PROCEEDINGS AT HEARING
OF
MARCH 11, 2021

COMMISSIONER AUSTIN F. CULLEN

(i)

1   **March 11, 2021**

2   **(Via Videoconference)**

3   **(PROCEEDINGS COMMENCED AT 9:30 A.M.)**

4   THE REGISTRAR: Good morning. The hearing is now

5   resumed. Mr. Commissioner.

6   THE COMMISSIONER: Yes, thank you, Madam Registrar.

7   Yes, Ms. Rose.

8   MS. ROSE: Thank you, Mr. Commissioner.

9   Mr. Commissioner, we have two panels to hear

10   from today. The first is a panel of witnesses

11   from the CMHC, and the second panel is going to

12   be led by Mr. Martland, and that is Statistics

13   Canada.

14   So I understand that the witnesses will be

15   affirmed, Madam Registrar.

16   THE REGISTRAR: Would each of you please state your

17   full name and spell your first name and last

18   name for the record. I'll start with

19   Mr. Abdallah.

20   THE WITNESS: (WA) Wahid Abdallah. It's W-a-h-i-d

21   A-b-d-a-l-l-a-h.

22   THE REGISTRAR: Thank you. Mr. Pereboom.

23   THE WITNESS: (BP) Albertus Yunderk [phonetic]

24   Pereboom. Albertus is A-l-b-e-r-t-u-s, Pereboom

25   is P, as in Peter, e-r-e-b, as in boy, o-o-m.

Bert Pereboom (for the commission)   2
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   THE REGISTRAR: Thank you.

2   **BERT PEREBOOM, a witness**

3   **called for the**

4   **commission, affirmed.**

5   **WAHID ABDALLAH, a**

6   **witness called for the**

7   **commission, affirmed.**

8   THE REGISTRAR: Thank you.

9   MS. ROSE: Thank you, Madam Registrar.

10   I'll first move through the backgrounds of

11   each of these witnesses. And I'll start with

12   you, Mr. Pereboom.

13   Madam Registrar, could we please have

14   Mr. Pereboom's CV on the screen.

15   **EXAMINATION BY MS. ROSE:**

16   Q   Mr. Pereboom, do you recognize this document as

17   being your CV?

18   A   (BP) Yes.

19   Q   And you are currently the senior manager of the

20   housing market policy team at the Canada

21   Mortgage and Housing Corporation, otherwise

22   known as CMHC?

23   A   (BP) Yes.

24   Q   And you have over 15 years of experience working

25   as a senior manager of analytics?

Bert Pereboom (for the commission)   3
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   A   (BP) Yes.

2   Q   And 10 of those years were at IBM?

3   A   (BP) 11, but yes.

4   Q   And you joined CMHC in 2015; is that right?

5   A   (BP) Yes. January 2015.

6   Q   And when the housing market policy team was

7   created two years ago, you moved into your

8   current role?

9   A   (BP) Yes.

10   Q   And you have over 30 years of experience in

11   managing projects, providing policy and business

12   analysis, solution design and delivery for a

13   wide variety of industries and government

14   bodies?

15   A   (BP) Yes.

16   Q   You've also published on the topic of data and

17   government policy?

18   A   (BP) Yes.

19   Q   And you have a masters degree in economics from

20   Harvard and have completed coursework for a PhD

21   at that institution as well?

22   A   (BP) Yes.

23   MS. ROSE: Okay. Mr. Commissioner, I'd ask that

24   Mr. Pereboom's CV marked as the next exhibit.

25   And I hope you'll forgive me, I've forgotten

Bert Pereboom (for the commission)   4
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   where we're at in terms of exhibit numbers.

2   THE COMMISSIONER: I think it's 713.

3   THE REGISTRAR: Yes, exhibit 713.

4   THE COMMISSIONER: Thank you.

5   **EXHIBIT 713: Curriculum Vitae of Bert Pereboom**

6   MS. ROSE: Thank you. Madam Registrar, if we could

7   have Dr. Abdallah's CV on the screen, please.

8   Q   Dr. Abdallah, you recognize this document as

9   being your CV?

10   A   (WA) Yes.

11   Q   And you are a policy analysis specialist with

12   CMHC's housing market policy team reporting to

13   Mr. Pereboom?

14   A   (WA) Yes.

15   Q   You've been in that role for two years?

16   A   (WA) Yep.

17   Q   And prior to that role you worked at the BRAC

18   Universities Institute of Governance and

19   Development in Dhaka, Bangladesh?

20   A   (WA) Yeah.

21   Q   And do you have a PhD in economics from the

22   University of Washington?

23   A   (WA) Yes.

24   MS. ROSE: Mr. Commissioner, could we please have

25   Dr. Abdallah's -- and sorry, Dr. Abdallah, am I

Bert Pereboom (for the commission)   5
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   pronouncing your name correctly?

2   A   (WA) That's correct, yep.

3   MS. ROSE: Okay. Thank you. Mr. Commissioner, if we

4   could have Dr. Abdallah's CV entered as

5   exhibit 714.

6   THE COMMISSIONER: Yes, very well. That will be the

7   next exhibit.

8   THE REGISTRAR: Exhibit 714.

9   **EXHIBIT 714: Curriculum Vitae of Wahid Abdallah**

10   MS. ROSE: Okay. And I have no further need of this

11   document, Madam Registrar.

12   Q   So with my questions today I will attempt to

13   direct them to the appropriate person, but

14   please feel free to jump in if I've directed it

15   to the wrong person or if you have additional

16   comments to contribute.

17   So I'll start with Mr. Pereboom. You're

18   here today to discuss CMHC's work on a market

19   integrity index. Could you just explain when

20   that work began.

21   A   (BP) The work began in 2018.

22   Q   Okay.

23   A   (BP) In the fall.

24   Q   And what was the genesis of this work?

25   A   (BP) It has a little bit of a history. In the

Bert Pereboom (for the commission)   6
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   2015 mandate letters of the then newly formed

2   government, Liberal government, there were two

3   items in the mandate letter for our responsible

4   Minister Duclos. One was on escalating home

5   prices, which I believe you're familiar with,

6   and the other was to develop a mortgage fraud

7   action plan.

8   And so that was -- and I at the time was in

9   housing finance policy and those elements of

10   those two mandate items came to me as

11   responsible for delivery. So that was my --

12   essentially digging into those matters brought

13   us into questions of fraud and money laundering

14   generally in the real estate market.

15   And then further on we delivered that

16   action plan in 2017 to the government for

17   fulfillment of that mandate item. The

18   escalating house prices report, of which I was

19   the author of the policy section, was delivered

20   in early 2018. And then subsequently in 2018 --

21   for the 2018 National Housing Conference we

22   decided to organize a conference on fraud, money

23   laundering and tax evasion in real estate, and

24   so we began to seek panelists and information

25   for that.

Bert Pereboom (for the commission)   7
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   Q   And we have heard a bit from Professor Brigitte

2   Unger about perhaps some consultation -- I'm not

3   sure if that's an appropriate word to use -- of

4   her with this project. Could you tell the

5   Commissioner about Professor Unger's role in

6   this work.

7   A   (BP) Absolutely. Professor Unger is one of the

8   people we sought out as a panelist for the

9   housing conference. She was unable to make that

10   November date, and so instead we invited her to

11   come in September, and we organized a one-day

12   workshop inviting our federal colleagues from

13   the anti-money laundering regime to hear what

14   she had to say and particularly her work on

15   anti-money laundering in real estate primarily

16   with Netherlands data. And so that workshop

17   took place in September.

18   And as part of that also we arranged for

19   Dr. Unger to speak at a conference in Quebec

20   City two days later. And so we had -- drove to

21   Quebec City together and had ample opportunity

22   to kind of discuss what the situation on money

23   laundering in real estate in Canada was and what

24   we might constructively do to support perhaps

25   better, let's say, outcomes in money laundering

Bert Pereboom (for the commission)   8
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   in real estate -- anti-money laundering in real

2   estate.

3   Q   And you said September. Just so I have that

4   right, is that September 2018?

5   A   (BP) Yes.

6   Q   And I'm going -- I'm about to pull up a draft of

7   the report that flowed from this work, but can

8   you just tell me when did you have the first

9   draft of this report completed?

10   A   (BP) Well, we primarily delivered results from

11   our work through PowerPoints and didn't actually

12   get to detailed documentation as represented in

13   this report until late last year.

14   MS. ROSE: Okay. I have three copies of those

15   PowerPoints. And, Mr. Commissioner, these are

16   not to be -- we're asking for a direction now

17   that these not be livestreamed. I understand

18   that the majority of slides on the slide show

19   are non-problematic but that there are a couple

20   of slides that may identify particular

21   individuals due to the particularity of

22   information described on the slides. So I'd ask

23   that that direction be given that they not be

24   livestreamed.

25   THE COMMISSIONER: All right. Do I understand that

Bert Pereboom (for the commission)   9
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   eventually they'll be redacted and made exhibits

2   for public viewing?

3   MS. ROSE: That is our plan. Yes, Mr. Commissioner.

4   THE COMMISSIONER: All right. That's fine. I'll

5   make that direction, then, they not be

6   livestreamed.

7   MS. ROSE: Okay. So, Madam Registrar, if we could

8   please have the slideshow at CAN-001765.

9   Q   And I need not ask you the date, Mr. Pereboom,

10   because it's stated right there, but you

11   recognize this document?

12   A   (BP) I do.

13   Q   And is this the first presentation that you

14   prepared in furtherance of your market integrity

15   index work?

16   A   (BP) Yes.

17   MS. ROSE: Okay. I don't need to take you through

18   that right now. Mr. Commissioner, if we could

19   please have this marked as exhibit 715.

20   THE COMMISSIONER: Very well. 715.

21   THE REGISTRAR: Exhibit 715.

22   **EXHIBIT 715: Scoring and Flagging ML Risks in**

23   **Real Estate - Bert Pereboom - May 9, 2019**

24   MS. ROSE: And then, Madam Registrar, if we could

25   have the slide show indexed at CAN-001766.

Bert Pereboom (for the commission)   10
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   Q   And, Mr. Pereboom, do you recognize this

2   document?

3   A   (BP) I do.

4   Q   And is the date December 2020 accurate on there?

5   A   (BP) Yes.

6   Q   And were you the author of this slideshow?

7   A   (BP) Along with my team, Mr. Abdallah and

8   Ms. Koulouris.

9   MS. ROSE: Okay. Mr. Commissioner, if we could have

10   this marked as exhibit 716.

11   THE COMMISSIONER: Yes, very well.

12   THE REGISTRAR: Exhibit 716.

13   **EXHIBIT 716: Money Laundering in the Canadian**

14   **Real Estate Market: Overview and Key Challenges**

15   **For Professionals and Stakeholders - Bert**

16   **Pereboom - December 2020**

17   MS. ROSE: And then, Madam Registrar, if we could

18   please have the next slideshow with the document

19   number ending in 1767.

20   Q   Mr. Pereboom, do you recognize this document,

21   which from my reading seems to be similar to the

22   first one but has a focus now on BC?

23   A   (BP) Yes. And that would have been October

24   2019.

25   MS. ROSE: Okay. Mr. Commissioner, if we could have

Bert Pereboom (for the commission)   11
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   that marked as 717, please.

2   THE COMMISSIONER: Very well.

3   THE REGISTRAR: Exhibit 717.

4   **EXHIBIT 717: Scoring and Flagging ML Risks in**

5   **BC Real Estate - Bert Pereboom - October 2019**

6   MS. ROSE: Thank you. So I'll ask these documents be

7   taken down for now.

8   Q   So, Mr. Pereboom, could you explain at a high

9   level what the market integrity index

10   methodology does?

11   A   (BP) The market integrity index attempts to, in

12   data, evaluate the risk factors that are

13   generally understood to be contributing to

14   suspicious or indicators of suspicious activity

15   in real estate markets and particularly money

16   laundering but also potentially fraud and tax

17   evasion.

18   And so we look at all the indicators that

19   publications, such as FINTRAC and the Financial

20   Action Task Force and Dr. Unger's own work,

21   indicate us indicators of suspicion, and we do

22   what we can to retrieve data and develop

23   formulas to evaluate the risk that we could

24   detect in that data.

25   And so we have a number of indicators. Each

Bert Pereboom (for the commission)   12
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   at the moment are given a value of between zero

2   and 1, with 1 being an indicator of greater

3   suspicion, and we evaluate as many of those

4   indicators as we can to come up with a composite

5   index by summing the values of each of those

6   indicators that we can evaluate with existing

7   data.

8   Q   So I think you've described some of the steps

9   that are described in your report. Are there

10   any other steps to this work?

11   A   (BP) We recognize that most of the indicators

12   actually would -- in fact possibly all of them

13   have legitimate reasons for even throwing a flag

14   of being suspicious, but just because the flag,

15   as I say, valuated at 1 doesn't necessarily mean

16   that the entire transaction is suspicious. And

17   so what we do -- there's an important second

18   step. We look at the indicators that score

19   relatively high or the highest in our

20   estimation, and then we do what we can on public

21   sources, largely Google searches and a number of

22   databases that are available to us at CMHC to

23   determine -- well, to get a sense of whether

24   this is -- you know, the buyer involved and the

25   transaction involved could be associated with

Bert Pereboom (for the commission)   13
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   either suspicious persons, suspicious activity,

2   foreign politically exposed persons and the

3   like. So we try to validate the findings to see

4   whether those scoring high in the suspicion

5   index have some sort of corroboration in

6   available internet material.

7   Q   And when you say "corroboration," what do you

8   mean by that?

9   A   (BP) It's typically -- you know, there's

10   potentially a criminal conviction or a

11   professional sanction against the person or

12   other persons involved in the transaction, news

13   accounts that indicate, you know, they have been

14   charged or convicted. There are -- CanLII

15   database basically gives a sense of people who

16   have come to the attention of the legal system

17   in some way or another, for example. So it's

18   some sort of indication that there is some

19   potential history, at least, of illegal

20   activity.

21   MS. ROSE: So I would like -- Madam Registrar, if we

22   could pull up the document CAN-001756.

23   And I'd like to ask you about the indicators

24   chosen for this report, Mr. Pereboom.

25   So if we could move, Madam Registrar, to

Bert Pereboom (for the commission)   14
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   page 12 of the report. If we can just scroll

2   down under the heading "The Indicators." Yes.

3   I think that's good. Thank you.

4   Q   So, Mr. Pereboom, can you just -- can you

5   elaborate on which indicators were chosen to be

6   included in this report?

7   A   (BP) So the indicators are generally in these

8   four categories as shown on the screen, and

9   we -- they're not listed there particularly, but

10   we looked at as many -- all of the indicators

11   that we could find under those categories --

12   grouped into those categories, and we chose all

13   of the ones for which we could find some

14   corroborating or relevant data.

15   Q   And how did you -- so I understand you've taken

16   some indicators and there may be some that have

17   data points and some that do not have data

18   points, but as an initial step how do you compile

19   a list of indicators to evaluate?

20   A   (BP) We looked at the available literature and

21   probably three documents summarize that best:

22   the Financial Action Task Force material on

23   money laundering in real estate, FINTRAC's

24   publications on money laundering in real estate

25   and Dr. Unger's book and articles on money

Bert Pereboom (for the commission)   15
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   laundering in real estate.

2   Q   And with the FATF document you're referring to

3   the 2007 report on real estate?

4   A   (BP) Yes.

5   MS. ROSE: Okay. And I'm afraid, Mr. Commissioner, I

6   don't have an appendix reference, but I can

7   advise that that is presented at exhibit 601,

8   which is the overview report on literature on

9   money laundering in real estate.

10   Q   And then, Mr. Pereboom, when you're speaking of

11   the FINTRAC indicators, are you referring to the

12   2016 operational brief or the 2019 refinement of

13   those indicators?

14   A   (BP) Actually we looked at both, but yeah, it

15   would include both.

16   MS. ROSE: Okay. And, Mr. Commissioner, those are

17   indexed respectively at appendix 6 and 8 of

18   exhibit 601.

19   THE COMMISSIONER: Thank you.

20   MS. ROSE: And then with respect to the Professor

21   Unger book, I believe we have one of the

22   articles by Professor Unger. And I hate to do

23   this to Madam Registrar because I'm going to ask

24   her to take down the current document, pull up

25   the Unger report and then go back to this

Bert Pereboom (for the commission)   16
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   report, which is a bit of finagling there. But,

2   Madam Registrar, if we could have that up.

3   Q   So, Mr. Pereboom, this is one of the resources

4   that you referred to for indicators?

5   A   (BP) It isn't the actual -- I think we did have

6   access to that material, but we actually used

7   the list that she included in her 2011 book.

8   Q   Okay.

9   A   (BP) Called *Money Laundering in the Real Estate*

10   *Sector.*

11   Q   Okay. So this report by Joras Ferwerda and

12   Brigitte Unger, what role, if any, did this work

13   have in shaping your report?

14   A   (BP) I believe the material is largely similar,

15   if not, I would say, identical, but basically

16   captures the same sort of criteria as is

17   reproduced in her book. In the book of the two

18   authors, actually. They're both listed as

19   authors of the book that we used.

20   MS. ROSE: Okay. If we could please have this marked

21   as exhibit 718, I believe, Mr. Commissioner.

22   THE COMMISSIONER: Yes, very well.

23   THE REGISTRAR: Exhibit 718.

24   **EXHIBIT 718: Detecting Money Laundering in the**

25   **Real Estate Sector - Joras Ferwerda and Brigitte**

Bert Pereboom (for the commission)   17
Wahid Abdallah (for the commission)
Exam by Ms. Rose

 1   **Unger**

 2   MS. ROSE: Okay. And, Madam Registrar, if we can

 3   take this one down and go back to 1756, please.

 4   Q   Mr. Pereboom, do you recall how many indicators

 5   you reviewed for the preparation of this report?

 6   A   (BP) Potential indicators all together? It's

 7   certainly over 35. Perhaps Mr. Abdallah, who

 8   did more of the work to actually formulate those

 9   indicators, could respond.

10   (WA) Yeah, it is something, as you say, that

11   it is more than 35 indicators that we have

12   looked into, and we looked at all the three

13   documents that Mr. Pereboom just said, the FATF

14   document and the Unger book and the FINTRAC 2016

15   report.

16   MS. ROSE: And perhaps we could -- I could assist.

17   Madam Registrar, if we could go to page 5 of

18   this report.

19   Q   And this paragraph in the middle of the two

20   boxes, do you see at the second line there,

21   Dr. Abdallah, the Quebec -- the sentence that

22   begins with "the Quebec data"?

23   A   (WA) Yes.

24   Q   AND does that refresh your memory on how many

25   indicators were reviewed?

Bert Pereboom (for the commission)   18
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   A   (WA) Yes.

2   Q   AND can you tell us how many those were?

3   A   (WA) So as Bert says, it's 17 of 35 indicators.

4   Q   And the 35 indicators, those were taken from the

5   reports that have just been mentioned?

6   A   (WA) Right. Yes.

7   Q   Okay. Did CMHC do any sort of independent

8   evaluation of the validity of these indicators?

9   A   (BP) In terms of secondary analytic work, we

10   didn't -- we actually reviewed all the analytic

11   work on detection of money laundering that we

12   could but found no reason to exclude any of

13   these particularly.

14   Q   Okay. Are either of you -- do either of you

15   have expertise outside of this data analysis

16   work on the subject of money laundering?

17   A   (BP) In terms of direct, say, enforcement or

18   regulatory role, I've never had that, no.

19   (WA) Neither do I. I ...

20   Q   So your expertise is on the analysis of data and

21   developing frameworks that can employ the use of

22   these indicators but not in developing

23   indicators themselves?

24   A   (BP) I would say in my work with IBM I was

25   definitely part of the analytics team that was

Bert Pereboom (for the commission)   19
Wahid Abdallah (for the commission)
Exam by Ms. Rose

 1   available to deliver antifraud pieces. And

 2   there is a significant overlap, I would say,

 3   between antifraud techniques and even indicators

 4   as well as -- and money laundering indicators.

 5   Q   And in -- did CMHC conduct any work to determine

 6   whether these 35 indicators that were reviewed

 7   from the secondary literature, did CMHC conduct

 8   any work to determine whether these

 9   35 indicators are actually predictors of money

10   laundering or indicators of money laundering?

11   A   (BP) Part of the purpose of the study is to

12   determine whether those indicators are actually

13   relevant in terms of cases that turn out to be

14   money laundering. So the whole purpose of the

15   study and the reason that we were very inclusive

16   about it was to cast a very wide net on what the

17   literature said were suspicious activities. And

18   a significant part of the research was to

19   determine whether those could actually be good

20   indicators and which ones were the best

21   indicators of money laundering in real estate.

22   Q   Okay. So perhaps we can move on to the next

23   step of your work, which is to the weighting of

24   these indicators. Is that right?

25   A   (BP) We do -- well, the individual weighting is

Bert Pereboom (for the commission)   20
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   to determine sort of within a range of 0 to 1 --

2   basically to transform the data such that we can

3   get an indicator that fell within that zero to 1

4   frame.

5   Q   And once that is done, what's the step after

6   that?

7   A   (BP) The step after that is to evaluate -- to

8   take a look at -- well, we looked at some of the

9   higher ranking indicators at the very top of the

10   range, the outliers, and conducted those

11   secondary searches as best we could.

12   MS. ROSE: Okay. Perhaps, Madam Registrar, if we

13   could move to page 23 of the report.

14   Q   So what is this page describing?

15   A   (BP) Generally the data that's available to us

16   from the data set from Quebec, and then the

17   additional information where we can corroborate

18   and find additional details about individuals

19   named within a single transaction or series of

20   transactions.

21   Q   And what sources did you refer to to conduct

22   this secondary research or analysis?

23   A   (BP) I believe that list is included here as

24   well, but it is things like records of

25   professional misconduct from various

Bert Pereboom (for the commission)   21
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   professional associations, the CanLII, Canada

2   Legal Information data set, the Quebec register

3   of corporations, for example. I don't know if

4   I'm catching the entire list. I don't know it

5   off by heart. And then generally also news

6   reports and PEP lists, that is politically

7   exposed person lists, as we were able to

8   retrieve them.

9   (WA) It's listed on page 21.

10   Q   Perhaps we could go back to page 21, then. And

11   so, Dr. Abdallah, do you have anything to add

12   there to what Mr. Pereboom said?

13   A   (WA) No. It's okay. So that was the list that

14   we used. In addition to Google search and

15   newspaper articles.

16   Q   And so we have notaries here in BC, but the data

17   that you reviewed was Quebec data. Can you

18   explain what a notary in Quebec is?

19   A   (BP) For the purpose of this is it's a person

20   who would be authorized to submit a transaction

21   to the provincial land registry.

22   Q   And so the first item in this list is the notary

23   contracts in Quebec's land registry database.

24   That's right?

25   A   (BP) Yes.

Bert Pereboom (for the commission)   22
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   Q   And so what type of information does a notary

2   contract include?

3   A   (BP) Wahid, can you answer that.

4   (WA) Yeah, yeah. So usually it includes the

5   name of the buyers and the sellers, their

6   addresses, the amount in consideration, the

7   address of the property and all the detailed

8   legal rights, which is usually to people in a

9   land transaction document.

10   Q   And then number 5 on this list at page 21 here

11   is the Canadian Legal Information Institute, or

12   abbreviated CanLII. Can you explain what type

13   of review was done on CanLII?

14   A   (WA) So at CanLII usually -- it's a searchable

15   database. You can put up anyone's name in there

16   and you can search whether the person's name or

17   the company's name has appeared in there. So we

18   just conduct, you know, just a typical search in

19   CanLII, putting the name in there and just

20   finding out that -- whether there's any case

21   against this person or what the conviction is

22   all about and how it panned out. So that's all

23   we looked at in CanLII.

24   Q   And was it just the name that was searched in

25   CanLII?

Bert Pereboom (for the commission)   23
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1   A   (WA) Just the name, I believe, yes.

2   Q   So you didn't conduct a search for, for example,

3   money laundering plus the person's name?

4   A   (WA) We did look -- searched for the money

5   laundering, but not in particular to any person,

6   so we just looked at a few cases that -- what

7   kind of documents are available for money

8   laundering, but we haven't looked for any

9   particular individual relating to money

10   laundering in CanLII database.

11   Q   But with respect to this secondary research

12   review of the data, you're just searching the

13   name by itself? No other search words added to

14   that?

15   A   (WA) I mean, when I did my part, I haven't added

16   any other words, just the name. And if the name

17   comes up, then we look into the document and

18   seeing what kind of case that was.

19   Q   I see. So there would be a next step of if the

20   name brings up a particular case, then the

21   details of that case would be reviewed to

22   determine whether there's any potential

23   connection to crime or money laundering?

24   A   (WA) Absolutely, yes. Right.

25   Q   So in that way would you be excluding cases that

Bert Pereboom (for the commission)   24
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   involve, for example, family law?

2   A   (WA) So when we go through that, in that case

3   since we have not -- we look at all the possible

4   cases and we do -- if there is a case regarding

5   family law, we do take a note of that and we

6   then create our files according to that.

7   Q   So -- sorry, please continue.

8   A   (BP) Yeah, I was just going to interject. I

9   mean, obviously we're looking for cases that --

10   or indications that generally there is a sort of

11   criminal aspect to it. There aren't very many

12   cases that involve money laundering directly,

13   particularly not in real estate, but we would

14   not take a family law -- like the divorce

15   proceeding or something like that as an

16   indicator of illegal activity.

17   Q   Right. So it would not simply be the case that

18   you would do a search, find the name that pulls

19   up a case and then include that as a value of 1

20   in the indicator list; you would apply some

21   discretion onto whether or not the appearance of

22   a name in the CanLII registry warrants an

23   indication of a 1 in the indicator?

24   A   (BP) Exactly.

25   (WA) So the purpose for the secondary search

Bert Pereboom (for the commission)   25
Wahid Abdallah (for the commission)
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1   is qualitative research. So we determine what

2   kind of -- the quality of information that's

3   available when we conduct a secondary search.

4   (BP) So we don't actually create a flag

5   here. We just sort of consider whether it's in

6   some way sort of a validation of suspicion. So

7   it doesn't -- it isn't actually included as one

8   of the 35 indicators. It's just then regarded

9   as okay, there may be something worthy of

10   further investigation as a result of the

11   information in CanLII.

12   Q   I see. I see. Was there any other nuance that

13   you think ought to be added to either -- any of

14   the other six items on this list?

15   A   (BP) I don't think so. Just in general I'd say

16   for us, again, it is just potentially another

17   corroboration of suspicion, but we are not in a

18   position to determine whether that suspicion is

19   sort of valid and whether, say, a professional

20   operating in the real estate industry based on

21   that piece of information would feel obliged to

22   file a suspicious transaction report.

23   So, again, our expertise is largely in the

24   data and evaluating the data, trying to

25   determine, you know, what kind of indicators

Bert Pereboom (for the commission)   26
Wahid Abdallah (for the commission)
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1   make sense. Our expertise -- we are in fact

2   looking for additional expertise from government

3   and industry to determine whether a professional

4   in the industry would normally take those

5   indicators as a sign of suspicious activity. So

6   we're looking for additional corroboration of

7   our methods here.

8   Q   And when you say additional corroboration of the

9   methods, what aspect of the methods in your view

10   requires additional corroboration?

11   A   (BP) Basically that, say -- when we look at,

12   say, the highest scores in this index and find

13   the sort of secondary validation in some way of

14   the suspicion or corroboration of that, we would

15   want to go to an industry professional that

16   would say here are the indicators, here is the

17   circumstances of this case, both the data score

18   and the secondary source, and ask them whether

19   they think that would be sufficient grounds to

20   file a suspicious transaction report.

21   Q   And once this analysis that you've described has

22   been performed, so the first -- the collection

23   of the data points with respect to the

24   indicators followed by this secondary review,

25   this qualitative review, in your view what state

Bert Pereboom (for the commission)   27
Wahid Abdallah (for the commission)
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1   of knowledge is arrived at? Where do you get to

2   after doing this analysis?

3   A   (BP) We believe this is an initial step. Again,

4   in my mind it is an opportunity to -- and I'm

5   speaking for myself, you know, professionally,

6   not on behalf of CMHC here. It is a

7   possibility, then, to in addition to the

8   obligations of professionals to file Suspicious

9   Transaction Reports, an opportunity for another

10   agency/authority, regulatory or not, which CMHC

11   is not, to use this analysis to develop

12   additional potential leads and additional

13   methodology to get to a suspicious

14   transaction-like filing.

15   Q   So in your view it's sort of an initial starting

16   point that it's not the final word?

17   A   (BP) Exactly.

18   Q   Okay. So in this report you do go through each

19   indicator. And because we have another panel

20   coming later today, I don't want to go through

21   each one, but I notice that each indicator is

22   accompanied by a sort of statement of

23   explanation of why the indicator was included.

24   MS. ROSE: So for an example of this, we can go to

25   page 9. So -- sorry, Madam Registrar, if we

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1   could just zoom in a little bit.

2   Q   So here at the bottom of this first paragraph on

3   the screen there's the statement:

4   "The injection of such significant amounts

5   of money in various schemes used to clean

6   it are likely to have distortionary

7   effects on the real estate market."

8   Now, I'm wondering how was this conclusion

9   arrived at?

10   A   (BP) That's largely a reflection of the report,

11   the 2019 report of -- Maloney report, which

12   Dr. Unger and Dr. Somerville contributed to.

13   And so, you know, that's not particularly our

14   statement, but that is a significant injection

15   of cash such that if it was not there, it's

16   quite likely that BC housing prices would be

17   lower.

18   Q   Okay. And, sorry, this is largely a reflection

19   of the Maloney report, you said. Is it entirely

20   a reflection of that or have you brought your

21   own insight to bear on this as well?

22   A   (BP) No, I think that's largely a reflection of

23   the literature. We don't -- as noted in the

24   presentation we were able to do on the BC real

25   estate, we don't have very much data that would

Bert Pereboom (for the commission)   29
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1   basically give any indication of the extent of

2   money laundering in real estate with the data

3   that was available to us from British Columbia.

4   So we can't actually make an observation on its

5   impact on British Columbia. We have no evidence

6   of our own.

7   Q   Okay. Are you familiar with other works that's

8   been done by CMHC, for example that of Dr. Aled

9   ab Iorwerth, on causes of escalating housing

10   prices?

11   A   (BP) Yes.

12   Q   And are you aware of whether that work includes

13   money laundering as a -- having a distortionary

14   effect on the real estate market?

15   A   (BP) That work is largely data driven, and given

16   that there is little firm data on the extent of

17   the money laundering in British Columbia, it's

18   difficult for them to include -- well, as it is

19   for all of us -- data on money laundering in

20   British Columbia since it's largely hidden. So

21   that report is largely driven by what the data

22   says and is agnostic on points that -- where the

23   data isn't speaking, the data isn't available.

24   Q   All right. And so here where it says:

25   "... [the] schemes used to clean it --"

Bert Pereboom (for the commission)   30
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   Being significant amounts of money.

2   "-- are likely to have distortionary

3   effects on the real estate market."

4   That's really speculation because you don't have

5   data to confirm or deny that fact?

6   A   (BP) I would say yes. I mean, the methodology

7   applied to arrive at the figure that the Maloney

8   report did, you know, obviously faces some

9   criticism or challenges and so on. The reality

10   is money laundering, it's extremely difficult to

11   measure money laundering in real estate

12   directly.

13   Q   Right. But the key thing here is that you're

14   not bringing any additional data to bear; this

15   is a repetition of findings presented in the

16   Maloney report?

17   A   (BP) That's right. We have no additional data

18   available to us beyond what they have.

19   Q   Okay. And is that true of -- so this is one

20   example of a statement made in this report, but

21   is that true for the remainder of these

22   indicators as well that the statements

23   explaining the indicator and the reason for

24   their inclusion are not independent conclusions

25   from CMHC but rather are repeated from other

Bert Pereboom (for the commission)   31
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1   works?

2   A   (BP) Yes, absolutely. And that is, you know,

3   again going back to those sources, FATF,

4   Dr. Unger and FINTRAC. And I believe most of

5   those indicators are derived from known cases

6   and the methods used by perpetrators of those

7   known cases. They're not actually, as I

8   understand it, data driven in the sense of, you

9   know, somebody had a large set of money

10   laundering cases and was able to sort of

11   attribute it to particular data elements.

12   Q   Okay. I think you've already answered this, and

13   I hate to belabour the point but I want to be

14   100 percent clear here. Do you yourself, either

15   of you, have any view on whether an injection of

16   2.7 to 5.3 million dollars of capital in real

17   estate would be likely to distort BC housing

18   prices?

19   A   (BP) I believe you meant to say billion.

20   Q   Well, no, I didn't, actually. So in here in the

21   paragraph it says:

22   "Furthermore, considering the $7.4 billion

23   estimate of 2018."

24   Do you see that there?

25   A   (BP) I do. I believe that's actually --

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Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   Q   Pardon me. Please continue.

2   A   (BP) I believe the "million" there is actually a

3   typo. It's should be "billion."

4   Q   I see. I see. Doctor -- I'm not sure, can you

5   confirm whether that is a typo --

6   A   (WA) I believe --

7   Q   -- the 2.7 to 5.3?

8   A   (WA) I believe it's a typo as well.

9   Q   Okay. So perhaps I'll rephrase my question,

10   then. Do you believe that 2.7 to 5.3 billion

11   dollars would distort BC housing prices if it

12   were the case that that amount were invested in

13   real estate?

14   A   (BP) Based on an economic sort of judgment, an

15   injection of that size, like if it were to be

16   removed, I think it would have, you know,

17   less -- an impact -- a negative impact on house

18   prices. That is a significant volume of

19   additional demand. And in particular in real

20   estate where, as you probably know from

21   Dr. Ab Iorwerth's work, supply is relatively

22   fixed, and so a large amount of additional cash

23   bidding on a relatively fixed volume of -- or --

24   yeah, set of properties is almost bound to have

25   an increase in prices, as it is inflationary.

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Wahid Abdallah (for the commission)
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1   Q   Thank you. Now that I've walked you through

2   some of these assumptions and indicators and

3   methodology, I'm hoping you can now explain what

4   you found in -- and perhaps you could just first

5   explain what the data set was that you used and

6   what your findings were with respect to that

7   data set.

8   A   (BP) I can start, for sure. The data set we

9   used was the Quebec -- it's called the JLR

10   database, which CMHC purchases along with other

11   real estate transaction databases across the

12   country in order to do its own price valuation

13   assessments of properties. So we were able to

14   access that because CMHC already purchases.

15   Normally these data sets are quite expensive and

16   it's one of the reasons few people are able to

17   do this sort of work.

18   So we took advantage of the fact that CMHC

19   acquires this database as an annual

20   subscription. And Quebec is unique among

21   provinces in that they will release the names of

22   buyers and sellers of real estate transactions

23   in bulk, which no other province does. Every

24   other province you can actually find out who

25   bought or sold a particular property on the

Bert Pereboom (for the commission)   34
Wahid Abdallah (for the commission)
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1   payment of a fee with the Land Titles Authority.

2   But Quebec basically provides that in bulk,

3   which, again, no other province does.

4   So that allows us, though, to begin to see

5   links between different transactions as

6   conducted by sets of buyers and sellers. And so

7   in most cases you have to look -- you can only

8   look at transactions as single entities. With

9   Quebec we are able to tie various transactions

10   together on the basis of being, you know,

11   executed by a common buyers, common seller,

12   common notary and so on. So that allows you to

13   draw connections among transactions and see sort

14   of a pattern over time how long the property was

15   held, when it was sold and for how much and to

16   whom.

17   And so that then becomes essentially the

18   basis of evaluating all of the indicators that

19   we have, the 17 for Quebec.

20   MS. ROSE: And, Madam Registrar, could we please move

21   to the bottom of page 23 of the report.

22   Q   And so, Mr. Pereboom, at the very bottom of this

23   page I see the statement:

24   "We find that 94% of the buyers have an

25   MII of 5 or lower."

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Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   Do you see that there?

2   A   (BP) Yes.

3   Q   And can you just explain what that means.

4   A   (BP) So of the 17 indicators that we have,

5   basically we look at buyers and the set of

6   transactions that they have within the time

7   frame of the data that we have available. So

8   since 2000. And then the buyer's score based on

9   those red flags. Most transactions have a score

10   of -- red flag score of 5 or less.

11   MS. ROSE: And, Madam Registrar, if we could just

12   scroll down to the next page, please.

13   Q   And so I think -- is it the case that what

14   you've just described is displayed in this

15   table 1?

16   A   (BP) Yes.

17   Q   So perhaps you could just explain to us what

18   table 1 is displaying.

19   A   (BP) So that is the MII score by buyers. And so

20   we look at all, you know, unique buyers in the

21   portfolio of transactions that they're involved

22   with in the database for the years described.

23   And so, again, just to illustrate the point

24   that, you know, clearly a score of 5, which --

25   or less, which represents about 90 percent of

Bert Pereboom (for the commission)   36
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1   the transactions, we would generally assume that

2   those would -- you know, that is a fairly common

3   number or a common set of -- you know, or level

4   of suspicion on a transaction. So we wouldn't

5   dig too deeply into anything that had a score of

6   5 or lower.

7   Q   And I see that this chart stops at the number

8   11. Why is that?

9   A   (BP) 11 is the highest -- well, actually, Wahid?

10   I believe it is, or ...

11   (WA) It is. You're right.

12   (BP) I think 11 is the single highest score that

13   we saw. So there are no 12s and above.

14   Q   There are no buyers that have the presence of 12

15   of the 17 indicators that you reviewed?

16   A   (BP) Exactly.

17   MS. ROSE: Okay. And perhaps we can just scroll down

18   to see the next graph, Madam Registrar.

19   Q   And so what is this, Mr. Pereboom?

20   A   (BP) It's just a representation of the table

21   above.

22   Q   Okay. And in this work were you able to

23   determine which indicators typically represented

24   outliers as compared to which indicators were

25   very commonplace?

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1   A   (BP) So I guess that is asking the question are

2   there any indicators for which -- like, there's

3   a large numbers of scores of 1. Is it -- which

4   would be tripped, I guess, essentially in an

5   awful lot of cases.

6   Q   Perhaps I could ask you about a specific

7   indicator. You used the indicator of a property

8   having been traded multiple times; is that

9   right?

10   A   (BP) Yes.

11   Q   And what were your findings with respect to that

12   indicator?

13   A   (BP) Wahid, do you want to describe that.

14   (WA) So I think it is right below there, the

15   findings are written right below that graph.

16   MS. ROSE: Perhaps we could scroll down, Madam

17   Registrar, a little.

18   THE WITNESS: (WA) Yeah, exactly. Yeah.

19   MS. ROSE: Thank you.

20   THE WITNESS: (WA) Yeah, so this presents what we

21   found regarding this particular indicator.

22   MS. ROSE:

23   Q   And, sorry, can you tell us what you found with

24   respect to the multiple traded properties?

25   A   (WA) Okay. If you follow this table correctly,

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1   then we found that about -- there are roughly

2   30 percent properties that were traded three

3   times or more than that, and there are roughly

4   1 percent properties that were traded six times

5   or more than that.

6   MS. ROSE: And we might have to scroll up a little

7   bit, Madam Registrar. Sorry. I think -- sorry,

8   a bit too much. If we can just focus on the

9   heading there.

10   Q   So I see the statement here that most properties

11   were sold only once or twice between 2000 and

12   2018 with 37 percent of properties with one

13   transaction and 34 percent of properties sold

14   twice.

15   A   (WA) Right.

16   Q   And so would it be the case that if you added

17   those two numbers together, and again I'm

18   wagering into this really treacherous territory

19   of lawyers conducting math in real time, but I

20   think we are left with 71 percent of properties

21   that have been sold either once or twice. Is

22   that right?

23   A   (WA) Yes.

24   Q   And so were you able to draw any conclusions

25   from that data about whether the fact of having

Bert Pereboom (for the commission)   39
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   been multiply traded is an indicator of

2   suspicious?

3   A   (WA) So by itself I would say -- I would say

4   that it's not very suspicious. Any property can

5   be traded multiple times, but what we are really

6   focus -- what we really focus on is, like, how

7   many other indicators actually we can combine

8   with this particular indicator. So if a

9   property is traded seven times it would probably

10   score really high, but that doesn't mean that

11   the person involved or the transaction itself is

12   suspicious. It just only says that -- regarding

13   only that particular indicator, it is has a very

14   high value based on the indicator we have.

15   Q   So would you need to perform any sort of

16   refinement in order to have this indicator be a

17   useful indicator of potential suspicion?

18   A   (WA) So usually what we would like -- what we

19   did throughout the whole methodology is that we

20   looked at -- let's say that some person has --

21   so what we did is, like, we have 17 indicators.

22   When we add them and when we evaluate -- we

23   evaluate one person or transaction based on that

24   aggregated value of 17 indicators, in that

25   aggregated value someone may have -- or some

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1   property may have highly -- may have a high

2   score in terms of trading multiple times.

3   So the point is that the indicator alone may

4   not add much to the suspicion, but we also need

5   to look into other indicators whether we have

6   other red flags in terms of other indicators.

7   (BP) So if I could just add, you know, the

8   work that Drs. Unger and Ferwerda did in their

9   book was to look at the indicators and then test

10   them against a set that they believed or, you

11   know, more or less concluded did have money

12   laundering involved, and so they were able to

13   test each of their indicators against that sort

14   of set of confirmed cases or semi-confirmed

15   cases.

16   In our case we don't have a set of confirmed

17   cases that we can test against, so we're not

18   able to say whether any one indicator at this

19   point, you know, is a better or worse indicator

20   of money laundering in real estate.

21   I think perhaps where you were going with

22   this. So individually we can't say very much

23   about whether an indicator is sort of the -- you

24   know, the big red flag as opposed to a regular

25   red flag.

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Wahid Abdallah (for the commission)
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1   Q   Yes. And so when you have an indicator that

2   might be showing up in 70 percent of

3   transactions, you're not able to discount that

4   indicator because it still may present an

5   indicator of suspicion; is that right?

6   A   (BP) Yeah, just not a very clear one. But the

7   way we include this indicator, like, for

8   example, it's not all properties -- if we can

9   scroll down a little bit. We -- I believe that

10   we have an adjustment to this indicator that

11   says the more times a property is traded, the

12   more suspicious it is. So a single trade of a

13   property would not -- it would give you a small,

14   I don't know, .1 kind of value or possibly .2,

15   not a 1 score; right? Whereas, you know, a

16   property that's traded six times would have a

17   score of 1 and give you the full value of that

18   flag.

19   So this is an example of one of those ones

20   where we have the range where -- well, a

21   transaction that's included in the database

22   would not be zero. All of the non-traded

23   transactions, somebody, say, who purchased a

24   property in 1992 and still holds it is not in

25   the database at all because there are no

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1   transactions in that space. But, again, a

2   property that's traded once would not have a

3   zero value but would have a very low value for

4   that flag.

5   Q   And in your view -- I'm just going to repeat

6   what I think you've said. In your view it's not

7   possible to discount any particular indicator,

8   even if it was present in 99 percent of

9   transactions or 99 percent of buyers, because

10   you simply don't have the data that you would

11   need to determine whether that is a -- whether

12   that is linked to money laundering cases?

13   A   (BP) If it's true of 99 percent of the cases, it

14   would not be a very good discriminator because

15   it's true everywhere and therefore is not a good

16   indicator of suspicion. So, again, you know, an

17   indicator that's present most of the time is not

18   that -- very helpful even though -- well,

19   basically almost by definition, every money

20   laundering case would have to throw that flag.

21   But if every legitimate case, transaction also

22   throws that flag, that flag has no particular

23   value.

24   Q   And how could we come at an understanding of

25   which indicators are more valuable or less

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1   valuable?

2   A   (BP) Largely by that sort of regression, I

3   guess, where perhaps a team of people, experts

4   and so on, could help us identify a set of cases

5   which wouldn't necessarily even need to be for

6   sure money laundering, but for them would be,

7   you know, at least an indication of suspicion

8   such that they would want to follow up on that

9   particular case. So if we have a significant

10   number of those kind of cases, several hundred

11   ideally, then we can run what's called a

12   regression against those cases using the data

13   and find out which of the indicators we use is

14   most closely correlated with the -- you know,

15   the true indicator of suspicion, if you want to

16   use that term for the set of cases that we

17   regard as truly suspicious.

18   Q   And that would be a better way of refining our

19   indicators rather than simply saying okay, if an

20   indicator shows up 75 percent of the time it's

21   not useful?

22   A   (BP) Exactly. And for that matter it's also --

23   could also be helpful in determining thresholds

24   among our indicators; right? So at the moment

25   we take a continuous value for ones like this

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1   particular indicator, but it -- analysis like

2   that could say well, if that indicator has

3   anything below, say, a score of .5, then it

4   isn't very suspicious. It's only when that

5   indicator goes, you know, above a certain

6   threshold that it's truly associated with a

7   suspicious transaction.

8   Q   And when you mentioned meeting perhaps hundreds

9   preferably of cases, cases -- you're referring

10   to criminal charges, or what are you referring

11   to in terms of cases?

12   A   (BP) One possibility could be -- and this is,

13   you know, purely -- well, it's speculative, but,

14   say, suspicious transactions that have been

15   filed with FINTRAC, for example, where somebody

16   in the industry, somebody that is part of the

17   reporting regime has felt it -- or felt

18   obligated to file a suspicious transaction

19   report. That could be one source.

20   Another could be, you know, there are

21   actually quite a few newspaper articles that

22   detail foreign politically exposed persons

23   purchasing properties in Canada. That could be

24   another source. And we have a number of those.

25   We just didn't want to rely solely on that

Bert Pereboom (for the commission)   45
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   because then our testing would be solely geared

2   to discovery of money laundering from

3   politically exposed persons. And we know that

4   money laundering is -- has a domestic as well as

5   a foreign component.

6   But let's say, for example -- and the reason

7   FINTRAC, we are, within CMHC, not part of the

8   formal federal anti-money laundering regime.

9   And, again -- and so that makes sharing of

10   information of the type of Suspicious

11   Transaction Reports with us for the study

12   problematic.

13   Q   And the gathering for this type of data, is any

14   work being done in that regard?

15   A   (BP) So we know that FINTRAC has some, not an

16   awful lot of suspicious transaction reports in

17   real estate, so that is one potential source of

18   data. I'm not aware of any, say, land

19   registries that are collecting information of

20   this sort. So as I understand it, at the moment

21   it would mostly be FINTRAC and newspaper

22   accounts that potentially would be the best

23   sources.

24   Q   And sorry, I should have been more particular in

25   my question. In terms of applying this type of

Bert Pereboom (for the commission)   46
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   data to a market integrity index, are you aware

2   of any work that's being done to, for example,

3   supply CMHC with this information?

4   A   (BP) To our knowledge, we're the only people in

5   Canada working on this methodology.

6   Q   Okay. What are the potential uses of this

7   methodology, in your view?

8   A   (BP) Again, speaking just as researchers, not on

9   behalf of CMHC or the federal government in any

10   way, you know, part of our motivation here is

11   to -- kind of a recognition that the -- money

12   laundering is very difficult to detect. That

13   the existing regime largely asks people to act

14   against self-interest in some way when they're

15   filing a suspicious transaction report. Most of

16   the people within the regime, let's say, you

17   know, potentially give up commissions or

18   business revenue and so on when they choose not

19   to deal with a report that smells a little bit

20   suspicious to them, let alone reporting it.

21   So I obviously don't want to impugn

22   anybody's professional ethics, but if you're

23   called upon to file or expected to file a

24   suspicious transaction report, and it means

25   losing several thousands of dollars in potential

Bert Pereboom (for the commission)   47
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   revenue, and so on, I think it's difficult for

2   people to report or it's less likely for people

3   to report a suspicious transaction if they're

4   not financially benefitting from that

5   transaction.

6   So most -- the purpose of this is to try

7   and develop a data analytic unbiased sort of way

8   to evaluate the same sort of risks without

9   asking people to sort of compromise their

10   ability to earn incomes with a suspicious

11   transaction report. So in some ways I wouldn't

12   eliminate that need, but it's provides a backup

13   methodology to determine what may or may not be

14   suspicious transactions. Does that help?

15   MS. ROSE: Yes. And I think if we could just perhaps

16   very briefly refer to page 9 and 10. Scroll

17   down perhaps, Madam Registrar. Yes.

18   Q   This list here at the bottom of page 9, is this

19   a list of the potential uses of this

20   methodology?

21   A   (BP) Yes.

22   Q   Okay. In your view could it be used to create a

23   checklist for those in the industry who are

24   tasked with submitting Suspicious Transaction

25   Reports to perhaps give a bit of -- a sense of

Bert Pereboom (for the commission)   48
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   priority to the indicators of which ones are

2   more likely to be outliers? We've had a

3   discussion about whether or not that is

4   accurately predicting suspicion, but at least

5   perhaps they can have assistance in discerning

6   which are endemic and which are more outliers?

7   A   (BP) I think it potentially could. The danger,

8   of course, there, is if you identify some that

9   are, you know, especially suspicious, people

10   perpetrating money laundering in real estate

11   would tend to avoid those sorts of

12   characteristics; right? So, again, it's sort of

13   a shifting game, call it cat and mouse or

14   whatever, but if a money launderer is knowing

15   they're looking for a characteristic, they will

16   try to avoid kicking or triggering that flag.

17   So at this point potentially within

18   [indiscernible], knowing which ones are better

19   or worse could be useful information. I don't

20   know that it's all that useful to make that

21   public.

22   MS. ROSE: If we could turn to page 7, Madam

23   Registrar, please.

24   Q   I'm now having difficulty finding my note, but I

25   have a note of one of the challenges that you

Bert Pereboom (for the commission)   49
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   found in conducting this work beyond Quebec was

2   with respect to data. So perhaps you could

3   confirm whether that is the case and expand on

4   that, please.

5   A   (BP) Yeah. As I've already said, Quebec is

6   unique among registries at least for the data

7   that we're able to receive in reporting buyer

8   and seller names. But to trace sort of the --

9   well, to trace money laundering, to have a ghost

10   of a chance at doing it, you need to know who

11   buyers are and what pattern of transactions they

12   have. So without that name, you can't associate

13   multiple transactions with the same individual

14   to see their pattern of activity.

15   MS. ROSE: Sorry, Madam Registrar, I found my

16   reference now. If we could just scroll down to

17   the bottom of this page and if we could zoom in

18   on the last paragraph, please.

19   Q   So here you say that generally -- and I'm

20   looking at the middle of the first sentence in

21   that last paragraph:

22   "Generally provinces consider the sharing

23   of bulk transactions data as subject to

24   privacy legislation and will not release

25   names of buyers, sellers and notaries/

Bert Pereboom (for the commission)   50
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   lawyers, though this information is

2   available to the public on an individual

3   transaction basis."

4   Do you see that there?

5   A   (BP) Yes.

6   Q   And could you please explain where this

7   statement comes from or elaborate on this

8   statement, please.

9   A   (BP) This comes from our own experience and

10   having sort of reviewed a couple of cases. I

11   think one of the signature cases was an Ontario

12   case, I believe it was in the late 90s, where

13   there was a request for bulk revelation of names

14   and so on and it was denied by the privacy

15   commission at that point.

16   So I believe, you know, this information

17   could be shared, I guess, among appropriate

18   regulatory authorities or -- and so on, but it

19   isn't available to us because CMHC is not part

20   of a regulatory framework on crime in real

21   estate. And so, you know, I think one of our

22   findings is it would be better if somebody

23   within the sort of regulatory framework would

24   pursue this methodology and -- because the

25   alternative is to bring -- and I don't want to

Bert Pereboom (for the commission)   51
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   speculate this; I probably shouldn't say

2   anything about it. You know, CMHC is not part

3   of that and it would -- I can't speak to whether

4   it would be good policy to -- for CMHC to be

5   brought into a more complete data-sharing

6   framework or not, and I certainly cannot speak

7   to either CMHC's policy or the board's view as

8   to whether that would be a good idea.

9   Q   The reference you made to the Office of the

10   Privacy Commissioner denying the revelation of

11   data, which jurisdiction was that?

12   A   (BP) That was in Ontario.

13   Q   Okay. And what were your experiences in seeking

14   to obtain this type of bulk data in BC?

15   A   (BP) I'd say it was challenged. You know, we

16   began asking for it as part of our mortgage

17   fraud action plan because the same sort of data

18   is required to be able to detect organized

19   fraud, which is specifically something that was

20   requested of us in the mandate letter, and our

21   fraud action plan kind of committed CMHC to

22   becoming an industry leader in this area.

23   But, again -- so I think our first request

24   came in 2018, in the early part of 2018, for --

25   specifically to the Department of Finance for,

Bert Pereboom (for the commission)   52
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   you know, more robust data, including names of

2   buyers and sellers and notaries. And, you know,

3   I'd say generally it's been, you know, a

4   cooperative dialogue and discussion. There

5   seemed to have been a variety of technical

6   issues related to providing that data early on

7   in the form that wasn't necessarily in a data

8   set -- conventional data set that we required

9   for our analysis and that it appeared at least

10   that most of the records were scans of documents

11   rather than captured fields within that

12   document. So there were some technical issues

13   there.

14   And, again, through our -- you know, we

15   offered through the work of the working group on

16   real estate with -- the Canada-BC working group

17   on real estate, to do a similar analysis with BC

18   data, you know, a bunch of discussions including

19   with some of the technical issues with the Land

20   Titles and Survey Authority, LTSA, but

21   ultimately, you know, we do not have data from

22   BC that would be needed to conduct this kind of

23   analysis with BC's data.

24   Q   So I have two questions that are quite related.

25   So one is -- you describe here the need for bulk

Bert Pereboom (for the commission)   53
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   data and not viewing transactions on an

2   individual basis, and then you've also described

3   a requirement for bulk data in captured fields

4   as opposed to PDF scans. Can you just explain

5   why it's not possible to review each transaction

6   individually or each PDF individually?

7   A   (BP) Like the method that we're doing with

8   Quebec and applying it requires you to know, you

9   know, whether a -- what a buyer has paid for and

10   when a transaction has been transacted and to

11   whom they sell it. So you need the pattern of

12   transactions. You can't just look at a

13   transaction individually. So, again, our

14   mortgage MII index requires to see a bigger

15   picture rather than a single transaction.

16   So as we've shown in the BC thing, you can

17   only evaluate 6 of the 17 indicators that we can

18   do with Quebec if you do not have more

19   information about the buyers, sellers and the

20   other persons associated with that transaction.

21   Q   And I'm not trying to be obtuse in this

22   question, but why is it not possible to have a

23   staff member going into each individual

24   transaction and pulling that data one by one and

25   then compiling a database secondhand?

Bert Pereboom (for the commission)   54
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   A   (BP) That would be an enormous task. It would

2   take an extremely long time. It would, I

3   imagine, take years to sort of basically, you

4   know, pull data and transcribe it. It's just --

5   I don't know. Perhaps -- if that is the only

6   way that is worth it. But the PDF data, for

7   example, data in forms, it is possible, I'm

8   quite certain, to pull information even if it is

9   in a PDF format. There are potential errors

10   introduced there and so on. Ideally you would

11   capture this information in a more conventional

12   database from the start.

13   Again, there's labour involved in both those

14   transactions and the question becomes is it a

15   task that you really want to pursue, whether

16   it's worth it.

17   Q   And with any task that is taking that many hours

18   and, as you described, perhaps in the order of

19   years of course there's going to be a cost of

20   employee time.

21   A   (BP) Absolutely.

22   Q   And are there other barriers to conducting that

23   work? You know, it sounds as though it's -- it

24   seems a bit -- is a large hurdle, but perhaps

25   you can break it down all the ways in which it

Bert Pereboom (for the commission)   55
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   is a significant hurdle.

2   A   (BP) Well, to have an individual sort of

3   transcribe each of hundreds of thousands of

4   transactions, you need a complete data set

5   because you don't know what you're looking for.

6   Again, this is, you know, akin to looking for a

7   needle in a hay stack, and so you need a

8   complete set of data. It's not like you can

9   target ones that beforehand you think are

10   suspicious because that would actually introduce

11   a bias into your analysis. So you actually need

12   a complete set of data.

13   The way records are kept in British

14   Columbia -- you know, things may be changing or

15   not fully described to us accurately in our

16   understanding, but if they are PDF forms, which

17   is basically, you know, you know where on a page

18   in the form the data -- particular data field is

19   stored and you can pull that up. There is still

20   a lot of work in data cleaning and so on

21   involved, so if you could pull the fields

22   individually from those PDF forms. Again, they

23   may be typed in non-standard formats. There's a

24   lot of data collection or cleansing that would

25   need to be done to ensure that those fields are

Bert Pereboom (for the commission)   56
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   transcribed properly and in a kind of

2   standardized form.

3   So, again, you could automate the PDF

4   scrape, but, again, typically there is quite a

5   bit of data cleansing effort to make that into a

6   real data set.

7   Q   And is there also a barrier in terms of cost to

8   do this on an individual transaction-by-

9   transaction basis?

10   A   (BP) If as a private individual or, say, you

11   know, CMHC as a, you know, public though

12   commercial entity, normally there's a cost per

13   pull. I don't quite know what it is in British

14   Columbia, but typically it's somewhere between 5

15   and $25 per transaction to pull a record for an

16   individual transaction. So multiply that by the

17   total number of transactions -- real estate

18   transactions in BC over the last, I don't know,

19   20 years that you might want to look at. That

20   would be an immense amount.

21   Q   Okay. And was it communicated to you whether

22   there is a barrier in providing you the bulk

23   data more in the sense of privacy or more in the

24   sense of cost, or was it a mixture of both?

25   A   (BP) It was -- it was more a technical issue of

Bert Pereboom (for the commission)   57
Wahid Abdallah (for the commission)
Exam by Ms. Rose

1   furnishing the data, but then as I believe there

2   were efforts underway to transcribe that data

3   into a more conventional analyzable data set,

4   there may have been privacy concerns. It was

5   not communicated to us as of now what the

6   barriers are.

7   MS. ROSE: Okay. Mr. Commissioner, those are my

8   questions for these witnesses. I'm sorry, I

9   have one more thing. Please could we enter this

10   report as the next exhibit, which -- Madam

11   Registrar, I believe that's 719. Is that right?

12   THE REGISTRAR: That's correct, yes.

13   MS. ROSE: And apologies for not doing that earlier.

14   **EXHIBIT 719: Defining a Housing Market**

15   **Integrity Index: A Methodology and Application**

16   **to Quebec's Housing Market - Draft -**

17   **February 19, 2021**

18   THE COMMISSION: That's fine. Thank you, Ms. Rose.

19   All right.

20   I'll now call on Ms. Harlingten on behalf of

21   Canada [sic], who has been allocated 10 minutes.

22   MS. HARLINGTEN: Thank you, Mr. Commissioner.

23   **EXAMINATION BY MS. HARLINGTEN:**

24   Q   Mr. Pereboom, Dr. Abdallah, can you hear me all

25   right?

Bert Pereboom (for the commission)   58
Wahid Abdallah (for the commission)
Exam by Ms. Harlingten

1   A   (BP) Yes.

2   (WA) Yes.

3   Q   Thank you. The first question I wanted to ask,

4   I believe Dr. Abdallah should be best placed to

5   answer. I noted in your report that you've

6   compiled an additional 18 indicators on money

7   laundering in real estate; is that correct?

8   A   (WA) Yes.

9   Q   And for those particular indicators -- and am I

10   correct that they're not being used because of a

11   lack of available corroboration?

12   A   (WA) Yes. But it's not corroboration because we

13   won't be able to calculate or measure those

14   indicators because we don't have that data to

15   calculate those indicators.

16   (BP) It's lack of access to data, not

17   corroboration.

18   (WA) Right.

19   Q   Thank you for that clarification. And so if

20   those indicators, if you had the data for those

21   indicators, I assume you would utilize it in

22   your new methodology.

23   A   (WA) I believe so, yes. If we have data, we

24   would definitely use them in our methodology.

25   Q   So in your opinion, Dr. Abdallah, if you had

Bert Pereboom (for the commission)   59
Wahid Abdallah (for the commission)
Exam by Ms. Harlingten

1   that additional data or access to that data and

2   you could utilize it, would that lower the

3   probability of the risk of false positives that

4   you speak about in your report?

5   A   (WA) At this point it is difficult to say

6   that -- whether it would reduce it because it's

7   also possible that we may have more of the false

8   positives as well. So at this point, without

9   looking at the data, I cannot say anything.

10   Q   Thank you. I also have a question,

11   Mr. Pereboom, I'm not sure if you or

12   Dr. Abdallah are best placed to answer.

13   MS. HARLINGTEN: But if -- Madam Registrar, could we

14   pull up the last exhibit for the witness. I

15   believe it was 717.

16   THE REGISTRAR: The last one is 719.

17   MS. HARLINGTEN: -19. Thank you, Madam Registrar.

18   My apologies.

19   Q   And I'd like to go to page 10, please. Thank

20   you. It's just the second bullet that you see

21   there. Mr. Pereboom, it starts with "fourth."

22   A   (BP) Okay.

23   Q   And I understand that this part of your report,

24   you're speaking about the advantages that the

25   market monitoring tool may have. And in that

Bert Pereboom (for the commission)   60
Wahid Abdallah (for the commission)
Exam by Ms. Harlingten

1   particular bullet you state:

2   "Systematic use of the MII tools could

3   deter money laundering in real estate in

4   identifying potential suspicious

5   transactions."

6   A   (BP) Yes.

7   Q   And I was just hoping you could elaborate for

8   the Commissioner about that deterrent effect

9   that you're hoping would be available from the

10   use of the MII?

11   A   (BP) Well, two things. One is the potential of

12   an increased chance of prosecution and

13   ultimately conviction such that it would raise

14   the risk of money launderers being caught.

15   The other I would say is -- again, raising

16   in the mind of a money launderer a possibility

17   that they are more likely to be caught in a

18   Canadian jurisdiction, and I would liken that to

19   sort of the advent of radar for speeding. It

20   would be if you knew that there was some means

21   to detect suspicious activity, people would be

22   less likely to engage in that activity because

23   the risk of being caught increases.

24   Q   And you've indicated at the outset there was two

25   parts. Was there a second part of your answer,

Bert Pereboom (for the commission)   61
Wahid Abdallah (for the commission)
Exam by Ms. Harlingten

1   or ...

2   A   (BP) Well, it is those two things. One is that

3   there's actually more cases being prosecuted,

4   and one is even in the absence of prosecution,

5   because those things can take a long time, even

6   knowing that there's an increased surveillance,

7   let's say, in this market and ability to detect

8   suspicious transactions, just knowing that, that

9   is the second kind of factor, putting, you know,

10   the thought in people's minds that they're more

11   likely to be detected.

12   Q   So relying on some awareness that this was

13   occurring by a regulator, for example?

14   A   (BP) Exactly.

15   Q   Thank you for that. And my friend, Ms. Rose,

16   has taken you through a series of questions with

17   respect to the difficulties in gathering data in

18   British Columbia, and I don't intend to repeat

19   those. I just wanted to confirm my

20   understanding that at present your methodology

21   cannot be used in BC. Is that correct?

22   A   (BP) I would not say that. I would say there

23   are people who could. At the moment there are

24   barriers to us to access that data. And if one

25   of those barriers is, say, the fact that there

Bert Pereboom (for the commission)   62
Wahid Abdallah (for the commission)
Exam by Ms. Harlingten

1   are challenges to share the data with us in the

2   minds of BC Finance, who I believe ultimately

3   owns that data, it would make it difficult for

4   them to -- if there are barriers for them to

5   share that data with us. The methodologies

6   could be done by anyone, and we would be happy

7   to, you know, I believe share things like our

8   own pricing data that provides a basis of

9   comparison on whether a price is out -- sort of

10   out of range or an outlier. So somebody could.

11   I don't think there are any barriers to those

12   who would have access to the data to perform

13   this method.

14   MS. HARLINGTEN: Thank you very much. Those are all

15   my questions, Mr. Commissioner.

16   THE COMMISSIONER: Thank you, Ms. Harlingten.

17   Now Mr. Usher on behalf of the Society of

18   Notaries Public of British Columbia, who has

19   been allocated 10 minutes

20   MR. USHER: Thank you, Mr. Commissioner.

21   **EXAMINATION BY MR. USHER:**

22   Q   Just a couple points from exhibit 715, page 40,

23   which is your -- the conclusion of your text.

24   One of the things it states there, it says:

25   "We do not have a set of proven or likely

Bert Pereboom (for the commission)   63
Wahid Abdallah (for the commission)
Exam by Mr. Usher

1   cases of fraud or money laundering to test

2   out which indicators are strong indicators

3   of illicit activity."

4   Can you expand on that. Why is it that you

5   don't have a list of proven or likely cases of

6   fraud?

7   A   (BP) For one thing there are not very many

8   convictions of money laundering in real estate

9   in Canada to begin with, and the other part is

10   we haven't really had an opportunity to work

11   with, say, professionals, in this industry to

12   show them our -- the cases that we think are

13   suspicious. There still are some questions

14   about whether we can -- the degree to which we

15   can share that information as personal

16   information with outside parties from -- parties

17   outside of CMHC.

18   Q   All right. So is it -- would it be fair to say

19   you -- we really don't have any idea of this

20   work you've done what in fact is correlated to

21   money laundering or crime?

22   A   (BP) I wouldn't say any idea because, again,

23   it's -- you know, we are drawing on the

24   suspicious transactions indicators that are sort

25   of out there. This is what's being communicated

Bert Pereboom (for the commission)   64
Wahid Abdallah (for the commission)
Exam by Mr. Usher

1   to real estate agents, notaries, public notaries

2   and various other industry people. So the

3   indicators themselves are the best the regime

4   has as indications of suspicion of money

5   laundering, and we're again merely doing

6   analytically what people are being asked to do

7   individually, professionally in their daily

8   activity.

9   Q   Thank you. And I take it your work was focused

10   on Quebec. I take it you would acknowledge that

11   the legal system in Quebec as a civil law system

12   with civil law notaries and a very distinctive

13   and unique land registration system makes it

14   very, very different from the rest of the

15   country, including British Columbia?

16   A   (BP) The methodology I think is generalizable

17   across regardless of legal regime. How the, you

18   know, legal course of action and so on and what

19   can be shared, maybe that is ultimately what

20   drives Quebec to be able to publish individual

21   names in bulk versus others. I'm not a legal

22   scholar well enough acquainted with those

23   issues. But the methodology I think is robust

24   to any jurisdiction.

25   Q   But if the system is completely different,

Bert Pereboom (for the commission)   65
Wahid Abdallah (for the commission)
Exam by Mr. Usher

1   how can you -- I don't get quite how you can say

2   that. I'm not following.

3   A   (BP) Well, it depends what aspects of the system

4   you're talking about. But if you look at the

5   indicators that we have, it's about, you know,

6   the price of a transaction. Whether, for

7   example, you know, within 12 months the price

8   transacted increases by 100 percent or not, that

9   is to me independent of the legal jurisdiction.

10   And if you look at most of the indicators, I

11   think they're of that nature, right, whether,

12   you know -- another one is whether the

13   transaction was by a corporation versus a

14   natural person. I don't know if the

15   understanding of what a corporation may be able

16   to do may differ across provinces, but you know,

17   that distinction between a real person and a

18   corporation I think is independent of the legal

19   regime.

20   Q   Would you agree that market conditions of course

21   affect many of these things? So, for example,

22   would you agree that right now there's a very

23   rapid price increase particularly in Ontario and

24   certainly in British Columbia. Would that

25   distort one of your red flag indicators?

Bert Pereboom (for the commission)   66
Wahid Abdallah (for the commission)
Exam by Mr. Usher

1   A   (BP) It might -- I don't know distorted. It

2   may set things at different levels; right? So

3   what is an unusual transaction in Quebec may be,

4   you know, a 10 percent per year escalation.

5   That may be commonplace in Toronto and

6   Vancouver. And so the distribution of those

7   percentages may vary depending on markets, but

8   what is an outlier is determined by local market

9   conditions. So it's -- you know, again, we

10   adjust for variations in local markets.

11   Q   And so do you foresee, then, that we're going

12   to -- in fact at some point could get, to use

13   the term here, a verified set of actual money

14   laundering cases? Any possibilities of that

15   becoming actually available?

16   A   (BP) To me that would take a very long time. I

17   think we've sort of scaled back our hopes on

18   that in a verified set of suspicious

19   transactions. Not necessarily verified, but

20   transactions that people within the industry

21   would consider reaches the threshold of a, say,

22   suspicious transaction report with FINTRAC.

23   Q   And at this point do you feel that the research

24   you've done might -- would be of practical use

25   to law enforcement, for example?

Bert Pereboom (for the commission)   67
Wahid Abdallah (for the commission)
Exam by Mr. Usher

1   A   (BP) Again, I can't speak -- I had a few

2   conversations with people like Peter German and

3   others in the -- you know, within RCMP and so

4   on. I think it represents a little bit

5   different tack in investigations. And, again,

6   I'm not an expert on police investigation into

7   financial crimes. But it strikes me as if the

8   general maxim is to follow the money, this has

9   the potential to perhaps find where the money

10   has gone and sort of work backwards potentially

11   to what the predicate crime was driving -- you

12   know, as the source of funds.

13   So I think it is -- it has potential for

14   enhanced law enforcement. And that's just me

15   speaking.

16   Q   Thank you. So would it be surprising to you if

17   I suggested that most modern -- or a significant

18   number of modern mortgages in fact don't reveal

19   what was actually borrowed or what the cost of

20   that borrowing was?

21   A   (BP) I understand that. We have -- CMHC

22   probably has a best data set on mortgages in

23   Canada, and with, say, recent innovations in

24   mortgages with the HELOCs and so on, it's a bit

25   of a range, but the price of the transaction

Bert Pereboom (for the commission)   68
Wahid Abdallah (for the commission)
Exam by Mr. Usher

1   should -- is recorded that that should be

2   basically standard, how much people borrowed

3   to -- actually borrowed to purchase, that

4   question, I agree with you, could be a bit of an

5   uncertain -- a bit of a challenge with the data

6   we have as it currently exists.

7   Q   Thank you for mentioning that. I take it with

8   this move to the equity line of credit style of

9   lending do you have a sense of what -- how

10   mortgages in CMHC's understanding are divided

11   between what we might call a conventional

12   mortgage, which has a very precise amount of

13   loan, interest rate, and what we call the all

14   indebtedness mortgages used by all the major

15   banks now and credit unions. Do you have a

16   sense of the division of those documents?

17   A   (BP) The documents, as I understand it, you

18   know, at the time a mortgage is advanced there

19   would be a portion that would be designated as

20   the actual amount that is currently financing a

21   mortgage, particularly if it's a refinanced

22   transaction of some sort. But I don't know the

23   numbers behind it, if that's kind of what you're

24   asking.

25   Q   So you don't have an idea, if we somehow could

Bert Pereboom (for the commission)   69
Wahid Abdallah (for the commission)
Exam by Mr. Usher

1   look at all the mortgages in the land registry,

2   how they would be split between what you might

3   call the more conventional old school kind of

4   mortgage and the modern all indebtedness

5   mortgage?

6   A   (BP) I certainly don't have those numbers. I

7   believe it's something that we could research,

8   but it is -- I know that there are challenges in

9   ascertaining those numbers. But if you're

10   talking about just sort of strictly, you know,

11   what proportion of mortgages are conventional

12   where it's strictly the amount owing on a

13   property versus what a borrower could borrow as

14   well, you know, I don't even want to hazard a

15   guess. But I suspect the conventional ones are

16   still dominant.

17   MR. USHER: Thank you. That's all my questions,

18   Mr. Commissioner.

19   THE COMMISSIONER: Thank you, Mr. Usher.

20   I'll now turn to Ms. Magonet with the

21   British Columbia Civil Liberties Association,

22   who has been allocated five minutes.

23   MS. MAGONET: Thank you, Mr. Commissioner. Having

24   heard the evidence today, I have no questions.

25   THE COMMISSIONER: Thank you, Ms. Magonet.

Bert Pereboom (for the commission)   70
Wahid Abdallah (for the commission)
Exam by Ms. Davis

1   And finally on behalf of Canada, Ms. Davis,

2   who has been allocated 10 minutes. I'm sorry, I

3   think I inadvertently identified Ms. Harlingten

4   as acting for Canada, whereas in fact she of

5   course acts for the province.

6   But anyway, Ms. Davis, over to you.

7   MS. DAVIS: Yes. Thank you, Mr. Commissioner.

8   So I did just want to ask a few clarifying

9   questions of these witnesses and in fairness to

10   them I think it would be helpful to pull up the

11   report. Exhibit 719, Madam Registrar. And in

12   particular I'm going to be going to page 10 of

13   that document.

14   Great. Okay. Thank you. And actually,

15   Madam Registrar, if we could scroll down.

16   That's perfect.

17   **EXAMINATION BY MS. DAVIS:**

18   Q   And I'm just looking -- Mr. Pereboom, I just

19   wanted to make sure that the methodology was

20   clear on the record. And so I take it from this

21   page that the methodology can be divided into

22   five distinct steps; is that correct?

23   A   (BP) Yes.

24   Q   Okay. And it seems here the first step as you

25   covered with Ms. Rose was to develop a list of

Bert Pereboom (for the commission)   71
Wahid Abdallah (for the commission)
Exam by Ms. Davis

1   indicators, and you talked about there being 35?

2   Indicators that you considered and 17 could be

3   applied to the Quebec data; is that correct?

4   A   (BP) Yes.

5   Q   Okay. And then the second step, which I'm

6   hoping you may be able to elaborate on, is that

7   you formulate each indicator, I understand, to

8   reflect a certain degree of suspicion, and you

9   talked about a range between zero and 1; is that

10   right?

11   A   (BP) Yes.

12   Q   Okay. And you've mentioned also in your

13   testimony, I think you used the word

14   "continuous" indicator, and I believe that's as

15   distinct from a binary indicator. So could you

16   please clarify for the Commissioner what the

17   distinction is there and how these indicators

18   are calculated and weighted?

19   A   (BP) Certainly. The binary indicator is one

20   that's either zero/1. So, for example, a buyer

21   is either of -- a foreign national or not or

22   known to a tax authority, the Canadian tax

23   authority, or not, which means you have a

24   Canadian tax account or some sort. And so those

25   are binary.

Bert Pereboom (for the commission)   72
Wahid Abdallah (for the commission)
Exam by Ms. Davis

1   The others are for example, you know, the

2   increase in the value of a property. So it's

3   bought, say, for 500,000. At one point a year

4   later it sold for 700.000. So that in itself,

5   you know, a 40 percent increase in price over a

6   year is unusual even in most jurisdictions in

7   Canada. So -- but we need a common way to sort

8   of determine that. So one way, if you wanted to

9   do a binary, you could say, gee, any price

10   increase per year of more than 20 percent kicks

11   off -- does a flag. We don't know what a -- you

12   know, and wouldn't want to establish over time

13   given the variation in what normal market

14   increases are.

15   So basically we create an index of increase

16   relative to the rest of the market, how the

17   market is moving, that basically reflects an

18   increasing amount of being an outlier; right?

19   So the more of an outlier, the higher or closer

20   to 1 that indicator would be. But it could take

21   values anywhere between zero and 1, so .5, .7,

22   .9, for example.

23   Q   All right. Thank you, Mr. Pereboom. So just to

24   be clear, for those continuous indicators,

25   something that is more of an outlier will be

Bert Pereboom (for the commission)   73
Wahid Abdallah (for the commission)
Exam by Ms. Davis

1   higher on the suspicion scale or, in other

2   words, closer to 1?

3   A   (BP) Yes.

4   Q   Okay. And then the third step I see from this

5   page here is that you actually aggregate, then,

6   all of these values that you've come up with for

7   the individual indicators to create a kind of

8   composite score or composite market integrity

9   index; is that right?

10   A   (BP) That's right. And we do that just to sum

11   up because, again -- sorry to elaborate, but we

12   met up as sort of a starting point because we

13   don't want to prejudice or predetermine what --

14   which of those indicators might be better at

15   detecting suspicious transactions. At this

16   point it's open hypothesis that all of them are.

17   Q   Thank you for that clarification. And so I take

18   it that, as you discussed with Ms. Rose, there's

19   no one or two smoking gun indicators. It's

20   really the analysis is an aggregate or composite

21   score that would raise suspicion?

22   A   (BP) Exactly. And requires proving out

23   against, you know, what industry professionals

24   would consider suspicious.

25   Q   Thank you. So to close this loop, then, just

Bert Pereboom (for the commission)   74
Wahid Abdallah (for the commission)
Exam by Ms. Davis

1   the fourth step is you locate those transactions

2   that have those highest aggregate values and

3   that's when you trigger the secondary search

4   that you spoke about with Ms. Rose using open

5   source databases?

6   A   (BP) Yes.

7   Q   Okay. And then you document those cases that

8   you believe rise to a level that would require

9   any sort of kind of further followup

10   investigation; correct?

11   A   (BP) Exactly. You know, for our purposes at

12   this point, it isn't so much of, you know, a,

13   say, criminal investigation. It is more on a

14   methodological corroboration point of view;

15   right? So again, we have no mandate --

16   mandatory or regulatory authority to prosecute

17   cases in the general market in any way. This is

18   purely an academic approach that may prove to be

19   useful in the long term to people who do have

20   those sorts of responsibilities.

21   MS. DAVIS: Great. Thank you, Mr. Pereboom.

22   And, Madam Registrar, I am finished with the

23   document, so I don't believe we need that up on

24   the screen any more.

25   Q   So just a couple more clarifying general

Bert Pereboom (for the commission)   75
Wahid Abdallah (for the commission)
Exam by Ms. Davis

1   questions, Mr. Pereboom. So I appreciate that

2   it was CMHC that has kind of initially developed

3   this methodology, but I took from your evidence

4   that any really organization or agency could

5   apply the methodology. Is that your evidence?

6   A   (BP) That is my expectation, yes.

7   Q   Okay. And if there were different indicators,

8   different suspicious indicators that were

9   developed, is it your view that those could be

10   instituted into this methodology, for example?

11   A   (BP) Added or substituted, yes. You know,

12   again, we're agnostic -- well, agnostic. We've

13   created a set of indicators that we think do a

14   reasonable job of discriminating risk. There

15   could be other formulations that do a better

16   job.

17   Q   Okay. And are there any limitations of this

18   analysis that you haven't already covered off in

19   your evidence that are important to highlight

20   for the Commissioner?

21   A   (BP) None that come to mind. I could throw that

22   to Wahid as well.

23   (WA) Not really. No, nothing's coming to my

24   mind either.

25   Q   Okay. Thank you. And, Mr. Pereboom, at one

Bert Pereboom (for the commission)   76
Wahid Abdallah (for the commission)
Exam by Ms. Davis

1   point in your testimony you were asked some

2   questions about, I believe, verifying red flag

3   indicators. And as part of that discussion you

4   mentioned information sharing with FINTRAC. And

5   I don't think you represented this, but I just

6   want to make it clear that you're not an expert

7   on what FINTRAC can and cannot share under their

8   governing legislation or under the *PCMLTFA*; is

9   that right?

10   A   (BP) Exactly, yes.

11   MS. DAVIS: Okay. Great. Thank you, Mr. Pereboom

12   and Mr. Abdallah. Those are all my questions.

13   THE COMMISSIONER: Thank you, Ms. Davis.

14   Anything arising, Mr. Usher?

15   MR. USHER: No, Mr. Commissioner.

16   THE COMMISSIONER: Thank you. Ms. Harlingten?

17   MS. HARLINGTEN: No, Mr. Commissioner. Thank you.

18   THE COMMISSIONER: Thank you. Ms. Rose?

19   MS. ROSE: No, Mr. Commissioner. Thank you.

20   THE COMMISSIONER: Thank you. Well, thank you,

21   Mr. Pereboom and Dr. Abdallah. Your evidence

22   has been has been very interesting and helpful

23   and emphasizes, I think, the need for analyzable

24   data for -- the capacity to analyze it and the

25   ability to assign some meaning to it. And I

Bert Pereboom (for the commission)   77
Wahid Abdallah (for the commission)
Exam by Ms. Davis

1   think those are all issues which the commission

2   will in the course of time be grappling with.

3   So it's been very helpful, I think, to hear from

4   both of you and to receive your reports. Thank

5   you for that. And I now can excuse you from

6   further evidence.

7   **(WITNESSES EXCUSED)**

8   THE COMMISSIONER: And, Ms. Rose, I think we'll stand

9   down for 15 minutes at this point to admit our

10   next panel of witnesses.

11   MS. ROSE: Yes, Mr. Commissioner. Thank you.

12   THE REGISTRAR: This hearing is adjourned for a

13   15-minute recess until 11:28 a.m.

14   **(PROCEEDINGS ADJOURNED AT 11:13 A.M.)**

15   **(PROCEEDINGS RECONVENED AT 11:27 A.M.)**

16   THE REGISTRAR: Thank you for waiting. The hearing

17   is resumed. Mr. Commissioner.

18   THE COMMISSIONER: Thank you, Madam Registrar.

19   Yes, Mr. Martland.

20   MR. MARTLAND: Thank you, Mr. Commissioner. I'll be

21   conducting the examination of the panel. We

22   have now four witnesses -- three from Statistics

23   Canada, one from the provincial Ministry of

24   Finance -- and the witnesses will be describing

25   work with respect to -- it really connects to

1   evidence we heard earlier in the week with

2   respect to the federal-provincial working group

3   on real estate, in particular the work stream

4   number 1 on data. And so I'll ask that the

5   witnesses please be sworn in the case of

6   Mr. McCarrell and affirmed for the other

7   witnesses.

8   THE REGISTRAR: Would each of you please state your

9   full name and spell your first name and last

10   name for the record. Let's start with

11   Mr. Baron.

12   THE WITNESS: (JB) J-o-n-a-t-h-a-n B-a-r-o-n.

13   THE REGISTRAR: Thank you. And Ms. Bekkering.

14   THE WITNESS: (EB) Ellen Bekkering, E-l-l-e-n

15   B-e-k-k-e-r-i-n-g.

16   THE REGISTRAR: Thank you. And

17   Mr. Deschamps-Laporte.

18   THE WITNESS: (JPD) Jean-Philippe Deschamps-Laporte,

19   J-e-a-n P-h-i-i-p-p-e D-e-s-c-h-a-m-p-s

20   L-a-p-o-r-t-e.

21   THE REGISTRAR: Thank you. And Mr. McCarrell.

22   THE WITNESS: (HM) Haig McCarrell, H-a-i-g

23   M-c-C-a-r-r-e-l-l.

24   **HAIG McCARRELL, a**

25   **witness called for the**

Haig McCarrell (for the commission)   79
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)

1   **commission, sworn.**

2   **JONATHAN BARON, a**

3   **witness called for the**

4   **commission, affirmed.**

5   **ELLEN BEKKERING, a**

6   **witness called for the**

7   **commission, affirmed.**

8   **JEAN-PHILIPPE**

9   **DESCHAMPS-LAPORTE, a**

10   **witness called for the**

11   **commission, affirmed.**

12   THE REGISTRAR: Thank you.

13   THE COMMISSIONER: Yes, Mr. Martland.

14   MR. MARTLAND: Thank you. I'll do this

15   alphabetically. Mr. Baron -- and, Madam

16   Registrar, if you could please display

17   Mr. Baron's CV on the Zoom feed.

18   And I'll just pause to just observe for the

19   benefit of participants. I don't believe we

20   have any issues identified to us about documents

21   being displayed, at least by commission counsel,

22   also being livestreamed and made exhibits on the

23   website really automatically after the hearings,

24   but certainly counsel can let me know if they

25   have a concern as I do that.

Haig McCarrell (for the commission)   80
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

 1   **EXAMINATION BY MR. MARTLAND:**

 2   Q   Mr. Baron you'll recognize on screen that this

 3   is your CV, sir?

 4   A   (JB) That's correct.

 5   MR. MARTLAND: I'll as this please be marked as the

 6   next exhibit, which I think is 720,

 7   Mr. Commissioner.

 8   THE COMMISSIONER: Yes, very well.

 9   THE REGISTRAR: Exhibit 720.

10   **EXHIBIT 720: Résumé of Jon Baron**

11   MR. MARTLAND: Thank you.

12   Q   Sir, I'll leave that on screen as I ask one or

13   two questions. You hold the position of

14   Executive Director of the data branch within

15   FREDA, which is the Finance, Real Estate and

16   Data Analytics Branch under the Ministry of

17   Finance for the province of BC. Do I have that

18   right?

19   A   (JB) That's right.

20   Q   Okay. You've held that position since late

21   2019, and in that role you're responsible for

22   leading the development of a new data unit that

23   supports analytics and evidence-based policy

24   analysis at the Ministry of Finance?

25   A   (JB) That's correct.

Haig McCarrell (for the commission)   81
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   Q   Your duties in that role include supervising

2   technical staff, dealing with requests for data

3   analysis and also a building data visualization

4   tool such as interactive dashboards and maps?

5   A   (JB) That's correct.

6   Q   Likewise your work involves contributing

7   data-driven insights to the briefing materials

8   and communications that make their way to the

9   Minister of Finance as well as senior management

10   within the ministry?

11   A   (JB) That's correct.

12   Q   Prior to that you served in a number of

13   positions with BC finance, including with the

14   Tax Policy Branch and the Intergovernmental

15   Relations and Income Security Branch in

16   positions including a senior economist and

17   research officer?

18   A   (JB) Yes.

19   Q   And by way of your educational background, you

20   have an MA in economics from UBC, an undergrad

21   degree from University of Victoria?

22   A   (JB) Yes.

23   MR. MARTLAND: Thank you. Madam Registrar, I'll move

24   to Ms. Bekkering. If her CV could please be

25   displayed.

Haig McCarrell (for the commission)   82
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   Q   Ms. Bekkering, do you recognize that to be your

2   CV?

3   A   (EB) That is correct.

4   MR. MARTLAND: I'll ask Mr. Commissioner this be

5   exhibit 721, please.

6   THE COMMISSIONER: Very well.

7   THE REGISTRAR: 721.

8   **EXHIBIT 721: Curriculum Vitae of Ellen**

9   **Bekkering**

10   MR. MARTLAND:

11   Q   Ms. Bekkering, you are the acting chief with the

12   CHSP, which is the Canada Housing Statistics

13   Program. You've been at Statistics Canada for

14   nine years, I understand.

15   A   (EB) Yes.

16   Q   And in your role with the CHSP you're

17   responsible for data processing and estimation?

18   A   (EB) Yes.

19   Q   Prior to your present role, you had served as an

20   analytical unit head at the CHSP and led the

21   analytical team on the AML project?

22   A   (EB) Yes.

23   Q   And you, I understand, have roots in the

24   province -- a number of our witnesses do -- a

25   BSc degree from the University of British

Haig McCarrell (for the commission)   83
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   Columbia before attending at the -- and

2   obtaining a masters in development and rural

3   innovation?

4   A   (EB) Yes.

5   Q   All right. And you also have prior experience

6   having worked with the British Columbia

7   government in roles as an analyst and

8   researcher?

9   A   (EB) That's correct.

10   Q   Thank you. Mr. Deschamps-Laporte, I'll turn to

11   you, please.

12   MR. MARTLAND: And, Madam Registrar, if his CV could

13   be displayed.

14   Q   And you'll see we've removed just the contact

15   information, but do you recognize that to be

16   your curriculum vitae?

17   A   (JPD) I do.

18   MR. MARTLAND: Thank you. Mr. Commissioner, I'll ask

19   this please be exhibit 722.

20   THE COMMISSIONER: Very well.

21   THE REGISTRAR: Exhibit 722.

22   **EXHIBIT 722: Curriculum Vitae of Jean-Philippe**

23   **Deschamps-Laporte**

24   MR. MARTLAND:

25   Q   Mr. Deschamps-Laporte, you are the chief of

Haig McCarrell (for the commission)   84
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   property measures and analysis for the CHSP. Do

2   I have that right?

3   A   (JPD) That is correct.

4   Q   You are the project -- you served as the project

5   manager for the AML data project and have worked

6   for Statistics Canada for some two years. Prior

7   to that working with the CMHC, Canada Mortgage

8   and Housing Corporation?

9   A   (JPD) That is correct.

10   Q   You have a PhD in economics from Örebro

11   University in Sweden?

12   A   (JPD) Yes, I do.

13   Q   And I understand you've also worked in Kenya as

14   a monitoring and evaluation expert with the

15   Kenyan Ministry of Agriculture?

16   A   (JPD) That is correct.

17   MR. MARTLAND: Thank you. I'll turn to

18   Mr. McCarrell. Madam Registrar, if his CV could

19   please be displayed.

20   Q   Mr. McCarrell, not a surprising question. You

21   recognize that to be your CV?

22   A   (HM) Correct. Yes I do.

23   MR. MARTLAND: Mr. Commissioner, I'll ask to have

24   this marked as the next exit, please.

25   THE COMMISSIONER: Yes, very well.

Haig McCarrell (for the commission)   85
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   THE REGISTRAR: Exhibit 723.

2   MR. MARTLAND: Thank you.

3   **EXHIBIT 723: Curriculum Vitae of Haig McCarrell**

4   MR. MARTLAND:

5   Q   Sir, you are the Director of investment science

6   and technology at Statistics Canada?

7   A   (HM) Correct.

8   Q   You've been with Statistics Canada for more than

9   25 years, in your present role since 2015?

10   A   (HM) Correct.

11   Q   In your role as Director you oversee programs

12   that involve housing, including the Canadian

13   Housing Statistics Program, or CHSP, which I

14   referred to before, along with property values,

15   capital investment, public infrastructure,

16   building construction and some other topics in

17   addition to that?

18   A   (HM) Correct.

19   Q   You are the author of a number of publications

20   and, like some others, you have some roots in

21   the province, including a BSc and graduate

22   diploma from UBC and Capilano University

23   respectively?

24   A   (HM) Correct.

25   Q   All right. I saw in CV references to Kiswahili

Haig McCarrell (for the commission)   86
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   and Bahasa, Indonesia, and I only know about

2   five words in each, so I've had to resist trying

3   them for fear of being shown up pretty quickly.

4   Let me start with a few questions for

5   Mr. Baron, and then what I propose to do is to

6   move into hearing about the federal-provincial

7   working group, in particular the work stream

8   that you've all been quite heavily involved in

9   work on.

10   MR. MARTLAND: Madam Registrar, the document that's

11   on display we can take down at this point.

12   Q   Mr. Baron, we heard evidence earlier this week

13   about FREDA, the Finance, Real Estate and Data

14   Analytics Branch of the BC Ministry of Finance,

15   and out of that -- and I suppose you might need

16   to have her buy you a coffee, but Dr. Dawkins

17   suggested there may be a few questions on which

18   you would have a little more detail or

19   information for us. There's not very many.

20   One of them was to ask you with respect to

21   FREDA and your role in the data side of FREDA,

22   what sort of data have -- has FREDA been able to

23   obtain and what are the sources of that data?

24   A   (JB) So I would describe it mostly as

25   administrative data from the Ministry of

Haig McCarrell (for the commission)   87
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
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1   Finance. So that would be a lot of information

2   collected in the administration of taxes. So

3   that includes -- to be specific, I suppose that

4   would include, you know, speculation tax,

5   property transfer tax, income tax programs,

6   provincial sales tax and stuff like that. We've

7   also been able to establish some access to BC

8   assessment roll data and land title data from

9   the land title [indiscernible].

10   Q   We've just -- Mr. Baron, I think you cut for a

11   sec there. Go ahead.

12   A   (JB) Yeah. I think it --

13   Q   You mentioned the land title --

14   A   The housing -- yes. So land title data from

15   LTSA. And we also -- you know, we use data from

16   Statistics Canada to answer questions as well.

17   Q   All right. Thank you. One question I had was

18   with respect to in particular FREDA's use of the

19   data that is held within FREDA. What is the

20   process and what has been done to address

21   privacy concerns in relation to that data of

22   FREDA?

23   A   (JB) So we follow their very kind of strict

24   rules about what the information can be used

25   for, which is in the statute for which the

Haig McCarrell (for the commission)   88
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
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1   information was collected. There are

2   confidentiality provisions and we follow those

3   provisions. We've gone through the Privacy

4   Impact Assessment process within government,

5   established the privacy implications of our work

6   and we follow all of those guidelines as well.

7   And then I guess the securities managed by

8   our IMB department manages -- all of the data

9   holdings are all held in secure [indiscernible]

10   form on, you know, government servers.

11   Q   Speaking at a general level with respect to the

12   data that FREDA has assembled, have there been

13   challenges or issues that have arisen, whether

14   those are technical or legal or other kinds of

15   data -- issues, rather, arising with the data?

16   A   (JB) Sorry, the question was technical issues

17   arising with the data?

18   Q   Technical issues arising -- that's one part of

19   it. Why don't I ask that: technical issues

20   arising with the data.

21   A   (JB) Yeah, there -- so the information we use

22   is -- like I said, it's collected in the

23   administration of programs, so the information

24   itself is kind of organized in a way, and it's

25   stored in a way to support administrative uses.

Haig McCarrell (for the commission)   89
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   So sometimes if you want to access that data in

2   a way that's useful to answer analytical

3   questions, there are some challenges in kind of

4   organizing the information in the correct way.

5   So sometimes it's -- you know, there's

6   technological issues where it needs to be

7   brought out of one system into another, and then

8   there's kind of a lot of cleaning that has to

9   do -- be done, and we have to document what we

10   have because sometimes things aren't always

11   documented clearly. So there are, yeah, a

12   variety of kind of technical issues that we work

13   through if we want to take that administrative

14   data and, like, turn it into something that's

15   useful for analytical purposes.

16   Q   Does that sort of process of cleaning data and

17   ensuring that it's usable include, for example,

18   dealing with issues with respect to, like,

19   what's the format of the data; is it machine

20   readable; is it compatible with the other data

21   stream or what have you?

22   A   (JB) Yeah, that can be the case. If you're kind

23   of exporting data from one environment to

24   another, then typically that's -- it's kind of

25   saved in a particular format and that can

Haig McCarrell (for the commission)   90
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   present challenges. And yeah, sometime data can

2   actually be trapped in an image, like a PDF

3   or -- and so that's not something we've actually

4   had direct experience with yet, but I realize

5   that is something that's out there, especially

6   because administrative collection involves a lot

7   of forms, so, you know, it's -- that's where the

8   collection is kind of occurring. So the form is

9   just, you know, scanned and saved as a PDF, then

10   all of the information is, you know, in the

11   image and would have to be extracted. So yeah,

12   there's -- that's a potential.

13   Q   And just picking up on that. When you say saved

14   as an image, you're describing something that

15   might actually be a text document with words on

16   a page if printed, but it's saved in a format

17   where it's akin to a photo. It can't be text

18   word searched, that sort of thing. Do I have

19   that right?

20   A   (JB) That's right, yeah. We haven't had direct

21   experience of that yet, but that is certainly --

22   I know there are some records out there that are

23   saved in that format. That's correct, yeah.

24   And you can use something called optical

25   character recognition to try to scan it and

Haig McCarrell (for the commission)   91
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   extract the information from it.

2   Q   Okay. So that speaks to some kind of technical

3   issues that can arise. What about other kinds

4   of concerns or issues that may have arisen with

5   data that FREDA holds. Have there been other --

6   generally speaking, other kinds of issues that

7   have arisen?

8   A   (JB) I can't think of any specific issues. I

9   would just say as a general comment that, you

10   know, public servants are justifiably very

11   cautious with who has access to information.

12   And so any time you're going to be accessing

13   information, there's a lot of, you know, work to

14   be done to make sure that that's done properly

15   and that everyone's comfortable with it and that

16   it's secure. So there's always a lot of work

17   done around that. We don't take that lightly

18   when we begin accessing like a new set of

19   information, so -- but no specific issues that

20   come to mind.

21   Q   You mention the Privacy Impact Assessment. I

22   don't need to turn to it, but we had that

23   marked, I think, as exhibit 698. And that's a

24   process that includes completing a document that

25   spells out exactly what kinds of protections and

Haig McCarrell (for the commission)   92
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   measures are used in order to safeguard data; is

2   that fair?

3   A   (JB) Yes, that's correct.

4   Q   Okay. And then, again, at a general level with

5   FREDA, how would you describe how the data that

6   FREDA holds are being used, whether that is for

7   [indiscernible] draw a distinction -- I

8   appreciate the witnesses will have more to say

9   on this in short order -- between using data and

10   information for very individual purposes for a

11   particular person/transaction as opposed to a

12   broader or aggregated use of data to ask bigger

13   questions that may connect to policy analysis.

14   A   (JB) Yeah. So the work that we do is almost

15   exclusively what I would call the compilation of

16   statistical information. So yeah, we have

17   access to the micro data, but what we're

18   interested in is creating statistics that, you

19   know, answer important questions for a policy

20   decision or whatever it is.

21   So yeah, our work product is aggregate

22   information and it doesn't connect back to an

23   individual. So there's no -- if you look at the

24   Privacy Impact Assessment, I think one of the

25   questions is whether it has a direct implication

Haig McCarrell (for the commission)   93
 Jonathan Baron (for the commission)
 Ellen Bekkering (for the commission)
 Jean-Philippe Deschamps-Laporte (for the commission)
 Exam by Mr. Martland
  1   for individual people. And the answer is no,

  2   because it's just creating statistics. It

  3   doesn't follow back to anyone in particular, any

  4   individual citizen.

  5   Q   All right. Thank you. I'm going to turn to the

  6   work done by the federal-provincial working

  7   group on real estate. I gave the preamble that

  8   we've already heard some evidence and had a

  9   number of documents mark that give us a decent

 10   understanding of the overall structure of the

 11   federal-provincial working group. The focus of

 12   my questions will be obviously on what was

 13   termed work stream 1 and the work around data

 14   dealing with real estate.

 15   I'm proposing to do this, Mr. McCarrell,

 16   mainly by focusing questions to you as we get

 17   underway. But I would frankly welcome any of

 18   your colleagues to chime in where they think

 19   it's appropriate to do so and likewise for you

 20   to refer anything along in particular to your

 21   colleagues at Statistics Canada. You're likely

 22   to have a better sense of who's well placed for

 23   an individual -- a particular question.

 24   Maybe I could ask at a general level,

 25   appreciating we have a sense of the

Haig McCarrell (for the commission)   94
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   federal-provincial working group. As co-leads

2   on that work stream number 1, Mr. McCarrell and

3   Mr. Baron, maybe you could give a sense of how

4   it is that you came to be involved and then over

5   a span of time you were involved and how much

6   work was this, how much of your day-to-day and

7   week to week load was this work.

8   Mr. McCarrell, why don't I start with you.

9   A   (HM) Well, Finance Canada had contacted

10   Statistics Canada and they had requested our

11   participation in this project. And at that time

12   in budget 2019 the Government of Canada had

13   introduced a large budget allocation to support

14   the AML regime, which the Government of Canada

15   is responsible for operating. So they had

16   proposed a certain work that we could help with,

17   and this is work stream 1, and that was

18   basically the connection. I think it was

19   fundamentally based on our work with large data

20   sets related to housing. This is a project

21   which started in 2017 and we had been working to

22   pull together data sets from across Canada to be

23   able to answer, again, targeted policy

24   questions. It's basically to build a research

25   database. And I can go into more detail on

Haig McCarrell (for the commission)   95
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   that. But it's based on that experience. I

2   thought they -- their thinking was that we could

3   provide some leadership and direction to

4   consider how data could be used to support AML

5   activities or functions.

6   Q   Mr. Baron, how about the start of your

7   involvement and the nature of your involvement?

8   A   (JB) So I was not involved from the very

9   beginning of the working group. I'm not sure

10   exactly when I came into it, but it must have

11   been early 2020, I think, after I took this role

12   that I'm currently in. In my role in the

13   working group I did a little bit of coordination

14   with some of the work members in BC to help

15   answer the questionnaire that Statistics Canada

16   created.

17   And then statistic -- the writing of that

18   report kind of happened within Statistics

19   Canada, but I was able to review it and we

20   discussed the various aspects of the work and

21   the recommendations and all of that, yep.

22   Q   All right.

23   A   (HM) Mr. Martland, could I just go back and

24   elaborate on my answer a little bit?

25   Q   Yes, certainly.

Haig McCarrell (for the commission)   96
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   A   (HM) So you know if -- are we going to present

2   our presentation later?

3   Q   Yes. No, don't worry --

4   A   (HM) Because there are a number of different

5   stages, and I would say that my direct

6   involvement was that I was -- I oversaw the work

7   and I definitely had input along the way. I

8   administer over 30 different programs, so I was

9   not involved on a day-to-day basis.

10   Q   Yes.

11   A   (HM) Certainly when information and data was

12   brought together and the report was being

13   written, I had oversight into that process. I

14   would have reviewed it quite carefully. I would

15   have worked with the -- Mr. Deschamps-Laporte

16   and Ellen Bekkering and the other staff working

17   on the program. I would have performed a

18   challenge exercise with all the documentation

19   that was the created and with the report that

20   was written. And I would have attended work

21   group meetings. There were a number of work

22   group meetings where I presented that

23   information and I would have led our

24   presentations in those context. So we met, I

25   think, on two or three occasions in Victoria, so

Haig McCarrell (for the commission)   97
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   I would have been involved in that interaction

2   as well.

3   I would occasionally have attended some of

4   the followup meetings with the work stream

5   members, but I did not attend them all, and I

6   wasn't involve in the initial drafts. But the

7   later drafts and the writing of the

8   recommendations and things like that I was more

9   heavily involved.

10   Q   That's very useful. And I don't want to leave

11   your colleagues out.

12   Ms. Bekkering, Mr. Deschamps-Laporte, could

13   you give us a sense from your point of view, was

14   this sort of the bulk or the mainstay of your

15   work for quite a period of time over the last,

16   let's say, year or so?

17   A   (EB) For myself it was a part-time endeavour.

18   My main job was working with the Canadian

19   Housing Statistics Program and performing those

20   duties. I directly supervised two analysts who

21   worked on this day to day and were working on

22   this full-time during that period.

23   (JPD) Similar to Ms. Bekkering, I have been

24   involved with this project from the moment this

25   was announced in the federal budget 2019

Haig McCarrell (for the commission)   98
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   alongside my usual analytical and managerial

2   responsibility in relation to the Canadian

3   Housing Statistics Program. So this accounted

4   for a portion of my time.

5   At the time analysts report to Ellen

6   Bekkering who herself reported to me, and I

7   reported to an Assistant Director who reports to

8   Haig McCarrell. So together we contributed in

9   various ways to the stakeholder and the member

10   activities as well as the drafting of the report

11   proper.

12   MR. MARTLAND: Thank you. What I'm proposing to do

13   here, I'm going to throw a challenge in the

14   direction of our registrar by walking through a

15   number of documents simply to introduce them

16   initially. So I will then be coming back -- so

17   that you know this -- to the presentation in

18   particular, and secondly I expect to the

19   feasibility study.

20   Madam Registrar, if you could please display

21   on the screen the presentation. And we can see

22   here on the first slide the indication is this

23   is the AML work stream data collection and

24   sharing stream, I suppose, presentation for the

25   Cullen Commission bearing today's date.

Haig McCarrell (for the commission)   99
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   Q   Mr. McCarrell, this is the presentation you'd

2   referred to a moment ago?

3   A   (HM) Yes, it is.

4   MR. MARTLAND: All right. And we'll be returning to

5   it. I'll ask, Mr. Commissioner, this be marked

6   as exhibit 724, please.

7   THE COMMISSIONER: Yes, very well. 724.

8   THE REGISTRAR: Exhibit 724.

9   **EXHIBIT 724: Presentation to Commission Counsel**

10   **on Working Group Feasibility Study - March 11,**

11   **2021**

12   MR. MARTLAND: Next, if we could display exhibit 703.

13   And if we zoom out, please, to see the bottom

14   left, that would be useful.

15   Q   Mr. McCarrell, just for efficiency, I'll keep

16   you on the stand for these questions.

17   A   (HM) Sure.

18   Q   You recognize this to be what has been described

19   sometimes as the feasibility study, but really

20   the detailed report that emanated from the work

21   stream 1 group, we see there at the bottom left

22   the date of December 2020?

23   A   (HM) I see that. Yeah, that's correct.

24   Q   Okay. That's something, likewise, I may return

25   to, but not in great detail.

Haig McCarrell (for the commission)   100
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   MR. MARTLAND: Next I'd like to have Madam Registrar

2   bring up document ID Canada 1759, which is the

3   executive summary. What we see on this is

4   reference to the federal-provincial working

5   group. And then in the bottom left "Work

6   Stream 1: Data Collection and Sharing Work

7   Stream Report Executive Summary." And if we

8   scroll down just a little bit -- although it

9   might be a little faint and grey, we see a date

10   from September of 2020.

11   Q   Is this an executive summary report in relation

12   to the work stream 1 group work?

13   A   (HM) Yes. It's in -- it reflects the actual

14   previous study that you pointed to dated

15   December 2020.

16   MR. MARTLAND: Thank you. That's useful. If this

17   could please become exhibit -- I think 725,

18   Mr. Commissioner.

19   THE COMMISSIONER: Yes, very well.

20   THE REGISTRAR: Exhibit 725.

21   **EXHIBIT 725: Work Stream 1: Data Collection**

22   **and Sharing Work Stream Report Executive**

23   **Summary - September 7, 2020**

24   MR. MARTLAND: Next if we could bring up, please,

25   exhibit G for identification. G like George.

Haig McCarrell (for the commission)   101
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   Q   This document is titled the "Data Work Stream

2   Data Holdings Template." And I wonder,

3   Mr. McCarrell, is that the template for data

4   that was employed in the course of this project?

5   A   (HM) Yes, it is. And that was a template which

6   was used to collect data from work stream

7   members, from relevant parties.

8   Q   That's very useful. In terms of the recipients

9   of this, that's the folks that are engaged

10   with -- who are part of the work stream and, as

11   you say, some relevant partners?

12   A   (HM) Yeah. And some other non-work stream

13   members as well.

14   MR. MARTLAND: All right. I'll ask this please

15   become exhibit 726.

16   THE COMMISSIONER: Very well. 726.

17   THE REGISTRAR: Exhibit 726.

18   **EXHIBIT 726: BC-Canada Working Group on**

19   **Real Estate - Data Work Stream Data Holdings**

20   **Template (formerly exhibit G for identification)**

21   MR. MARTLAND: Next if we could bring up exhibit I

22   for identification.

23   Q   Now, this one says work stream 3. I wondered if

24   it should say work stream 1, but I always doubt

25   myself when I jump to those conclusions. Should

Haig McCarrell (for the commission)   102
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   it be work stream 1?

2   A   (HM) No, I think it should say work stream 1.

3   Q   It should. Okay.

4   A   (HM) yeah.

5   Q   And so you may recognize what this is, but it's

6   work stream update. Indeed if we flip

7   momentarily to page 2 or so, please, you'll see

8   here reference that describes the work that

9   indeed this project is -- it refers to the same

10   project, doesn't it?

11   A   (HM) Absolutely, yes. And that would have been

12   a slide presentation at a working group meeting,

13   an in person meeting.

14   Q   That's useful. If we go back to page 1, please,

15   we see the date of February of 2020, so sort of

16   midway, some ways along the work stream group.

17   A   (HM) Exactly.

18   MR. MARTLAND: Okay. Thank you. I'll ask that that

19   please become exhibit 727.

20   THE COMMISSIONER: Yes, very well. 727.

21   THE REGISTRAR: Exhibit 727.

22   **EXHIBIT 727: AML Work Stream Update - Work**

23   **Stream 3 - Data Collection and Sharing -**

24   **February 26, 2020 (formerly Exhibit I for**

25   **identification)**

Haig McCarrell (for the commission)   103
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   MR. MARTLAND: And then finally if we could please

2   bring up exhibit H for identification. And on

3   the front page of that document we see this is a

4   status update for [indiscernible] Canada -- I

5   assume that abbreviates "working group" -- on

6   real estate dating to August of 2019.

7   Q   Mr. McCarrell, is that, again, an update dating

8   to the summer of 2019 in relation to this work?

9   A   (HM) It is. And that would also have been at

10   an in-person meeting in Victoria.

11   Q   Back when those existed.

12   A   (HM) Back when those existed.

13   Q   Okay.

14   A   (HM) In the early days of the project.

15   MR. MARTLAND: Okay. That's helpful. If --

16   Mr. Commissioner, if that could please be marked

17   as the next exhibit.

18   THE COMMISSIONER: Yes, very well. 728.

19   THE REGISTRAR: Exhibit 728.

20   **EXHIBIT 728: Data Collection and Sharing**

21   **Work Stream Status Update - August 26, 2019**

22   **(formerly H for identification)**

23   MR. MARTLAND: Thank you. And having marched my way

24   through those different documents so we

25   understand what the documentary record is, what

Haig McCarrell (for the commission)   104
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   I'd like to do is have Madam Registrar please

2   bring up and display exhibit 724, the

3   presentation.

4   Q   And, witnesses, as I do this, if you want just

5   to go to a particular slide or display, I

6   welcome you to direct our hearing's registrar as

7   we move through questions. There's no trouble

8   with doing that.

9   Mr. McCarrell, why don't you start us off

10   and describe maybe first of all what this

11   document is and what is set out and then you can

12   work your way through and I'll be asking you

13   questions

14   A   (HM) Okay. This is a document which describes

15   the work stream outputs and it explains -- the

16   document basically is just to enumerate the work

17   that we did, an explanatory document for the

18   Commissioner's benefit just so he has a good

19   understanding of what we did, what our work

20   entailed, what our findings were and what our

21   recommendations are.

22   Q   Good. So why don't we move our way through.

23   We've got the title slide there. Next we have

24   an overview of presentation, which is useful in

25   terms of thinking about what the headers are and

Haig McCarrell (for the commission)   105
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   what part of the presentation we're in. So a

2   section on the background information, a section

3   on findings and then thirdly the summary of

4   outputs.

5   A   (HM) Correct. Yes.

6   Q   And then if we move down to slide 3, simply

7   tells us background. Slide 4 there's a

8   description there about where work stream fits

9   the overall federal-provincial working group; is

10   that right?

11   A   (HM) That's correct.

12   Q   Okay. And then we see there under the heading

13   near the start -- near the top in bold, "Work

14   Stream 1 Data Collection and Sharing" with the

15   co-leads being the Ministry of Finance for

16   British Columbia plus Statistics Canada.

17   A   (HM) Right.

18   Q   Okay.

19   A   (HM) Correct.

20   Q   And I took from some of the description before

21   that while the co-lead was the BC Ministry of

22   Finance, a lot of the heavy lifting here

23   occurred under Statistics Canada. Is that a

24   fair description?

25   A   (HM) I think that's correct. And I think that

Haig McCarrell (for the commission)   106
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   relates to the fact that we were funded, so we

2   actually had some dedicated staff who could work

3   on this project. So although we worked

4   cooperatively, I think that we took a lead in

5   that aspect.

6   Q   And what sort of funding -- I appreciate there's

7   reference to the budget 2019 on the bottom of

8   that slide. Do you know what sort of numbers or

9   funding was dedicated to this work?

10   A   (HM) Roughly a million dollars over two years.

11   Q   A million dollars over two years.

12   A   (HM) Yep.

13   Q   Thank you. Okay. And then the reference here

14   is -- we can see:

15   "Statistics Canada was funded to undertake

16   a study in co-operation with the BC

17   Ministry of Finance to investigate data

18   collection and data sharing options to

19   support research, regulatory and

20   analytical functions for the partners in

21   the submission relating to tax compliance

22   and anti-money laundering."

23   A   (HM) Correct. Although I must say that in the

24   context of the work group the focus was on money

25   laundering in the province of British Columbia,

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1   and that little blurb that you see there was

2   taken from the Treasury Board submission. It's

3   a verbatim excerpt from that submission which

4   described at a high level what our work would

5   entail.

6   Q   Well, that's actually quite useful to have the

7   context of it. So that sort of -- at the point

8   in time when federal funding was dedicated to

9   this work, that's the way it was being described

10   then.

11   A   (HM) Yeah. It was a fairly extensive document.

12   We were a very small part of it -- of the

13   overall project, obviously. And that is part of

14   the description that I had taken from that to

15   describe what the general parameters of our work

16   were.

17   Q   Okay. Good. The next part I'd like to read

18   slowly or maybe even stop as we go just to ask a

19   few questions. What's written here, is this

20   also language, by the way, from the Treasury

21   Board submission, the next --

22   A   (HM) Yeah, that was what I was referring to.

23   Q   Okay.

24   A   (HM) That is a Treasury Board submission

25   largely, I think, yep.

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1   Q   Got it. Okay. So it says:

2   "The data work stream would assess the

3   feasibility of producing a data

4   framework --"

5   And I'll just pause to circle back.

6   The reference there to "feasibility"

7   suggests it's not a question of this work stream

8   group heading off and doing all of the work so

9   much as really asking a question about viability

10   or possibility.

11   A   (HM) That's correct.

12   Q   And so that sort of in terms of answering

13   questions at one level, one question to be

14   answered is is this feasible? And if so, how?

15   And obviously a much longer answer to those

16   kinds of questions, but that's the basic

17   question?

18   A   (HM) Yeah, it basically was to give insight into

19   what would be involved and entailed. And I

20   summarize saying that in the end our product

21   output was really a document that could guide

22   subsequent work by the AML regime and the

23   implementation of a data regime or a data

24   framework that helped them in their work. So it

25   sort of looks at some of the opportunities and

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1   challenges therein that would be -- that would

2   be, you know, entailed in doing that type of

3   work.

4   Q   And we see that in the next part of the sentence

5   I was reading very slowly:

6   "... the feasibility of producing a data

7   framework to facilitate information

8   sharing among relevant government bodies

9   to better support tax compliance and [AML]

10   focusing on [BC]."

11   Is the focus on information sharing as it's put

12   out here between government bodies or does it

13   extend out to, let's say, public-private

14   partners or others beyond government agencies

15   and bodies?

16   A   (HM) The focus of our work was on government

17   bodies.

18   Q   All right. That's very useful. Why don't we go

19   to the next slide. And, again, Mr. McCarrell, I

20   can certainly read these out or they speak for

21   themselves, but what is this list of different

22   agencies?

23   A   (HM) Well, this is the list of the work stream

24   members and it was provided to us by Finance

25   Canada. We did not select these members. This

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1   was a list of agencies and organizations,

2   including provincial and federal agencies. Some

3   are part of the AML regime such as the

4   anti-money laundering regime, Finance Canada,

5   FINTRAC, CRA and the RCMP, and then the others

6   are provincial authorities.

7   Q   Thank you. If we could go to the next slide,

8   please. I don't propose to read it out, but we

9   see here seven different headings that are set

10   out there under the methodology. And then I

11   take it the next slides go on to delve into some

12   greater detail about each of those topics?

13   A   (HM) That's the idea. And I do want to point

14   out that these processes that you see here are

15   not always linear or sequential. In fact some

16   of them are ongoing, they can be iterative and

17   we can loop around and work on them. But this

18   is basically the sort of building blocks of our

19   work.

20   Q   That's useful. That's not sequential, finish 1,

21   move on to 2, but rather --

22   A   (HM) Exactly. Some of these are happening

23   simultaneously.

24   Q   That is a good point. Let's have a look,

25   please, at the next slide under the first listed

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1   heading of "Gaining Subject Matter Expertise."

2   And again, Mr. McCarrell, I welcome you to send

3   this down the line to a colleague at any point,

4   but why don't you give us a sense of what this

5   entails, the reference to gaining subject matter

6   expertise.

7   A   (HM) Well, this is an important step because we

8   are not AML experts, neither myself nor my staff

9   or Statistics Canada. So we had to learn about

10   a new subject matter and we also had to learn

11   about the regime partners and their working

12   environments. So the work stream members were

13   key to our work because they were the -- some of

14   them were definitely AML experts and the subject

15   of our inquiry, and so they played an important

16   role in providing important feedback loops to

17   validate everything we did, and also our

18   understanding and our assumptions and our

19   report.

20   Q   And the reference given on the slide is to a

21   literature review, conferences, consulting with

22   experts, meeting with members that includes, as

23   you say, a number of people expert in the field.

24   A   (HM) Right. And so if you want more detail on

25   that, I would turn to Jean-Philippe or Ellen,

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 1   who were involved in a lot of that primary work.

 2   Q   Sure. Why don't I -- I think it seems to speak

 3   for itself. Ms. Bekkering or

 4   Mr. Deschamps-Laporte, anything to add with

 5   respect to that description of the sort of

 6   process of learning a new subject matter field?

 7   A   (JPD) I believe that Mr. McCarrell provided a

 8   good explanation. And I would only add that our

 9   role with primary -- at the onset as data

10   experts, which is the reason why this might

11   explain how there was additional work beyond

12   that to familiarize ourself with specifics of

13   anti-money laundering in the real estate sector.

14   MR. MARTLAND: Thank you. Madam Registrar, if we

15   could advance to the next slide, please.

16   Q   And the heading of this description of work is

17   "Analysis of Canadian ML Statistics." Could you

18   please tell us about what that entailed.

19   A   (HM) Yep. We wanted to get a baseline or we

20   wanted to understand what data might exist in --

21   concerning money laundering in Canada. And so

22   although we are not experts at Stats Canada,

23   there is a division known as the Canadian Centre

24   For Justice and Community Safety Statistics, and

25   they compile extensive incidents from police and

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1   court reports covering all *Criminal Code*

2   offences across Canada under the guidance of a

3   federal-provincial territorial governance body.

4   So we wanted to examine their data drawn

5   from law enforcement to gain insight into police

6   efforts to apprehend criminal money laundering

7   activity, understand how money laundering

8   incidents were prosecuted in the courts and the

9   outcomes of that prosecution. And there was

10   additional data that they had on the

11   characteristics of suspects and any other

12   information that we thought could help inform us

13   that might be useful to support the development

14   of an anti-money laundering data framework.

15   So that was one of the early steps that we

16   did in contact with that division at Statistics

17   Canada.

18   Q   And why is it that that body of statistical

19   information was sought out or looked to?

20   A   (HM) Basically to see -- to get a --

21   contextualize the money laundering to find out

22   what kind of data was in the public domain

23   already and that might help us, inform us in the

24   formation of a data framework.

25   Q   And was it felt that the -- that that sort of, I

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1   suppose, well of information and statistical

2   data was a reliable and an accurate source to

3   rely on?

4   A   (HM) I think it's an accurate and reliable

5   source. It's drawn from micro records of all

6   the police departments across Canada. So for

7   what it is, you know, a compilation of incidents

8   and court records, I think it's very

9   authoritative and a very authoritative source of

10   the information.

11   Q   Good. I'll move to the next slide, please --

12   under -- again under the broad heading of the

13   "Methodology," development of the model and an

14   AML data framework. Could you help us

15   understand what this describes.

16   A   (HM) Well, this is sort of at the core, I guess

17   a foundation to the work that we did. AML

18   efforts have been described as looking for a

19   needle in a haystack of needles. And that's

20   indicative of -- the criminal activity is very

21   complex, it's very varied and opaque. If

22   statistical or data techniques are to be used to

23   support AML work, the real world has to be

24   simplified and defined to allow observations

25   which is the data that we're collecting to be

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1   organized and classified in a way to make it

2   understandable.

3   So in economic statistics we use a variety

4   of classification systems to understand the --

5   to organize economic activities. So these can

6   be industry product, occupational, geographical

7   classifications which populate business

8   registers. And it's based on internationally

9   accepted standards and concepts. [Indiscernible]

10   abstract ideas and you try to define them and so

11   that you can actually associated those with

12   data.

13   So these are important if data is to be

14   integrated or if you're to undertake analysis or

15   comparisons. So for money laundering we ask,

16   you know, what conceptual basis was there out

17   there for a classification system which would

18   allow you to build a data framework. And for

19   us, from my understanding and talking to our

20   work stream members and doing our research, the

21   nearest basis for classification system are

22   probably the typologies.

23   Q   Yes.

24   A   (HM) Which are employed by regime partners and

25   academics in their research to describe money

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1   laundering activities.

2   So these can be juxtaposed with activities

3   associated with regular real estate transactions

4   and perhaps that can be a normative base. So in

5   the context of what's normal behaviour, atypical

6   or outliers in the money laundering context can

7   be indicative of money laundering activity,

8   which would warrant investigation. So as matter

9   of fact, real estate professionals offering

10   sales and legal and financing services are asked

11   to be on the lookout for such atypical behaviour

12   and to report this behaviour to FINTRAC.

13   So we wanted to collect this information to

14   understand what it was. Money launderers, on

15   the other hand, want to mimic normal market

16   activity as much as possible to conceal their

17   activity or they bank on the fact that there's

18   so much activity going on, it can't be tracked

19   or it can't be properly monitored, or else they

20   can rely on the compliance of criminal networks,

21   which can hide their activity. So professionals

22   within the industry which can hide that.

23   So we spent some time to research and then

24   organize these typologies to understand the data

25   that could be associated with these typologies

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1   and that could be used to identify suspicious or

2   atypical behaviour. So when we -- this is

3   basically when we talk an AML data framework

4   when we look at this. And we'll break this down

5   later in our presentation and we'll discuss what

6   that actually entails.

7   The question then arose, once you have a

8   framework or you have a model that, you know,

9   takes -- looks at an activity and it breaks it

10   down to different data points, is that data

11   available within the public sector, and that's

12   what we were looking at. And if it is

13   available, what are its attributes? So what is

14   the quality of the data; what is its coverage;

15   what is its availability. We ask questions

16   about how it's maintained and a host of

17   operational questions concerning data

18   management, which would help us understand what

19   could be done. As you mentioned at the outset,

20   we were looking at the feasibility of actually

21   creating useful -- the use of data to support

22   the AML work, so this is really the foundation

23   or the core of our work was the creation of this

24   conceptual framework and then asking the

25   question on the feasibility of operationalizing

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1   the framework.

2   Q   And then there's reference in the last bullet to

3   the collection templates.

4   A   (HM) Right.

5   Q   I didn't spend a lot of time on it, but I

6   previously displayed that template for

7   collection by the members --

8   A   (HM) Correct.

9   Q   -- plus some partners. Is that what that's --

10   did those two connect?

11   A   (HM) They do. In fact that was the vehicle that

12   we used in speaking to work stream members or

13   relevant parties. We would have sent that to

14   them, yeah.

15   Q   Okay. Thank you. I think we can move to the

16   next slide which describes consultation with

17   work stream members. Do you want to walk us

18   through --

19   A   (HM) Correct.

20   Q   -- what those steps are.

21   A   (HM) Yeah, well the information gathering from

22   work stream members really was probably the most

23   significant fact-finding activity undertaken by

24   the work stream. So as I mentioned, we

25   mentioned it was achieved initially with the

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1   creation of an information template which was

2   sent to work stream members so they could

3   enumerate their data holdings and describe their

4   data holdings. And then we subsequently would

5   follow up with those members with onsite visits

6   or conference calls and meeting with the work

7   stream members where we could actually -- they

8   could elaborate on their responses and we could

9   ask questions.

10   And so in the federal sense, Stats Canada

11   was responsible for arranging meetings with the

12   federal partners, and my British Columbia

13   counterpart, Jon, was involved in helping us

14   arrange meetings with the provincial

15   organizations. And we both attended, we were

16   both open to attend those meetings on conference

17   calls.

18   No actual data was exchanged. We really

19   looked at their metadata or the data that they

20   used. And nor did we actually go to the site,

21   to the organizations, to conduct audits of their

22   databases, for example. We relied on the

23   information that they provided us.

24   Q   And so they're described, just to put that in --

25   I don't know if these are descriptive in the

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1   digital era, but instead of pulling boxes in the

2   basement of a FINTRAC --

3   A   (HM) Yep.

4   Q   -- building notionally, what you're doing is

5   having them describe to you, this is the nature

6   and the level of detail or the format of

7   information that's about the data they hold?

8   A   (HM) Exactly. And so if you look at the

9   template, I think one was tabled from the FSA,

10   which was a document that we had sent to them

11   and they had partially filled out. I see that's

12   their contribution. That was the document which

13   we sent out to the various partners.

14   Q   Okay. Thank you. And then there's reference to

15   data suitability meetings with the work stream

16   members, and then feedback on the typology

17   mapping and report contents. That's all part of

18   this engagement of partners.

19   A   (HM) It's all part of that. Exactly, yeah.

20   Q   Great. I used the example of FINTRAC. Did

21   FINTRAC likewise supply its description about

22   the data they hold and the format it's held in?

23   A   (HM) They did. To the best of my knowledge --

24   actually, I didn't conduct the meeting with

25   FINTRAC, so I don't know if Jean-Philippe or

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Jean-Philippe Deschamps-Laporte (for the commission)
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1   Ellen would like to add anything to that.

2   (JPD) I can confirm that they returned both an

3   electronic copy of the form that was presented

4   as an exhibit earlier, and we also proceeded to

5   an onsite visit.

6   Q   Okay. I don't have those, so I don't plan to

7   ask questions about it. Let me turn to the next

8   slide, please, the AML data framework

9   assessment. Again, Mr. McCarrell, why don't I

10   ask you to describe what this refers to.

11   A   (HM) Okay. With the creation of the conceptual

12   data model and the information collection about

13   the data holdings, the Stat Canada analysts were

14   able to assess the extent to which the AML data

15   framework could be populated with existing data

16   sets. So they took this information and we had

17   created this AML framework which you'll see in

18   more detail later. And from that we could

19   identify apparent data gaps. Taking into

20   consideration, you know, other more generic

21   factors about the data related to privacy or

22   operating in data limitations and legislative

23   authorities governing these organizations.

24   So the analysis really considered the

25   potential of using the framework and we went on

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1   to actually consider, like, if data could be

2   shared, to what extent could the framework be

3   operationalized.

4   Q   Mm-hmm. Okay. The second bullet or point

5   there -- not bullet, but the second header there

6   is about the:

7   "Ability to detect known ML schemes within

8   the AML data framework:

9   -   when identified data gaps are filled."

10   And also:

11   "-   Under different hypothetical data

12   sharing scenarios."

13   Could you just expand on what that describes.

14   A   (HM) This is point 2 you're saying?

15   Q   Point 2, yeah.

16   A   (HM) Yep. Well, the first question is to

17   consider whether the data is available; okay?

18   So that was the first thing. And then to note

19   what are the attributes or how is the data

20   stored. So it has to do with whether the data

21   can be shared. So, for example, if it was --

22   and what's the coverage of the data. How useful

23   is the data. Is the data in a format where it

24   can actually be shared. So if it was, for

25   example, in your description, is it, you know,

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1   in boxes or is it hard copy or is it electronic

2   copy and what are the formats.

3   And then you look at -- your compare with

4   ore organizations and you find out whether the

5   data is even compatible to be brought together

6   and integrated. So questions along these lines.

7   Q   Okay. That's useful. Let's move on to the next

8   slide. I think we're on the sixth out of the

9   seven different subheadings under "Methodology."

10   A   (HM) Right.

11   Q   The review of best practices.

12   A   (HM) Right. This is where we actually sort of

13   collated some information of the practices of

14   other countries. So we consulted with the ACE

15   Team or the Financial Crime Coordination Centre.

16   They had conducted actually onsite visits of

17   other AML regimes and there were five countries

18   that they had selected who they had visited or

19   contacted. We also -- so we met with them to

20   discuss their meetings. We also did some review

21   of the documentation from those organizations.

22   We were primarily looking at their use of

23   data in AML enforcement and trying to understand

24   the extent of data sharing that they were --

25   that they had in their regimes to basically

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1   understand and to -- what might be possible for

2   Canada or what we might want to consider in a

3   Canadian context.

4   Q   Was there any one jurisdiction that stood out as

5   being an exemplar as to how data might best be

6   managed and shared?

7   A   (HM) I would refer to my colleagues who actually

8   collated this information. If they have any

9   particular comments on that or whether they wish

10   to make a comment. I think every country has a

11   different approach and I don't know whether we

12   can judge whether one was better or not, but

13   I'll leave it up to Ellen or Jean-Philippe to

14   respond if they have something to say.

15   (JPD) And, Mr. Martland, although we're not

16   necessarily in a position to qualify better or

17   worse, we can certainly know the differences

18   with the Canadian context.

19   One key element that the report highlights

20   from Canadian practices versus what is done in

21   the studies of jurisdiction is the use of the

22   data by enforcement agency. And one feature

23   that we observe in Canada is the suspicious

24   transaction report would be used for disclosure

25   to a law enforcement, agency but we would not

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1   necessarily seek sort of a possibility of

2   querying the data from the other direction.

3   So several of the jurisdiction we have

4   studied have highlighted this feature. Other

5   differences -- and we have highlighted specific

6   initiatives such as Fintel in Australia, JMLIT

7   in United Kingdom, FinCEN in the US, ICO in the

8   Netherlands. And that's the -- you must be

9   familiar with, given their importance

10   internationally.

11   All have interesting features that allow

12   different AML regime members in those

13   jurisdictions to access the information in

14   different ways. And we noted those differences

15   in the report.

16   Q   Thank you. The next portion of that slide talks

17   about data management best practices. And then

18   there's reference there to:

19   "Review of the necessity and

20   proportionality requirements of data

21   collection --"

22   This is the last bullet, sorry.

23   A   (HM) Right.

24   Q   "... of data collection and analysis

25   efforts using personal data."

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Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
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1   If you can just help us understand what those

2   requirements and what that refers to.

3   A   (HM) Yeah, these are Stats Can approaches but

4   they're also best practices recommended by the

5   Office of the Privacy Commissioner of Canada.

6   So essentially it's, to simplify it, the

7   [indiscernible] is to consider the necessity of

8   collecting data. That's the first one. So what

9   objective or purpose does it serve.

10   And then in view of the necessity, what is

11   the response, the proportionality is how

12   extensive or how you collect that data, how

13   invasive would that collection be and what kind

14   of information would be collected, how important

15   would that be. So is it proportional -- is the

16   proportionality of the data you're collecting

17   and the way you're collecting it aligned with

18   necessity of the data. So data which wasn't

19   highly important wouldn't justify, for example,

20   collecting a lot of data or broad data.

21   So you want to basically limit the data to

22   what's absolutely necessary in the least

23   obtrusive manner possible. So it's a

24   combination of weighing these two elements up

25   and it's -- you review your data operations and

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1   your data initiatives through these lenses to

2   justify your work and your approaches. And so

3   it's a best practice and it's a challenge

4   function really to consider when you're going to

5   collect data or especially if you're going to

6   embark on new initiatives.

7   So, you know, it's basically considering the

8   public interest and the -- how critical the

9   data is. And then considering that, you know,

10   what are you collecting; how are you collecting

11   it; what's the breadth; what are the mechanisms

12   you can use. Sometimes you want to collect

13   census-style level data, which is, you know,

14   very detailed. In other cases you can select

15   surveys, which is -- you know, would entail less

16   data and be less -- much more narrow in scope,

17   for example.

18   Q   I'll ask to please go to the next slide, which

19   talks about data framework operationalization.

20   A   (HM) Right. Well, the last task -- that's a big

21   word. The last task was to tackle was to

22   consider various operational models that could

23   be considered to implement, manage and run this

24   AML data framework that we had presented. So

25   there are a number of functions that you have to

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1   consider such as developing, testing and

2   maintaining the framework because the framework

3   is -- you know, it's not a static framework. It

4   has to respond to the changing environment.

5   So -- and you want to create data standards

6   to facilitate data sharing, cleaning, processing

7   and storing data and sharing and analyzing

8   outputs. So we had proposed some very simple

9   models, and they're really precepts; they're not

10   necessarily institutions. We focused on

11   functions. And in the end what we were

12   suggesting was not necessarily prescriptive.

13   They're really organization precepts starting

14   with the status quo, what we're doing now.

15   And we even looked at some of the

16   recommendation how you can work within that

17   framework or how you could expand. And there

18   was a centralized model where data processing

19   and management is more highly consolidated and

20   integrated or a combination of what we do now,

21   and perhaps a more centralized model. So

22   basically, you know, lay out -- it's really a

23   continuum of operations and organizations to

24   facilitate using data and how that data would be

25   brought together and used.

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1   Q   Before we move to the next portion of this

2   presentation and the work that was done, I

3   wonder if I could just circle back to a comment

4   earlier because I think you'd mentioned that the

5   language from the Treasury Board referred to

6   examining real estate with respect to both

7   anti-money laundering and tax compliance.

8   Is it the case -- as I read this and as I

9   think about it it seems to be a focus on AML and

10   money laundering indicators, typologies as

11   opposed to tax avoidance or tax evasion --

12   A   (HM) That's correct. The working group was

13   focused on money laundering in real estate in

14   British Columbia, so the work that you've seen

15   presented here focused on that and the focus of

16   our work was on money laundering, although it

17   does touch upon on tax compliance.

18   Tax compliance and AML are almost mirror

19   images of one another. In tax evasion you're

20   trying to avoid the recognition of revenues,

21   where money laundering often will -- actually

22   wants them recognized and will actually -- part

23   of the cost of money laundering is to even pay

24   taxes, right, to legitimize the money. So

25   they're almost equal and opposite. But some of

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1   the -- the principles that we bring up about

2   data sharing also apply to tax evasion

3   activities as well, although we didn't create a

4   framework, a conceptual model for tax evasion.

5   It was really focused very much on the money

6   laundering.

7   Q   Okay. That's useful. Let's move to the next

8   slide, which simply introduces the findings

9   portion of the presentation. And then after

10   that we see analysis of the money laundering

11   statistics. If you could please describe to us

12   the goal and how that was -- how that work was

13   done.

14   A   (HM) Okay. For this next section I'm going to

15   refer both to Ellen and Jean-Philippe,

16   Ms. Bekkering and Mr. Deschamps-Laporte. So

17   I'll turn this over to Ms. Bekkering at this

18   time.

19   (EB) So this was -- as Mr. McCarrell had

20   already mentioned, this was one of the first

21   sets we took to look into existing statistics

22   and data on money laundering available. We

23   found that in 2009 the Canadian Centre For

24   Justice and Community Safety Statistics had

25   released a brief analytical piece that focused

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1   on money laundering.

2   And for this work we were doing in the work

3   stream, we asked for a similar analysis that had

4   been previously published but considering the

5   more recent years of data available, so from

6   2009 to 2018. This was the only section in our

7   report actually where analysis of data was a

8   part of the process and results. So --

9   Q   Just to pick up on that. That would -- the

10   distinction, I take it, Ms. Bekkering, that

11   you're drawing is this is actually an area where

12   unlike somebody that's talking about the data

13   they have and so forth, in this case you're

14   actually engaging with some data indeed with

15   statistical analysis and presentation of that

16   data through these reports about cases that have

17   gone through the criminal courts or reports to

18   the police, or both even?

19   A   (EB) Yes. Although I would clarify that the

20   analysis of the data was performed by colleagues

21   at the Canadian Centre For Justice and Safety

22   Statistics.

23   Q   I appreciate that distinction. So you're taking

24   it as their -- based on their work?

25   A   (EB) Yes.

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1   Q   Thank you. Please carry on.

2   A   (EB) So with the updated analysis that they

3   provided to us, it's just an outline of the

4   major data sources for that work. One of them

5   was the Uniform Crime Reporting Survey. It

6   provides incident-based data from police

7   services across the country. So the Uniform

8   Crime Reporting Survey, it's completed by police

9   officers as part of their regular duties. It

10   collects information on incidents, accused

11   persons and victims of crime and it includes

12   incidents that involve money laundering.

13   Another source is the integrated Criminal

14   Court Survey. It's a census of pending and

15   completed federal statute charges in criminal

16   courts in Canada. The survey has information on

17   court cases with money laundering charges and

18   other charges that may be part of the case.

19   For the analysis -- did you have a question?

20   Q   Well, actually I did, yeah. Just to confirm in

21   a simplistic way, the reporting survey

22   information might be akin to the -- sort of what

23   were the 911 calls, what were the reports made

24   to the police that describe money laundering or

25   suspected money laundering as compared to

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1   presumably the smaller category of the court

2   survey, which is what cases ended up in front of

3   a judge in a courtroom.

4   A   (EB) Yes. Along with the police reported

5   incidences that involve money laundering and one

6   is court cases that involve money laundering.

7   Q   All right. Thank you. Please carry on. Go

8   ahead.

9   A   (EB) And actually it does lead to -- connect to

10   that point that for the analysis performed in

11   our report, there was a linkage performed which

12   linked the police-reported incidents to the

13   Integrated Criminal Court Survey data. So using

14   personal identifiers, offence dates and

15   geographic location. So it actually looked at

16   the extent to which charges were laid for money

17   laundering and the court outcomes of those

18   cases.

19   So to sort of say the analysis was focused

20   on the specific subset of court cases that were

21   linked from police reported incidents, not all

22   court cases with money laundering.

23   Q   And is that span of -- I guess about 10 years,

24   about a decade of data that's collected the same

25   for the reporting survey and the criminal court

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1   survey statistics that were obtained?

2   A   (EB) So the data in the report for

3   police-reported incidents is from 2009 to 2018.

4   Due to data availability, the court -- the

5   Integrated Criminal Court Survey data was only

6   available from 2009 to 2016 and thus only

7   accused from that time period were linked.

8   Q   Okay. Yep. And so when you speak about the

9   linking between those two data sets, I take it

10   that involves really connecting the dots to say

11   that this or that report of apparent money

12   laundering activity in 2012 in Truro, Nova

13   Scotia, connects to a particular case file that

14   proceeded in, let's say, the Truro provincial

15   court a year later. It's that sort of thing

16   where there's actually being a connection drawn

17   between the two to connect to see where it goes,

18   to trace it?

19   A   (EB) Yes. And it was to link the accused in

20   police-reported incidences to the subsequent

21   court cases if there was one and if a linkage

22   had been found.

23   Q   Okay. And then why don't we move to -- the last

24   part of the slide talks about lessons. And the

25   comment is:

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Jean-Philippe Deschamps-Laporte (for the commission)
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1   "These types of analyses can produce

2   valuable outputs for Canada's AML efforts.

3   For example, they can lead to indicators

4   measuring the effectiveness of AML

5   programs, processes, strategies and

6   initiatives."

7   That seems self-explanatory. The conclusion is

8   that this sort of analysis can produce some

9   valuable some outputs and some relevant

10   insights.

11   I take the next bullet to refer to some

12   limitations. Could you tell us about that.

13   A   (EB) Absolutely. So the results do provide some

14   insight, but the insight's limited to money

15   laundering that's visible in the police reported

16   incidents and the court cases. And, you know,

17   of particular interest to the working group

18   that's focused on real estate, it's not able to

19   go [indiscernible] method of money laundering

20   used or focus specifically on money laundering

21   through real estate. They're high-level

22   statistics. They don't go into specific

23   differences in the types of cases and their

24   outcomes.

25   I would also say that when you examine

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1   specific subsets of crime and justice

2   statistics, it would be prudent to consider the

3   outcomes of other types of incident for a more

4   complete analysis to better understand how money

5   laundering is being respected in those

6   statistics.

7   Q   Thank you. Let's move to the next slide,

8   please. I think -- yeah, here we are. Slide

9   16, "Analysis of Money Laundering Statistics."

10   As you point out, not money laundering in real

11   estate statistics but more broadly money

12   laundering statistics.

13   And please help us understand what picture

14   this paints and what we see here.

15   A   (EB) Okay. So these are -- this is a picture, a

16   chart showing the court outcomes, and this is

17   the court outcomes for court cases that were

18   linked back to police reported money laundering

19   incidents. So a total of 4,978 accused people

20   were involved in police reported incidents

21   with money laundering in the period of

22   2009 to 2016 that resulted in a laying of

23   charges. And of that, 3,241 accused individuals

24   were linked to the court data, which was the

25   65 percent linkage rate.

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1   So this resulted in 2,962 completed court

2   cases, which is on the left side of the chart

3   represented here. And the complete court cases

4   may be the result of an accused identified from

5   multiple police reported incidents.

6   So to go into the chart a little bit, of

7   the -- shown in blue in the chart is the --

8   80 percent of cases had no money laundering

9   charges laid in court, although the cases did

10   include other charges. And of this 80 percent

11   of cases, 1,494, or almost two thirds, had a

12   guilty outcome and 667, or one third, were

13   sentenced to custody.

14   The orange path on the chart shows that

15   12 percent of the cases linked to money

16   laundering police reported incidents had a money

17   laundering charge with other more serious

18   offences such as fraud or drug trafficking. Of

19   these, almost all of them, so 346 of 354, had a

20   guilty verdict and 40 percent were sentenced to

21   custody. The most serious offence is selected

22   by a number of rules. It includes the

23   seriousness of the court's decision, guilty,

24   acquitted, stayed and withdrawn, and the

25   severity of *Criminal Code* sanctions.

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1   Finally the grey bar on the bottom of the

2   chart shows the 8 percent of the 2,962 cases

3   that had a money laundering charge as the most

4   serious offence, and of these a quarter had a

5   guilty verdict and 12 percent were sentenced to

6   custody.

7   Q   So in a simple way, if I look at this and look

8   at that grey stream at the bottom as compared to

9   the others, the 8 percent figure seems -- tell

10   me if this proposition is fair to say. It would

11   seem that in 9 out of 10 cases where there's a

12   report involving a description of money

13   laundering, either money laundering isn't

14   charged or it's not the most serious charge. Is

15   that one way to put it?

16   A   (EB) Yes, that is an outcome for these cases.

17   It is not often the most serious charge.

18   Q   Okay. And then as the streams really quite

19   usefully indicate, it's a small proportion of

20   these cases that ultimately result in

21   conviction, much less actual custodial

22   sentences.

23   A   (EB) Yes. Although we found in the analysis of

24   all the cases completed in court, of all of

25   these, 64 percent resulted in a guilty outcome

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1   29 percent resulted in a sentence to custody.

2   And it actually is quite comparable to a

3   comparison of all court cases where the

4   proportion resulting in a finding of guilt was

5   63 percent and 34 percent were sentenced to

6   custody.

7   Q   I was going to ask you if you had any sense of

8   proportion, like as to whether we compared a

9   robbery or fraud or other kinds of criminal

10   offences, whether these numbers were aligned

11   with or dramatically different. It sounds like

12   they may not be dramatically different.

13   A   (EB) There is a comparison to overall court

14   cases, so not narrowed down, as you say, by

15   robbery or fraud, which could potentially be

16   provided but is not available in this.

17   Q   As you set out to do this work, were you

18   surprised to engage with this -- with these

19   statistics and learn that in the span of a

20   decade the number totals -- numbers of cases

21   that connects to reports of money laundering

22   nationally over a nine-year period is

23   3,000 cases? Did you expect there to be more?

24   A   (EB) I don't think we had an expectation in

25   terms of the number of court cases. As

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1   Mr. McCarrell had mentioned, we had a

2   significant period of learning and development

3   as coming into this sort of project as non-AML

4   experts. So I don't think we necessarily had

5   expectations of what to expect, and we were

6   simply happy to be able to have these statistics

7   provided from within our organization.

8   MR. MARTLAND: Okay. Good. Let's move to the next

9   slide, please.

10   Mr. Commissioner, I've just glanced at the

11   clock and I realized there's a prospect I'm

12   being a bit long given the anticipated

13   examination by others, so I'm hopeful that I may

14   be able to ask your indulgence to do that. I

15   think there may be some value in us sitting a

16   little late, unless that presents difficulty for

17   one of the witnesses or the Commissioner or

18   others.

19   THE COMMISSIONER: Certainly not for [indiscernible],

20   Mr. Martland. That's fine.

21   MR. MARTLAND: Well, thank you. And I appreciate

22   that.

23   Q   So the slide we have on display refers to the

24   typology mapping and states as the goal:

25   "The identification and organization of

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1   the data to enable the detection of [money

2   laundering] in real estate."

3   Could you tell us about the procedure that's

4   described here and how that was done.

5   A   (EB) Yeah. As Mr. McCarrell had already

6   mentioned, in the work that we did as --

7   particularly early on in the project in terms of

8   learning about AML, it led us to reading a lot

9   about the typologies. And in order to consider

10   the framework -- a data framework, we

11   identified, collated and organized the money

12   laundering typologies that exist and attempted

13   to map them to indicators and data points.

14   There's numerous ways that money can be

15   laundered, and we collated information from key

16   organizations and expert sources such as

17   FINTRAC, the Financial Action Task Force and

18   academic literature in order to identify

19   typologies and specifically to identify

20   typologies that relate to money laundering

21   through real estate. In order --

22   Q   Go ahead.

23   A   (EB) Do you have a question?

24   Q   No. That's fine. You carry on.

25   A   (EB) In order to understand how the data

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1   analysis could be potentially utilized in order

2   to identify typologies and best identify money

3   laundering through real estate, we developed the

4   conceptual data framework to organize typologies

5   and map the data points that indicate them into

6   a multilevel framework that you see on the

7   bottom part of the slide here. And the

8   conceptual framework is basically needed in

9   order to translate high-level typologies into

10   the associated data points.

11   Q   And so we see those identified, and then the

12   next slide will be a useful way to illustrate

13   it, but just on this one. The schemes, which is

14   the overall goal or strategy behind that

15   particular ML or money laundering technique,

16   subschemes referring to the more specific

17   technique being employed to facilitate the

18   overall goal or strategy, and then indicators.

19   That is what tends to allow one to detect the

20   use of that particular subscheme or technique.

21   And then in turn the data points. What is it

22   that's needed to construct that indicator.

23   A   (EB) Yes.

24   Q   Why don't we turn to the next slide, and if you

25   could help explain. This is probably quite a

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1   useful way to explain. And I take it as we look

2   from left to right, we actually break down

3   across the screen the top layer of information

4   or heading, if you will. We see that sort of

5   broken down into some detail. Is that a fair

6   way to put it?

7   A   (EB) Yep, that's exactly how it's been

8   presented here.

9   Q   Okay.

10   A   (EB) So we identified eight schemes and these

11   eight schemes are broken into 23 subschemes.

12   We're given an example on the slide here. So

13   the scheme to obscure beneficial ownership,

14   which is the first listed there, is being broken

15   down into the three subschemes here by using a

16   shell corporation, by having a nominee owner and

17   by having an unclear address.

18   So some of the schemes have multiple

19   subschemes associated and others may only have

20   one. Each of the subschemes is then broken down

21   further into the indicators that point to the

22   use of the subscheme. So the example on the

23   slide given is the indicators for the subscheme

24   of using a shell corporation. And so some of

25   those are owner is a company or other legal

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1   person, owner is a numbered company or other

2   owner characteristics.

3   The list represented here is not exhaustive

4   because the number of indicators is 106 overall

5   for all 23 subschemes and 8 schemes.

6   The last hierarchical layer are the data

7   points that populate the indicators. So an

8   example for the indicator that the owner company

9   was just established is the associated data

10   points include the company owner date of

11   registration and the property sales date.

12   Q   So this is a way of -- if I have it right -- of

13   trying to learn and figure out what kind of data

14   are needed. So in this example this allows you

15   to see that learning about the date of

16   incorporation, as one narrow example, will

17   connect with relevant questions that connect to

18   the -- what's understood to be a typology of

19   money laundering?

20   A   (EB) Yes. This data framework is sort of a

21   translation, and outlines how the typologies,

22   which are already prevalent in anti-money

23   laundering literature and understanding, can be

24   translated into the relevant data points and

25   it's presented as this conceptual framework. I

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1   would note, though, that any practical

2   application of the framework would have to

3   consider that some legitimate real estate

4   transactions can include some of these

5   typologies, including those represented on the

6   slide here.

7   Q   Right. I mean, none -- it wouldn't be -- that

8   very narrow example, recent incorporation or

9   some of the features, none of that is proof

10   positive anything, but rather it may be an

11   indicator, it may connect to other data points

12   to paint a picture.

13   A   (EB) Absolutely.

14   Q   I think I saw Mr. McCarrell nodding along, which

15   is encouraging.

16   A   (HM) Yes.

17   Q   Okay. Let's move to the next slide, please. It

18   refers to gathering information on data point

19   availability. And this refers to the meetings

20   which we've heard about gathering information

21   about data points and what's documented there,

22   and then estimating the suitability of the

23   availability data. That refers to practical

24   barriers to using data points and a number of --

25   the second round of consultations about a number

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1   of dimensions. What does that describe, please?

2   A   (JPD) If you don't mind, I will take care of

3   this slide and the following slides.

4   Q   Thank you, Mr. Deschamps-Laporte. That would be

5   good.

6   A   (JPD) So as you rightly indicated, once the

7   hierarchy that is used to either define the

8   typology and the meetings with the different

9   members of the work team were completed, and

10   there was a need to assess whether the existing

11   information corresponded to the hierarchy, the

12   typology that Ms. Bekkering just described. So

13   this is really -- that's part of the work where

14   we wanted to map what was available in large

15   sense with the structure, the model that we had

16   identified.

17   So we evaluated the existing data sources

18   based on different criteria that you can see on

19   the lower part of this slide, being

20   accessibility, the strength of identifiable

21   information, the coverage of desired population,

22   the fit between data dimension and analytical

23   concept and the accuracy of data recorded.

24   If you wish, I can provide further details

25   on what these elements refer to, but I leave it

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1   to you to --

2   Q   Well, I think I might choose the quicker method

3   here only to make sure that we do cover the

4   ground I want to cover in the time we have.

5   Let's move to the next slide and have a look,

6   please, at the description there about

7   identifying data gaps that were basically

8   identified as limitations. It says here in the

9   middle sentence or middle part of the paragraph:

10   "... data gaps were identified as

11   limitations to the full operationalization

12   of the AML data framework."

13   What are those -- I guess they speak for

14   themselves. These are identified data gaps?

15   A   (JPD) That is correct. So once you have mapped

16   existing information with what would be required

17   to identify the schemes ultimately, you can

18   derive a list of data gaps. What is included in

19   the slide currently shown is not an exhaustive

20   list of all the data gaps that were identified

21   [indiscernible], it's just that -- but rather

22   the key ones that perhaps would have the

23   greatest impact in filling multiple indicators

24   in the typology that Ms. Bekkering presented.

25   If you wish, I will describe certain of

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Jean-Philippe Deschamps-Laporte (for the commission)
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1   those elements, maybe not all, given --

2   Q   That would be -- no, I think that would be

3   helpful. And maybe before you do, I can just

4   have it right, if you were purely focused on

5   testing to see whether these indicators were

6   working, whether the -- obtaining the data would

7   actually help you to prove the viability of this

8   approach. I take it if you could wave a wand

9   you would suddenly have very detailed

10   information about the actual beneficial owners,

11   about the wealth of individuals, mortgage

12   [indiscernible], all of these kinds of things?

13   A   (JPD) That is correct. But it is strictly from

14   a data standpoint. We have an introduction, the

15   testimony talked about the limitation of our

16   work. So filling those data gaps would be very

17   useful to identify the typology strictly from a

18   data perspective with the natural implication,

19   my statement being filling those gaps do not

20   have sort of -- have not undergone a legal

21   charter and list of implications of filling

22   those data gaps. So I just want to be clear --

23   Q   That's a useful point. I don't mean to suggest

24   that you're saying we should or we need to do it

25   or it's the right thing to do so much as asking

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1   descriptively, if we had some of these data gaps

2   filled, then it may be that we would have this

3   further information or insight.

4   A   (JPD) They would allow us to identify a number

5   of key indicators, subschemes and schemes. That

6   is correct.

7   Q   Okay. So why don't you tell us a little bit,

8   please, about a few of these data gaps that were

9   identified?

10   A   (JPD) I am quite confident this commission is

11   well aware of beneficial ownership and efforts

12   in British Columbia. The report -- the analysis

13   that was done for this report was such that the

14   timing of analysis didn't allow us to have

15   access to much information on the registry per

16   se in British Columbia. So we sort of highlight

17   these elements in the report. But beyond that,

18   discussions on registers of corporation at

19   large, not necessarily tied to land precisely or

20   elements that we have highlighted as being gaps.

21   The report also talks about the UK

22   experiences when it comes to such registry

23   specific to beneficial ownership. Mortgage

24   information is a key element that we highlight

25   being a data gap in this report.

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1   Currently no comprehensive record-level

2   mortgage data repository exists, particularly in

3   the public sphere. Some details exist in land

4   registry but becomes quickly outdated and is

5   typically not clarified. The extent of such

6   information for policy making and analysis has

7   critical adverse impacts outside the specific

8   scope of anti-money laundering and most notably

9   in the terms of measurement of household

10   indebtedness and housing financing.

11   If you may, I will quickly describe one more

12   data gap. And if you wish, I can provide

13   further details. I understand we are pressed

14   with time.

15   Q   I think one more is wise. Why don't you do

16   that. Thank you.

17   A   (JPD) One specific data gap we have identified

18   here is the rental income expenses. There is

19   one strategy highlighted in the report that

20   relates to a landlord with an existing tenant

21   who would report these type of revenue in their

22   filings and due to the fact that there's no

23   source of information that allows to pick or

24   identify tenants, the tenants do not have to

25   file information about the fact that they indeed

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Jean-Philippe Deschamps-Laporte (for the commission)
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1   rent a property. Then this would be a scheme

2   that is currently invisible due to the lack of

3   this information.

4   If data on rents was collected through

5   filing, this would allow the detection of such

6   scheme. And if such scheme was prevalent,

7   extensively, then one may also speculate that

8   this may have something to do with rental

9   vacancy. So we highlight this data gap as being

10   an important one in the report. Thank you,

11   Mr. Martland.

12   MR. MARTLAND:

13   Q   Thank you. That's very useful. Let's move to

14   the next slide which simply introduces -- I'll

15   turn it up here -- the summary of outputs.

16   Madam Registrar, if we could go down just

17   maybe flashing on screen the next title slide.

18   And then down to the next slide from there we

19   see "Conclusions and Considerations." Wait a

20   se. I think I might have skipped a slide. Did

21   I?

22   THE WITNESS: (HM) Indeed. Yes, you did.

23   MR. MARTLAND: I'm sorry. I just realized that. I

24   was flipping ahead on my own printed copy. So

25   slide 21. There we are.

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Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   Q   If you could help us understand in particular

2   what the three different models are described at

3   the bottom of that slide with respect to the

4   data repository options.

5   A   (JPD) Yes, Mr. Martland. I will quickly provide

6   you an overview of what a distributed model,

7   centralized model and a hybrid model mean in the

8   report.

9   Q   Thank you. And I'll just pause to say so it's

10   clear, these are concepts and this is described

11   in some greater detail in that feasibility

12   report, the fairly lengthy final reporting

13   document; is that right?

14   A   (JPD) That is correct.

15   Q   Okay. Thank you. So I think you can give us

16   the Coles notes version for present purposes

17   would be helpful.

18   A   (JPD) Absolutely. The distributive model is in

19   essence an expansion of the current approach.

20   While the centralized model is a central node to

21   process, harmonize, link and store relevant

22   data. More work is indeed necessary to outline

23   the efficiency of such centralized model and the

24   privacy, charter and any legislative

25   consideration associated with centralizing AML

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Jonathan Baron (for the commission)
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Jean-Philippe Deschamps-Laporte (for the commission)
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1   data in such a manner.

2   Lastly, the hybrid model is essentially

3   bringing the strength of the current approach,

4   being the distributive model, and the -- some of

5   the strengths of the centralized model while at

6   the same time potentially enhancing the security

7   and privacy of the data held by each

8   institution. The hybrid model involves a

9   designation of a coordinator to lead the linkage

10   and analysis of decentralized data. We describe

11   this in the report as being potentially filled

12   by an existing regime member, especially tasked

13   with this responsibility or a consortium of AML

14   regime members. I will stop there,

15   Mr. Martland. Thank you.

16   Q   That's very useful. Now we can move our way

17   through and we see the heading of the next

18   slide, "Summary of Outputs" onto conclusions and

19   considerations. The report is a resource

20   document for the AML regime. And then reference

21   to the AML data framework and then headings

22   about privacy and non-prescriptive. I'm

23   assuming there may be some comment to flesh

24   those out a little.

25   A   (HM) Yeah, I can is actually address those,

Haig McCarrell (for the commission)   154
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   Mr. Martland.

2   Q   Thank you.

3   A   (HM) You made the first point is that I think

4   the output of our work really is to provide a

5   report, the report is intended to be a resource,

6   reference or even a primer for the AML regime or

7   the provincial institutions to guide them in

8   subsequent discussions and consideration of how

9   to implement those data models. And those

10   models are not fixed. They are sort of a

11   continuum of options. You know, the status quo,

12   which can be updated, a more centralized model

13   or a variation or combination thereof.

14   So the data model has to consider what kind

15   of data will be collected, how it will be

16   organized and how it will be shared, including

17   database development so data can be used to

18   enhance the regime. So it will require a

19   commitment on the part of any sponsors or any,

20   you know, supervisory body. There's -- data

21   development involves a lot of work as we've

22   proven in our work with the Canadian Housing

23   Statistics Program. This is a multiyear program

24   and there's a lot of -- it takes time and it can

25   be expensive.

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Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   So I just want to summarize that the report

2   that we wrote does focus on real estate markets

3   in British Columbia, and it only focused on

4   public sector data sources. And so that means

5   data sources of the public sector at least

6   generate themselves as part of their mandates;

7   okay?

8   It's conceptual in nature. We did not

9   get -- we did not collect data to validate the

10   framework. And validation is a very important

11   step in this feasibility process to determine if

12   the AML data framework presented can be an

13   effective tool for aiding subsequent

14   investigations to identify money laundering in

15   real estate. So the AML framework itself, as

16   Ms. Bekkering had indicated, list indicators

17   which, as the name implies, only point to the

18   possible presence of money laundering activities

19   rather than proof positive money laundering,

20   which I think is the point you made,

21   Mr. Martland.

22   Furthermore, of the 106 indicators in the

23   AML data framework, only a few may prove to be

24   useful aids to subsequent investigations. And

25   that has implications on the amount of data

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Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
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1   necessary to operationalize the framework and

2   therefore the kind of resources that will be

3   necessary to support this work. And the amount

4   of data in play to operation the framework,

5   depending on how many sources it comes from,

6   will also have implications on any privacy

7   implications. It could be that a lot of the

8   data that's required is actually already held

9   within public access databases or as subsequent

10   expansion of those public databases would limit

11   the impact on privacy if that data was deemed to

12   be public interest data.

13   So those are all considerations that have to

14   be considered. So regardless --

15   Q   [Indiscernible] to ask about the reference to

16   the sort of empirical testing point. So I take

17   it that would be in part that what you'd be

18   looking to do would be to actually test the sort

19   of how does this model or how does this approach

20   stand up by actually learning. And in part you

21   say that may give you some insights about well,

22   how much and what sort of data is actually

23   useful in pointing to suspected money

24   laundering.

25   A   (HM) Right.

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Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   Q   As opposed to, I guess, red herrings or -- I

2   don't know if the right -- what the right term

3   is, if it's [indiscernible] --

4   A   (HM) False positives.

5   Q   -- or simply unhelpful information. False

6   positives?

7   A   (HM) Yeah, false positives and things like that.

8   And in fact, you know, there could be a number

9   of pilot projects. You could break down the

10   framework into some parts, some schemes and just

11   test some schemes. It could be that, as

12   Ms. Bekkering mentioned, some of these

13   indicators are in and of themselves innocuous.

14   However, if there's a multiplicity linked

15   together and if you looked at, you know, general

16   activity and you actually determine frequency,

17   like how typical is this; right? What becomes

18   atypical. And that's one of the benefits of

19   bringing data together.

20   You know, they tell stories that you don't

21   see. And this is what we've, you know, proven

22   in our other databases. They can sort of reveal

23   certain behaviours and activities which would

24   not be apparent when you can't sort of

25   differentiate the noise going around. And you

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Jonathan Baron (for the commission)
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Jean-Philippe Deschamps-Laporte (for the commission)
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1   can see well, that behaviour is very unusual;

2   right? Or the probability of this behaviour

3   given this behaviour.

4   Q   Right.

5   A   (HM) And so it can actually flag and be an

6   indicator to -- that would warrant subsequent or

7   further investigation.

8   And when you go through this and you find

9   out that some are productive leads, then that

10   becomes a very important indicator. And I think

11   Brigitte Unger, who was an academic, said -- you

12   know, she's written books and she's -- and I was

13   at a meeting where she was speaking and she

14   said, you could have a hundred indicators, but

15   you could find two or three are really useful

16   and really effective. And it might be what's

17   useful in one jurisdiction is not the same in

18   another jurisdiction, and that these can change

19   over time as well.

20   Q   Yeah. That's very useful. Maybe since I've

21   asked that question about the concept of

22   empirical testing, do you see that as likely to

23   be one of the next steps if this work is being

24   built upon as to then move to actually testing

25   it against data to learn how things stand up and

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1   what the right kind of approach would be from

2   there?

3   A   (HM) I think the next step would be consider

4   what type of data model you want to use, and

5   we've described some. So who would be

6   responsible and how would this be organized.

7   Q   Right.

8   A   (HM) And once that's determined, I think that

9   this would be a fundamental activity to

10   consider.

11   Q   Okay.

12   A   (HM) If you're going to, you know, pursue this

13   data or approach that we're suggesting that we

14   researched.

15   Q   Yeah. Okay. Good. You've got heading about

16   privacy and non-prescriptive.

17   A   (HM) Yeah. Absolutely. So what I wanted to say

18   was regardless of, you know, how much data you

19   have or not, any expansion of data requires a

20   consideration of privacy matters, and so we

21   recommend that and that has to be considered.

22   It has to be weighed against the course of

23   public interest to eliminate the consequences of

24   dirty money that distort real estate markets.

25   And again this is the necessity in

Haig McCarrell (for the commission)   160
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   proportionality.

2   We emphasize throughout the report in a

3   number of places the importance of considering

4   the privacy implications of an expanded data

5   collection process. So that's very important.

6   Q   I take it to be the case that, as you've

7   described and as the witnesses have given this

8   evidence, you don't purport to have done that

9   work or analysis, but rather you've flagged it

10   with a big red flag to say, this needs to be

11   done.

12   A   (HM) Exactly, yeah.

13   Q   Okay. Thank you.

14   A   (HM) And we want to point out too that data --

15   AML data framework that we described can be

16   applied to both strategic policy uses or

17   tactical or investigative purposes. So the use

18   of strategic, you know, data to measure trends

19   or emerging patterns of illicit activity or to

20   as we said, you know, the verification or the

21   validation of the model to, you know, how can

22   the model identify normative or outlier

23   behaviour has inherently less privacy

24   implications as the micro data for these

25   applications can be anonymized and they can be

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 1   aggregated, as the case may be. So there can be

 2   absolute protection of persons in the data

 3   outputs.

 4   And in general anonymized data would pose --

 5   would therefore pose fewer obstacles in the

 6   subsequent sharing, analysis or accessibility to

 7   the data. So the framework validation exercises

 8   will help to determine, again, the scope of data

 9   necessary and what data is best to serve

10   tactical purposes and tactical purposes we

11   understand and accept and that would ultimately

12   entail the use of identifiers for the purpose of

13   investigating possible money laundering.

14   Q   Okay. I'd like to move, if we might, to the

15   recommendations that are summarized in the

16   presentation.

17   A   (HM) Okay.

18   Q   And I don't propose to -- this is in evidence,

19   the final report is in evidence and the

20   feasibility study. All of these things are

21   before us in writing, so where we can take short

22   cuts I think that's not a bad thing to do.

23   A   (HM) Okay.

24   Q   But why don't I invite you to give us the sort

25   of high points from the recommendations in

Haig McCarrell (for the commission)   162
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   particular relating to our mandate. Thank you.

2   A   (HM) Okay. The first thing I want to say is

3   that none of the recommendations are

4   prescriptive. It's recognized that some may

5   involve new or expanded mandates for

6   organizations that could require legislative

7   changes or the operational changes could have

8   resource implications. So the data stream, the

9   work streams report was not intended to consider

10   how organizations fulfill or carry out their

11   responsibilities or how the AML regime should be

12   organized.

13   Q   Okay.

14   A   (HM) So it just gives maximum latitude to

15   consider exactly what's involved, what's

16   entailed, so in their subsequent meetings they

17   can use this as a reference. Especially for

18   people, you know, who are the policy makers or

19   generally don't work with data and may not be

20   aware of some of the implications or some of the

21   complexities of using data. So I would say, you

22   know, the first recommendation --

23   Q   Maybe I'll just interrupt to have our registrar

24   take us to R1, the recommendation number 1 on

25   the next slide. There we are. Thanks.

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Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   A   (HM) Right. And I would say this is an

2   important recommendation now. It relates to the

3   adoption of a hybrid model for the organization

4   and organization sharing of data. So now, we

5   recommend consideration of this model, which I

6   guess is kind of a gentle recommendation. It's

7   not to say at that other models can't be

8   considered, but we recognize that the data

9   sources that could populate the AML data

10   framework come from different levels of

11   government and from institutions with very

12   specific mandates related to their purpose.

13   So it's felt to be more practical and

14   strategic in that sense to leverage and build a

15   data model that's based on what these

16   institutions are doing right now and that they

17   do well and align the framework to their regular

18   work as they relate to AML to ensure maximal

19   efficiency and effectiveness of the AML data

20   framework.

21   And so the data model can be realized

22   through the exercise of coordinating the

23   custodial functions or roles within the

24   agencies. So they may not entail new

25   institutional bodies, but they could; okay? Or

Haig McCarrell (for the commission)   164
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
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1   organizations of bodies. So a hybrid model

2   could be taken by, and as Mr. Deschamps-Laporte

3   said, an existing AML regime partner, it could

4   be a newly constituted unit within a regime

5   partner or a consortium of organizations.

6   But essentially we talked about this

7   coordinating function and data custodial

8   functions, and so the coordinating function, for

9   example, could include both analytical functions

10   and data coordinating functions. Let me just go

11   into a bit of detail here because I think this

12   is important. The analytical function of course

13   fundamentally would be involved in maintaining

14   and developing the AML data framework. So we

15   put this together and this is sort of a current

16   snapshot of what we think, you know, the

17   typologies reflect or the conceptual

18   understanding of the way money laundering

19   occurs. But data necessarily -- data analysis

20   and research would be necessary to determine the

21   most effective indicators as we mentioned but

22   also to keep the model current, and to respond

23   to how things change.

24   The second aspect is, you know, data can

25   also be used to describe a lot of the AML work.

Haig McCarrell (for the commission)   165
 Jonathan Baron (for the commission)
 Ellen Bekkering (for the commission)
 Jean-Philippe Deschamps-Laporte (for the commission)
 Exam by Mr. Martland

1   And so recommendations 6 and 7 actually look at

2   how we can use data, data to measure the

3   effectiveness of the AML regime and also to help

4   improve our understanding of the impact of money

5   laundering in any economy and on real estate

6   markets; okay?

7   So the data coordination aspects would

8   involve setting data standards, so that would

9   provide data providers -- setting data standards

10   for data providers to facilitate data sharing

11   and to ensure system interoperability among

12   authorized data users and suppliers.

13   Determining the how to. So how is data

14   accessed; is data linked; how is data shared.

15   And also to provide support to the various

16   members of the AML regime or the -- you know,

17   who are providing data. So to reduce or

18   eliminate duplication of activities among hybrid

19   model partners. This is sort of a coordinating

20   factor -- a function that could be part of this

21   hybrid model.

22   Q   The next slide we move to the custodial data

23   function.

24   A   (HM) Exactly. The next slide. Yeah. And so

25   essentially this involves managing the source

Haig McCarrell (for the commission)   166
 Jonathan Baron (for the commission)
 Ellen Bekkering (for the commission)
 Jean-Philippe Deschamps-Laporte (for the commission)
 Exam by Mr. Martland

1   data. Data custodians may be data providers,

2   and that is those collecting the information.

3   MR. MARTLAND: Madam Registrar, if we could please go

4   to the next slide. Thank you.

5   Q   Go on?

6   A   (HM) So the data providers are those collecting

7   the information and they're the data source

8   organization. Although they don't have to be.

9   You know, sometimes an organization, they may

10   expand their mandate and collect information,

11   but they don't have an AML mandate or

12   expectation. They say well, you know, as part

13   of our regular administrative duties, we're

14   asking a few extra questions, you know, at the

15   behest of AML authorities. And we just take

16   that information and we pass that along to the

17   coordinating body which organizes the data.

18   I'm just saying for example. This is not

19   being prescriptive.

20   So the -- it could be applicable to regime

21   or non-regime partners. And I think where there

22   are non-regime partners, it's good to formally

23   recognize their roles in this process, both to

24   foster the custodial activities and to recognize

25   the work that's being done for institutional

Haig McCarrell (for the commission)   167
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   support.

2   So the data operations can involve an

3   expanded collection or receipt of AML data.

4   They could be involved in the verification,

5   processing and storage and organization of the

6   relevant data, sharing the data, facilitating

7   access because it may not be a matter of

8   transferring data from one organization to

9   another. There could be arrangement set up

10   where other organizations have access -- they

11   can merely access data for AML purposes.

12   And therefore you want to create and

13   maintain certain database functions according to

14   the standards that have been set out by, let's

15   say, the coordinating body in this case. At the

16   same time you want to maintain the privacy

17   practices to ensure the data is protected and

18   used only for authorized users or uses.

19   And then we also say that data not be

20   commercially exploitable. So, for example,

21   Mr. Deschamps-Laporte mentioned how there's a

22   lot of information on mortgages which are not

23   available, but that would be commercially

24   exploitable. If I knew that your mortgage was

25   coming due at a financial institution and you

Haig McCarrell (for the commission)   168
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   had, you know, information, like, in the land

2   titles files that has addresses and individuals'

3   names, you know, you could actually use this

4   information to make commercial solicitation, and

5   that's not intended.

6   So we make a point of that that, you know,

7   this is part of the stewardship of the data,

8   that the data is used for very specific, you

9   know, validated necessary purposes.

10   Q   Okay. Why don't we move on. I just want to

11   make sure I leave my colleagues some --

12   participants some time for their questions. So

13   recommendation 2 on slide 26?

14   A   (HM) Okay. I'll go very quickly, then, on that

15   one.

16   Q   Thank you.

17   A   (HMM) Because essentially this calls for

18   organizations holding AML data consider how to

19   expand or improve what they're doing now. So --

20   and then we listed a number of -- we go back to

21   the report where we list a number of data points

22   that could be added. And one of the things I'll

23   just mention is the addition of significant

24   actors in real estate transactions.

25   Academics have made the point that often

Haig McCarrell (for the commission)   169
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
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1   there's difficulty in keeping track of the

2   multiplicity of persons involved in a real

3   estate transaction and in some cases there's

4   people that are substituted throughout the

5   processes. And this is a characteristic of

6   money laundering, but there is no way to

7   basically get a sense of who's involved. And so

8   we do suggest perhaps it could be -- real estate

9   transactions or documents and transactions could

10   be facilitated by having a unique identifier.

11   So if people are transacting, so whether

12   they're financing or providing legal advice, the

13   documents be appended with, you know, a property

14   identification number. So when you examine this

15   information, you're aware of the network of

16   individuals and organizations involved in

17   conveying the property or selling the property

18   as the case may be.

19   Q   Right. That makes sense. You're not simply one

20   of many John Smiths or John Smith who used

21   his --

22   A   (HM) Right.

23   Q   -- middle name of Phil or something. You

24   actually have one number to say, there's -- this

25   number is popping up time and time again;

Haig McCarrell (for the commission)   170
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   there's connections to be drawn.

2   A   (HM) Yeah, that's the whole thing is because I

3   think some of the information may not be the

4   fact that it happened once, but it happens

5   multiple times and that there's common networks

6   of individuals showing up. And we were at a

7   conference where, you know, money laundering was

8   described as a business service; right? So the

9   criminal organizations which, you know, have

10   activities which generate funds, but they don't

11   launder the money. There's organizations which

12   are professionally -- you know, it's a business.

13   Service professionals.

14   And so they have different conduits by which

15   they can launder money. And so when real estate

16   or rental or things like this are used for that

17   purpose, you'll see this activity because this

18   is the conduit they use. And -- but we don't

19   really see this. You know, the people and the

20   connection, it's lost.

21   Q   Those are invisible fingerprints that may be the

22   same fingerprints on the same -- on the relevant

23   document so to speak, but they don't show up?

24   A   (HM) Right. And it's very hard to piece all the

25   people and what the connection is to people. So

Haig McCarrell (for the commission)   171
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   that's just a suggestion.

2   Q   Okay.

3   A   (HM) Again, any data in the public domain is

4   easier to share too. So going onto the next

5   part.

6   MR. MARTLAND: Thank you. Why don't we go to the

7   next slide, please, Madam Registrar. Thank you.

8   THE WITNESS: (HM) This is on the BC registers, and

9   in some ways, you know, there's been a lot of

10   work done in British Columbia, a lot of good

11   work. And some of the points we make actually

12   may have already been addressed because I know

13   they made a lot of progress in different

14   registers, so I preface this comment here. But

15   just in that that the different registers that

16   are being developed or expanded in British

17   Columbia consider the inclusion of all Canadian

18   companies whether they're extraprovincial or

19   not, federally incorporated or foreign

20   corporations.

21   As Mr. Deschamps-Laporte reported, in the UK

22   examples, it's really important that it's

23   updated regulated. Sometimes data becomes stale

24   very quickly and, you know, property can be

25   refinanced and remortgaged and that's where the

Haig McCarrell (for the commission)   172
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   money laundering comes in. So you have a front;

2   right? And then you refinance it and it gets

3   lost because that data doesn't get updated

4   anywhere. It just -- it becomes tombstone

5   information, so that has to be considered.

6   And that at a minimum, you know, we're

7   concerned about, as I mentioned, you don't want

8   the data commercially exploited, but this should

9   be accessible to law enforcement authorities or

10   relevant tax or other [indiscernible]

11   authorities for their purposes.

12   And I don't know if Mr. Baron wants to make

13   any comment on that since this touches upon work

14   that the British Columbia government is doing.

15   (JB) No. I think you -- I think

16   Mr. McCarrell covered it there. I think there

17   are multiple registries in BC, so if it's -- if

18   we're referring to the Land Owner Transparency

19   Registry, then we've already -- that is already

20   in place. But there are -- this could also

21   possibly refer to a registry under the BC

22   *Corporations Act*. So yeah, at a high level I

23   think what Mr. McCarrell said was correct.

24   MR. MARTLAND:

25   Q   Look at recommendation 4, please.

Haig McCarrell (for the commission)   173
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   A   (HM) Okay. This gets at this notion of networks

2   of professional and personal relationships. And

3   so we're recommending essentially that there be

4   some work to build and maintain these networks

5   and that you can leverage existing information.

6   In our report we found that, I believe -- and

7   Ms. Bekkering can confirm this. I think half of

8   individuals who are involved in money laundering

9   have previous criminal records.

10   So, again, this is sort of building on

11   information that's already in the public domain.

12   Also there are commercial databases on

13   politically exposed persons, people with

14   [indiscernible] collections, that might be

15   useful to understand when you have nominee

16   owners or looking at beneficial ownership where

17   you have people who are fronts representing. So

18   if you're aware of these networks and if the

19   analysts and the investigators who are looking

20   at this, if they had this kind of

21   data available, and this obviously would be

22   something which would occur at -- with an

23   enforcement agency where they want to look at

24   this and examine this when they're reading very

25   specific AML work.

Haig McCarrell (for the commission)   174
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   Q   Great. Let's go to slide 28, please.

2   Recommendations 5 and 6 we see there.

3   A   (HM) Recommendation 5 -- sorry, go ahead.

4   Q   No you go ahead. I was just going to read

5   aloud, so you can do better than that.

6   A   (HM) Oh, this is -- I call this the good

7   housekeeping recommendation. So we have a whole

8   chapter dedicated to good data management

9   practices. You know, they can be validated as

10   kept in electronic formats as machine readable

11   and searchable. There's good archiving and

12   library practices that are maintained with

13   up-to-date documentation with data libraries and

14   data dictionaries.

15   So the data is both coherent. It's got

16   defined definitions which are used across the

17   regime. The data's accessible. There's

18   adequate retention, data retention policies, and

19   there's protection policies in place, and these

20   are subject to audit. These so these are

21   basically the principles. And we have a chapter

22   on that that can be read for more detail.

23   The sixth recommendation, recommendation 6,

24   recognizes that data can be used to directly

25   support AML core activities, the investigation

Haig McCarrell (for the commission)   175
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   activities. But as we mentioned it can also be

2   used to assess the effectiveness of the AML

3   regime for planning and program reviews and to

4   provide insight to better understand the impact

5   of money laundering on people in real estate

6   markets.

7   So, you know, typically if you look at

8   inputs and outputs, so if you look at the inputs

9   into a money laundering activity, what are the

10   corresponding outputs or whether that's, you

11   know -- or even how does the impact -- like, if

12   you change resources and you put more or less

13   in, you know, would you have more convictions or

14   charges or what would be the impact on economic

15   impacts.

16   So, for example, inputs can be program

17   budgets or full time equivalents or hours worked

18   or the outputs can be along the lines of what

19   Ms. Bekkering talked about the number of charges

20   or convictions or it could be the number and

21   value of seizures and the numbers of reports

22   generated or information exchanges.

23   And then we look at the impact of money

24   laundering. I think there's a lot more

25   concentrated economic research required. For

Haig McCarrell (for the commission)   176
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   instance, it could focus on the estimates of

2   illicit financial flows into housing markets,

3   what is their impact on prices. I know the

4   Maloney report presented some numbers, but I

5   think there could be a lot more work done in

6   that area. What is the consumer welfare loss

7   associated with that money coming into the

8   marketplace; what are the trends in the real

9   estate market.

10   And this can also be useful to quantify the

11   outcome of AML efforts and actually justify

12   where we make resource investments because I

13   think there's always a competition for available

14   resources and what -- what's productive, like

15   what is actually being fruitful and can justify

16   more expenditure of resources if it's using --

17   useful. And then we want to compare this with

18   other jurisdictions within Canada or outside

19   Canada, taking into account all the different

20   operating parameters which can be different, you

21   know, whether it's legal, political or what have

22   you, in other jurisdictions.

23   Q   Good. Let's move to recommendation 7. And

24   we're nearing the finish line, at least, of my

25   questions.

Haig McCarrell (for the commission)   177
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland
1   A   (HM) Yeah.

2   MR. MARTLAND: Mr. Commissioner, and I have been

3   passed a Zoom note that some participants may

4   need a little less time than allocated, so

5   that's a promising sign. But let's move to this

6   last -- I think we're at basically the end of

7   the presentation with this slide.

8   Q   And, Mr. McCarrell, I'll ask you to please carry

9   on. Thank you.

10   A   (HM) Thank you. This last recommendation is

11   really an omnibus of miscellaneous subjects that

12   warrant additional work. So the data, you know,

13   focused on public sector databases, but it would

14   really be important to do a review of how data

15   holdings in the private sector contributed to

16   the AML data framework, and we haven't done

17   that. Certainly financial institutions would

18   be, you know -- and credit-holding institutions

19   would be really important sources of

20   information. Mortgage insurers and people like

21   this, there's lots of information there. But we

22   were focusing on the public sector.

23   Mr. Deschamps-Laporte mentioned rental --

24   the lack of information on rental payments.

25   It's been identified as a money laundering

Haig McCarrell (for the commission)   178
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   scheme, so that's one thing that we can do some

2   more work on. Also the feasibility of

3   collecting additional information on

4   international financial transfers as a source

5   and intended use of funds could be helpful in

6   understanding these money flows and provide some

7   basis for confronting how funds are used. So

8   we're tracking money coming into the country.

9   But we don't know what it's for. And the more

10   information you have, then you have a basis for

11   followup and investigation.

12   So I mean, yes, we can follow what comes in,

13   what was the intended use, and then you can also

14   understand, like, why is this money coming in

15   and why is it going out; what's the revolving

16   door. And so you need basic information if

17   you're going to do followup investigations, so

18   that could be important.

19   I think better understanding of the

20   magnitude of money laundering. I already

21   mentioned that. And also right now, like, the

22   money, the gravity models and what have you,

23   they're really types of constructs. So, you

24   know, we recommend more work to actually

25   quantify the proceeds of criminal activity as an

Haig McCarrell (for the commission)   179
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   input into those estimates of money laundering.

2   So if we looked at the crime and if we were

3   able to, in an analysis of a crime that's been

4   committed, estimate the financial variables

5   associated with crime, like how much money was

6   generated, this would anchor these models with

7   real data, you know, on an incident basis and

8   can be built up as a consideration to look at.

9   And then we could also undertake, like, you

10   know, going beyond obviously real estate and

11   looking how that interplays with other money

12   laundering activities and also looking at the

13   economy, you know, in whole. And so there's a

14   lot of infrastructure in economic organizations

15   even with Stats Canada where we have -- for

16   example, we have an SNA model on value added,

17   and one of the models is an expenditure and an

18   income model.

19   So we know expenditures. For example, in

20   the money laundering context, we would track the

21   fact that a home was sold and that money was

22   spent. And the idea is then you add up all the

23   expenditures of the economy. You can track

24   those and add up all the income in the economy,

25   and they should equal. It should be the same.

Haig McCarrell (for the commission)   180
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Martland

1   But there's also statistical discrepancies.

2   Well, the point is some of the discrepancy is

3   actually money laundering.

4   So you know how the money is being spent.

5   On luxury cars, in casinos, on houses, but you

6   don't know where the money came from. And so if

7   you have this sort of model in the economy you

8   can begin to identify where there's leakage

9   occurring. And, again, that can identify some

10   money laundering scheme, which may not be -- and

11   the rental is just one example, the rental

12   example, but there could be other -- false

13   invoices in particularly cash oriented

14   businesses where, you know, the operational

15   characteristics of the business are

16   uncharacteristic of that business. You know,

17   you have a laundromat in an area where there's

18   not -- there's not the kind of population to

19   support the activity. But you can do that

20   across the economy. So there's a lot more work

21   that can be done.

22   And then we mentioned beneficial ownership

23   very quickly. And, again, this is to get at

24   private financing because if you look at -- if

25   beneficial ownership is based on the interest in

  Haig McCarrell (for the commission)   181
 Jonathan Baron (for the commission)
 Ellen Bekkering (for the commission)
 Jean-Philippe Deschamps-Laporte (for the commission)
 Exam by Mr. Martland
1   land, there's lots of business activities which

2   don't involve an interest in land, but they

3   support the land transaction. So we just want

4   to bring that up and say, like, you know, look

5   beyond those that seem to be to have a direct

6   connection with land because they can be

7   material and there can be obscured ownership in

8   some of these activities and they can be fronts

9   for money laundering. So we just mentioned

10   that.

11   And the very last thing I'll mention is

12   privacy. Again, we come back for privacy by --

13   and there's lots of techniques and tools

14   available now, and we really think that

15   subsequent work should focus on some of the

16   privacy enhancing technologies that could help

17   identify and share data while protecting the

18   underlying data. And I know Stats Canada right

19   now is working on what they call homomorphic

20   encryption, for example, which allows -- which

21   can allow data processing on encrypted data.

22   So there's lots of new techniques that are

23   out there, and I think that we should avail

24   ourselves to the technology which can open up

25   the possibility of using data while protecting a

Haig McCarrell (for the commission)   182
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Usher
1   lot of the underlying data and so it's very

2   focused. So essentially that is a snapshot -- I

3   ran through that quickly -- what our

4   recommendations are.

5   MR. MARTLAND: Thank you for sprinting as you did. I

6   really appreciate this.

7   Mr. Commissioner, that completes my

8   questions of the panel members.

9   THE COMMISSIONER: Thank you, Mr. Martland.

10   I'll now call on Mr. Usher on behalf of the

11   Society of Notaries Public of BC, who has been

12   allocated 10 minutes.

13   MR. USHER: Thank you, Mr. Commissioner.

14   **EXAMINATION BY MR. USHER:**

15   Q   Just a few things. Looking at -- for example,

16   your slide 20 was the one about identifying data

17   gaps. And it lists, I think, six different

18   areas where there's data. In looking at that,

19   this requires the collection of a lot of new

20   data. But would it be unfair to say that we'd

21   have better data if criminals gave us honest,

22   accurate and complete information about their

23   activities? It just seems like it's dependent

24   on truth telling by criminals. Does that

25   concern you?

Haig McCarrell (for the commission)   183
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Usher
1   A   (JPD) Mr. Usher, it's -- I see Mr. McCarrell had

2   unmuted himself. Would you like to take the

3   question?

4   (HM) No, go ahead, Mssr. Deschamps-Laporte,

5   and I will follow up with a comment.

6   (JPD) Mr. Usher, the purpose of slide 20 in

7   the presentation today was to highlight the key

8   elements for the entire population, for all

9   transactions, all records that we have

10   identified as being gaps. As such, they do not

11   pertain strictly to certain subsegments of

12   transactions or real estate arrangement, but

13   rather concerned the overall population.

14   Q   Right. So collecting this data, then, would

15   be -- you're saying is something that would be

16   the responsibility of -- on every single

17   consumer transaction?

18   A   (JPD) I gave the example of a rental expenditure

19   not being a requirement in terms of tax filing

20   in this country. So if this were to be sealed

21   in terms of data gap, then by process of

22   elimination you would have a property for which

23   there is only a landlord reporting rental income

24   and absolutely no tenant existing there, or the

25   reverse. Having tenants but no income reported

Haig McCarrell (for the commission)   184
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Usher
1   by landlords. Given less works that are

2   typically identified and whether -- in this

3   specific case rental arrangements or different

4   sort of ownership arrangements that we have

5   highlighted in the report as part of the

6   typologies, these sources of information.

7   And I think Mr. McCarrell made that

8   reference in his presentation that sometimes

9   there's an incentive for people who are involved

10   in money laundering to file taxes, have

11   legitimate aspects of their ownership

12   arrangement so as to sort of make them look

13   legitimate.

14   (HM) I'd like to address the point you made,

15   the truthfulness of responses on the part of

16   criminals. And that's a valid point. But what

17   I want to add is that if no information is being

18   collected, I think there is an onus of -- to

19   report. And I think back in that can shine a

20   light on activities. And even the requirement

21   to report certain information, which may not be

22   available right now, can actually dissuade

23   perhaps money laundering. And then there can be

24   offences in reporting false information. So

25   you're increasing the stakes and you're putting

Haig McCarrell (for the commission)   185
 Jonathan Baron (for the commission)
 Ellen Bekkering (for the commission)
 Jean-Philippe Deschamps-Laporte (for the commission)
 Exam by Mr. Usher
1   pressure on the mechanisms that money launderers

2   use where they're required to report

3   information.

4   And this information can be verified. And

5   at least you have a basis. You have a basis to

6   look at the data and then do subsequent analysis

7   and verification of the data. And so that

8   becomes a record, a historical record, and

9   that's important. And, you know, this is not a

10   real time database for suggesting, you know, I

11   mean, some of this information will be collected

12   and will be subsequently reviewed, and so it

13   will be a retrospective look that we can -- but

14   when you put this together, you can identify

15   these patterns. But if you have no data, you

16   can't do this.

17   And so what we're pointing out that there's

18   some data which does not even exist, such as

19   Mr. Deschamps-Laporte pointed out, regarding

20   rental payments. When it comes to mortgage

21   information, there's not a source of data where

22   -- that can be examined. And sometimes, you

23   know, the data in itself reveals practices or

24   activities which are atypical. And again, it

25   may be not bad on its own, but when it's linked

Haig McCarrell (for the commission)   186
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Usher

1   together with a number of activities, it could

2   identify suspicious behaviour that could warrant

3   examination.

4   So we're trying to open the door that would

5   enable the data to be used, open the door to the

6   AML regime to have more tools in their toolbox,

7   so to speak, they can do followup investigation,

8   if necessary, if it's warranted.

9   Q   I think for this system to work, though, the

10   data must be collected on every single

11   transaction, every single rental, for example.

12   MS. DAVIS: Mr. Commissioner, it's Hanna Davis here,

13   for Canada. I hesitate to interrupt, but this

14   is getting very much into pure speculation from

15   these witnesses who have been called to give

16   evidence about their specific feasibility study,

17   not to comment on what should happen in terms of

18   data collection on every potential real estate

19   transaction. I just think it's quite outside

20   the scope of what they're here to speak about

21   today.

22   THE COMMISSIONER: Yeah, I think really this is more

23   a matter of argument than evidence, Mr. Usher.

24   MR. USHER: Thank you.

25   Q   So did your research, then, include any cost

Haig McCarrell (for the commission)   187
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Ms. Magonet

1   estimates, for example?

2   A   (HM) No, it did not.

3   Q   For collection of data. Okay.

4   A   (HM) No.

5   Q   And would you agree that the costs here would

6   include both government costs, administration

7   costs of the system, and then transactional

8   costs for -- at the consumer level?

9   A   (HM) Absolutely. In fact, all the data that we

10   do collect, we look at response burden, and

11   that's a standard part of good data practices

12   actually is to consider the -- you know, the

13   time involved and the effort involved in

14   complying or reporting information and that's --

15   that would be a consideration for sure.

16   MR. USHER: Thank you. That's all my questions.

17   THE COMMISSIONER: Thank you, Mr. Usher.

18   Ms. Magonet for the British Columbia Civil

19   Liberties Association, who has been allocated

20   20 minutes.

21   MS. MAGONET: Thank you, Mr. Commissioner.

22   **EXAMINATION BY MS. MAGONET:**

23   Q   Can the witnesses hear me?

24   A   (HM) Yes.

25   Q   Excellent. Thank you. My first series of

 Haig McCarrell (for the commission)   188
 Jonathan Baron (for the commission)
 Ellen Bekkering (for the commission)
 Jean-Philippe Deschamps-Laporte (for the commission)
 Exam by Ms. Magonet

1   questions will be directed at the

2   recommendations and analysis presented in the

3   work stream 1 report. Just as a preliminary

4   question, and I mean no disrespect by asking

5   this, but I just wanted to clarify that none of

6   you are lawyers or have expertise in privacy law

7   or charter -- or the *Charter*?

8   A   (HM) I do not.

9   (JB) I do not.

10   (EB) I do not.

11   (JPD) I do not either.

12   Q   Thank you. And I know you went to some lengths

13   to emphasize this in your report, but just to be

14   clear, while your report flags some privacy

15   concerns, it makes quite clear that further

16   analysis would be needed in terms of the privacy

17   and *Charter* implications of your

18   recommendations. Is that accurate?

19   A   (HM) We recommend that privacy is an important

20   matter and that it be considered in any

21   activities.

22   Q   Thank you. I now have some questions

23   specifically about the recommendations in your

24   report. And I'll start perhaps by your

25   recommendation regarding the hybrid data model.

Haig McCarrell (for the commission)   189
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Ms. Magonet
1   So I'm sorry if I'm being repetitive here, but

2   you didn't consider specifically what the

3   *Charter* implications of a hybrid data model

4   would be or the privacy law implications of that

5   model; correct?

6   A   (HM) Yeah, what we did in the report is we did

7   identify that further work is needed and that

8   would be up to the AML regime to proceed with.

9   Q   Thank you. So to make sure I understand

10   correctly how this hybrid model that you propose

11   would work, there would be a coordinating body,

12   you say potentially FINTRAC, potentially another

13   body -- it could be composed of different

14   members -- would be responsible for receiving

15   the data from a variety of bodies that have

16   relevant AML data. Is that accurate?

17   A   (HM) No, I wouldn't say that's necessary. They

18   wouldn't necessarily receive any data. They

19   could. Or they could actually have access to

20   data in other institutions as well. So that's

21   undetermined. It really is very open and it's

22   not prescriptive. They may receive some data,

23   but it wouldn't necessarily be centralizing all

24   data. That's not a requirement or a necessity

25   of that model.

Haig McCarrell (for the commission)   190
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Ms. Magonet
1   Q   Do you think at the very least they would need

2   to have access to the data?

3   A   (HM) Well, I think they would have to look at --

4   the issue becomes what data is relevant and how

5   much data.

6   Q   Okay. Thank you. In your report you write --

7   and we can go here if you wish -- that the

8   hybrid model is the closest approximation to the

9   centralized model. So is it fair to say it's

10   not that far off from the centralized model that

11   you also describe?

12   A   (HM) Well, I described some precepts, and

13   there's a continuum. So the hybrid model can be

14   very far from the centralized model. It doesn't

15   necessarily mean that it's close to it. So I

16   don't think you should be thinking of them

17   rigidly as, you know, boxes. It's really a

18   continuum. So you could have a hybrid model

19   which was quite close and a hybrid model which

20   was quite distant, in fact.

21   Q   Thank you. That's very helpful. Have the work

22   stream 1 members done any thinking into which

23   bodies would be the participating bodies in

24   this? Model how many different bodies there

25   would be?

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1   A   (HM) No. This -- we had produced a report for

2   their use. It has not been used for any

3   subsequent thinking or work to the best of my

4   knowledge.

5   Q   Okay. Thank you. Would you agree that this

6   model differs significantly from the current

7   models of information sharing in Canada for AML

8   data?

9   A   (HM) I'm not sure if I'm in a good position to

10   consider exactly how data is fully shared

11   myself. I couldn't answer that question.

12   Q   Thank you. I wouldn't want you to provide an

13   answer that you don't feel comfortable

14   providing.

15   A   (HM) Right.

16   Q   In your report you discuss the importance of the

17   proportionality in privacy law and of assessing

18   whether there's a less privacy invasive way of

19   achieving the end you are aspiring to. Is there

20   any evidence that a hybrid the model is required

21   to or would even be effective at addressing

22   money laundering?

23   A   (HM) What was the question again, ma'am?

24   Q   No problem. Is there any evidence that a hybrid

25   model is required to address money laundering or

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Jean-Philippe Deschamps-Laporte (for the commission)
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1   that at a less privacy invasive way of achieving

2   the same end is not available?

3   A   (HM) Well, I think what we did state and what

4   the report says is that we've presented an AML

5   data framework and it needs to be validated.

6   Q   And from that -- in order to validate it you

7   need to have more data sharing or a model such

8   as this model?

9   A   (HM) Well, this is one way of actually using the

10   data for AML purposes.

11   Q   Okay. Thank you. Perhaps then I'll move to

12   some questions I have about the framework that

13   you set out in your report and that needs

14   validation. In your report you write that:

15   "This framework is novel in terms of the

16   scope of data linked and analyzed in its

17   focus on real estate and in its potential

18   to detect real estate purchases using

19   criminal proceeds going back in time.

20   This contrasts with existing approaches in

21   Canada and abroad which generally detect

22   illicit funds as they are being

23   laundered."

24   I was wondering if you could explain a bit how

25   this data framework is novel and different from

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1   what is found in other jurisdictions.

2   A   (HM) Well, my understanding is it's novel in the

3   sense that the model sets to -- set up and

4   understand what are typical versus atypical

5   activities, and they're historical by nature.

6   So you could actually review data and -- into

7   the past, right, because transactions have

8   occurred. And so I believe the intent was to

9   say that that was a novel approach.

10   So rather than looking at the actual

11   activity happening in real time, you could go

12   back and you could actually look at -- if the

13   information was available, you could look at the

14   data that was available in light of the

15   framework, and so it was activity that had

16   already happened. And I could actually -- I

17   could ask my colleagues Mr. Deschamps-Laporte or

18   Ms. Bekkering if they could add to that, if they

19   have any comment on that.

20   (JPD) I do not have much to add to the

21   response provided by Mr. McCarrell. The novelty

22   of the approach particularly when it comes to

23   the historical part relates to potential sort of

24   more policy and research analysis and

25   understanding trends over time akin to the

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1   aggregate information Ms. Bekkering provided at

2   the beginning of the report. And the report

3   does mention, as you suggest, that the bulk of

4   the experts, what they're -- in a number of

5   countries mention is about investigation of

6   current money laundering activities. And maybe

7   not as much providing sort of the hindsight in

8   understanding the interrelationship between

9   policy making and overall money laundering

10   activity.

11   Q   Thank you. So in this framework you set out you

12   identify 160 data points that are required. And

13   would you -- would it be fair to say that some

14   of these data points that are required under

15   this framework concern extremely sensitive

16   information such as whether the owner of a

17   property is a minor, has a legal guardian is

18   incapacitated has a criminal record?

19   A   (HM) I'm not aware of some of those points that

20   you've made, whether the data is a minor or

21   incapacitated. Was that in the report?

22   Q   I took it from appendix 1 of your report where

23   you set out -- and perhaps we could go there, if

24   that would be helpful to refresh your memory.

25   A   (HM) No, I couldn't really comment on that. I'm

Haig McCarrell (for the commission)   195
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Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
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1   not a data expert on the sensitivity of data,

2   but it's an aspect that could be considered.

3   Q   Okay. Well, perhaps setting aside those

4   specific examples, do you agree that at least

5   some of these 160 data points could include some

6   information that is very personal?

7   A   (JPD) If I may --

8   (HM) Yeah, go ahead.

9   (JPD) From my best recollection, the

10   information about an individual being

11   capacitated stems from current indicators that

12   are currently used by financial institutions and

13   FINTRAC to report suspicious transactions. As

14   for being a minor, that relates to the birthday

15   of an owner, which could be derived in such

16   ways. So this is information that is currently

17   there and our report makes no further assessment

18   as to the sensitivity beyond the fact that those

19   are existing data sources.

20   Q   Okay. Thank you. Sorry. Just a moment. Let

21   me find my place.

22   As you mentioned in your testimony earlier

23   today, this framework you set out has not yet

24   been empirically validated, so it remains to

25   see -- to be seen how effective it is. I take

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1   it that even if all of the data required to

2   implement this framework was available, if all

3   160 data points were available, we still don't

4   know yet whether it would be effective at

5   detecting money laundering. Is that a fair

6   characterization of your evidence?

7   A   (HM) Well, you wouldn't know unless it was

8   validated.

9   Q   And it hasn't been validated?

10   A   (HM) Correct.

11   Q   So returning to a point I addressed with you

12   earlier about proportionality. Given that we

13   don't know if this framework effective because

14   it hasn't been validated, how can it be

15   proportionate to collect all the data that is

16   required to validate it from a privacy

17   perspective?

18   A   (HM) Well, I think more research is needed to

19   determine what's needed and what's proportionate

20   to that need. That's all we're saying. We

21   recommend that a necessity and proportionality

22   lens be put on any data collection. That's just

23   good practice. That's not exceptional to this

24   particular report. It's the way I think all

25   data is collected or ought to be collected and

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1   considered.

2   Q   Okay. Thank you. I have a few questions, then,

3   about the information gaps that you identify in

4   your report, including beneficial ownership

5   information, mortgage information, wealth

6   information, relationship information and rental

7   revenue. You will agree that some of these

8   types of information, including information

9   about a person's wealth or their relationships

10   to other people, may be very personal

11   information that an individual may have an

12   interest in keeping private?

13   A   (HM) Well, it's information about the person, so

14   in that sense it's personal information. It's

15   information about the person.

16   Q   Thank you. And your report also discusses the

17   use of unexplained wealth orders in the United

18   Kingdom in order to obtain wealth information.

19   And I was wondering if you're aware that those

20   orders are quite controversial from a civil

21   liberties perspective?

22   A   (HM) I have no comment. I'm not aware. I'm not

23   a lawyer.

24   Q   That's totally fine. Are you also aware that

25   even those orders don't allow the UK government

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1   to obtain information about anybody's wealth,

2   but many conditions must be met first before

3   that type of order can be issued.

4   A   (HM) I'm not aware of the practices of foreign

5   entities or foreign governments.

6   Q   Thank you. I have just a few last questions

7   regarding beneficial ownership for -- with

8   respect to this work stream 1 report.

9   In your recommendations you recommend that

10   BC registries consider adopting practices to

11   allow public access to these registries, so

12   citizens can verify the information they

13   contain, but later in your report you note that

14   a public registry also could introduce risks of

15   identity theft, fraud and harassment, and I was

16   wondering how you would explain this

17   discrepancy.

18   A   (HM) Oh, I don't think there's any discrepancy.

19   I think we're just weighing, you know, the trade

20   offs and we're just bringing it to the attention

21   of the readers. So we're actually highlighting

22   that to consider, you know, what are the

23   consequences of any recommendation or any

24   decision made.

25   Q   So even though your report does recommend public

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Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Ms. Magonet
1   access, you were tempering that recommendation

2   in the substance of your report --

3   A   (HM) Absolutely.

4   Q   -- by pointing out these countervailing

5   consideration?

6   A   (HM) Yep. There's always -- we want to have

7   sort of a very holistic approach to this. I

8   mean, going forward it's very important. And so

9   we bring up public interest and private

10   interests and these are considerations that need

11   to be made.

12   Q   Thank you. Those are all my questions regarding

13   the work stream 1 report. I also had a few

14   questions for Mr. Baron, and I would like to ask

15   you a question about the privacy impact

16   analysis, which is exhibit 698.

17   MS. MAGONET: But I just wanted to pause to note that

18   I gave less than the required five days notice

19   about this, so I wanted to see if there were any

20   concerns before I did so.

21   MR. MARTLAND: Mr. Commissioner, I don't have --

22   Mr. Baron and his counsel may have -- if they

23   have a concern they'll tell you with respect to

24   the notice. My concern was rather that this is

25   a document when I had it marked through the

Haig McCarrell (for the commission)   200
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Ms. Magonet
1   panel the other day, I asked for and had the

2   direction it not be livestreamed. I think

3   there's simply a matter of redactions that are

4   to follow to the public-facing version, so

5   whatever the decision is, I wanted to note that

6   concern and suggest that might apply here, if

7   it's being used.

8   THE COMMISSION: Okay.

9   MR. MARTLAND: I see Ms. Harlingten is on screen as

10   well, so she may have more to say.

11   THE COMMISSIONER: Yes. Ms. Harlingten.

12   MS. HARLINGTEN: Thank you, Mr. Commission. I can

13   advise that Mr. Baron has received a copy of

14   this particular exhibit. I'll just note that he

15   hasn't had much time to review it. So I just

16   put that caution on the record. But other than

17   that I have no objection, Mr. Commissioner.

18   THE COMMISSIONER: All right. Thank you,

19   Mr. Harlingten. So I think I will direct that

20   it not be livestreamed, but you may question

21   Mr. Baron on the report, Ms. Magonet.

22   MS. MAGONET: Thank you, Mr. Commissioner.

23   Madam Registrar, if you could pull up this

24   report, please. I believe I said it's exhibit

25   698. Thank you.

Haig McCarrell (for the commission)   201
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Ms. Magonet
1   Q   Mr. Baron, so this is -- I understand is the

2   Privacy Impact Assessment for the data analysis

3   branch of FREDA. Is that accurate?

4   A   (JB) That's correct.

5   MS. MAGONET: And, Madam Registrar, if you wouldn't

6   mind scrolling down a bit. That's perfect.

7   Q   Here it says -- sorry, let me just find my

8   place. Yes. The last sentence of the

9   description of the initiative:

10   "The purpose of the Branch is to build the

11   capacity to use data for analysis

12   internally, not to share data outside the

13   Ministry or provide any service to the

14   public."

15   I just wanted to ask you a question about this

16   statement because we've heard evidence from

17   other members of FREDA regarding a FREDA

18   strategy document, how going forward FREDA may

19   be looking to share evidence -- sorry, share

20   analysis with a variety of external clients,

21   including potentially the Civil Forfeiture

22   Office and law enforcement and other ministries.

23   So I was wondering if you could speak to that

24   discrepancy.

25   A   (JB) I don't think it's a discrepancy. This is

Haig McCarrell (for the commission)   202
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Rauch-Davis
1   a Privacy Impact Assessment or our current

2   activities of the branch and this is accurate to

3   our current activity. And I think what

4   Dr. Dawkins was speaking to are some potential

5   future activities that we -- that the branch

6   could take on.

7   Q   Okay. Thank you. And I'm assuming, then, if

8   the mandate of FREDA changed in that way, then a

9   new analysis or a new consideration of privacy

10   implications would be needed.

11   A   (JB) Yeah, that's correct. A Privacy Impact

12   Assessment has to be undated as soon as any new

13   activity is taken on or considered.

14   MS. MAGONET: Thank you. Thank you, Mr. Baron.

15   Thank you, Mr. Commissioner and the other panel

16   members. Those are my questions.

17   THE COMMISSIONER: Thank you, Ms. Magonet.

18   I'll now call on Mr. Rauch-Davis for

19   Transparency International Coalition, who has

20   been allocated 10 minutes.

21   MR. RAUCH-DAVIS: Thank you. Madam Registrar, I

22   wonder if we could have exhibit 703 on screen.

23   It's the feasibility study.

24   **EXAMINATION BY MR. RAUCH-DAVIS:**

25   Q   And while Madam Registrar is doing that,

Haig McCarrell (for the commission)   203
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Rauch-Davis

1   Mr. McCarrell, I expect I'll direct most of the

2   questions to you. And if other panelists want

3   to chime in, that is great. But I take it that

4   this -- one of the key data gaps that is

5   identified in this study is that of beneficial

6   ownership information. Am I right?

7   A   (HM) It's one of the -- one of the data gaps

8   mentioned, yes.

9   MR. RAUCH-DAVIS: Yeah. And so, Madam Registrar,

10   could you please go up to page 10 of the

11   document. I'm not sure what page it is on the

12   PDF. We might be off. Yes, this is the one.

13   If you could just keep it right here.

14   Q   So under item 6.1 there's the acknowledgement

15   that beneficial ownership information is a key

16   data gap. And just -- I'm looking at the second

17   paragraph and there's just one point that I

18   thought I'd like to clarify. And that's where

19   it says that beneficial ownership information is

20   maintained by the company in BC. It kind of

21   gives a description of the current regime, and

22   it says that retrieval of the information is

23   tedious and may be falsified. And I just wanted

24   to get the panel's understanding of what they

25   mean by retrieval is tedious.

Haig McCarrell (for the commission)   204
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Rauch-Davis
1   A   (HM) Could one of --

2   Q   Perhaps --

3   A   (HM) Mr. Baron respond to that since it's

4   provincial.

5   (JB) So this is referring to the *Business*

6   *Corporations Act*?

7   Q   Right. And the current regime of beneficial

8   ownership is that each -- under the *BCA* is that

9   each company keeps their beneficial ownership

10   information at their records office; right?

11   A   (JB) That's right, yes. I think this just

12   refers to the fact that at the moment there is

13   no central registry that's searchable to get

14   this information. It has to be individually

15   accessed.

16   Q   And that's one of the aspects of the data gap, I

17   take it; right?

18   A   (JB) I believe so, yes.

19   Q   Okay. Thank you. That's my question on that

20   topic.

21   MR. RAUCH-DAVID: I wonder Madam Registrar if we

22   could turn to page 94. Plus 2 I guess, so 96.

23   Yes, this is it. Right here.

24   Q   So this is item 6.4.2 in the study, "Beneficial

25   Ownership Data," and this I think just provides

Haig McCarrell (for the commission)   205
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Rauch-Davis

1   more detail on kind of the overview that we just

2   looked at, and I have a few questions.

3   So under 6.4.2, I'll just go through it very

4   briefly. So the first paragraph I see the

5   repetition that obfuscation of beneficial

6   ownership is a factor in many schemes identified

7   in the report. And that runs through a

8   multitude of subschemes. Do I have that right,

9   Mr. McCarrell? It's not just the two schemes,

10   it's kind of across the board is my reading.

11   A   (HM) I'd refer to that my colleagues who worked

12   on this.

13   Q   Sure.

14   A   (HM) If they can answer the question. They may

15   want to read this in more detail.

16   Q   Okay.

17   A   (EB) I would say we had one scheme that directly

18   related to beneficial ownership and there was

19   three subschemes related to that. Whether or

20   not it would show up in other typologies is also

21   a case.

22   Q   Right. And, I mean, it's kind of alluded to in

23   the last sentence of this in this first

24   paragraph, Ms. Bekkering, where it says:

25   "Without accurate data on who owns which

Haig McCarrell (for the commission)   206
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Rauch-Davis

1   corporations, it is almost impossible to

2   know who owns which properties and then

3   who lends to whom and who sells to whom."

4   So that's where it kind of covers. It's more

5   than just the ownership information; there's

6   also the aspect of lending and mortgages and

7   things to that effect. Do I have that right?

8   A   (EB) That's correct.

9   Q   Yeah. And so moving on, then. Paragraph 4 kind

10   of provides the value that your report finds --

11   or this study finds on a beneficial ownership

12   registry. And I take it this value -- I have

13   the evidence this morning that none of you are

14   AML experts and that this was kind of learned

15   through the process and through the creation of

16   this report from secondary sources and the like.

17   A   (EB) Correct.

18   Q   Yeah. And so onto paragraph 5, which is the

19   sentence -- which is the paragraph beginning

20   with the sentence:

21   "Ensuring accuracy of the information in

22   the beneficial ownership registry is also

23   a challenge."

24   And then it goes on to describe the UK's

25   beneficial ownership registry. And so one of

Haig McCarrell (for the commission)   207
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Rauch-Davis
1   the items here is that in the UK there was

2   limited verification of the data supplied. And

3   so I take it you recognized that there was an

4   issue in the UK with the verification of data

5   and the resulting efficacy of that beneficial

6   ownership registry. Perhaps I'll direct that

7   question to Mr. McCarrell again or --

8   A   (HM) Yeah, I'm not sure. I can't answer that

9   question. I'm not sure of all the --

10   Q   Okay. Mr. Deschamps-Laporte, I had notes that

11   perhaps you looked at the UK registry in

12   drafting this study. Do I have that right?

13   A   (JPD) So as you indicated, Mr. Rauch-Davis, we

14   used secondary resources and reports from

15   colleagues involved, so we did not have sort of

16   primary access to this information. But based

17   on this information that was provided to us,

18   that information indicated that indeed some

19   issues when it comes to accuracy of the

20   information contained in this report, there were

21   some challenges associated with this. But at

22   the same time similar to the observations heard

23   by Mr. McCarrell, the public nature of that

24   registry creates an intensive mechanism around

25   the registry so as to encourage the accuracy of

Haig McCarrell (for the commission)   208
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Rauch-Davis

1   the information contained therein.

2   Q   And I guess my question is in filling the data

3   gap of a registry -- beneficial ownership

4   information, if you're to fill that gap with a

5   beneficial ownership registry, it only gets

6   filled if the data is of sufficient reliability

7   and verification; right?

8   A   (JPD) Several aspects of our report indeed

9   suggest that the identification of money

10   laundering can require accurate information that

11   is not specific to beneficial ownership. That

12   is true across the 160 data points that we refer

13   to.

14   Q   And that's what's referred to here is the

15   problem with UK's registry was that there wasn't

16   sufficient verification. And so even though the

17   gap -- the beneficial ownership gap there may

18   not be as problematic as it is in Canada and

19   British Columbia, they had a problem that needed

20   addressing which was the verification of the

21   data being inputted. That's what's referenced

22   in this report here; right?

23   A   (JPD) So as mentioned several times during

24   today's testimony, our job was to identify the

25   data points necessary for the identification.

Haig McCarrell (for the commission)   209
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Rauch-Davis
1   The actual implementation, the policy

2   surrounding how these data come to life is

3   beyond the scope of our specific analysis and

4   truthfully the role of Statistics Canada in this

5   work stream, but I will reiterate that the

6   accuracy of beneficial ownership information is

7   highlighted in the report as being an important

8   aspect to identify the scheme.

9   Q   Sure. And, Dr. Deschamps-Laporte, I think you

10   just referenced to it, but the public vetting of

11   information was part of a UK beneficial

12   ownership registry and that improved the data

13   quality there. I think that's referenced the

14   next paragraph in this section. And my question

15   is perhaps better addressed to Mr. McCarrell

16   because in the -- in one of the slides, the

17   recommendation slides in the presentation that

18   my friend Mr. Martland took you through today,

19   the recommendation was that at a minimum

20   information should be available to law

21   enforcement for registries. And wouldn't you

22   agree that from a data analysis perspective

23   public access is ideal because it helps to

24   ensure that the information is accurate?

25   A   (HM) I don't know if it's ideal. In response,

Haig McCarrell (for the commission)   210
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Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Rauch-Davis
1   though, there are benefits. I mean, if you

2   can -- obviously if you can verify the data

3   there's benefits to that. But again, it was

4   referring to the previous questioner about some

5   of the implications of privacy and some of

6   the -- you know, some of the -- some of the

7   perhaps potential misuse of data or information

8   in the public domain. So we just prefaced the

9   fact that if it's not made publicly available,

10   it would be useful for authorized authorities to

11   have that information. And that was the point

12   we wanted to make. It's useful information.

13   Q   Yeah, so I guess my question is stripping away

14   the privacy implications for a moment, just from

15   a purely analytical data analysis perspective,

16   public access, the ability to verify that data,

17   that's a better practice?

18   A   (HM) Well, I would say that it has some utility.

19   Let's put it that way; okay? Because, I mean,

20   that's a big question to ask what's best. But

21   obviously there is some utility in that the

22   public could be -- could contribute in the

23   verification process and there could be other

24   methodologies to verify as well. Yep.

25   Q   And speaking to those privacy issues, those are

Haig McCarrell (for the commission)   211
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Exam by Mr. Rauch-Davis
1   also set out with reference to the 2020 report

2   at the sixth paragraph where it says:

3   "A public registry also entails greater

4   privacy concerns and potential risks for

5   identity theft, fraud and harassment."

6   That's -- you don't actually know of any

7   potential risks. I'll just -- you're

8   speculating there, I guess; right?

9   A   (HM) Well, not speculating, I think. The report

10   refers to another report, so you know, we didn't

11   verify that or we hadn't done any independent

12   analysis, as you say, to actually catalogue

13   whether there had been some misuse of data. I'm

14   not aware of that myself. But we just reference

15   a study, another study.

16   Q   Right. You're not --

17   A   (HM) [indiscernible] up as an issue.

18   Q   Right. You're not aware of any actual privacy

19   implications. It's just an issue that you're

20   flagging.

21   A   (HM) Exactly.

22   MR. RAUCH-DAVIS: Thank you. Those are my questions.

23   THE COMMISSIONER: Thank you, Mr. Rauch-Davis.

24   Ms. Harlingten for the province, who has

25   been allocated 10 minutes.

Haig McCarrell (for the commission)   212
 Jonathan Baron (for the commission)
 Ellen Bekkering (for the commission)
 Jean-Philippe Deschamps-Laporte (for the commission)
 Exam by Ms. Harlingten

1   MS. HARLINGTEN: Thank you, Mr. Commissioner.

2   **EXAMINATION BY MS. HARLINGTEN:**

3   Q   Mr. Baron, my questions will be for you.

4   A   (JB) Okay.

5   Q   As work stream 1 co-lead, you contributed to the

6   work stream 1 December 9, 2020 report; is that

7   right?

8   A   (JB) Yes, that's correct.

9   Q   And you also contributed to the executive

10   summary of that report dated September 7th,

11   2020?

12   A   (JB) That's correct.

13   MS. HARLINGTEN: Madam Registrar, could you please

14   bring up exhibit 725. Thank you.

15   Q   Mr. Baron, you'll recognize this as that

16   September 7th, 2020 executive summary.

17   A   (JB) Yes.

18   MS. HARLINGTEN: Madam Registrar, could you please

19   turn to page [indiscernible] of that document.

20   THE REGISTRAR: Sorry, your voice dropped. Which

21   page?

22   MS. HARLINGTEN: The pardon me. Page 7.

23   THE REGISTRAR: Thank you.

24   MS. HARLINGTEN: Thank you.

25   Q   So you'll see here, Mr. Baron, in this section

Haig McCarrell (for the commission)   213
 Jonathan Baron (for the commission)
 Ellen Bekkering (for the commission)
 Jean-Philippe Deschamps-Laporte (for the commission)
 Exam by Ms. Harlingten

1   of the executive summary you're speaking about

2   the beneficial ownership information being a key

3   data gap. Do you see that there?

4   A   (JB) Yes.

5   Q   And in the third paragraph it speaks about the

6   province addressing this gap. Mr. Commissioner

7   has heard quite a bit of evidence about

8   beneficial ownership, and I would just ask if

9   there's any other updates on the province's work

10   in this area that you'd like to provide to the

11   Commissioner?

12   A   (JB) Yes. The last sentence where it says that

13   it be noted that this registry is not currently

14   shareable with federal entities. I believe that

15   to be incorrect. The *Land Owner Transparency*

16   *Act* does explicitly allow for federal

17   authorities such as FINTRAC to access the

18   transparency reports. So ...

19   Q   Thank you, Mr. Baron. Is there anything else,

20   any other work that your unit is doing in the

21   area of beneficial ownership that you would like

22   to provide an update to the commission on?

23   A   (JB) No, I don't think so.

24   MS. HARLINGTEN: Thank you very much. Those are all

25   my questions Mr. Commissioner.

Haig McCarrell (for the commission)   214
Jonathan Baron (for the commission)
Ellen Bekkering (for the commission)
Jean-Philippe Deschamps-Laporte (for the commission)
Colloquy

1   THE COMMISSIONER: Thank you, Ms. Harlingten. And

2   now Ms. Davis on behalf of Canada, who has been

3   allocated 10 minutes.

4   MS. DAVIS: Thank you, Mr. Commissioner. Given the

5   late hour, it may please everyone to know that

6   having heard the evidence today I have no

7   questions for this panel.

8   THE COMMISSIONER: All right. Thank you, Ms. Davis.

9   Anything arising, Mr. Rauch-Davis?

10   MR. RAUCH-DAVIS: No, thank you, Mr. Commissioner.

11   THE COMMISSIONER: Ms. Magonet?

12   MS. MAGONET: No, thank you, Mr. Commissioner.

13   THE COMMISSIONER: Mr. Usher.

14   MR. USHER: Nothing, Mr. Commissioner. Thank you.

15   THE COMMISSIONER: Okay. Mr. Martland?

16   MR. MARTLAND: Likewise, nothing. Thank you.

17   THE COMMISSIONER: Thank you. Well, I would like to

18   thank the members of the panel, Mr. Baron,

19   Ms. Bekkering, Mr. Deschamps-Laporte and

20   Mr. McCarrell, for their very helpful

21   exploration of data and data models and the

22   importance of those issues in trying to find a

23   needle in a needle stack. I think that's the

24   sort of evidence that will help the commission

25   very much in formulating its final report.

1   So I'm very grateful to you for the time

2   you've taken and the information that you've

3   provided to us. You're now excused from further

4   testimony.

5   **(WITNESSES EXCUSED)**

6   THE COMMISSIONER: Mr. Martland, I think we'll

7   adjourn now until tomorrow morning at 9:30.

8   MR. MARTLAND: Yes, Mr. Commissioner. And just for

9   your benefit and participants, my colleagues

10   anticipate tomorrow will be a little longer day

11   given two panels that have some dense evidence.

12   I think our suggestions would be we might plan

13   on a half-hour break between the panels and

14   likely sit until about 2:30 tomorrow, but it

15   won't be abundantly more than usual that we're

16   sitting. Thank you.

17   THE COMMISSIONER: All right. That's helpful. All

18   right. Thank you.

19   MR. MARTLAND: Thank you.

20   THE REGISTRAR: This hearing is adjourned now until

21   March 12th, 2021, at 9:30 a.m. Thank you.

22   **(PROCEEDINGS ADJOURNED AT 2:06 P.M. TO MARCH 12,**

23   **2021)**

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