today and the complexity of technologies and the integrated nature of global capital markets, how would you describe the sharing of technology, methodologies, protocols, and information with other jurisdictions compared to, say, what it was 10 years ago?

● (0940)

A/Commr Stephen White: From our experience, compared to 10 years ago, I think it has evolved significantly. Whether in terms of money laundering, fraudulent activity, capital markets, or criminal investigations, in all of those areas we have very strong partners internationally, in a number of countries, especially the larger countries.

We have a lot of working groups with a number of countries, especially the United States, the U.K., Australia, and New Zealand. In all of those domains, we regularly come together to look at what is being done in each other's countries and at methodologies others may be using that we can either share or adopt. In terms of technology, for example, we just had some experts over from the United Kingdom who have some very impressive software they are now using to analyze criminal intelligence related to fraudulent activity, which we are looking at.

It's ongoing, and I would say at this point it's very good.

Hon. Scott Brison: Post-September 11 we've seen a greater level of collaboration between agencies and jurisdictions in the war on terrorism. The same types of financial malfeasance or fraud that may be used or money laundering that may be used to finance the drug trade could also be used to finance terrorism. Has this been a factor? Have you seen that the post-September 11 increased efforts—and I guess multilateral efforts—on terrorism have impacted and augmented your resources on the financial side?

A/Commr Stephen White: After 9/11, under the federal government's money laundering anti-terrorist financing program, the RCMP was given resources specifically related to terrorist financing.

Hon. Scott Brison: And other jurisdictions have moved similarly, so this has helped. That has actually helped your capacity to address financial malfeasance that could be used in other areas such as the drug trade and so on?

A/Commr Stephen White: It has to some extent.

Hon. Scott Brison: To what extent are multilateral groups like the G-20 engaged in this? We're seeing more of a multilateral and coordinated approach to international financial issues. Are we seeing a similar multilateral effort between enforcement agencies on the whole issue of financial crime and malfeasance? Are we seeing the same kind of integrated approach, and is there a multilateral body that is becoming the leader in the same way the G-20 has become the leader on the post-financial crisis?

A/Commr Stephen White: There are probably two entities.

There is a law enforcement working group under the G-8. Within that group, a number of the issues they look at on a regular basis are related to financial crime, especially money laundering activity. Under the umbrella of the G-8 law enforcement working group, we've done a number of activities in partnership with other countries in terms of international cash interdiction. For example, during a certain period of time, a number of countries that are part of the working group will make a concentrated effort to look at cross-border currency movements in their areas.

The other big entity is obviously the financial action task force. A lot of work is taking place in terms of developing methodologies related to money laundering. They regularly put out reports on new methodologies related to money laundering.

Those are two that come to mind in terms of international multilateral agencies.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Brison.

Thank you, Mr. White.

[*Translation*]

Mr. Carrier, you have five minutes.

Mr. Robert Carrier (Alfred-Pellan, BQ): Thank you, Mr. Chair.

Good afternoon, gentlemen.

Mr. White, one part of your presentation that you read in French caught my attention more; I don't know whether it's a matter of language. You said: "When the RCMP does identify activity related to income tax matters, it is almost always incidental to an

investigation we are conducting on another matter." You know we are here to study tax evasion. In other words, that isn't your primary concern, but when you learn of the existence of such activities in the course of an investigation, you refer the case to the Canada Revenue Agency. Is that right? So it isn't a priority for you to combat tax evasion.

• (0945)

[*English*]

A/Commr Stephen White: When I say it's not a priority, the Canada Revenue Agency has its own enforcement program specifically for that. In terms of identifying tax evasion, as I mentioned earlier, it could be through a proceeds of crime investigation related to drug trafficking, a money laundering investigation, or fraudulent activity, for example. Those all generate income where we may identify bank accounts and property that, during our investigation, we have reason to believe have not been reported to Revenue Canada. Those are the referrals we will give to Revenue Canada.

[*Translation*]

Mr. Robert Carrier: Thank you.

I'm now going to talk about FINTRAC, where we ultimately find people who analyze cases. You were clear, in fact, that since last year, with Bill C-9, tax evasion is being more formally targeted and it is more your responsibility to monitor it. You also said that you have had special training from the Canada Revenue Agency for analyzing those cases.

Since you have been doing a precise analysis of it, has that opened up a new area of activity where there is the potential for picking up on cases that should be examined in depth?

Mr. Denis Meunier: We have just hired the analysts, with the funds we received in the 2010 budget. It hasn't started yet, we are in the process of finalizing the training for our analysts, but we expect to start seeing results over the next six months, perhaps. So we are expecting just that, to see an increase in the number of cases we would be disclosing to the Canada Revenue Agency.

Mr. Robert Carrier: That is precisely one of my questions. How many employees have you assigned specifically to studying tax evasion cases?

Mr. Denis Meunier: In fact, all our employees have been trained and are all tasked with targeting those cases. So there isn't a special unit; it's in the course of their work. Because we have hired about eight additional employees, that should greatly improve things.

Mr. Robert Carrier: But you aren't training people specially to do that analysis, although it's something specific.

People talk to us about tax evasion, but it's in the abstract, they don't know the details. Surely there have to be specialists to analyze the financial results, etc.

Mr. Denis Meunier: In fact, we analyze the financial transactions. We don't go into the companies' books and records. We analyze the transactions that come to us from banks, wire transfers, etc. We thought it was much more beneficial to educate 60 or so analysts who are on the lookout for this kind of financial conduct than to have a special unit assigned to that job.

Obviously, if we see that the results are lower than hoped, we may change our practice, but not for the moment.

Mr. Robert Carrier: It concerns me a bit when you say that all the employees are trained. That is really a broad generalization.

Mr. Denis Meunier: No, not at all.

Mr. Robert Carrier: You know that some countries are recognized as tax havens. Those tax havens are legal, but there is an opportunity for tax evasion in some countries about which there is a lack of information. They are countries that are part of the grey area defined by the OECD. Are you going to target those countries in your analysis? Without necessarily considering them guilty from the outset, will you identify them as places to monitor particularly?

• (0950)

Mr. Denis Meunier: You said it, the fact that it comes from a particular country doesn't mean that it is necessarily money laundering or that there might be tax evasion. But it is one indicator, among others.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Carrier.
[English]

Ms. McLeod, five minutes, please.

Mrs. Cathy McLeod: Thank you, Mr. Chair.

I think to start I need to follow up on some comments that my colleague Mr. Mulcair made. He was focusing on tax evasion, securities fraud. We do know that Ponzi schemes often use loopholes and that investigations can be very, very challenging. I find it a little bit difficult, but perhaps I am wrong, that when you have 13 separate securities regulators and jurisdictions, it doesn't add some complexity to the investigation.

I'm just wondering if perhaps Mr. White or someone could comment on that particular issue.

A/Commr Stephen White: In terms of the issue with individual or national securities regulators—again, obviously, a bigger policy issue for the Government of Canada—our interest comes in terms of sharing of information, exchange of intelligence. If we only have to go into one location or go into multiple locations, in terms of asking for information, would it take a bit longer? Yes, it's not impossible. I guess I would leave it at that.

I don't think I'm really in a position to offer any comment at this point whether or not a national regulator would expedite our work.

Mrs. Cathy McLeod: I appreciate that, absolutely, it's a broader policy issue, but I think in that sort of narrow perspective, which of course is one piece of probably a complex puzzle.

For criminals, money laundering is a big issue. To what degree is it focused into tax havens?

A/Commr Stephen White: I wouldn't be able to give a percentage. Do we have cases? Yes. Proceeds from criminal activity are housed in bank accounts and tax havens. We also have a lot of criminal activity where criminals move their funds offshore to non-tax havens as well. So it's a mix.

Mrs. Cathy McLeod: From what I was hearing earlier, there is some part of the workload that is focused on tax havens. To what degree are you actually laying charges related to criminal activity and tax havens versus...? You talked about so many cases. Would all those be ones where you are also actually laying criminal charges, or are some just referred to CRA? Can you talk about that a little bit?

A/Commr Stephen White: Yes, definitely. It's a mix. In a lot of them we have laid charges. In some of them we don't lay charges for whatever reason. We can't just get to the necessary threshold of evidence that we need, but we still have identified enough evidence that we think we can refer it to the Canada Revenue Agency to look at it in terms of a possible tax assessment.

But in terms of offshore proceeds of crime, whether it be bank accounts or property, we would lay charges here in Canada. If it's offshore property, we can ask for a restraining order here in Canada. That would be a prelude to criminal proceedings and a possible forfeiture order. If it is in another country, whether a restraining order or otherwise, we can ask, through the mutual legal assistance treaty that we may have with that country, for a Canadian order to be enforced in that country.

Mrs. Cathy McLeod: I'd like to go to Mr. Meunier now.

You gave an example of information that comes in that sort of raises red flags. It sounds like it would be a dumb criminal who would actually open a business knowing that FINTRAC has all these capacities and abilities.

Do you have some sort of system whereby you're actually able to, first of all, make sure that you're not targeting people who are doing very innocent kinds of transactions? Do you have reasonable confidence in your processes and systems?

Again, I would suspect that the people who are using tax havens and are evading taxes often have much more sophisticated processes and systems.

• (0955)

Mr. Denis Meunier: Yes. I gave you a very simple example, because we were referring to indicators, and I didn't want to make it too complex. I didn't really come here prepared with charts. But most of the cases are fairly complex.

With respect to very complex situations, where you may have comingling of funds or large corporations perhaps using offshore locations, because some of those sites might raise a red flag, among many others, yes, there are cases. We have referred those to the CRA, particularly in cases where there may have been drugs or fraud or information from the police about investigations of fraud or drug trafficking.

Now that the law has changed and regulations have changed, we can focus on some of the more complex, exclusively tax evasion cases.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Madam McLeod and Monsieur Meunier.

I'm going to take a round for a couple of questions.

Monsieur Meunier, this body brings in information. But how do you trace it?

For example, if I make a deposit of \$10 at the Bank of Nova Scotia and then transfer \$9.99 to Toronto Dominion, don't you lose track of that money? You're just getting information from one entity and from another entity. You don't necessarily follow or trace the money.

Mr. Denis Meunier: Chances are that this particular amount would not be reported to us unless the bank thought it was suspicious.

I'll give an example of a cash deposit of more than \$10,000. If an individual transferred that amount outside the country, I would be getting an EFT, an electronic fund transfer, from that bank. I would have received a large cash transaction when that amount was deposited.

The Vice-Chair (Mr. Massimo Pacetti): Let's use \$1 million. I deposit \$1 million into the Bank of Nova Scotia. They report to you that I deposited it in the Bank of Nova Scotia. I transfer \$300,000 to Toronto Dominion and \$300,000 to the Royal Bank, and then it's sent offshore. You would lose track of that money, wouldn't you, because the \$1 million has been broken down?

Mr. Denis Meunier: First of all, if the \$1 million is suspicious, they would send it to me, so I would get that. If the \$1 million is deposited in cash, I would get that.

The Vice-Chair (Mr. Massimo Pacetti): Right, but once the money is in the account, you sort of....

Mr. Denis Meunier: No, if you transfer that internally or offshore, if it's suspicious, they will report that to me as well.

The Vice-Chair (Mr. Massimo Pacetti): The only reason I'm asking is because you said you are not authorized to receive reports of domestic EFTs.

I would just take the money, send it to different banks, and then from those banks, send it offshore, would I not?

Mr. Denis Meunier: Yes, but as you transfer the money internally, domestically, if it is suspicious, I would get a report on it. I wouldn't get an EFT, an electronic funds transfer, within Canada, but I would potentially get a suspicious transaction report.

The Vice-Chair (Mr. Massimo Pacetti): The Bank of Nova Scotia, where I deposited the money, would not necessarily report to you that the money had been transferred.

Mr. Denis Meunier: Transferred where?

The Vice-Chair (Mr. Massimo Pacetti): Even if it was internally, would they still tell you?

Mr. Denis Meunier: If it's suspicious they would.

The Vice-Chair (Mr. Massimo Pacetti): Okay, so they would once it's tagged as suspicious.

Would there be a trace also according to name?

Mr. Denis Meunier: They'd give me your name, your bank account, whatever.

Mr. Daniel Paillé: But you're not suspicious.

The Vice-Chair (Mr. Massimo Pacetti): I'm very suspicious—I just want to know where I stand.

In your brief you say that the feedback from CRA—their disclosure—has been useful to them in carrying out their investigations. How do you know they've been useful? They told you?

Mr. Denis Meunier: Yes.

The Vice-Chair (Mr. Massimo Pacetti): You said that over the last three years you have worked with the Canada Revenue Agency to develop indicators of tax evasion. When in doubt, you're not sure whether to disclose cases to the CRA, but now it's a lot easier? What is the determining factor?

Mr. Denis Meunier: We can't be in doubt. I must make that determination. It's either that I suspect or not. And when we reach that threshold, we must disclose.

• (1000)

The Vice-Chair (Mr. Massimo Pacetti): What if you are in doubt and you refer the case to CRA? Are you saying that CRA is not able to determine whether the transaction is suspect, or is that within the legislation?

Mr. Denis Meunier: I'm not sure about the wording you've used in respect of "when in doubt". When we have reasonable grounds to suspect that it's money laundering, and also reasonable grounds to suspect that it's related to an offence of tax evasion, then I would refer it. I must refer it.

The Vice-Chair (Mr. Massimo Pacetti): Okay, so in both cases you would refer it?

Mr. Denis Meunier: Yes, there is a double threshold for money laundering: you must have reasonable grounds to suspect money laundering and reasonable grounds to suspect tax evasion—

The Vice-Chair (Mr. Massimo Pacetti): Why wouldn't you refer it if it was in the grey area? Wouldn't CRA be able to do their own work and determine the matter?

Mr. Denis Meunier: Because the legislation requires me to reach that threshold.

The Vice-Chair (Mr. Massimo Pacetti): Okay, that's what I was asking.

Mr. White, in our study on offshore bank accounts—we had some professors and we had some experts—we're still trying to determine whether there is a legitimate need for businesses to carry on operations with offshore bank accounts. You say that the "growing sophistication of criminal activity is abetted by the same techniques and technologies that spur legitimate opportunities for business". Where is the grey area there? At what point is it legitimate or not for your organization?

A/Commr Stephen White: I wouldn't say it's a grey area. Legitimate businesses use offshore bank accounts all over the world. Because those financial systems and mechanisms exist, criminals can leverage that same environment in offshore bank accounts. When they do so in tax havens, it's that much more beneficial to them. It is fairly easy to open an offshore bank account if you want to, but criminals take advantage of it.

The Vice-Chair (Mr. Massimo Pacetti): Is there any grey area...? Do you ever have a legitimate business operation opening up accounts for people running drug cartels, terrorism, or other criminal activity?

A/Commr Stephen White: I can't give examples of legitimate companies. Drug trafficking organizations often open up their own businesses to facilitate money laundering activity. They can run a quasi-legitimate business, take their proceeds from drug trafficking, and mix that money with legitimate income. That is a big component of the money laundering process, and it makes it a lot harder for law enforcement scrutiny when you have an entity with mixed income—legitimate income and income from criminal activity.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. White and Mr. Meunier.

Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair, and welcome to the chairmanship. You're doing a fine job today, even though you went over time.

What I find interesting today is I think we've switched gears a little bit. If you had been at our meetings prior to this, where we had, as previously mentioned, professors and so on, in my view, the discussions about offshore accounts and evading taxes were about wealthy individuals or corporations who were not only tax planning but avoiding tax. Today's discussion is about criminal activity, in my view.

They're both criminal activity, but rightly or wrongly, to me, and I think to people on my street, the drug dealer who is cashing in on providing illicit narcotics to individuals and then taking that money and putting it in offshore accounts is in a different realm from somebody who has moved here to Canada and had money in other accounts around the world. We have a volunteer program at the CRA where a person can say, I didn't realize I was making a mistake here, or whatever. People can say, we'd like to voluntarily pay for what we've missed and pay any penalties, but, as Monsieur Paillé mentioned, avoid any penalties other than financial.

I'm assuming at the RCMP the vast majority of the work is to deal with the criminal aspects that I mentioned, whether it's money laundering through organized crime and those types of things or drug dealers—all that piece. But at FINTRAC, does it matter whether it's somebody who's avoiding paying taxes, illegally, or somebody who's actually involved in other illegal activities? You can avoid paying taxes without doing any other illegal activity, and that's basically what we've been talking about up to today. We've suddenly gone—rightfully so—to some other activities.

Do you have any sense of where the bulk of that is, in offshore accounting and all that? Do you have any sense from FINTRAC?

•(1005)

Mr. Denis Meunier: I don't have a sense of that for one good reason. The legislation has just recently changed, so as a result, all the cases that we referred to the CRA were first money laundering cases involving potentially drugs or fraud, etc., and tax evasion. Because the legislation has now made tax evasion a predicate offence, and there are regulatory changes as well—sorry, that was a regulatory change. There's the other legislative change reducing the threshold, and we can now focus in this area exclusively of tax evasion as a predicate offence.

Mr. Mike Wallace: So prior to us changing the law, and maybe since the law has changed—maybe you can explain it—when you referred something to CRA, was that so that they could collect the tax that was owing and it had nothing to do with whether there was any other criminal activity going on, or did you refer the stuff also to the RCMP or any other law enforcement agency to follow up on the criminal activity?

Mr. Denis Meunier: In the vast majority of cases, there would have been a referral to the CRA as a result of also making a referral to a police force, because we had determined that it would also be relevant to a tax evasion offence, if you wish. So it would have been primarily as a result of the referral to police. However, there have been a few cases where CRA could lay fraud charges, and in those particular cases we would have also referred it to the CRA exclusively—but in very few cases.

Mr. Mike Wallace: I don't know the definitions in the law, but really, if somebody's evading taxes, they're committing a fraud against the rest of the taxpayers of Canada, in a sense, because they're cheating them out of the money that should have come.... So with the change now, and I know you're just getting ramped up in that area, can you explain to me again what your expectations are? I'm assuming departments set goals and say, now that we've got this, we're going to get our people in place. That was probably the early work, but a year from now, two years from now, what would the taxpayer of Canada expect from FINTRAC in terms of its ability to go after this tax evasion, principally? Our study is about offshore accounts.

My other question is this. Your organization—

The Vice-Chair (Mr. Massimo Pacetti): Thank you. You've run out of time.

If you could answer the last question, we'll then have another round for the Conservative Party.

You can then ask your other question.

Thank you, Mr. Wallace.

Mr. Mike Wallace: Would you have given it to me?

Thank you.

The Vice-Chair (Mr. Massimo Pacetti): Do you want to hear the answer or do you want to move on?

Mr. Meunier.

Mr. Denis Meunier: The cases we refer to the CRA are money laundering cases, which are essentially what we would be referring. Obviously, with the component for reasonable grounds to suspect tax evasion, it's difficult.

As you said, we're only ramping up. I would suspect there will be a significant increase given that we have seven or eight additional analysts. It's too early for me to predict, but I would say it will be a significant increase.

Mr. Mike Wallace: Thank you.

Thank you, Mr. Chair.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Wallace.

Mr. Szabo.

Mr. Paul Szabo: What do you do with whistleblowers...when it comes to your attention?

Mr. Denis Meunier: We can receive volunteer information from the public. As long as the information is related to a money laundering offence, we will analyze the information. We will make a determination on whether or not, first of all, we have any information in our database related to that and whether or not, after the analysis, if we reach that level of the legal threshold, we will disclose it to the police or to the CRA, depending on the situation.

Mr. Paul Szabo: Do you have any idea how many cases of whistleblowing you have received? Are there any stats?

• (1010)

Mr. Denis Meunier: I may have interpreted "whistleblowing" as informants from the outside, public informants.

Mr. Paul Szabo: Yes, that's a whistleblower.

Mr. Denis Meunier: Your question was on how many.

Mr. Paul Szabo: What's the magnitude?

Mr. Denis Meunier: We probably receive about 60 voluntary information records a year from the public on money laundering cases.

Mr. Paul Szabo: Do you refer them or do you do anything with them?

Mr. Denis Meunier: We will analyze them. We must by law analyze them. We must review them. If we have some transactions that relate to this and we actually reach a threshold, we must disclose them.

Mr. Paul Szabo: If they said a particular person is evading taxes—and if you look at stuff, you'll find it—but they have no specific information, would you do anything with it?

Mr. Denis Meunier: Our focus is first on money laundering.

Mr. Paul Szabo: I understand that. But if they tell you that somebody is evading taxes, would you pass it on to anybody else?

Mr. Denis Meunier: No, we would have to analyze it first.

Mr. Paul Szabo: But you have no information. They only gave you a name, an address, and a phone number, or whatever.

Mr. Denis Meunier: If I don't have any transactions, I can't. No, I would not. I cannot divulge it.

Mr. Paul Szabo: You cannot divulge it.

Mr. Denis Meunier: If I do not reach the threshold, I have no information in my database on which to make a reasonable ground to suspect money laundering.

Mr. Paul Szabo: If they thought you were the CRA, but they didn't understand who the heck you were, you have no mechanism to say there was a phone call and someone identified a person without details.

Mr. Denis Meunier: That's correct.

Mr. Paul Szabo: Okay. What about the RCMP?

These are things that everybody's been talking about. We've been talking more about the offshore evasion part, but it's inextricably linked. People are involved domestically, as well as internationally. It involves a lot of different people. They're not lone gunmen. There are advisers and very legitimate people, lawyers, accountants, consultants, etc.

Eventually, somebody gets "stuffed" or whatever, becomes a little angry, and decides to lay it out. What is the protocol for the RCMP in regard to that type of whistleblowing?

A/Commr Stephen White: We receive a complaint. If we identify that it relates to tax evasion, we would refer it to the Canada Revenue Agency.

Mr. Paul Szabo: Okay. There's not much you can do. They're the ones who should be taking the initial steps on something like that.

A/Commr Stephen White: We consider them to be the primary agency to deal with matters related to tax evasion. They have access to a lot of information that we as police would not have. It's basically the background related to taxation revenue of particular individuals.

Mr. Paul Szabo: In regard to the laundering side, it was already asked. Mr. Wallace referred to profiling a money launderer. Is there a preponderance of evidence that it's certain types of people or organizations? What have we learned over all these years about the profile of the classic money launderer?

A/Commr Stephen White: In guess in today's environment I would say nothing is exact. Whether it's individuals or whether it's organizations, there are a number of different ways they become engaged in laundering their funds, whether it's trying to integrate them into a banking system here in Canada, carrying bulk cash down to the United States and trying to get it into bank accounts there, or, as I mentioned earlier, comingling criminal proceeds with funds from a business that actually generates legitimate income.

We have all types of individuals involved in a wide variety of criminal activity, from organized crime groups involved in drug trafficking, to individuals or organized crime groups involved in mass-marketing fraud, to identity theft, to identity fraud, to mortgage fraud.

There's such a broad scope of criminal activity related to financial crime and such a broad scope of individuals and organizations involved that there is no one specific profile that consistently stands out.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Szabo and Mr. White.

We have Mr. Hiebert and then Mr. Mulcair.

Mr. Hiebert, you have five minutes.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Mr. Meunier, you mentioned a couple of big numbers, both in your report and in your testimony. In your report you say that you receive 65,000 pieces of information per day. In your testimony you mentioned that there were 64,000 suspicious transactions per year. Did I get that right?

•(1015)

Mr. Denis Meunier: Yes, you did.

Mr. Russ Hiebert: That's a lot of transactions, but it's about 1/365th of the amount of data you receive. That's all ferreted out by the software technology that triggers an alert of some kind?

Mr. Denis Meunier: We receive all of this information. We do review all of the suspicious transactions that come in on a daily basis. It's a very important trigger for us. We have also developed programs though which we've identified certain rules to hone in on some particular behaviours. Most of the reports we receive are on EFTs. We receive 99% of our information electronically from the institutions. The vast majority are on EFTs of over \$10,000 wired in and out of Canada.

Mr. Russ Hiebert: What percentage of those would be from individuals versus corporations?

Mr. Denis Meunier: I would say the vast majority of reports come from companies, whether they are banks, credit unions, casinos, real estate agents, or dealers in precious metals and stones. Of course there may be some individuals who have their own companies and who are operating as individuals as opposed to corporations, but the vast majority come from financial institutions.

Mr. Russ Hiebert: But they're dealing with corporate transactions, legitimate transactions involving Canadians who are simply involved in business around the world?

Mr. Denis Meunier: They are reporting according to the requirements set in the law on suspicious transactions, cash transactions over \$10,000, and so on.

Mr. Russ Hiebert: Of those 64,000 suspicious transactions, how many translate into files? What I'm trying to get at here is how many active files you have. I'd like you to speculate on how many individuals or businesses you think are involved in money laundering in Canada.

Mr. Denis Meunier: I don't have those numbers. I may receive many suspicious transactions on the same individual or the same company, and so on, so it's very difficult for me. I can say that typically we will produce roughly about 600 cases a year. A case can involve thousands and thousands of transactions—EFTs mostly, suspicious transactions. We also include open-source information to give context to what's happening.

I'm afraid I can't—

Mr. Russ Hiebert: You obviously know there are about 600 cases that you are pursuing, but if you had to speculate, what percentage of the industry would you think you are on top of? How many people, individuals, corporations, or illegitimate businesses do you think are actively money laundering in Canada? How well are you addressing the problem?

Mr. Denis Meunier: Certainly from a detection point of view, it's very difficult to know what you don't know. I can say with confidence that we've certainly increased the number of cases we've detected. We've gone from an average of maybe 165 over five years to now over 600. We're detecting a lot of cases, and we're detecting a lot more companies that are involved.

Mr. Russ Hiebert: But it's hard to know how many there are doing what you're doing.

Mr. Denis Meunier: I can't, I'm sorry.

Mr. Russ Hiebert: Fair enough.

In your opening remarks, you mentioned that when specific additional statutory tests are met, you disclose information to CRA, CBSA, and CSE, and you also mentioned you disclose information to foreign financial intelligence.

Mr. Denis Meunier: That's correct.

Mr. Russ Hiebert: Do you do that voluntarily, or do you do that only when they request?

Mr. Denis Meunier: We must disclose to police forces when we

Mr. Russ Hiebert: I'm talking about international.

Mr. Denis Meunier: To the international...no, it's "may". What the law says is we "may" disclose to a foreign party.

Mr. Russ Hiebert: So you may voluntarily disclose this information?

Mr. Denis Meunier: Or even if they request information from us, we are not obligated to provide the information. We decide.

•(1020)

Mr. Russ Hiebert: And how much of that is going on?

Mr. Denis Meunier: Quite a bit. If my numbers are correct, we have over 200 what we call FIUQs, queries from foreign jurisdictions. We have a network of about 73 countries that we've signed agreements with, so the exchange with our partners is extremely important for us.

The Vice-Chair (Mr. Massimo Pacetti): Thank you.

Thank you, Mr. Hiebert.

Just to clarify what Mr. Hiebert was saying, the 65,000 transactions on a daily basis are not just the suspicious ones, they're just some that are—

Mr. Denis Meunier: Yes, on a daily basis I might receive over 200 suspicious transaction reports. The rest are large cash...the rest in a day are—

The Vice-Chair (Mr. Massimo Pacetti): So when you're receiving a mandated transaction over \$10,000 and it becomes suspicious, the bank or the institution tells you they think this is suspicious?

Mr. Denis Meunier: They could be separate reports. They are required to send us separate reports, suspicious transaction reports, and if it's over \$10,000 cash—it must be cash—they will send us a report. Those are separate, but they can tell us they think that \$10,000 is separate, or they can tell us one dollar is suspicious, for whatever reasons they've determined.

[Translation]

The Vice-Chair (Mr. Massimo Pacetti): Thank you.

Mr. Mulcair, you have five minutes.

Mr. Thomas Mulcair: I want to come back to a topic we addressed earlier: dovetailing; I wouldn't say gaps. We have two examples of the challenge that combining the work done by each one presents. You gave us a very good explanation of what you do and what you don't do.

I will come back to Mr. White. When we met with the representatives of the Canada Revenue Agency, they explained something that was new to me in my experience as a legislator in Quebec. In Quebec, the police don't file a complaint, they make a report. Systematically, it is always the Crown prosecutor who files a complaint. The people at the Canada Revenue Agency tell us that they do their analysis, they prepare a case, and then they come and see you, and it's the RCMP that files the complaint directly. It doesn't necessarily go through the hands of a Crown attorney.

Is my understanding accurate?

[English]

Superintendent Stephen Foster (Director, Commercial Crime Branch, Royal Canadian Mounted Police): I'm not sure I understand that's the way things are done with respect to how the charges get before the court.

Mr. Thomas Mulcair: That's the question. You've understood the question.

Supt Stephen Foster: I wouldn't understand that to happen that way. If you could....

Mr. Thomas Mulcair: I'll go over it slowly.

When we met the Revenue Agency, they explained to us that at the federal level, if they find a criminal case under their statute, they are not equipped to get it before the courts on their own; they have to come to the police, the RCMP, *en l'occurrence*, and they name you and then you take it before the courts. In Quebec, you can't go to the police to do that; you have to go to a crown prosecutor. Every case has to go first to a crown prosecutor.

I'm just trying to understand the process federally. Clearly that's what the agency said to us here.

Supt Stephen Foster: My experience is that the Canada Revenue Agency takes their own case to the prosecutors.

Mr. Thomas Mulcair: Great. We'll get that clarified. Your answer is super clear for us, so there's a slight dovetailing of the two.

I want to talk about another agency that's not at the table. I mentioned OSFI. I'd like to talk a little bit more about another federal agency, which is what used to be called the combines branch and today is the Competition Bureau. This is a huge area for us in Quebec right now. Again, I'm not trying to drag you into the future

work of this committee, because there's an idea on the table that we want to look at some very specific things that have happened in the Montreal office recently. But I do want to talk to you about the Competition Bureau and perhaps ask you to elaborate a little bit more on how your work dovetails with that of other agencies, and where you think there might be something we could help you leverage a little bit more, make the work more effective and efficient.

The example of the Competition Bureau is that in the province of Quebec, the biggest corruption cases that have come up recently have involved elaborate schemes where you've had price fixing on public contracts. The City of Montreal estimates that having eliminated most of that challenge in the past couple of years, it's saving literally hundreds of millions of dollars a year. There was an elaborate scheme where 14 companies were apparently fixing prices amongst themselves. A lot of that's before the courts now.

How does the Revenue Agency...which is stuck with sort of the tail end of that comment, because the revenue side was essentially a fraud where you would get bogus *factures*—I'm speaking good Quebec English—bogus bills from somebody in a fake company to allow you to get cash out, presumably to put a little bit of grease here and there in the machine. So the question I have for you is, how does the Revenue Agency, the RCMP, FINTRAC, *le cas échéant*, dovetail with the people in the Competition Bureau? They have investigators. They have their own branch. How does that work? How do those come together? If you're not doing tax investigations *stricto sensu*, how then do you work with the people who see that the tax offence is the end product of all the collusion they've been studying? How do you work together?

• (1025)

A/Commr Stephen White: From a law enforcement perspective, we work actually quite closely with the Competition Bureau in a number of different ways. But in an example like that, there's obviously a fraud investigation to be carried out. That is something we do regularly in Quebec police forces jurisdiction, whether it's Sûreté du Québec or the Montreal Police; they do a lot of fraud investigations as well.

Information can flow from those agencies to us if it's related to a potential fraudulent activity that has taken place. We can investigate with them. In terms of mass marketing fraud, for example, we actually have members of the Competition Bureau working in some of our commercial crime offices. We have that exchange.

In terms of mass marketing fraud specifically, that is a key area of focus of the Competition Bureau. It's also a key focus of the RCMP. We just partnered, for example, in developing a national mass marketing fraud strategy based on enforcement, education, and prevention with the Competition Bureau.

Mr. Thomas Mulcair: One of the—

The Vice-Chair (Mr. Massimo Pacetti): Thank you.

Mr. Thomas Mulcair: —best examples of all of the forces—

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Mulcair.

Mr. Thomas Mulcair: —working together was when you brought down—

The Vice-Chair (Mr. Massimo Pacetti): Thank you, thank you. You're way over.

Mr. Thomas Mulcair: So I don't have my Pacetti five minutes.

The Vice-Chair (Mr. Massimo Pacetti): No, you're way over. You're at 5:40. Thank you.

Thank you, Mr. White.

Mr. Brison, five minutes.

Mr. Thomas Mulcair: It's like the Andy Warhol fifteen minutes, the Pacetti five minutes.

The Vice-Chair (Mr. Massimo Pacetti): It feels like two, but to me it felt like 10.

Voices: Oh, oh!

Mr. Thomas Mulcair: Because it pointed out all your inadequacies. Okay.

The Vice-Chair (Mr. Massimo Pacetti): Right. Yes. Oh, boy.

Voices: Oh, oh!

The Vice-Chair (Mr. Massimo Pacetti): Go on, Scott.

Hon. Scott Brison: Earlier you spoke of the G-8 as being a multilateral forum to deal with some of these issues. Has the G-20 evolved?

I guess the question would be, why hasn't the G-20 become more central in this, given its role after the financial crisis? In fact, going back to Paul Martin as finance minister, the genesis of the G-20 at that time and its increasing importance, is the G-20 the next step, and what is happening to facilitate that?

A/Commr Stephen White: From a law enforcement perspective, potentially, I'm not aware of any law enforcement groups that currently exist under the G-20. I'm only aware of the one that exists under the G-8.

I think right now between the G-8 and the broad spectrum of working groups related to law enforcement that exist under the Financial Action Task Force, the G-20 community is largely represented and engaged at those two forums. Whether or not there's potential for evolving that specifically under the G-20—for example, having a law enforcement working group under the G-20—potentially that is something that can be looked at moving forward and expanding the G-8 law enforcement working group.

Hon. Scott Brison: I'm not asking you to opine on a specific proposal. But notionally, the idea of having a commensurate level of cooperation with law enforcement agencies under the G-20 could make sense?

A/Commr Stephen White: Absolutely. I think any form that would enhance or expand international law enforcement cooperation would be very beneficial.

Hon. Scott Brison: The reason why I'm focusing my questions on the multilateral side is that if one jurisdiction is particularly successful in clamping down on this kind of activity, it can simply relocate to another jurisdiction. It's really essential in the long term

that any effective long-term action require multilateral collaboration and coordination.

In your views of countries that have in general the best practice models in terms of the resources and the protocols for people like you to do your work, which would you cite as having some particularly good best practices in place that we ought to draw on?

• (1030)

A/Commr Stephen White: From a law enforcement financial crime perspective, the countries we regularly deal with—the United States, Great Britain, Australia, and New Zealand—are what I call the like-minded countries. We approach our investigations in a lot of the same ways. Our methodology for investigating is very similar. Also, we do have a very good exchange of ongoing practices, an exchange of information ongoing among those specific countries.

Hon. Scott Brison: What about with Latin American countries? Is there one Latin American country in particular that is doing a better job than others?

A/Commr Stephen White: I can't say specifically. I haven't looked at Latin America specifically in recent years. We have great cooperation throughout Latin America.

We have a foreign liaison officer program in the RCMP. We have liaison offices based in a number of Latin American countries—in Brazil, Colombia, and Venezuela—and they cover throughout Latin America. I know that the cooperation we regularly get from those countries is fairly good.

Hon. Scott Brison: Thank you.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Brison. [Translation]

Mr. Carrier, you have five minutes, please.

Mr. Robert Carrier: I'm going to share my speaking time with my colleague, if there's a little left after I speak.

My question is for Mr. Meunier. One thing intrigued me. Mr. Rosen, a tax expert, testified here. He told us, among other things, that the new accounting standards are international financial reporting standards that have been in place since last year. They have replaced the standards that used to be found in the reports by firms that have to file a public report. He thinks this is a step backward by 50 years, that it allows firms to conceal a lot of information. I was surprised to learn that, because he blamed parliamentarians for letting all this happen.

Given that you work directly in this area, do you have an opinion on this subject? It intrigues me.

Mr. Denis Meunier: We are very indirectly connected with this issue. It isn't an issue that concerns us, because it's the reporting entities, specifically the banks, caisses populaires and other financial institutions, that are our sources of information. They have to report suspicious transactions to us and they are obliged to send us reports when the threshold is exceeded or there are wire transfers. We never have access to these companies' books and records. So we receive information from the banks and if they, when they are reviewing loans or mortgages or other things, get hold of this kind of information and it raises a suspicion, they send us reports on it. So we are very indirectly connected with that issue.

Mr. Robert Carrier: Right. I'm going to ask another question right away, because such close tabs are kept on our time that we have to go quickly.

On the list that the HSBC Bank provided of taxpayers who have accounts in Switzerland, there are the names of 1,800 Canadian taxpayers. That was at the end of last year, which corresponded exactly to the beginning of your expanded responsibility in relation to tax evasion. Do you have a mandate to study that list, given that it is a clientele that is an initial target and that has to be analyzed?

Mr. Denis Meunier: You know that under the legislation I can't comment on specific cases. So I would have to generalize.

Mr. Robert Carrier: Yes, you can talk about it in general. I just want to know whether you are examining that list. There is concern about it among the public. People are wondering what the government has done in relation to these clients who came to light all of a sudden.

Mr. Denis Meunier: Take a case where the Canada Revenue Agency or other sources provide us with information about this and our analysis did in fact detect money laundering, that being our mission. If we can then conclude that we have reasonable grounds to suspect there has been tax evasion, we do an analysis and disclose it all to the Canada Revenue Agency.

• (1035)

Mr. Robert Carrier: So that means that you are not doing the specific analysis of it. It's the Canada Revenue Agency that handles that.

Mr. Denis Meunier: We would have to receive the information. We have to have names, addresses, etc.

Mr. Robert Carrier: In any event, I thought that was part of your mandate.

I will let my colleague have the little time I have left.

Mr. Daniel Paillé: Yes, I want to benefit from your legendary...

Over the two hours we haven't talked about what your relationship might be with the ministère du Revenu du Québec or the Sûreté du Québec. Taxes are collected differently in Quebec from elsewhere in Canada. Do you have a relationship with the Quebec agencies? Do you report to the ministère du Revenu, which will become the Agence du revenu du Québec on April 1?

Mr. Denis Meunier: We are not entitled to disclose information to the Agence du revenu du Québec. Our legislation does not allow it. We make a lot of disclosures to the Sûreté du Québec, however.

Mr. Daniel Paillé: For the RCMP, do you have a relationship with the ministère du Revenu or the Sûreté du Québec?

[English]

A/Commr Stephen White: To my knowledge, we don't have any direct relationship with the revenue agency of Quebec. If we did have any relationship or involvement with them, it would be through the Sûreté du Québec.

I would like to highlight that we have an excellent relationship with the Sûreté du Québec in all of our financial crime programs, whether it's the integrated proceeds of crime and money laundering programs in Montreal, the commercial crime program, or the integrated market enforcement teams in Montreal. In all of those

units, we have members of the Sûreté du Québec actually working with us in our offices. It's a very strong relationship.

[Translation]

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Paillé

Mr. Allen, you have five minutes.

[English]

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you very much, Mr. Chair. And thank you to our witnesses for being here.

This is a fascinating subject. I wish I had been able to take part in the other meetings the committee had on this as well.

In your report, Mr. Meunier, you talk about sophisticated computer programs and highly trained people. Mr. Brison alluded to this a while ago when he said that we have people sitting behind desks coming up with complicated financial instruments for the movement of this money every day.

I'll throw this to the RCMP as well. What kind of investment do you make each year to maintain these systems? Having done some IT financial work myself, I know it's not easy to keep up on this. Can you talk a little bit about the investment you make each year to keep up? What are the trends? And what training do your people go through each year?

Mr. Denis Meunier: At FINTRAC, a large amount of the budget is spent on keeping our own IT up to scratch. Also, some of our analysts on the money laundering side are dedicated to basically keeping up with the new technologies that could be used for money laundering and/or new payment methods. Which area do you want me to speak about, the internal or the new payment methods that might be used for money laundering?

Mr. Mike Allen: Both, because one has an effect on the other. You have to make the internal changes to your systems to reflect what's going on in the external market.

Mr. Denis Meunier: We have an evergreen plan to replace our equipment. And we are constantly updating, for instance, analytical tools. We use charts to describe the links. I could bring a chart that would show you all the connections between the people we're looking at. That takes quite a bit of skill by our analysts. We update this regularly.

We constantly update our systems. Just recently we added, about a year and a half ago, as a result of Bill C-25, some new casino disbursement reports. We had to upgrade our systems to receive these new kinds of reports. We're constantly updating our systems, which probably represent over 60% of our budget.

The Vice-Chair (Mr. Massimo Pacetti): You were referring to some charts, Mr. Meunier. Is it possible to send them to the committee?

Mr. Denis Meunier: Yes, we've presented at different committees and we'd be happy to send that to you.

The Vice-Chair (Mr. Massimo Pacetti): Mr. Allen.

Mr. Mike Allen: The RCMP is a similar type of investment.

A/Commr Stephen White: I can't give a percentage of our budget that's committed. We're an organization of over 30,000 employees, so our informatics systems are extensive. We have our police reporting and occurrence system, and we maintain the Canadian Police Information Centre on behalf of all police services across Canada. Those are big systems with a lot of resources used in maintaining and updating those programs. With regard to financial crime, we have "Reporting Economic Crime On-Line", where Canadians right across the country can go online and report fraudulent activity.

We are looking at new technology on an ongoing basis. New software can help us with enhanced analytics. In fraudulent activity, because the volume is so high, the more we can do through automatic intelligence analysis, the more efficient we will become.

• (1040)

Mr. Mike Allen: Mr. Meunier, you talked about the casino transactions and the changes to your system. Although you said in your testimony that it wasn't an exhaustive list of the banks and the casinos, what percentage, roughly, of the transactions you receive each day would be bank, casino, or credit union? Could you break down those categories?

Mr. Denis Meunier: I don't have the exact number. I can probably provide that to the committee. In order of magnitude, I would say that about 5% would come from casinos. But this is just order of magnitude. I will provide the committee with those statistics.

Mr. Mike Allen: I'm trying to get at the stuff that goes on within the banks or financial institutions in Canada. Is there latitude within the banks to decide whether a transaction is suspicious or not?

Mr. Denis Meunier: It is totally up to them. We have provided them with guidelines, but once they reach a determination that something is suspicious, they are obligated by law to send it to us.

The Vice-Chair (Mr. Massimo Pacetti): Are the credit card companies a reporting entity that has to report transactions over \$10,000?

Mr. Yvon Carrière: No, the credit card companies are not reporting entities per se. But a lot of financial entities such as banks give out credit cards. So insofar as they fall within another category of reporting entities, they would be subject to the act. If they're simply providing credit cards, they would not be a reporting entity.

The Vice-Chair (Mr. Massimo Pacetti): Great.

Before we adjourn, I'll go back to Mr. Rudderham. On March 22 we're going to have the police forces, and you're welcome to come. I don't think there's any objection around the table. We're going to be having our meeting in camera, so you're invited to come. I think we have somebody from the Manitoba police force, the B.C. police force, and the Ontario police force as well. You are invited to come. Is that okay with everybody?

Some hon. members: Agreed.

The Vice-Chair (Mr. Massimo Pacetti): I want to thank everybody. You were good members, you behaved, so we'll see you Thursday.

This meeting stands adjourned to the call of the chair.

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