

December 10th 2018

The Honourable Bill Morneau, P.C., M.P.
Minister of Finance
House of Commons
Ottawa, Ontario
Canada
K1A 0A6

Commitment For a Publicly Accessible Pan-Canadian Company Registry of Beneficial Owners in Budget 2019

Dear Minister Morneau,

As stakeholders with an interest in combating money laundering, we are pleased to see the agreement reached between the federal, provincial, and territorial governments to strengthen beneficial ownership transparency in 2017. In building upon the agreement, **we encourage the federal government to advocate for a publicly accessible pan-Canadian company registry of beneficial owners in upcoming conversations with provinces and territories, and to outline a consultation timetable to explore all registry options (including a publicly accessible registry) in Budget 2019.**

To support your ongoing discussions with provinces and territories, we have outlined the necessary components for creating a publicly accessible registry, along with the information that should be disclosed and collected in order for the registry to effectively deter money laundering in the Canadian economy.

In 2016, the Financial Action Task Force (FATF) rated Canada partially compliant and non-compliant with respect to beneficial ownership transparency of legal persons and legal arrangements. It also evaluated Canada as having a low level of effectiveness in dealing with the misuse of legal persons and arrangements, and in the availability of beneficial ownership information. As we have observed increasingly complex corporate and legal structures used to hide proceeds of crime, it is clear that collecting and publicly disclosing key beneficial ownership information would serve as a powerful tool to combat money laundering.

A publicly accessible registry of beneficial owners of companies would reduce the administrative burden for entities with obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), as well as for businesses and government procurement offices carrying out due diligence procedures across multiple sectors. A publicly accessible registry would also help tax authorities and law enforcement agencies fulfill their respective roles in carrying out investigations. While the House of Commons Finance Committee recommended a pan-Canadian registry with restricted access in its November 2018 report, *Confronting Money Laundering and Terrorist Financing: Moving Canada Forward*, we note that a publicly accessible registry will be significantly less expensive to implement and is the

simplest means of providing access to all PCMLTFA reporting entities. Furthermore, a publicly accessible registry offers much greater scrutiny of its contents in comparison to a registry with restricted access, and enables independent observers to conduct analyses and alert the registrar to any noteworthy inaccuracies or omissions.

To set up an effective publicly accessible registry, Canada should follow the below recommendations noted in Publish What You Pay Canada's (PWYP) policy note, *Building a Transparent, Effective Beneficial Ownership Registry: Lessons Learned and Emerging Best Practices from Other Jurisdictions*:

1. The registry needs to focus on entities and arrangements that are the most opaque, i.e. non-distributing (or privately held) corporations, partnerships, and other legal entities not subject to securities regulation.
2. The registry needs to provide access for all users including those with statutory due diligence obligations.
3. Information submitted by companies should be verified by a registrar as a means to ensure its integrity.
4. The registry should require prompt updates once company information changes.
5. The database should have searchable fields with drop-down menus and unique identifiers for each submission in order to root out inconsistencies with data entry, and to facilitate searching and recalling records.

Beyond these broad objectives and principles, we recommend that information contained within the registry itself should be categorized into two tiers where information fields are made available to the public, and other types of information can be collected and made available only to law enforcement (e.g., RCMP, CRA, CBSA, FINTRAC, etc). Below is a list of information disclosures that we believe are necessary for an effective registry:

- **Unique identifiers** (*publicly accessible*). Allocating a unique identifier for each beneficial owner and reporting entity would ensure that interested parties could search for all entries connected to them. This would reduce the room for error (due to misspellings and incomplete names, for instance) and is essential if the government elects not to make other personal identifiers such as date of birth or home address available to the public.
- **Full legal name** (*publicly accessible*). We recommend specifying that reporting bodies include the full legal names of relevant individuals. Doing so would discourage the use of partial names and abbreviations, and omissions of middle names.
- **Partial date of birth** (*publicly accessible*). In order to address the problem of common names, in the absence of a unique identifier for each beneficial owner and reporting body, we recommend making the month and year of birth public to assist with identifying unique individuals while preserving privacy.
- **Service or correspondence address** (*publicly accessible*). We recommend that a service or correspondence address be provided for individual beneficial owners for ease of contact by relevant authorities and to avoid misidentification of the beneficial owner.
- **Country of tax residency** (*publicly accessible*). In order for the data set to be more useful to tax authorities, and to avoid misidentification, we recommend that each beneficial owner's country of tax residency be disclosed.

- **Nature and extent of interest held** (*publicly accessible*). This information should be provided to assess the significance of the interest held in the corporation and how it is exercised.
- **Citizenship** (*publicly accessible*). We recommend this information be made publicly accessible in order to identify which foreign jurisdictions to deal with should investigators wish to pursue investigations.
- **Politically Exposed Person and Head of an International Organization status** (*publicly accessible or available only to law enforcement*). If a beneficial owner qualifies as a foreign politically exposed person, or a Head of an International Organization under the definition set out in the PCMLTFA and its regulations, that information could be either publicly accessible, or made available only to law enforcement.

We recommend strong verification measures where identification of owners, directors, and shareholders must be verified by submitting government-approved photo ID. There should be meaningful administrative monetary penalties and criminal penalties for non-compliance, including offences of perjury for false declaration of shareholder information or beneficial ownership information.

A publicly accessible registry coupled with robust measures for verification and penalties can maximally deter the flow of money laundering into the Canadian economy. Moreover, by harnessing open government to curb illicit financial flows, Canada will bolster the integrity of its economy in concert with U.K. and E.U. members and can publicly display its efforts as a leader in anti-corruption when it co-hosts the Open Government Partnership Summit (OGP) in May 2019.

We look forward to working with your office on this important issue, and we are pleased to respond to questions as work progresses on this file.

Yours sincerely,

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Canadians For Tax Fairness, Toby Sanger, Executive Director
FACT Coalition, Gary Kalman, Executive Director
IMPACT Transform, Joanne Lebert, Executive Director
Industry Investment Association of Canada (IIAC), Ian Russell, President
Inter Pares, Rita Morbia, Executive Director
MiningWatch, Jamie Kneen, Co-Manager
National Union of Public General Employees (NUPGE)
Open Contracting Partnership
Open North, Jean Noé Landry, CEO
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