

Commission of Inquiry into Money Laundering in British Columbia
Commissioner A. Cullen

**CLOSING SUBMISSIONS OF HER MAJESTY THE QUEEN IN RIGHT OF THE
PROVINCE OF BRITISH COLUMBIA**

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PART I - OVERVIEW

1. On May 15, 2019, in response to growing concerns regarding the apparent proliferation of money laundering in British Columbia, the Provincial government (the “Province”) established the Commission of Inquiry into Money Laundering in British Columbia (the “Commission”). At that time, the Province had taken various steps towards combatting money laundering, including commissioning expert reports to identify money laundering vulnerabilities and typologies in key sectors and to make recommendations for change.¹ Yet, it was apparent the scope and complexity of the issue necessitated broader independent investigation and analysis.² Over 8 months of hearings, the Commission has heard evidence from approximately 200 witnesses. This comprehensive evidentiary record will allow the Commissioner to make findings and recommendations that will, in turn, assist the public in better understanding the nature and extent of money laundering in BC and the viability of proposed solutions.

2. Money laundering is a global issue that defies borders³ and, like many developed jurisdictions, BC is attractive to money launderers.⁴ Despite this awareness, quantifying the amount of money laundering in a given jurisdiction is difficult⁵ in part because money laundering is deliberately secretive conduct. As a result, methods of quantifying money

¹ [Ex. 832, Dirty Money: An Independent Review of Money Laundering in Lower Mainland Casinos Conducted for the Attorney General of British Columbia, Peter M. German, QC, March 31, 2018 \(“Dirty Money”\)](#); [Ex. 833, Dirty Money – Part 2: Turning the Tide – An Independent Review of Money Laundering in B.C. Real Estate, Luxury Vehicle Sales & Horse Racing, Peter M. German, QC, March 31, 2019 \(“Dirty Money 2”\)](#); [Ex. 330, Combatting Money Laundering in BC Real Estate, Maureen Maloney, Tsur Somerville, and Brigitte Under, March 31, 2019](#) (the “**Maloney Report**”). The Province will use these defined terms when referring to these reports throughout this submission.

² Evidence led confirms the complexity of money laundering; it is a global, cross-jurisdictional and multi-sectoral issue with numerous typologies: see, [Transcript \(“TR”\) R. Wainwright, 15/JUN/2020](#), p. 66, l. 37-46; [TR R. Gilchrist, R. Wellwood, 10/JUN/2020](#), p. 40, l. 6-14, p. 51, l. 33-47, p. 52; [TR S. Lord, 28/MAY/2020](#), p. 13, l. 39–p. 14, l. 12; [Ex. 396](#).

³ [TR R. Wainwright, 15/JUN/2020](#), p. 29, l. 45-47.

⁴ The factors that make BC (and Vancouver) attractive to money launderers are typical of many developed countries: established trade and financial hubs, relatively simple access to corporate structures, highly developed banking systems, rule of law, etc. These factors attract good money as well as bad: [TR S. Lord, 28/MAY/2020](#), p. 16, l. 22-38.

⁵ [TR S. Schneider, 26/MAY/2020](#), p. 38, l. 27–p. 39, l. 17; [TR S. Schneider, 27/MAY/2020](#), p. 24, l. 2–p. 25, l. 11; [TR S. Lord, 29/MAY/2021](#), p. 29, l. 4–p. 31, l. 33; p. 60, l. 40–p. 61, l. 42; [TR O. Bullough, 01/JUN/2020](#), p. 89, l. 28–p. 90, l. 15; [TR M. Levi, P. Reuter, 5/JUN/2020](#), pp. 48-55; [TR R. Gilchrist, 9/JUN/2020](#), p. 40, l. 15-33; [Ex. 330](#), pp. 1-2, and 114.

laundering necessarily involve estimates rather than exact measurements.⁶ Estimates of the amount of money laundered in Canada and BC were recently made in the Maloney Report and by the Criminal Intelligence Service Canada.⁷ Each of the quantification methodologies presented in the evidence has various advantages and limitations⁸ and, although advancements to quantification methods have recently been made,⁹ estimates of money laundered vary depending on the methodology used.¹⁰ Regardless, money laundering estimates provide a useful indication of the magnitude of the problem.

3. While the scope of money laundering is difficult to measure, the social and economic harms caused by money laundering and its underlying predicate crimes are well-known and wide-reaching.¹¹ There is a human cost to money laundering, and it undoubtedly impacts the lives of British Columbians.¹²

4. To assist the Commission in fulfilling its terms of reference, the Province's written submission reviews the evidence and identifies the main hurdles to combatting money laundering in BC as well as viable anti-money laundering ("AML") approaches. While the evidence before the Commission was diverse and extensive, broad themes emerge:

- a. understanding the nature and scope of the money laundering in any sector requires good data and data analytical capabilities;
- b. entities and agencies with AML responsibilities should have express mandates and a clear delineation of their roles and responsibilities;

⁶ [TR B. Unger, 04/DEC/2020](#), pp. 5-11.

⁷ [Ex. 330](#), Appendix G; [Ex. 1017](#), Appendix A; [Ex. 328](#), p. 6; [TR B. Unger, 4/DEC/2020](#), pp. 89-92.

⁸ For a summary of various quantification methodologies, see: [Ex. 323](#); [Ex. 330](#), pp. 115-116.

⁹ In 2020, Prof. Unger and others empirically tested past assumptions in the gravity model and determined the weight of various characteristics (coefficients) that make a jurisdiction attractive for money laundering, as well as simulated all money laundering flows around the world for the first time: see [Ex. 328](#); [Ex. 329](#); [TR B. Unger, 04/DEC/2020](#), pp. 41-46, 73-89, 158-160. Jonathan Caulkins and Peter Reuter also developed a framework for estimating what portion of the proceeds of an illegal market is laundered: [Ex. 337](#); [TR P. Reuter and J. Caulkins, 08/DEC/2020](#).

¹⁰ Measuring the impacts of money laundering in specific sectors such as real estate, financial institutions and luxury goods, among others, can be equally challenging, e.g. quantifying the impact of money laundering on housing prices is difficult: see [TR A. ab Iorwerth, 18/FEB/2021](#), p. 39, l. 16–p. 42, l. 12; [TR T. Somerville, 18/FEB/2021](#), p. 129, l. 24–p. 131, l. 19.

¹¹ [TR P. Reuter and M. Levi, 08/JUN/2020](#), p. 25, l. 21-47; [TR S. Lord, 28/MAY/2020](#), p. 44, l. 33–p. 45, l. 15; [TR R. Wainwright, 15/JUN/2020](#), p. 19, l. 8-23.

¹² For example, the Commission heard evidence of the emotional and financial toll experienced of money laundering. This witness testified in camera out of concerns for their safety: [Synopsis of in camera evidence](#), 04/MAR/2021; see also, [Ex. 147, Aff. #1 M. Labine](#).

- c. effective solutions will likely involve a collaborative approach and, to the extent possible, entities and agencies with AML responsibilities should maximize information sharing; and
 - d. effective solutions require flexibility and should be able to adapt to the changing criminal landscape.
5. This submission is organized into five sections: real estate, corporate, provincial financial services, including money services businesses (MSBs), white label ATMs and virtual assets, luxury goods, and enforcement, including BC's asset forfeiture regime and other jurisdictions' approaches to AML. In each section, the Province identifies consistencies, contradictions, and general themes arising from the evidence focusing on current challenges and potential areas of improvement. At Commission Counsel's direction, the gaming sector will be addressed in separate submissions at a future date.

PART II - REAL ESTATE

A. Money laundering vulnerabilities and typologies

6. Various experts and entities have found that the real estate sector is vulnerable to money laundering activity.¹³ Real estate is considered to be attractive to money launderers for three main reasons: (a) real estate is a large and diffuse market with high-valued assets and limited barriers to entry where large transaction volumes are not generally considered suspicious; (b) once purchased, real estate is a secure investment and there are ways to obscure beneficial ownership; and (c) there are several mechanisms to generate clean profits from real estate, including capital gains from the sale of property.¹⁴ In addition, the number of actors in a real estate transaction, including real estate agents, lawyers, and mortgage brokers, creates further vulnerability.¹⁵

7. In the Maloney Report, the Expert Panel identified six common typologies of money laundering in real estate transactions, which vary widely from purchasing real estate without a mortgage, using a corporation or a nominee owner to earn rental income and capital gains, to building a custom home or conducting renovations using the proceeds of crime. Complicating matters further, the Expert Panel observed that the transaction types

¹³ [Ex. 330](#), p. 16; [Ex. 833](#), pp. 53-54; [Ex. 718](#); [Ex. 396](#), p. 41.

¹⁴ [Ex. 330](#), p. 16.

¹⁵ [Ex. 396](#), p. 41; see also for general background, [Ex. 601](#).

indicative of money laundering share a common characteristic: each of them is a legitimate type of transaction carried out frequently in BC.¹⁶ As such, money laundering in the real estate sector remains difficult to detect and measure.¹⁷

8. Despite these difficulties, the evidence supports a conclusion that real estate in BC is, at least, vulnerable to money laundering.¹⁸ The evidence also supports the conclusion that money laundering has likely occurred through the purchase of real estate in BC.¹⁹ As such, it is necessary to address identified vulnerabilities in this sector.

B. Provincial regulation in the real estate sector

9. Currently, the real estate and related financial services sectors are regulated by: (a) the British Columbia Financial Services Authority (“BCFSA”); (b) the Office of the Superintendent of Real Estate (“OSRE”); (c) Real Estate Council of BC (“RECBC”); (d) the Society of Notaries Public of BC; and (e) the Law Society of British Columbia.²⁰

10. On March 2, 2021, legislation was introduced that will combine OSRE, RECBC, and BCFSA to create a single regulator for the financial services sector including real estate.²¹ Although this merger did not arise in response to money laundering concerns, it presents opportunities to strengthen the Province’s AML work in this sector through increased information sharing and collaboration.²² While provincial regulators operating in the real estate and related financial services sector currently do not have an explicit AML mandate, each undoubtedly has a role to play in combating money laundering. The Province has yet to determine the nature and extent of those roles.

i. BCFSA

11. On November 1, 2019, the accountabilities of the Financial Institutions Commission (“FICOM”) were transitioned to BCFSA. BCFSA derives its power from the *Financial*

¹⁶ [Ex. 330](#), pp. 20-21; see also, [Ex. 833](#), pp. 61-70; [Ex. 715](#); [Ex. 716](#).

¹⁷ [Ex. 719](#), pp. 3 and 10.

¹⁸ [Ex. 330](#), pp. 73-95; [Ex. 704](#).

¹⁹ [TR B. MacKillop, 12/MAR/2021](#), p. 28, l. 21–p. 29, l. 6; see also, Overview Report – Paul Jin Debt Enforcement Against BC Real Estate (currently marked as Ex. K for identification pending determination of an application brought by Mr. Jin).

²⁰ The legislative framework for each relevant provincial regulator is described in [Ex. 603](#).

²¹ For an overview of these legislative changes, see below: “Single Real Estate Regulator”.

²² [TR E. Seeley, 17/FEB/2021](#), p. 42, l. 3–p. 43, l. 11.

[Services Authority Act, SBC 2019, c 14](#), and the [Financial Institutions Act, RSBC 1996, c 141](#).²³ It has responsibility for regulating the financial services sector in BC, including credit unions, trust companies, and insurance companies that do business in BC. BCFSA also has oversight over pensions, mortgage brokers and the deposit regime in the Province which is governed by the Credit Union Deposit Insurance Corporation (“CUDIC”).²⁴ BCFSA is on a journey to becoming a modern, efficient, and effective regulator that is professionally managed and operated. Compared to its predecessor FICOM, BCFSA is more stable, transparent and engaged with the sector.²⁵

12. The amalgamation of BCFSA with OSRE and RECBC reflects a change in approach to the regulation of BC’s real estate and financial services sectors. BCFSA will continue its prudential supervision but will also broaden its focus to include market conduct. Unlike the current situation, where mortgage brokers and real estate agents are regulated by different entities, BCFSA will be an integrated financial services sector regulator with a clear focus on the real estate sector.²⁶ It will have visibility into both the financial services and real estate sectors.

13. BCFSA does not presently have an express AML mandate. Any AML mandate given to BCFSA should complement its existing regulatory and supervisory activities and not duplicate the roles of the Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”) and police of jurisdiction.²⁷ Blair Morrison, BCFSA’s Chief Executive Officer, testified that having a clear AML mandate is important as it allows a regulator to define the space it regulates and to be clear on what it requires from others.²⁸ BCFSA’s existing skill set is applicable to a potential AML mandate.²⁹ BCFSA’s core competencies of data collection and analysis, investigation, and evaluation of controls could assist in deterring criminal activity in real estate, thereby allowing BCFSA to be part of the solution

²³ [TR B. Morrison, 16/FEB/2021](#), p. 5, l. 11-18; [Ex. 603](#), ¶14.

²⁴ [TR B. Morrison, 16/FEB/2021](#), p. 5, l. 3-10, p. 9, l. 22–p. 10, l. 23; [TR C. Elgar, 15/JAN/2021](#), p. 6, l. 9-15.

²⁵ [TR B. Morrison, 16/FEB/2021](#), p. 20, l. 7–p. 24, l. 23; [TR C. Elgar, 15/JAN/2021](#), p. 9, l. 3–p. 10, l. 8; [Ex. 415](#).

²⁶ [TR B. Morrison, 16/FEB/2021](#), p. 14, l. 8–p. 16, l. 18.

²⁷ [TR B. Morrison, 16/FEB/2021](#), p. 113, l. 15–p. 117, l. 3.

²⁸ [TR B. Morrison, 16/FEB/2021](#), p. 50, l. 1–p. 51, l. 6.

²⁹ [TR B. Morrison, 16/FEB/2021](#), p. 119, l. 9–p. 120, l. 9.

to addressing money laundering in the sector. Due to its overlapping areas of oversight, BCFSA is well-positioned to support the strengthening of BC's AML regime.

14. Any expansion of BCFSA's mandate must also be supported by appropriate resources. BCFSA is presently industry-funded and does not have additional resources immediately available to contribute to AML initiatives.³⁰ BCFSA's AML mandate would also need to be supported by enhanced data collection and ability to share information.³¹

ii. Registrar of Mortgage Brokers

15. Within BCFSA, regulation of mortgage and submortgage brokers is carried out by the Registrar of Mortgage Brokers (the "Registrar"). The Registrar administers the [Mortgage Brokers Act, RSBC 1996, c 313](#) (the "MBA"), and is responsible for registration, compliance and examination, and investigation and enforcement.³²

16. The *MBA* captures origination — activities traditionally undertaken by a mortgage broker — and lending on the security of mortgages.³³ There are two categories of licensing requirements under the *MBA*: (a) a mortgage broker (the individual with whom a consumer will work) must be registered and is referred to as a submortgage broker; and (b) brokerages must be registered and are referred to as mortgage brokers. There are not different types of registration for origination and lending secured by mortgages.³⁴

17. The Registrar oversees the suitability of a person who applies to become registered, both initially and on an ongoing basis. In doing so, the Registrar considers competence, character, and other circumstances relevant to the protection of the public. When conducting a suitability assessment, the Registrar may access information from various sources, including open sources, complaints and regulatory history, criminal record checks, and civil litigation. The Registrar and RECBC also have an information sharing agreement that allows them to share information about their members.³⁵ However, the Registrar has limited access to information regarding an applicant's

³⁰ [TR B. Morrison and C. Carter, 16/FEB/2021](#), p. 113, l. 15–p. 117, l. 3.

³¹ [TR B. Morrison and C. Carter, 16/FEB/2021](#), p. 113, l. 15–p. 117, l. 3.

³² [TR C. Carter, 16/FEB/2021](#), p. 29, l. 21–p. 31, l. 10; [Ex. 603](#), ¶16.

³³ [TR C. Carter, 16/FEB/2021](#), p. 32, l. 19–p. 35, l. 14.

³⁴ [TR C. Carter, 16/FEB/2021](#), p. 35, l. 15–p. 38, l. 2.

³⁵ [Ex. 616](#).

employment history and experiences challenges searching for some information. Increased functionality and searchability of the land title and court services registries would assist the Registrar in conducting assessments.³⁶

18. Once registered, a mortgage broker has obligations under the *MBA* around disclosure, advertising, and conduct prejudicial to the public interest. However, the *MBA* does not currently impose express know your customer (“KYC”) obligations, a duty to act in the best interests of either the borrower or the lender, or a requirement to ensure a borrower is placed into an appropriate mortgage. Further, mortgage brokers are not designated as reporting entities under the [Proceeds of Crime \(Money Laundering\) and Terrorist Financing Act, SC 2000, c. 17](#) (“*PCMLTFA*”) and as such, are not required to report suspicious transaction reports (“STRs”) or large cash transactions (“LCTs”) to FINTRAC.³⁷

19. The Registrar addresses most market conduct issues under the “conduct prejudicial to the public interest” provision in s. 8(1)(i) of the *MBA*, which captures document manipulation, fraud, and fronting of unregistered activity.³⁸ However, the sanctions available for conduct prejudicial to the public interest are limited to conditions on registration, suspending or canceling registration, and monetary penalties.³⁹

20. The Registrar also acts against unregistered individuals who may be engaging in unauthorized practice, but enforcement action is limited by whether the person requires registration for the activity in which they are engaged. If a person is engaged in an activity requiring registration, the Registrar can only act against them for not being registered; the Registrar has no authority over an unregistered person’s business practices.⁴⁰ The enforcement options available to the Registrar against unregistered persons include: (a) administrative remedies, including issuance of a cease and desist order or an

³⁶ [TR C. Carter, 16/FEB/2021](#), p. 38, l. 3–p. 40, l. 1; [TR M. McTavish, 22/FEB/2021](#), p. 91, l. 20–p. 96, l. 8.

³⁷ [Ex. 603](#), ¶63-64; see [Ex. 704](#), pp. 1-4 for an analysis of potential benefits of including mortgage brokers and unregulated mortgage lenders as reporting entities under the Federal AML/ATF Regime.

³⁸ [TR C. Carter, 16/FEB/2021](#), p. 56, l. 16–p. 74, l. 14; [TR M. McTavish, 22/FEB/2021](#), p. 89, l. 16–p. 91, l. 19; see [Ex. 604](#) for examples of discipline orders made by the Registrar.

³⁹ [TR M. McTavish, 22/FEB/2021](#), p. 97, l. 7–22.

⁴⁰ [TR M. McTavish, 22/FEB/2021](#), p. 96, l. 9–p. 97, l. 6.

administrative monetary penalty; or (b) a referral to Crown counsel for prosecution of an offence under the *MBA*.⁴¹

21. As a whole, the *MBA* provides the Registrar limited tools to combat money laundering. The Registrar also does not have an express AML mandate. Legislative amendments may address some these gaps and increase the oversight and enforcement options available to the Registrar. As discussed below, the MOF is engaged in policy analysis with respect to replacing the *MBA* with a modern regulatory statute.⁴²

iii. RECBC

22. RECBC has authority under the [Real Estate Services Act, SBC 2004, c 42](#) (“*RESA*”), to regulate trading services, the purchase and sale of real estate, as well as strata property management and rental management in BC. Under *RESA*, RECBC has shared accountabilities with OSRE.

23. *RESA* defines how real estate services must be delivered in BC and sets the licensing requirements for activities that require a licence under the Act. There are four types of licensure: (a) representative, or licensee; (b) associate broker; (c) managing broker; and (d) the brokerage itself.⁴³ Each type of licensure has its own requirements that are generally established by *RESA* and then specified by RECBC’s council.⁴⁴

24. In BC, the managing broker carries out the regulatory requirements for oversight and supervision of the day-to-day operations of the brokerage. Managing brokers also often fulfil the role of compliance officer, which relates to the *PCMLTFA* and is focussed on AML policies, audit, training and programs internal to the brokerage.⁴⁵

25. RECBC receives complaints regarding licensee conduct and also conducts audits of brokerages. Historically, audits primarily targeted financial record keeping but from 2016 onwards, have expanded to consider a broader range of licensing misconduct.⁴⁶

⁴¹ [TR M. McTavish, 22/FEB/2021](#), p. 97, l. 23–p. 100, l. 7.

⁴² For a discussion of this work, including the perspective of the Registrar on opportunities to strengthen the current legislative regime, see below: “*Mortgage Brokers Act*”.

⁴³ [TR E. Seeley, 16/FEB/2021](#), p. 141, l. 17-25, p. 142, l. 1-24.

⁴⁴ [TR E. Seeley, 16/FEB/2021](#), p. 142, l. 25, p. 143, l. 1-24; for background, see [Ex. 618](#).

⁴⁵ [TR E. Seeley, 16/FEB/2021](#), p. 156, l. 9–p. 157, l. 19.

⁴⁶ [TR E. Seeley, 16/FEB/2021](#), p. 186, l. 6-24.

During an audit, RECBC investigators may observe red flags about the flow of money through a trust account or in the responses received from a managing broker. In those cases, RECBC may investigate further, initiate discipline proceedings and/or share information with law enforcement or FINTRAC. RECBC does not conduct AML audits.⁴⁷

26. RECBC routinely shares information with OSRE and the Registrar (and vice versa). RECBC investigations have also been initiated from information provided by FINTRAC⁴⁸ and, in at least one instance, from a referral from law enforcement.⁴⁹

27. RECBC does not have an express AML mandate⁵⁰ but it has implemented a mandatory AML course for its licensees to provide guidance specific to licensee obligations.⁵¹ RECBC designed its course with assistance from lawyers and FINTRAC to provide practical tools that licensees can use for red flag identification.⁵²

28. Real estate agents are not currently obliged to collect information about a client's financial resources, inquire into source of funds, or file STRs. Real estate agents are required to monitor source of funds for a deposit by way of a receipt-of-funds record that is kept by the brokerage; however, this requirement does not extend to the remainder of the financing as it does not go through the brokerage.⁵³ Inquiries into source of funds should form part of client identification and suspicious transaction reporting.⁵⁴ There is, however, an obligation on managing brokers to submit STRs, and client identification done by real estate agents can be part of that process.⁵⁵ In RECBC's view, imposing a reporting requirement on real estate agents would need to be supported by the regulator conducting audits, FINTRAC, and changes to record keeping requirements. In the current regulatory framework, it is more efficient for the brokerage to have responsibility.⁵⁶

⁴⁷ [TR E. Seeley, 16/FEB/2021](#), p. 186, l. 25–p. 188, l. 14.

⁴⁸ [TR D. Avren, 17/FEB/2021](#), p. 51, l. 22–p. 52, l. 12.

⁴⁹ [TR M. Scott, 25/FEB/2021](#), p. 79, l. 19–p. 80, l. 12, p. 84, l. 21–p. 87, l. 18, p. 126, l. 2–p. 127, l. 9.

⁵⁰ [TR D. Avren, 17/FEB/2021](#), p. 43, l. 12–p. 45, l. 19.

⁵¹ [TR E. Seeley, 16/FEB/2021](#), p. 144, l. 10–p. 146, l. 24; [Ex. 617](#); [Ex. 601](#), ¶¶97-98, Appendix 12.

⁵² [TR E. Seeley, 16/FEB/2021](#), p. 148, l. 5–p. 150, l. 1; [TR D. Achimov, 12/MAR/2021](#), p. 20, l. 14–p. 21, l. 12; [TR B. MacKillop, 12/MAR/2021](#), p. 21, l. 25–p. 22, l. 22; [Ex. 736](#).

⁵³ [TR E. Seeley, 17/FEB/2021](#), p. 37, l. 9-17.

⁵⁴ [TR E. Seeley, 17/FEB/2021](#), p. 37, l. 18–p. 38, l. 15; see also, p. 40, l. 19–p. 41, l. 23.

⁵⁵ [TR E. Seeley, 17/FEB/2021](#), p. 34, l. 6–p. 36, l. 11.

⁵⁶ [TR E. Seeley, 17/FEB/2021](#), p. 49, l. 10–p. 51, l. 21; [TR E. Seeley, 17/FEB/2021](#), p. 37, l. 18–p. 38, l. 15; see also, p. 40, l. 19–p. 41, l. 23.

29. Because of the number of other players involved in a real estate transaction (e.g. lawyers, notaries, financial institutions⁵⁷), any reporting framework for real estate licensees must be mindful of duplication. This is also an area in which increased collaboration is necessary to ensure the players involved in the transaction and their regulators are working together to address the risk of money laundering in the sector.⁵⁸

30. The current regulatory regime is rules-based, and compliance focussed. While it enables RECBC to be proactive through its own investigations, RECBC's ability to respond to misconduct is inhibited by the volume of complaints as compared to its resourcing and staffing.⁵⁹ RECBC would prefer the single real estate regulator address market activity in a more proactive way. However, much of the necessary data to do so resides within the Multiple Listing Service ("MLS"), which is maintained by real estate boards in BC.⁶⁰ Currently that data is fragmented and not in the public domain. Like the Registrar, RECBC sees a need to access data from the land titles registry and observed that, while the data is accessible, it is not easy to search and therefore utilize.⁶¹

iv. OSRE

31. OSRE is part of the Ministry of Finance ("MOF"). It has responsibilities under *RESA*, the [Real Estate Development Marketing Act, SBC 2004, c 41](#) ("*REDMA*")⁶², and limited accountabilities under the [Strata Property Act, SBC 1998, c 43](#).⁶³ OSRE is responsible for regulating real estate activity and acting against unlicensed real estate activity. OSRE has an oversight function with respect to the activities of RECBC and currently makes rules

⁵⁷ See also, [TR M. Morin, 05/MAR/2021](#), p. 26, l. 9–p. 27, l. 15.

⁵⁸ [TR E. Seeley, 17/FEB/2021](#), p. 38, l.16–p. 40, l. 18.

⁵⁹ [TR D. Avren, 17/FEB/2021](#), p. 23, l. 18–p. 24, l. 24; [Ex. 619](#); see also, [TR E. Seeley, 16/FEB/2021](#), p. 184, l. 13-25.

⁶⁰ [TR D. Hyde, 17/FEB/2021](#), p. 82, l. 12–p. 83, l. 4; [Ex. 603](#), ¶118-135.

⁶¹ [TR E. Seeley, 17/FEB/2021](#), p. 59, l. 2–p. 62, l. 19.

⁶² *REDMA* was amended to establish the Condo and Strata Assignment Integrity Register (CSAIR), which came into force in January 2020. Under CSAIR, developers are required to report on assignments of their development units. The Property Taxation Branch within the MOF is the administrator of CSAIR and the Land Title and Survey Authority manages the register. OSRE's function in respect of CSAIR is to investigate developer non-compliance with reporting requirements: [TR R. Humayun 25/FEB/2021](#), p. 9, l. 18–p. 10, l. 20.

⁶³ [TR M. Noseworthy, 16/FEB/2021](#), p. 7, l. 22-25; p. 44, l. 21–p. 45, l. 5; [TR R. Humayun 25/FEB/2021](#), p. 11, l. 16–p. 12, l. 8.

which govern the conduct of real estate licensees.⁶⁴ Although RECBC has primary authority to investigate alleged misconduct by a licensee, the Superintendent of Real Estate for BC (the “Superintendent”) may investigate allegations of misconduct that are “seriously detrimental to the public interest”, which includes activity that poses a substantial risk to the public interest, causes significant consumer harm, or undermines the public’s confidence in the real estate industry or the regulation of the industry.⁶⁵

32. OSRE and RECBC routinely refer matters to one other; in December 2019, they entered a memorandum of understanding to enable OSRE to better exercise its authority to investigate activity that may be seriously detrimental to the public interest.⁶⁶

33. OSRE does not have an explicit AML mandate, but since 2016, has built up its investigative capacity. OSRE’s investigators are appointed as Special Provincial Constables and several have taken AML and fraud detection training.⁶⁷

34. Similar to BCFSA, in order for OSRE to take a more modern market conduct approach to regulation and be effective with an AML mandate, OSRE requires enhanced access to data and data analytic capacity, and a clear AML mandate supported by adequate resources.⁶⁸ More specifically, while OSRE can access multiple data sources including corporate registries, land title registries, and motor vehicle branch records, its work would benefit from better-defined access to additional sources including information held by the Property Taxation Branch, Canada Revenue Agency, the Residential Tenancy Branch, MLS, BC Housing, and the Land Title and Survey Authority (the “LTSA”).⁶⁹

35. The evidence revealed several potential gaps in the data collected by BC’s real estate and financial services sector regulators that hinder their ability to use that data to

⁶⁴ [TR M. Noseworthy, 16/FEB/2021](#), p. 8, l. 3-15; p. 45, l. 15–p. 46, l. 3; [TR R. Humayun 25/FEB/2021](#), p. 6, l. 1–p. 7, l. 18. Section 89.1 of *RESA* sets out OSRE’s responsibilities in respect of RECBC and empowers the Superintendent to direct the activities of RECBC in prescribed ways. There are also instances in which OSRE can appeal a decision of RECBC to the Financial Services Tribunal: [TR R. Humayun 25/FEB/2021](#), p. 7, l. 19–p. 8, l. 13; p. 14, l. 13–p. 15, l. 17.

⁶⁵ *RESA*, s. 48(1)(b); [TR R. Humayun 25/FEB/2021](#), p. 13, l. 7–p. 14, l. 13; p. 17, l. 2–p. 18, l. 22.

⁶⁶ [TR R. Humayun 25/FEB/2021](#), p. 35, l. 6–p. 39, l. 19.

⁶⁷ [TR M. Noseworthy, 16/FEB/2021](#), p. 51, l. 7–10; p. 117 l. 4–p. 119, l. 5.

⁶⁸ [TR M. Noseworthy, 16/FEB/2021](#), p. 95, l. 6–p. 99, l. 14; p. 117 l. 4–p. 119, l. 5.

⁶⁹ [TR R. Humayun 25/FEB/2021](#), p. 44, l. 2–p. 54, l. 17; [Ex. 658](#); [TR M. Noseworthy, 16/FEB/2021](#), p. 99, l. 25–p. 106, l. 24.

proactively regulate in the public interest. With improved data quality and data management tools, regulators could better regulate licensees, increase regulatory efficiency, engage in a risk-based approach to regulation, and better understand risks in the sector.⁷⁰ Ancillary benefits from improved data collection and analytics include allowing regulators to publish independent statistics on real estate market conditions, improve broader market conduct regulation, and collaborate with other agencies to support joint enforcement action, including on AML enforcement.⁷¹

C. FINTRAC reporting and engagement in the real estate sector

36. Historically, FINTRAC reporting of suspicious cash transactions in the real estate sector has been minimal. For example, in the 2019/2020 fiscal year BC real estate reporting entities submitted only 37 STRs.⁷² However, FINTRAC does receive STRs from other reporting entities on real estate transactions, such as financial institutions, which make up approximately 90% of all FINTRAC's reported transactions.⁷³ While there is a need for ongoing education for reporting entities in the BC real estate sector, FINTRAC's outreach efforts are improving outcomes in suspicious transaction reporting.⁷⁴

37. The lack of mandatory reporting to FINTRAC for particular actors in the real estate sector and the lack of reporting generally were recurring themes in the evidence. Currently, the *PCMLTFA* only applies to certain actors in the real estate sector. Notaries, real estate brokers, sales representatives and, in certain circumstances, developers are required to submit STRs and LCTs to FINTRAC.⁷⁵ Mortgage brokers, private lenders, and lawyers, among others, are not required to report to FINTRAC.⁷⁶

38. One FINTRAC witness testified that there are “any number of sectors” that could have useful information for FINTRAC but it is a “balance of how many sectors you add to

⁷⁰ [TR M. Noseworthy, 16/FEB/2021](#), p. 91, l. 6–p. 106, l. 5; Exs. [611](#), [612](#), [613](#).

⁷¹ [TR M. Noseworthy, 16/FEB/2021](#), p. 106, l. 6–24; [Ex. 613](#).

⁷² In total, FINTRAC received approximately 386,102 reports that fiscal year: [TR D. Achimov and B. MacKillop, 12/MAR/2021](#), p. 94, p. 95, l. 1-6.

⁷³ [TR D. Achimov and B. MacKillop, 12/MAR/2021](#), p. 95, l. 7–p. 97, l. 6.

⁷⁴ [TR B. MacKillop, 12/MAR/2021](#), p. 6, l. 24–p. 7, l. 17; [Ex. 736](#).

⁷⁵ [TR J. Mayr and M. Morin, 05/MAR/2021](#), p. 21, l. 7-19; [Ex. 739](#).

⁷⁶ [Ex. 833](#), p. 58.

the regime”.⁷⁷ Mortgage brokers could be in a unique position to submit STRs on potential clients that may be using their services to launder money.⁷⁸ Information from mortgage brokers could include the borrower’s identity, source of income and means of repayment.

39. Work Stream 2 of the Federal-Provincial Ad Hoc Working Group on Real Estate (the “Working Group”) (discussed further below) considered the potential benefits of expanding the scope of entities regulated by the federal AML/ATF regime to include mortgage brokers and unregulated mortgage lenders. The Working Group found that creating new reporting entities could benefit the AML/ATF regime where lenders are unwittingly used to launder proceeds of crime by fostering a greater level of due diligence in the sector which could increase deterrence and detection of money laundering. Another benefit could be an increase in the amount of reporting received by FINTRAC in the real estate sector, and consequently, the disclosures provided to law enforcement agencies.⁷⁹

40. However, the Working Group noted that any new measures should not create undue regulatory burden and should be proportional to the identified risks. It considered that, in most mortgage loans undertaken by unregulated lenders, the funds used to make payments on the loan or the funds disbursed to the seller receiving the proceeds of sale originate from entities already regulated under the *PCMLTFA*. As such, these changes may not bring much benefit where the lending entities are criminally controlled, as they are unlikely to self-report their suspicious activities.⁸⁰ Ultimately, the Working Group concluded further analysis is required to recommend whether to include mortgage brokers or unregulated mortgage lenders as reporting entities under the *PCMLTFA*.

41. In June 2021, the *PCMLTFA* was amended to require real estate professionals and other reporting entities to verify the beneficial ownership information of their corporate clients. This change was made in part to respond to circumstances where individuals use

⁷⁷ [TR A. Ryan, 12/MAR/2021](#), p. 100, l. 16–p. 101, l. 3.

⁷⁸ [TR B. MacKillop, 12/MAR/2021](#), p. 101, l. 3–p. 102, l. 1.

⁷⁹ [Ex. 704](#), pp. 1-4.

⁸⁰ The Working Group commented that for situations where the lending entities are criminally controlled, other measures aimed at improving transparency for regulators and law enforcement agencies of corporate ownership and sources of funds behind the loan may yield better results. One potential measure identified by the work stream is requiring unregulated mortgage lenders to file a transparency declaration under *LOTA* when registering interest in a mortgage: [Ex. 704](#), pp. 1-4.

corporations and legal entities to launder money.⁸¹

42. The Minister of Finance has reviewed the Maloney Report which recommends that she ask her federal counterpart to amend the *PCMLTFA*, including to expand the reporting entities under the Act (R. 13-17). The Minister would consider adding any further entities the Commission may recommend as part of such a request to her federal counterpart.

D. Current AML policy work and initiatives

i. The Finance, Real Estate and Data Analytics Unit

43. The Finance, Real Estate and Data Analytics Unit (“FREDA”) was established within the Policy and Legislation Division of the MOF in September 2019 in response to the Maloney Report recommendation that MOF create a specialized, multidisciplinary financial investigations unit (R. 26).⁸² FREDA was not created to seek out intelligence about specific individuals but rather to build greater analytical capacity within the MOF.⁸³

44. FREDA has two branches: policy and data analytics. The policy branch is tasked with implementing the Maloney Report recommendations, while the data analytics branch is mandated to build the MOF’s data holdings and provide data analytics services.⁸⁴

45. FREDA’s data branch is currently working to develop its capacity and data holdings. The short-term objectives of the branch are to support the Tax Policy Branch and Intergovernmental Fiscal Relations Branch of the MOF; its short to medium-term goals are to provide data analytics support to other MOF areas. Once additional capacity is in place, it will consider issues such as AML. This work would not be focussed on detecting particular transactions or bad actors, but rather on supporting evidence-based policy analysis and using statistical information to discover trends and draw general conclusions about activity and potential policy responses.⁸⁵

46. The data branch faces challenges in obtaining data due to various legislative

⁸¹ [TR D. Achimov, 12/MAR/2021](#), p. 111, l. 23–p. 112, l. 12; FINTRAC is currently working on educational materials for those changes: [TR D. Achimov, 12/MAR/2021](#), p. 112, l. 13–p. 114, l. 7.

⁸² [Ex. 330](#), p. 8.

⁸³ [TR C. Dawkins 08/MAR/2021](#), p. 17, l. 23–p. 18, l. 17.

⁸⁴ [TR C. Dawkins 08/MAR/2021](#), p. 2, l. 12-22; p. 4, l. 19–p. 6, l. 4.

[TR C. Dawkins 08/MAR/2021](#), pp. 7-9; p. 11, l. 9–p. 14, l. 6; p. 16, l. 16–p. 17, l. 20; [Ex. 687](#).

restrictions, particularly with respect to tax data. Taxpayer information is confidential, and there are provisions in various taxation statutes setting out permissible uses for that data.⁸⁶ Despite these challenges, the data branch has been able to obtain information from the administration of taxes, specifically the speculation tax, property transfer tax, income tax programs and provincial sales tax, as well as data from corporate registries, the LTSA, and data on the employment benefit for workers. The branch will also soon be receiving data from the Land Owner Transparency Registry (“LOTR”) and CSAIR.⁸⁷ The data gathered by FREDa in furtherance of its policy focus is used “almost exclusively for ... the compilation of statistical information”.⁸⁸ The data and any analytics arising from that data is aggregated and is not attributed to any one individual citizen.⁸⁹

47. The data held by FREDa is used to assist in the work of FREDa’s policy branch, which is responsible for: the [Land Owner Transparency Act, SBC 2019, c 23](#) (“LOTA”); the transparency registry requirements in the [Business Corporations Act, SBC 2002, c 57](#) (the “BCA”); development of a central registry of beneficial ownership for companies in BC; creation of a single real estate regulator; rewriting the *MBA*; consideration of unexplained wealth orders; consideration of a regulatory framework for MSBs in BC; consideration of AML mandates for various regulators; and, the potential regulation of real estate developers, home inspectors, and appraisers.⁹⁰

ii. Single Real Estate Regulator

48. As discussed above, the Province is moving to a single regulator of the real estate and financial services sectors. This transition is effected by Bill 8, the [Finance Statutes Amendment Act, 2021](#), which amends *RESA* to abolish RECBC and OSRE, create a single regulator for real estate, and bring real estate regulation into BCFSA.⁹¹

49. The creation of a single real estate regulator responds to recommendations made

⁸⁶ [TR C. Dawkins 08/MAR/2021](#), p. 61, l. 23–p. 62, l. 12.

⁸⁷ [TR C. Dawkins 08/MAR/2021](#), p. 54, l. 3–p. 55, l. 14; [TR J. Baron 11/MAR/2021](#), p. 86, l. 12–p. 87, l. 9; see also, [TR J. Baron 11/MAR/2021](#), p. 87, l. 11–p. 91, l. 1.

⁸⁸ [TR J. Baron 11/MAR/2021](#), p. 92, l. 4–p. 93, l. 4.

⁸⁹ [TR J. Baron 11/MAR/2021](#), p. 93, l. 1-4.

⁹⁰ [TR J. Primeau 08/MAR/2021](#), p. 19, l. 3–p. 20, l. 21.

⁹¹ The legislation will be brought into force by regulation: [TR C. Dawkins, 08/MAR/2021](#), p. 22, l. 1–p. 24, l. 17; p. 30, l. 14-24; [Ex. 688](#).

by Dan Perrin in his September 2018 report “Real Estate Regulatory Structure Review”, which the Expert Panel recommended be implemented (R. 6).⁹² Mr. Perrin found the existing co-regulator model was “not operating effectively because of dysfunction largely created by the structure”.⁹³ The fundamental structural issue was the overlapping responsibilities of OSRE and RECBC, particularly with policy development.⁹⁴ Echoing Mr. Perrin’s recommendations, the Expert Panel noted that restructuring real estate regulation would reduce silos and “provide a broad-based regulatory platform for the real estate sector in the context of the broader financial sector”.⁹⁵

50. The new regulatory model will centralize expertise and enable more efficient and co-ordinated oversight of BC’s financial services sector, including real estate. The integration will simplify accountabilities and enhance regulatory oversight through more effective and efficient business processes, investigations, and enforcement. The power to make rules under *RESA* will be transferred from the Superintendent to the board of BCFSa and will require approval from the Minister of Finance.⁹⁶

51. The most significant area of legislative change brought about by the *Finance Statutes Amendment Act, 2021*, relates to the discipline model for real estate. There are currently three levels of discipline: (a) letters of advisement; (b) administrative penalties (which are only allowed for specific contraventions of specific rules); and (c) discipline hearings. The amendments expand the instances in which administrative penalties can be used to include contraventions of rules, the legislation or regulations. The maximum administrative penalty that can be imposed has increased to \$100,000 and, as part of the penalty, the regulator can now impose education requirements on licensees.⁹⁷

52. The composition of discipline hearing committees has also been modified. Under the current regime, one of the conditions for a discipline hearing is the creation of a hearing committee the majority of whose members are required to be members of RECBC. There

⁹² [TR B. Morrison, 16/FEB/2021](#), p. 11, l. 7–p. 13, l. 2; [Ex. 688](#); [Ex.607](#), p. 4; [Ex. 330](#), p. 5.

⁹³ [Ex. 607](#), p. 37.

⁹⁴ [Ex. 607](#), p. 25.

⁹⁵ [Ex. 330](#), p. 77.

⁹⁶ [TR C. Dawkins, 08/MAR/2021](#), p. 28, l. 9–p. 29, l. 25; [Ex. 688](#); Any rules that are developed will be subject to the [Regulations Act, RSBC 1996, c 402](#).

⁹⁷ [TR C. Dawkins, 08/MAR/2021](#), p. 24, l. 18–p. 26, l. 8; [Ex. 688](#).

is no longer a requirement for a hearing committee. Instead, the Superintendent can convene such a committee should he or she decide it is appropriate. In addition, the deadline for negotiating a consent order has been eliminated and there is no longer an automatic stay of a discipline order on appeal to the Financial Services Tribunal.⁹⁸

53. Finally, the *Finance Statutes Amendment Act, 2021*, amends the *Financial Institutions Act* and the [Credit Union Incorporation Act, RSBC 1996, c 82](#), to change the role of the BCFSA board. Most of the regulatory functions that are currently undertaken by the board are now vested in the Superintendent of Financial Institutions. This will shift the focus of the BCFSA board to a corporate oversight model and allow BCFSA to operate more effectively as it acquires a new major set of responsibilities under real estate.⁹⁹

iii. Mortgage Brokers Act

54. The Maloney Report recommended replacing the *MBA* with a modern regulatory statute and ensuring all those in the mortgage lending business be required under provincial legislation to conduct and maintain KYC records and records of the source of mortgage payment funds from borrowers (R. 9 and 25).¹⁰⁰

55. From January to April 2020, the MOF held public consultations to elicit feedback on modernizing the *MBA*. The policy branch of FREDa compiled the comments received and is developing options and recommendations for government on how to proceed.¹⁰¹ The MOF is considering whether there needs to be a more robust regime that places duties on mortgage brokers and further professionalizes the industry.¹⁰²

56. The consensus of witnesses who testified on this point was that the *MBA* is antiquated and does not reflect the current state of the industry. For example, the categories of mortgage broker and submortgage broker do not reflect how the industry is structured. The *MBA* effectively results in the creation of registry; it does not create a licensing and regulation regime.¹⁰³ The legislation also combines mortgage brokers and

⁹⁸ [TR C. Dawkins, 08/MAR/2021](#), p. 26, l. 9–p. 28, l. 8; [Ex. 688](#).

⁹⁹ [TR C. Dawkins, 08/MAR/2021](#), p. 23, l. 20–p. 24, l. 17; [Ex. 688](#).

¹⁰⁰ [TR J. Primeau 08/MAR/2021](#), p. 42, l. 7–p. 43, l. 5; [Ex. 330](#), pp. 5 and 7.

¹⁰¹ [TR J. Primeau 08/MAR/2021](#), p. 46, l. 21–p. 48, l. 6; [Ex. 694](#); [Ex. 605](#).

¹⁰² [TR J. Primeau 08/MAR/2021](#), p. 48, l. 21–p. 49, l. 24.

¹⁰³ [TR J. Primeau 08/MAR/2021](#), p. 48, l. 21–p. 49, l. 24.

lenders such that they are regulated in essentially the same way.¹⁰⁴ The Registrar would welcome clarification of licensees' obligations to consumers through the inclusion of duties to provide best advice to clients, exercise due skill and reasonable care, and the addition of KYC and know-your-product obligations.¹⁰⁵ Additionally, the *MBA* does not include a licensing category for a managing broker or a locus of accountability for regulatory compliance within a brokerage, overseeing activities of individual brokers. The Registrar regards this as a gap in the legislation.¹⁰⁶

57. Further, the inclusion of an annual information return reporting requirement would provide the Registrar with better insight into systemic issues in addition to consumer protection specific and transaction-specific issues.¹⁰⁷ Finally, the Registrar would welcome inclusion of a positive duty to report suspicious activity to the regulator and strengthening of the sanctions and options available to the Registrar for misconduct.¹⁰⁸

iv. Land Owner Transparency Act

58. *LOTA* was passed in response to the Maloney Report recommendations, which found that “[d]isclosure of beneficial ownership is the *single most important measure* that can be taken to combat money laundering”.¹⁰⁹ As a result, the Expert Panel recommended the Province implement the *LOTR* as quickly and effectively as possible and that the BC Minister of Finance encourage other finance ministers across the country to implement beneficial ownership of land registries consistent with best practices (R. 1 and 2).¹¹⁰

59. *LOTA*, which came into force in November 2020, creates disclosure requirements to assist in the identification of beneficial owners of land in BC.¹¹¹ Beneficial ownership refers to the natural persons who ultimately own or control the legal entity.¹¹² The

¹⁰⁴ [TR C. Carter 16/FEB/2021](#), p. 33, l. 5-14; [TR M. McTavish 22/FEB/2021](#), p. 154, l. 18–p. 158, l. 23; [TR J. Primeau 08/MAR/2021](#), p. 48, l. 7-20.

¹⁰⁵ [TR C. Carter, 16/FEB/2021](#), p. 42, l. 3–p. 44, l. 4.

¹⁰⁶ [TR C. Carter, 16/FEB/2021](#), p. 34, l. 3-13; p. 40, l. 2–p. 41, l. 15; [TR M. McTavish 22/FEB/2021](#), p. 154, l. 18–p. 158, l. 23.

¹⁰⁷ [TR C. Carter, 16/FEB/2021](#), p. 87, l. 2–p. 91, l. 5.

¹⁰⁸ [TR C. Carter, 16/FEB/2021](#), p. 42, l. 3–p. 44, l. 20; p. 75, l. 6–p. 77, l. 6; [TR M. McTavish 22/FEB/2021](#), p. 154, l. 18–p. 158, l. 23.

¹⁰⁹ [Ex. 330](#), p. 2 (emphasis in original).

¹¹⁰ [Ex. 330](#), pp. 2 and 4.

¹¹¹ [TR R. Danakody, 12/MAR/2021](#), p. 133, l. 12–p. 134, l. 16.

¹¹² [Ex. 330](#), p. 30.

ownership threshold for disclosure under *LOTA* is 10%, which was based on the Expert Panel's advice regarding best practices for beneficial ownership of land registries.¹¹³

60. The LOTR is created by *LOTA*¹¹⁴ and administered by the LTSA, a statutory corporation created under the [Land Title and Survey Authority Act, SBC 2004, c 66](#) that is independent from government. The LTSA's mandate and responsibilities are set out in that Act and consist of managing and maintaining the land title and survey systems of BC and, more recently, administering *LOTA* and the LOTR.

61. The LTSA is self-funded and operates on a user-pay basis.¹¹⁵ The Province and provincial agencies are fee-exempt;¹¹⁶ while organizations like the RCMP can search online for a fee.¹¹⁷ The land titles registry is searchable by the public through two account types.¹¹⁸ The LOTR became publicly searchable on April 30, 2021.¹¹⁹

62. The LTSA relies on the filer and the legal professional involved in the preparation of the form to ensure the accuracy of information.¹²⁰ Except for when there is a company involved as a transferee or transferor, the LTSA does not have a role in verifying the information filed with the land titles registry.¹²¹ The LTSA is not “resourced to undertake a thorough review of every single application that comes in through the door”.¹²²

63. The land title registry currently captures ownership of interest in land. There are other types of data that could be captured but are not, such as the identities of mortgage

¹¹³ [Ex. 52](#); [Ex. 330](#), p. 32.

¹¹⁴ [TR C. MacDonald, 12/MAR/2021](#), p. 144, l. 6-20.

¹¹⁵ [TR C. MacDonald, 12/MAR/2021](#), p. 138, l. 14–p. 140, l. 1-4; see also, [Ex. 749](#).

¹¹⁶ [TR C. MacDonald, 12/MAR/2021](#), p. 220, l. 9-24.

¹¹⁷ [TR C. MacDonald, 12/MAR/2021](#), p. 188, l. 18–p. 189, l. 14. Law enforcement has expressed the view that the user pay system is a hindrance to their ability to be able to investigate crime: [TR C. MacDonald and R. Danakody, 12/MAR/2021](#), p. 189, l. 12-24 and p. 190, l. 1-8; see also, [TR L. Blaschuk, 12/MAR/2021](#), p. 218, l. 12-24.

¹¹⁸ The two types of public accounts—myLTSA enterprise account and myLTSA explorer account—each have different functionalities: see [TR C. MacDonald, 12/MAR/2021](#), pp. 156-157; p. 177, l. 21-25. For examples of information that may be searched by the public, see Exs. [750](#), [751](#), [753](#).

¹¹⁹ [TR R. Danakody, 12/MAR/2021](#), p. 199, l. 19–p. 200, l. 15.

¹²⁰ [TR L. Blaschuk, 12/MAR/2021](#), p. 149–p. 150, l. 1-3; see also, [TR R. Danakody, 12/MAR/2021](#), p. 223, l. 1–p. 226, l. 5.

¹²¹ [TR C. MacDonald, 12/MAR/2021](#), p. 153, l. 1–154, l. 1-10.

¹²² [TR R. Danakody, 12/MAR/2021](#), p. 227, l. 5-12.

brokers.¹²³ The LTSA also does not have access to transaction documents such as the agreement of purchase and sale.¹²⁴ The addition of that data would not be technically difficult, but the LTSA does not currently have a mandate to track that information.¹²⁵

64. The disclosure requirements in *LOTA* apply to trusts, corporations and partnerships (reporting bodies)¹²⁶ and are required in the following three circumstances: (a) on any application to register an interest in land in the name of a reporting body; (b) any time there is a change of interest holders or beneficial owners, even if this does not result in a legal transfer of title; and (c) for reporting bodies that are pre-existing owners at the time the legislation came into force, disclosure is required by November 2021 to ensure there are no information gaps.¹²⁷ *LOTA* aims to prevent entities such as trusts, partnerships and corporations that own land from using these vehicles to disguise the underlying beneficial owners of property, which, in turn, should disrupt money laundering in BC.¹²⁸

65. *LOTA* includes significant administrative and offence penalties to enforce compliance. The head of the Property Taxation Branch within the Revenue Division of the MOF has been appointed the enforcement officer for *LOTA*.¹²⁹

66. Like other public bodies, the LTSA is governed by the provisions of the [Freedom of Information and Protection of Privacy Act, RSBC 1996, c 165](#). To share information with government, law enforcement or private companies, the LTSA requires legal authority under that Act.¹³⁰ There are also operational difficulties with sharing LTSA data. LTSA data is searchable but there are costs associated with maintaining that searchability. In 2015, the LTSA had over 10 million records available on myLTSA with another 800,000

¹²³ It would assist the Registrar if mortgage broker information was searchable in a database such as the LTR: [TR C. Carter, 16/FEB/2021](#), p. 90, l. 9–p. 91, l. 5.

¹²⁴ [TR C. MacDonald, 12/MAR/2021](#), p. 162, l. 13-18.

¹²⁵ [TR C. MacDonald, 12/MAR/2021](#), p. 182, l. 24–p. 185, l. 2.

¹²⁶ [TR R. Danakody, 12/MAR/2021](#), p. 198, l. 19–p. 199, l. 18.

¹²⁷ [TR J. Primeau, 08/MAR/2021](#), p. 35, l. 1–p. 36, l. 5; [Ex. 52](#).

¹²⁸ [TR J. Primeau, 08/MAR/2021](#), p. 35, l. 1–p. 36, l. 5; [Ex. 52](#); [Ex. 756](#); Another option LTSA is considering is the use of a unique identifier that would allow the related person or corporation to be tracked across the registry: [TR C. MacDonald and G. Steves, 12/MAR/2021](#), p. 185, l. 3–p. 188, l. 17; see also, [TR R. Danakody and G. Steves, 12/MAR/2021](#), p. 229, l. 21–p. 231, l. 22.

¹²⁹ [TR J. Primeau, 08/MAR/2021](#), p. 37, l. 20–p. 39, l. 14; [Ex. 52](#); [TR R. Danakody, 12/MAR/2021](#), p. 203, l. 13–p. 205, l. 8.

¹³⁰ [TR C. MacDonald, 12/MAR/2021](#), p. 194, l. 16–p. 195, l. 19.

or so being entered every year — a large undertaking to maintain in searchable form.¹³¹

E. Federal-Provincial Ad Hoc Working Group on Real Estate

67. The Working Group was created in December 2018 to explore issues related to fraud, money laundering, tax evasion and speculation in BC’s real estate sector to better coordinate and align policy and operations. The Working Group is co-chaired by the federal and BC ministries of finance and has three work streams.¹³²

68. Work Stream 1, co-led by Statistics Canada and the MOF, considered the data needs of government authorities that could be used to better detect and deter money laundering or other criminal activities in real estate.¹³³ Work Stream 2, co-led by the Department of Finance Canada and the MOF, explored approaches to improving the detection and deterrence of money laundering by financial intermediaries and government organizations, including areas such as regulatory gaps, and improving compliance, standards and education.¹³⁴ Work Stream 3, co-led by the RCMP and Ministry of Public Safety and Solicitor General (“PSSG”), looked at ways to improve law enforcement actions and the prosecution of financial crimes.¹³⁵

69. The Working Group prepared a final report to Finance Ministers dated January 2021 that provides an overview of the work streams’ main findings and outcomes.¹³⁶ The final report has been approved by both the Federal and BC Ministers of Finance and circulated to finance ministers in other provinces and territories.¹³⁷

70. The Working Group’s analysis highlights how improving the transparency of beneficial ownership is a key issue in addressing money laundering in real estate. The Working Group found that obfuscation of ownership is a facet of the most common schemes for laundering money in real estate. Having accurate beneficial ownership

¹³¹ [TR C. MacDonald, 12/MAR/2021](#), p. 212, l. 25–p. 215, l. 4.

¹³² [TR C. Dawkins and J. Brown, 08/MAR/2021](#), p. 95, l. 12–p. 97, l. 20.

¹³³ Work Stream 1’s final report is dated December 9, 2020: [Ex. 703](#); see also, [Ex. 724](#) and [Ex. 725](#).

¹³⁴ Work Stream 2’s final report is dated December 15, 2020: [Ex. 704](#).

¹³⁵ Work Stream 3’s final report is dated December 18, 2020: [Ex. 705](#).

¹³⁶ [Ex. 706](#).

¹³⁷ [TR C. Dawkins and J. Brown 08/MAR/2021](#), p. 139, l. 24–p. 142, l. 3.

information is an important component for authorities to be able to confirm the presence of a significant number of money laundering indicators.¹³⁸

71. To support continued improvement to *LOTA* and facilitate information sharing on the initiative with other provinces and territories, the Working Group identified the following key considerations and challenges with setting up a *LOTA* framework: (a) challenges around verification of beneficial owners; (b) privacy and protection of vulnerable individuals; and (c) the scope of corporate interest holders under *LOTA*.¹³⁹

72. Overall, the Working Group formulated a list of suggested items for BC to consider further, including: (a) additional measures to improve the accuracy of the LOTR, such as requiring the collection of tax numbers from foreign entities that do not have a Canadian tax number; (b) continuing to monitor privacy concerns that emerge from creating the public-facing LOTR; (c) facilitating the sharing of *LOTA* data with other agencies to allow for data analytics; (d) harmonizing the meaning of corporate interest holders under *LOTA*, *PPTA* reporting, and *BCA* transparency register requirements; (e) expanding the meaning of “interest in land” under *LOTA* to include other interests, including mortgages and liens; (f) sharing the lessons learned in developing *LOTA* with other Canadian jurisdictions interested in implementing a similar registry; and (g) working with the LTSA after the launch of the LOTR to compile a list of lessons learned in operationalizing the registry.¹⁴⁰

73. The Working Group discussed potential measures at the provincial level for improving market conduct and reducing risk of illicit activities in real estate. It recommended that further policy work be undertaken to consider ending the exemption in the [Real Estate Services Regulation, BC Reg 506/2004](#), which permits developers to use their own unlicensed salespersons to provide real estate services.¹⁴¹ This exemption has raised consumer protection concerns, as unlicensed employees are not subject to the same regulatory oversight as licensed salespersons. Furthermore, as developers themselves are not licensed, there are concerns that the comparative lack of oversight

¹³⁸ [Ex. 706](#).

¹³⁹ [Ex. 704](#), pp. 4-6.

¹⁴⁰ [Ex. 704](#), pp. 4-6.

¹⁴¹ Under the *RESA* regulation, there is an exemption from the requirement to be licensed for employees of developers in certain circumstances.

could result in an increased risk of illicit activities, including money laundering.¹⁴²

74. The Working Group also recommended further policy work to consider a maximum permissible threshold for certain unlicensed activities. *RESA* requires that a person must not provide real estate services to or on behalf of another, or in expectation of remuneration, unless the person is licensed under *RESA* to provide those services. However, unlicensed real estate service providers can consciously structure their business to leverage exceptions initially intended for consumers to lease or rent their own properties to avoid *RESA*'s licensing requirements. This can undermine AML and other regulatory regimes. Policy work to identify the scope of the issue and solutions that establish a permissible threshold of unregulated activity could address the issue.¹⁴³

F. Money laundering impacts on real estate prices

75. The impact of money laundering on real estate prices was also the subject of testimony in the real estate sector. By way of background, the median price growth for a detached home in Vancouver between 2010 and 2016 was approximately 85%. The Canada Mortgage and Housing Corporation (“CMHC”) concluded this persistent and continual growth was unusual for a real estate market.¹⁴⁴ CMHC estimated that conventional economic factors, e.g. population growth, income and mortgage rates, contributed to 75% of the increase in housing prices in Vancouver, but was unable to conclude what caused the remaining 25% increase in prices.¹⁴⁵

76. The issue of housing prices gave rise to two general topics during the evidentiary hearings: (a) the potential impact of money laundering on housing prices; and (b) the potential impact of foreign investment on housing prices. The Province emphasizes that whether foreign investment is a causative factor in relation to the affordability crisis in

¹⁴² [Ex. 704](#), pp. 7-8.

¹⁴³ [Ex. 704](#), pp. 8-10.

¹⁴⁴ [TR A. ab Iorwerth, 18/FEB/2021](#), p. 5, l. 16–p. 7, l. 13; p. 8, l. 13–p. 9, l. 13; p. 11, l. 9–p. 12, l. 2; [Ex. 602](#).

¹⁴⁵ [TR D. Ley, 18/FEB/2021](#), p. 94, l. 12–p. 95, l. 22; [TR A. ab Iorwerth, 18/FEB/2021](#), p. 16, l. 25–p. 18, l. 18; CHMC explored various factors that may have contributed including rising income inequality, investor demand, availability of credit, and the generally desirable factors about living in Vancouver: [TR A. ab Iorwerth, 18/FEB/2021](#), p. 18, l. 19–p. 21, l. 14; CHMC conducted research and analysis on regarding speculation and concluded that speculation was increasing in Vancouver in the 2016 period: [TR A. ab Iorwerth, 18/FEB/2021](#), p. 25, l. 11–p. 28, l. 8.

residential real estate markets in BC, and whether the foreign investment that has occurred has incorporated an element of money laundering, are separate questions. In addressing the second question, the Commission should not assume an answer to the first that lacks reliable grounding in the evidence available from the inquiry.

77. The evidence on the impact of foreign investment on housing prices is complex and, in some respects, contradictory. For example, CMHC has not concluded that foreign investment in real estate is a predominant factor in the increase in housing prices.¹⁴⁶ In contrast, Professor Josh Gordon opined there are “substantial amounts of foreign money that are flowing into the housing markets in Vancouver ... on a continuous basis”¹⁴⁷ and “the affordability challenges in ... Vancouver have been exacerbated by high rates of foreign ownership”.¹⁴⁸ He observed that if policymakers wished to improve housing affordability, they ought to implement policies to “discourage or sharply curtail foreign ownership”.¹⁴⁹ Professor Gordon made clear, however, he was not suggesting that high levels of foreign investment necessarily correlated with high levels of money laundering.¹⁵⁰

78. This divergent testimony reflects a broader state of controversy on the issue of whether and to what extent foreign investment has contributed to the remarkably sustained and rapid price escalation that has affected residential real estate markets in urban areas of BC, in particular the Lower Mainland. This controversy has been before the Court with the benefit of a comprehensive record, including an array of detailed expert evidence, in a recent constitutional challenge to the additional provincial property transfer tax payable by foreign buyers under ss. 2.001-2.003 of the [Property Transfer Tax Act, RSBC 1996, c 378](#) (the “PPTA”). The plaintiff challenged the PPTA on the basis that, among other grounds, it discriminated against her on the basis of citizenship and national origin, specifically a subset of buyers from Asia or China. The constitutional challenge was

¹⁴⁶ [TR A. ab Iorwerth, 18/FEB/2021](#), p. 28, l. 11–p. 32, l. 11, and p. 44, l. 7–p. 46, l. 22.

¹⁴⁷ [TR J. Gordon, 18/FEB/2021](#), p. 58, l. 8–p. 62, l. 14.

¹⁴⁸ [Ex. 602](#), Appendix U, p. 22; [Ex. 639](#); [TR J. Gordon, 18/FEB/2021](#), p. 54, l. 18–p. 58, l. 12; Professor Gordon defined foreign ownership as occurring when housing is purchased primarily with income or wealth that is earned abroad and not taxed as income in Canada: [TR J. Gordon, 18/FEB/2021](#), p. 108, l. 18–p. 110, l. 22; see also, [TR D. Ley, 18/FEB/2021](#), p. 110, l. 25–p. 111, l. 19.

¹⁴⁹ [TR J. Gordon, 18/FEB/2021](#), p. 62, l. 15–p. 64, l. 4; see also, [Ex. 638](#).

¹⁵⁰ [TR J. Gordon, 18/FEB/2021](#), p. 157, l. 24–p. 158, l. 13.

dismissed: *Li v. British Columbia*, [2019 BCSC 1819](#), aff'd [2021 BCCA 256](#) (“*Li*”).

79. Notably, the expert evidence in *Li* included a statistical regression analysis, which Justice Bowden accepted, demonstrating causation between the introduction of the additional property transfer tax on August 2, 2016 and a moderation of prices that occurred during the ensuing period in neighbourhoods with high concentrations of foreign buyers. The evidence before the Commission here is, in comparison, relatively high level and is not of a nature to permit meaningful exploration of the complicated question of the contribution that foreign investment *per se* (whether or not it involves any component of laundered money) has made to price escalation in BC real estate markets.

80. Given the Commission’s terms of reference, it is not necessary to engage with the question of the impact of foreign ownership in real estate, absent some evidence it is correlated with money laundering, or any related question of discrimination based on race and national origin for the purposes of this inquiry (see, *contra*, Commission counsel’s outline, paras. 93-95). Insofar as the Commission considers it necessary to address those issues, it must have regard to the Court’s findings in *Li*.¹⁵¹

81. There is evidence before the Commission regarding the impact of money laundering on real estate prices in BC, as distinct from foreign ownership. In the Maloney Report, Professor Somerville provided a cautious estimate that approximately 5% of the value of real estate transactions in BC resulted from money laundering investment.¹⁵² That is, money laundering may have, albeit incrementally, impacted housing prices in BC. On this point, Professor Somerville testified that this 5% estimate relied on a “very, very large number of assumptions and caveats” and the true range could be “anywhere from about zero to 7 percent”, which is also contingent on accepting Professor Unger’s estimate of money laundering in BC as factual and accurate.¹⁵³ He opined that, practically, it is

¹⁵¹ The Court commented on the expert report of Professor Henry Yu, who also testified before the Commission. The Court observed that the chambers judge had reason to be concerned about the partiality of the report, given the lack of rigor in Dr. Yu’s supporting material and his attempt to present a conclusion on the essence of the discrimination issue before the Court: *Li* at ¶¶ 222-225.

¹⁵² [Ex. 330](#), p. 2.

¹⁵³ [TR T. Somerville, 18/FEB/2021](#), p. 89, l. 4–p. 91, l. 9. For discussion of the limitations of the gravity model, see: [Ex. 330](#), pp. 124-125; [TR B. Unger, 04/DEC/2021](#), p. 121, l. 4–p. 124, l. 7. Improvements were made to the gravity model in 2020, after completion of the Maloney Report: [TR B. Unger, 04/DEC/2021](#), pp. 41-46, 73-89, 158-160; [Ex. 328](#); [Ex. 329](#).

challenging to measure how much money laundering may be occurring and what the impact of that may be.¹⁵⁴ This opinion is consistent with evidence the Commission heard from other witnesses regarding the difficulty in quantifying money laundering activity.¹⁵⁵

82. Notwithstanding the difficulty in quantifying the impact of money laundering on housing prices, witnesses agreed that the real estate sector is vulnerable to money laundering. Professor Ley testified about the risk of money laundering in real estate and housing prices. He observed it is “widely recognized that real estate is a very manageable way of laundering money” and that it is “very common to see money laundering occurring in cities with expensive real estate”.¹⁵⁶ He discussed how substantial funds flowed to Vancouver from “distant investors and wealthy immigrants” from the Asia-Pacific region and this, among other things, led to an “ecology favourable” to money laundering.¹⁵⁷

83. On balance, the evidence before the Commission supports a conclusion that money laundering may have had a small impact on housing prices, but the quantification of any such impact is challenging. Regardless of whether estimates regarding the impact of money laundering on real estate prices are valid or not, the weight of the lay and expert evidence highlights that there are risks and vulnerabilities associated with the real estate sector in BC (as described in the Maloney Report). It is unquestionable that those risks and vulnerabilities need to be addressed. If, as an ancillary benefit, these actions lead to a decrease in housing prices in BC, the Province would welcome that development.

PART III – CORPORATE

A. BC Registries

84. BC Registries is the main provincial entity operating in the corporate sector. It is an “operational organization” and as such, its staff do not perform AML-related work; it currently does “not have any process, individuals or other resources to support audit or

¹⁵⁴ [TR T. Somerville, 18/FEB/2021](#), p. 129, l. 24–p. 131, l. 19; [TR D. Ley, 18/FEB/2021](#), p. 131, l. 21–p. 133, l. 25.

¹⁵⁵ See FN 5-10; [TR A. ab Iorwerth, 18/FEB/2021](#), p. 35, l. 12–p. 38, l. 2; p. 39, l. 16–p. 42, l. 12.

¹⁵⁶ [TR D. Ley, 18/FEB/2021](#), p. 76, l. 21 – p. 79, l. 2; Prof. Ley indicates that he is “not an expert on money laundering”: [TR D. Ley, 18/FEB/2021](#), p. 79, l. 24-25.

¹⁵⁷ [TR D. Ley, 18/FEB/2021](#), p. 73, l. 4 – p. 76, l. 20; [Ex. 602](#), Appendix T.

oversight of AML”.¹⁵⁸ BC Registries administers the Corporate Registry which is the registry for legal entities in BC including corporations and partnerships,¹⁵⁹ but does not verify the information submitted, other than some system validation for particular fields.¹⁶⁰ BC Registries does not currently conduct ongoing audit or enforcement efforts and does not have capacity to do so.¹⁶¹ BC Registries has limited visibility into trusts.¹⁶²

85. As part of a modernization project, BC Registries is introducing an identity verification process for persons who submit registration forms (i.e. the completing party).¹⁶³ This process uses the BC Services Card to allow users to create a digital identity.¹⁶⁴ BC Registries expects this will lead to greater transparency about who is registering information and will improve the quality of the information in the database.¹⁶⁵

86. BC Registries is also involved in several initiatives aimed at improving information sharing. In June 2020, it launched the Multi-Jurisdictional Registry Access Service, which allows for information sharing about extra-provincial incorporations between participating Canadian jurisdictions.¹⁶⁶ In January 2019, BC Registries launched OrgBook, which allows corporate data to be shared in a secure way using blockchain technology.¹⁶⁷ Finally, BC Registries also has the “Director Search” application that allows law enforcement and certain investigative bodies to search its database for information on corporate directors.¹⁶⁸

87. BC Registries does not yet have a corporate beneficial ownership registry. As the Expert Panel noted, there are two levels of beneficial ownership disclosure.¹⁶⁹ The first is disclosure of beneficial ownership of real estate, which *LOTA* addresses. The second is

¹⁵⁸ [TR C. Prest, 01/DEC/2020](#), p. 11, l. 24–p. 12, l. 9.

¹⁵⁹ The other registries administered by BC Registries are: the Personal Property Registry, the Manufactured Home Registry, and the one stop business registry. BC Registries is also responsible for BC Online.

¹⁶⁰ [Ex. 302](#).

¹⁶¹ [TR C. Prest, 01/DEC/2020](#), p. 54, l. 5-9.

¹⁶² [TR C. Prest, 01/DEC/2020](#), p. 3, l. 5–p. 5, l. 19, p. 13, l. 1-17; see also, [Ex. 293](#) and [294](#).

¹⁶³ [TR C. Prest, 01/DEC/2020](#), p. 29, l. 9-20.

¹⁶⁴ [TR C. Prest, 01/DEC/2020](#), p. 40, l. 18–p. 41, l. 17.

¹⁶⁵ [TR C. Prest, 01/DEC/2020](#), p. 41, l. 18-23.

¹⁶⁶ [TR C. Prest, 01/DEC/2020](#), p. 18, l. 6-24, p. 19, l. 2-4.

¹⁶⁷ [TR C. Prest, 01/DEC/2020](#), p. 42, l. 22–p. 44, l. 7, p. 44, l. 8-20.

¹⁶⁸ [TR C. Prest, 01/DEC/2020](#), p. 36, l. 13–p. 37, l. 5.

¹⁶⁹ [Ex. 330](#), p. 29.

beneficial ownership of legal persons such as corporations, trusts, and partnerships.

88. The Maloney Report recommended that the BC government: (1) proceed with its commitment to require corporations to maintain beneficial ownership information and require existing bearer shares to be converted to shares compliant with the *BCA*; and (2) develop a discussion paper with draft legislation for consultation about the implementation of a full corporate beneficial ownership registry covering all legal persons that is consistent with best practices and that integrates with *LOTA* (R. 3 and 5).¹⁷⁰

89. Beneficial ownership disclosure forms part of the AML system recommended by the Financial Action Task Force (“FATF”).¹⁷¹ FATF recommended that countries ensure there is adequate, accurate and timely information accessible on the beneficial ownership of legal persons that can be obtained by competent authorities (R. 24).¹⁷² This recommendation has been a major driver for the work of the Federal-Provincial-Territorial working group on beneficial ownership transparency (the “FPT Working Group”).¹⁷³

B. The FPT Working Group and corporate beneficial ownership information

90. The FPT Working Group is tasked with developing a coordinated response across Canada to FATF’s recommendations on beneficial ownership information. It is comprised of policy advisors, registry staff, law enforcement, tax administrators and tax policy experts, with representatives attending from all provinces and territories.¹⁷⁴

91. In December 2017, based on a FPT Working Group recommendation, the Ministers approved an agreement in principle to undertake a phased approach to addressing corporate beneficial ownership. Phase one requires private companies maintain a register of beneficial owners kept at the company’s records office. Phase two requires companies to provide beneficial ownership information to a government-maintained registry.¹⁷⁵

¹⁷⁰ [Ex. 330](#), pp. 4-5.

¹⁷¹ FATF is an independent international body whose objectives “are to protect financial systems and the broader economy from threats of money laundering and the financing of terrorism and proliferation, thereby strengthening financial sector integrity and contributing to safety and security”: [Ex. 4](#), p. 3.

¹⁷² [Ex. 4](#), Appendix E, p. 20; see also, [Ex. 274](#).

¹⁷³ [Ex. 303](#), p. 3.

¹⁷⁴ [TR J. Primeau, 01/DEC/2020](#), p. 70 l. 1-21; p. 71, l. 16-18.

¹⁷⁵ [TR J. Primeau, 01/DEC/2020](#), p. 73, l. 17–p. 80, l. 25; [Exs. 303](#) and [304](#).

92. In May 2019, through Bill 24, the [Business Corporations Amendment Act, 2019](#), BC introduced a requirement for corporations to maintain information about their beneficial owners within their corporate records office, which became effective October 1, 2020.¹⁷⁶ This requirement diverges from FATF’s recommendation insofar as it does not centralize information for access by law enforcement or other authorities.¹⁷⁷ Through Bill 24, BC also implemented a ban on bearer shares being used in the province.¹⁷⁸ With the Bill 24 changes, BC became the first province to pass legislation to establish a transparency register and achieved the first step in the FPT Working Group’s phased approach.¹⁷⁹

93. Harmonization of corporate beneficial ownership registries across Canada is a key AML feature. As James Cohen, Executive Director of Transparency International Canada, testified, harmonization is necessary in order to prevent “crooks” from finding “the easiest path that there is”.¹⁸⁰ Peter Dent, Managing Partner, Financial Advisory, BC Region, Deloitte, also emphasized the need for uniformity throughout Canada in terms of the percentage threshold that would qualify someone as a beneficial owner.¹⁸¹ At a broader level, Chris Taggart, Co-founder and CEO of OpenCorporates, explained that, because money laundering is a global problem, BC should not treat its register as a silo, but rather ensure its data can be connected to data collected elsewhere in the world.¹⁸²

94. This issue of harmonization gives rise to two potential options: (1) harmonize the requirements under the registry with BC’s federal, provincial, and territorial partners; or (2) harmonize the registry with BC’s own existing registry of beneficial ownership of land.¹⁸³ The key difference between these options is the threshold for identifying beneficial

¹⁷⁶ [TR J. Primeau, 01/DEC/2020](#), p. 76, l. 11-18.

¹⁷⁷ [TR J. Primeau, 01/DEC/2020](#), p. 76, l. 25–p. 77, l. 14.

¹⁷⁸ [TR J. Primeau, 01/DEC/2020](#), p. 81, l. 12-21.

¹⁷⁹ [TR J. Primeau, 01/DEC/2020](#), p. 74, l. 18-25; p. 81, l. 22-23; p. 84, l. 24 – p. 85, l. 5; [Ex. 303, 304](#); As the Province understands it, the next phase agreed to by the FPT Working Group is to file beneficial ownership information with a central registry. In January 2020, the MOF issued a consultation paper on a public beneficial ownership registry. The submissions received focused on five broad topics: (1) support for a central registry; (2) public access to the registry; (3) impact on businesses; (4) efficient collection of data; and (5) the role of government in ensuring accuracy: [TR J. Primeau, 01/DEC/2020](#), p. 80, l. 5-18, p. 93, l. 14–p. 109, l. 15, p. 111, l. 23–p. 119, l. 5; [Ex. 55](#); [Ex. 308](#).

¹⁸⁰ [TR J. Cohen, 30/NOV/2020](#), p. 39, l. 15–p. 40, l. 2; p. 142, l. 21–p. 143, l. 25.

¹⁸¹ [TR P. Dent, 30/NOV/2020](#), p. 88, l. 15–p. 89, l. 2. See also: [TR T. Law, 27/NOV/2020](#), p. 30, l. 19 – p. 31, l. 22; [TR G. Barrow, 02/DEC/2020](#), p. 24, l. 1-10, p. 85, l. 19 – p. 86, l. 13, p. 87, l. 8-20.

¹⁸² [TR C. Taggart, 30/NOV/2020](#), p. 145, l. 6–p. 146, l. 25; p. 174, l. 22.

¹⁸³ [TR J. Primeau, 01/DEC/2020](#), p. 119, l. 24–p. 121, l. 8.

owners. Under *LOTA*, the threshold is 10%, consistent with the Expert Panel's advice about best practices for corporate beneficial ownership registries and beneficial ownership of land registries.¹⁸⁴ However, the ownership threshold agreed to by the FPT Working Group is 25%. The Province implemented a 25% threshold for the requirement to maintain a transparency register to align with its federal, provincial and territorial partners.¹⁸⁵ In short, the Province has made progress in this area, but policy work is ongoing.

PART IV – PROVINCIAL FINANCIAL SERVICES, INCLUDING MSBs, VIRTUAL ASSETS, AND WHITE LABEL ATMs

A. BCFSA and Credit Unions

95. Credit unions fall under BCFSA's regulatory authority. As a prudential regulator with a risk-based approach, BCFSA follows the same supervisory framework as the federal Office of the Superintendent of Financial Institutions ("OSFI").¹⁸⁶ BCFSA utilizes OSFI's 2008 AML guideline, known as "B-8".¹⁸⁷ B-8 outlines the elements of an effective AML program and BCFSA looks to those elements when conducting operational risk assessments of provincially regulated financial institutions.¹⁸⁸ To date, BCFSA has not issued its own guidelines on AML separate from B-8.¹⁸⁹

96. BCFSA examines credit unions to determine what AML policies are in place and whether they are effective.¹⁹⁰ It uses a risk matrix that explains the principles and approaches used to review provincially regulated institutions, and prepares a net risk assessment which takes into account key inherent risks, the quality of risk management, and other centralized activities.¹⁹¹ Whereas previously AML was captured within the operational risk element of the matrix, it now has its own specific demarcation.¹⁹² This

¹⁸⁴ [Ex. 330](#), pp. 30, 32.

¹⁸⁵ [TR J. Primeau, 01/DEC/2020](#), p. 119, l. 24–p. 121, l. 8; 87; In addition, a decision will need to be made about where the corporate beneficial ownership registry will be located. The MOF is presently considering the LTSA and BC Registries as potential agencies to administer the registry: [TR J. Primeau, 01/DEC/2020](#), p. 118, l. 9–p. 119, l. 5.

¹⁸⁶ [TR C. Elgar, 15/JAN/2021](#), p. 21, l. 3-10.

¹⁸⁷ [TR C. Elgar, 15/JAN/2021](#), p. 21, l. 24-25; p. 22, l. 1-5; p. 97 l. 2-13.

¹⁸⁸ [TR C. Elgar, 15/JAN/2021](#), p. 23, l. 13-18.

¹⁸⁹ [TR C. Elgar, 15/JAN/2021](#), p. 27, l. 8-16.

¹⁹⁰ [TR C. Elgar, 15/JAN/2021](#), p. 34, l. 22-25; p. 35, l. 1-5.

¹⁹¹ [TR C. Elgar, 15/JAN/2021](#), p. 37, l. 1-5, p. 39, l. 12-18; p. 40, l. 9-23.

¹⁹² [TR C. Elgar, 15/JAN/2021](#), p. 43, l. 2-16; p. 44 l. 7-13.

increased awareness of the importance of maintaining AML policies and procedures and risk management has led to an improvement in AML practices in the credit union sector.¹⁹³

97. BCFSA explicitly communicates to credit unions their composite risk rating; any areas of concern are communicated in supervisory letters with recommendations or requirements to correct that shortcoming.¹⁹⁴ The impact of an above average composite risk rating on a credit union includes a possible increase in CUDIC insurance premiums, and increased oversight and review of the organization by BCFSA.¹⁹⁵ Credit unions are therefore incentivized to maintain a good composite credit risk rating.¹⁹⁶

98. Credit unions are also reporting entities under the *PCMLTFA* and subject to FINTRAC requirements for client identification, record keeping, compliance and reporting. FINTRAC communicates deficiencies and required action to the credit unions.¹⁹⁷ Credit unions report to FINTRAC but also ensure that relevant data reaches those in a position to investigate, i.e. law enforcement.¹⁹⁸

99. In 2005, BCFSA's predecessor (FICOM) and FINTRAC entered into a memorandum of understanding (MOU) under which FINTRAC shares its compliance data and findings letters with BCFSA for the regulation of credit.¹⁹⁹ FINTRAC and BCFSA also have semi-annual meetings where BCFSA receives examination results for those credit unions within its supervisory purview.²⁰⁰ BCFSA uses that information to monitor their mitigation plans.²⁰¹ Under the MOU, BCFSA also provides FINTRAC with reporting statistics, including data on large cash transfers and suspicious transaction reports in credit unions.²⁰² In short, the two entities cooperate to ensure any shortcomings are rectified as quickly as possible.²⁰³

¹⁹³ [TR C. Elgar, 15/JAN/2021](#), p. 63, l. 8-25; p. 64, l. 1-6

¹⁹⁴ [TR C. Elgar, 15/JAN/2021](#), p. 45, l. 16-25; p. 46, l. 1-9.

¹⁹⁵ [TR C. Elgar, 15/JAN/2021](#), p. 105, l. 16-25

¹⁹⁶ [TR C. Elgar, 15/JAN/2021](#), p. 106, l. 2-12.

¹⁹⁷ [TR C. Elgar, 15/JAN/2021](#), p. 77, l. 10-13; [TR E. Chhoa, 19/JAN/2021](#), p. 34, l. 15-24.

¹⁹⁸ [TR E. Chhoa, 19/JAN/2021](#), p. 22, l. 1-4; [TR L. Herring, 19/JAN/2021](#), p. 17, l. 1-14.

¹⁹⁹ [TR C. Elgar, 15/JAN/2021](#), p. 51, l. 1-6.

²⁰⁰ [TR D. Achimov, 18/JAN/2021](#), p. 170, l. 9-18; [TR C. Elgar, 15/JAN/2021](#), p. 49, l. 8-25.

²⁰¹ [TR C. Elgar, 15/JAN/2021](#), p. 49, l. 8-25.

²⁰² [TR C. Elgar, 15/JAN/2021](#), p. 55, l. 18-25; p. 59, l. 13-20.

²⁰³ [TR C. Elgar, 15/JAN/2021](#), p. 50, l. 1-16.

100. On November 5, 2020, BCFSA issued an advisory outlining its regulatory roadmap.²⁰⁴ The roadmap does not explicitly outline AML measures; however, BCFSA's 2020 service plan makes clear that improving its AML regime is a key objective.²⁰⁵ While it does not yet have an explicit mandate regarding use of its rule-making authority under the *Financial Institutions Act* to address AML issues, BCFSA has legal authority to make rules which may be able to assist in achieving its AML objectives.²⁰⁶

B. Money Services Businesses (MSBs)

101. MSBs are businesses that provide one or more of the following services to the public: (a) money transfers; (b) issuance or redemption of negotiable instruments (such as money orders); (c) foreign exchange; or (d) transactions in virtual currency.²⁰⁷ MSBs present a money laundering risk as they may provide illegitimate cash-based services.²⁰⁸ Despite this risk, MSBs are not regulated by any province except Quebec.²⁰⁹

102. MSBs are designated as reporting entities under the *PCMLTFA*, which also establishes an MSB registry.²¹⁰ FINTRAC makes efforts to inform MSBs of registration obligations and to examine MSBs two years after registration.²¹¹ However, the regulation of MSBs is not one of FINTRAC's core activities.²¹² The RCMP has identified 529 MSBs whose registration had lapsed, been revoked or were entirely unregistered.²¹³ According to the Canadian Money Service Business Association, non-compliant MSBs may operate for years before FINTRAC conducts a compliance examination.²¹⁴

103. It is difficult to determine the prevalence of the MSB industry in BC as the number of unregistered MSBs is unknown.²¹⁵ Regardless, FREDA's policy branch is considering

²⁰⁴ [Ex. 422](#).

²⁰⁵ [Ex. 423](#), pp. 15-16.

²⁰⁶ [TR C. Elgar, 15/JAN/2021](#), p. 81, l. 17–p. 82, l. 23.

²⁰⁷ [TR J. Iuso, 18/JAN/2021](#) p. 7, l. 24–p. 8, l. 13.

²⁰⁸ [TR J. Primeau, 01/DEC/2020](#), p. 133, l. 9-20; [Ex. 330](#), p. 80; [Ex. 832](#), pp. 136-137; [Ex. 438](#).

²⁰⁹ [Ex. 440](#), p. 8.

²¹⁰ [Ex. 310](#), p. 7; [Ex. 330](#), p. 80.

²¹¹ [TR J. Primeau, 01/DEC/2020](#), p. 129, l. 11-25.

²¹² [TR J. Primeau, 01/DEC/2020](#), p. 134, l. 14-25; p. 135, l. 1-3; [Ex. 330](#), p. 80.

²¹³ [TR M. Nettleton, 18/JAN/2021](#), p. 75, l. 7-13.

²¹⁴ [TR J. Primeau, 01/DEC/2020](#), p. 130, l. 1-13; p. 69 l. 1-6.

²¹⁵ [TR J. Primeau, 01/DEC/2020](#), p. 124, l. 6-21; p. 125, l. 6-9; p. 127, l. 2-4; see also [TR M. Nettleton, 18/JAN/2021](#), p. 75, l. 4-5.

whether BC should implement a framework for the regulation of MSBs, and it is specifically considering the objective and potential costs of such a regulatory framework.²¹⁶ Other options currently under consideration in BC, include: (1) the creation of a dedicated whistle-blowing unit;²¹⁷ and (2) using business licences as a mechanism for identifying unregistered MSBs.²¹⁸ Regardless of what provincial regulatory regime may be adopted, harmonization with the existing federal regime and other jurisdictions should be a central priority.²¹⁹

C. Virtual assets

104. Cryptocurrency (virtual assets) is a math-based, decentralised convertible virtual currency that is protected by cryptography. Of the 7,700 cryptocurrencies which currently exist worldwide, over 62% of all crypto transactions deal with Bitcoin.²²⁰ Cryptocurrency is distinguishable from fiat currency due to its anonymous structure, decentralized nature, and accessibility to traditionally unbanked economic sectors. These features render it vulnerable to money laundering.²²¹ There are numerous mechanisms available for bad actors to enhance the anonymity of illicit cryptocurrency transactions including privacy coins and mixers which make tracing those funds challenging.²²²

105. There is currently no asset registry in Canada requiring declaration of ownership of cryptocurrency.²²³ To identify a cryptocurrency account holder, law enforcement must trace blockchain transactions until they are converted into fiat currency through a public exchange.²²⁴ Some law enforcement agencies use Chainalysis software as an investigative tool.²²⁵ To enhance financial integrity and mitigate risks associated with cryptocurrency, real time transaction monitoring is an important tool.²²⁶

²¹⁶ [TR C. Dawkins, 08/MAR/ 2021](#), p. 5, l. 1-19; [Ex. 310](#), p. 2.

²¹⁷ [TR J. Primeau, 01/DEC/2020](#), p. 134, l. 4-13; p. 139, l. 18–p. 140, l. 15.

²¹⁸ [TR J. Primeau, 01/DEC/2020](#), p. 126, l. 1-8.

²¹⁹ [TR J. Primeau, 01/DEC/2020](#), p. 120, l. 8-23.

²²⁰ [TR A. Vickery, 23/NOV/2020](#), p. 88, l. 1-6; [Ex. 247](#).

²²¹ [TR A. Vickery, A. Gilkes, 23/NOV/2020](#), p. 95, l. 15-18, pp. 102-103.

²²² [TR A. Vickery, A. Gilkes, 23/NOV/2020](#), p. 91, l. 3-15; p. 117, l. 3–p. 126, l. 18.

²²³ [TR W. Krahenbil, 23/NOV/2020](#), p. 185, l. 7-16.

²²⁴ [TR A. Vickery, 23/NOV/2020](#), p. 45, l. 9–p. 46, l. 13.

²²⁵ [TR A. Vickery, 23/NOV/2020](#), p. 47, l. 9–p. 50, l. 5; Chainalysis aggregates and analyses publicly available data about cryptocurrency, populates risk ratings and identifies blockchain transactions entering and exiting the dark net: [TR J. Spiro, 24/NOV/2020](#), p. 7, l. 20–p. 9, l. 13; p. 27, l. 12-19.

²²⁶ [TR J. Spiro, 24/NOV/2020](#), p. 112, l. 20-24.

106. Due to its susceptibility to financial crime²²⁷, MSBs dealing with virtual assets are now required to register with FINTRAC, and virtual asset service providers, including Bitcoin ATMs, are captured within the definition of MSBs in the *PCMLTFA*.²²⁸ ATM operators are also required by FINTRAC to report any transaction over \$1,000.²²⁹ Despite this enhanced regulatory framework, there is still a risk of non-compliant entities running Bitcoin ATMs under the radar and evading reporting requirements.²³⁰

107. One recommendation to mitigate risk in this area is enhanced regulation of cryptocurrency exchanges. This could be achieved through the development of policies and programs which integrate information related to red flags and money laundering typologies within law enforcement and regulatory organizations.²³¹ In this regard, the FATF Report: Virtual Assets Red Flag Indicators provides a useful framework for regulators, law enforcement and the private sector alike.²³² Increased enforcement of KYC requirements for operators of Bitcoin ATMs may assist, as there is currently low incentive for individual operators to implement measures beyond those required by *PCMLTFA*.²³³ The Province is aware of the potential risks posed by the use of virtual assets and is currently considering the issue within the context of potential regulation of MSBs.²³⁴

D. White Label ATMs

108. White label ATMs are ATMs operated by non-bank operators. They are generally filled by: (a) independent sales organizations; (b) merchants; or (c) cash-loading service providers.²³⁵ There are approximately 50,000 ATMs in Canada, with white label ATMs accounting for approximately two-thirds of all ATMs in Canada.²³⁶ Each ATM must settle into a single Canadian bank account.²³⁷ In 2020, there were 4,912 white label ATMs in

²²⁷ And the result of related FATF recommendations: [Ex. 248](#); see also, [Ex. 249](#).

²²⁸ [TR A. Vickery, 23/NOV/2020](#), p. 86, l. 22–p. 87, l. 1; [TR C. Cieslik, 25/NOV/2020](#), p. 100, l. 14-17.

²²⁹ [TR A. Vickery, 23/NOV/2020](#), p. 74 l. 12-16.

²³⁰ [TR A. Vickery, 23/NOV/2020](#), p. 75, l. 1-10.

²³¹ [TR J. Spiro, 24/NOV/2020](#), p. 113, l. 5-25.

²³² [Ex. 259](#); [TR J. Spiro, 24/NOV/2020](#), p. 72, l. 14-21

²³³ [TR A. Vickery, 23/NOV/2020](#), p. 76, l. 12–p. 77, l. 4.

²³⁴ [Ex. 310](#) and [311](#).

²³⁵ [TR C. Chandler, 15/JAN/2021](#), pp. 133-134.

²³⁶ [TR C. Chandler, 15/JAN/2021](#), p. 117, l. 17–p. 118, l. 4.

²³⁷ [TR C. Chandler, 15/JAN/2021](#), p. 166, l. 15-21.

BC.²³⁸ The leading ATM network in Canada is Interac; most, if not all, white label ATMs in BC are connected to the Interac network.²³⁹ Interac relies on the Inter-Member Network, a multi-participant communications network, to connect ATMs and financial institutions.²⁴⁰

109. There are divergent perspectives regarding the risk of money laundering in white label ATMs in Canada. While industry participants assert that money laundering is not a significant risk, the Department of Finance and RCMP take a different view.²⁴¹ In 2008, the RCMP issued a report describing the risk of money laundering in white label ATMs across Canada.²⁴² The RCMP also advised the MOF they have intelligence that white label ATMs are being used to launder money and have described how such laundering could occur.²⁴³ However, Melanie Paddon, investigator with the Combined Forces Special Enforcement Unit of BC (“CFSEU-BC”) and the Joint Illegal Gaming Investigation Team (“JIGIT”), acknowledged she was unaware of any statistics to support the estimate provided in the RCMP report that \$315 million to \$1 billion could be laundered through white label ATMs annually.²⁴⁴ The Province is considering engaging an expert to assess the money laundering risk associated with white label ATMs in BC.²⁴⁵

110. Due to these divergent perspectives on risk, there are also divergent perspectives regarding the adequacy of existing regulation of white label ATMs. Aside from the financial institutions that are specifically within the Inter-Member Network, other intermediary service participants and indirect connectors are not subject to the *PCMLTFA*, the federal *Bank Act* or other federal regulation, and outside Quebec, not subject to specific provincial regulation.²⁴⁶ However, white label ATMs that are part of the Interac network must adhere to Interac’s operating rules, which include KYC measures, source of fund requirements, and criminal record checks for high-risk white label ATMs.²⁴⁷ In instances of non-compliance, Interac is limited to disconnecting individual ATM machines from its network

²³⁸ [TR C. Chandler, 15/JAN/2021](#), p. 119, l. 10-18; [Ex. 428](#).

²³⁹ [TR K. Morris, 15/JAN/2021](#), p. 120, l. 9-25.

²⁴⁰ [TR C. Chandler, 15/JAN/2021](#), p. 124, l. 7-12.

²⁴¹ [Ex. 432](#); [TR C. Chandler, 15/JAN/2021](#), pp. 199-200; [TR M Paddon, 15/JAN/2021](#) p. 140, l. 7-22.

²⁴² [Ex. 429](#).

²⁴³ [TR J. Primeau, 01/DEC/2020](#), p. 143, l. 23–p. 144, l. 4.

²⁴⁴ [TR M. Paddon, 15/JAN/2021](#), p. 156, l. 20-25.

²⁴⁵ [TR J. Primeau, 01/DEC/2020](#), p. 142, l. 20–p. 143, l. 18.

²⁴⁶ [TR C. Chandler, 15/JAN/2021](#), p. 132, l. 2-24; [TR M. Paddon, 15/JAN/2021](#), p. 146, l. 13-16

²⁴⁷ [TR K. Morris, 15/JAN/2021](#), p. 178, l. 8-25; [TR C. Chandler, 15/JAN/2021](#), p. 199, l. 2-18.

and referring suspicious activity to law enforcement for further investigation.²⁴⁸

111. In November 2018, the House of Commons Standing Committee on Finance recommended that the federal government amend the *PCMLTFA* so white label ATMs would be subject to the AML regime.²⁴⁹ The Province is also currently considering the possibility of regulating white label ATMs, independent of any federal regulation.²⁵⁰

PART V – LUXURY GOODS

112. There are two typologies of money laundering within the luxury goods sector before the Commission: (a) purchases of luxury vehicles via straw buyers; and (b) purchases of luxury vehicles using cash and other anonymous payment forms.

A. Luxury vehicle transactions involving straw buyers

113. In 2014, staff in the MOF’s Consumer Taxation Programs Branch (the “CTPB”) noticed an increase in applications for PST refunds on motor vehicle purchases.²⁵¹ Individuals are exempt from paying PST on motor vehicle purchases in a number of circumstances. An individual who pays PST on an exempt purchase may apply to the Province for a refund of the PST paid.²⁵² Staff in the CTPB noticed that many PST refund applications arose in the context of “straw buyer” transactions —transactions where an individual (the straw buyer) purchases a motor vehicle from a dealer, transfers the vehicle to a reseller who sells it overseas, and applies to the Province for a PST refund.²⁵³

114. In *Dirty Money 2*, Dr. German concluded that grey market vehicle export is an effective strategy for trade-based money laundering.²⁵⁴ This accords with evidence from trade-based money laundering experts and law enforcement.²⁵⁵ The CTPB has not seen evidence of criminal activity in PST refund applications²⁵⁶; however, determining whether

²⁴⁸ [TR K. Morris, 15/JAN/2021](#), p. 184, l. 24–p. 185, l. 12.

²⁴⁹ [Ex. 436](#), p. 30.

²⁵⁰ [Ex. 311](#).

²⁵¹ [Ex. 779](#), Aff. #1 M. Lee, ¶18-20.

²⁵² [Ex. 779](#), Aff. #1 M. Lee, ¶4-15.

²⁵³ [Ex. 779](#), Aff. #1 M. Lee, ¶21-24; [Ex. 778](#), ¶17-21; [Ex. 777](#), ¶32-35, Exs. [11](#), [12](#), [13](#), and [14](#).

²⁵⁴ [Ex. 833](#), pp. 194 and 201.

²⁵⁵ See e.g. [Ex. 345](#), pp. 19-21; [TR J. Gibbons, S. Sharma, B. Gateley, 10/DEC/2020](#), pp. 103-120; [Ex. 843](#); [TR M. Paddon, B. Robinson, 14/APR/2021](#), p. 94, l. 12–p. 96, l. 24.

²⁵⁶ [Ex. 779](#), Aff. #1 M. Lee, ¶25-28, Ex. E.

straw buyer transactions are part of a money laundering scheme is beyond the expertise and mandate of the CTPB and would require law enforcement to investigate.²⁵⁷

115. Contrary to Dr. German's suggestion in *Dirty Money 2*, the CTPB has not identified any loss of PST revenue from straw buyer transactions since the Province does not and cannot impose PST on vehicles purchased for resale or export without use in BC.²⁵⁸ Nonetheless, the Province intends to amend the [Provincial Sales Tax Act, SBC 2012, c 35](#) to require an individual purchasing a vehicle for resale to disclose this fact to the vendor at the time of sale (by providing their PST registration number or by signing a declaration), or else they must pay PST even if the vehicle is purchased for resale.²⁵⁹

116. The Province also announced its intention to eliminate the PST refund for vehicles purchased in BC and resold within seven days.²⁶⁰ These anticipated changes will address straw buyer transactions, but will not prevent a person from purchasing a vehicle for resale on a tax-free basis as long as the person makes their intention known to the vendor at the time of sale. These changes have not yet been implemented, as suggested by the Canadian Vehicle Exporter's Association.²⁶¹

B. Purchases of luxury vehicles using anonymous payment forms

117. There is presently a dearth of information available upon which to consider whether purchases of luxury vehicles using cash or other anonymous forms of payment gives rise to money laundering risk. Following *Dirty Money 2*, the Corporate Policy and Planning Office (the "CPPO") within PSSG, sought to gather information regarding whether motor vehicles are used as conduits for money laundering, including through cash purchases.²⁶²

²⁵⁷ For law enforcement consideration of potential trade-based money laundering using luxury vehicles, see, [TR M. Paddon, B. Robinson, 14/APR/2021](#), pp. 87-96; Exs. [842](#), [843](#), [844](#).

²⁵⁸ [Ex. 833](#), pp. 194, and 200-201; [Ex. 779](#), Aff. #1 M. Lee, ¶30. A tax on tangible personal property purchases for resale or export without use in BC would be an indirect tax and thus outside of the Province's constitutional authority.

²⁵⁹ *Budget Measures Implementation Act, 2021*, [SBC 2021, c 18](#), s. 62. Section 62 is to come into force by regulation of the Lieutenant Governor in Council: s. 85.

²⁶⁰ Exemption provided in s. [124\(1\)](#) of the *Provincial Sales Tax Exemption and Refund Regulation*, BC Reg 97/2013. The intention to eliminate the exemption is in [Budget and Fiscal Plan 2021/22 – 2023/24](#), April 20, 2021, p. 73, see submissions of Canadian Vehicle Exporter's Association, ¶55.

²⁶¹ Canadian Vehicle Exporter's Association submissions, ¶54.

²⁶² [Ex. 994](#), ¶5-6; [Ex. 833](#), pp. 183-193.

118. The Motor Vehicle Sales Authority of BC (the “VSA”), the independent agency that oversees retail sales of motor vehicles in BC, tentatively agreed to collect data from motor dealers on a voluntary basis regarding purchases of vehicles using cash and other anonymous payment types.²⁶³ Motor dealers and the VSA have, however, expressed some concerns about this proposal, including concerns regarding data reliability given the voluntary nature of the proposed study, the difficulty in maintaining vehicle dealer anonymity, and the VSA’s lack of AML mandate.²⁶⁴ These concerns, as well as new priorities of the CPPO that emerged during the COVID-19 pandemic, resulted in the data collection proposal being put on hold.²⁶⁵ As a result, there is little evidence before the Commission regarding the extent of money laundering that may be occurring through this typology and correspondingly little evidence on potential policy proposals.

PART VI – ENFORCEMENT, CIVIL FORFEITURE, AND OTHER JURISDICTIONS

A. Provincial Policing in BC

119. Pursuant to s. 3(1) of the [Police Act, RSBC 1996, c 367](#), the provincial government is required to provide policing and law enforcement services for rural areas of the province and municipalities with a population of up to 5,000 persons. Under the Provincial Police Service Agreement (“PPSA”), an agreement between the Province and the Government of Canada, the RCMP provides provincial police services in BC.²⁶⁶ Funding for the provincial police force is divided; the province contributes 70% of the cost, and the federal government contributes the remaining 30%.²⁶⁷ Since 2012, the total authorized strength of the RCMP’s provincial service has been 2,602 officers.²⁶⁸ As of April 6, 2021, there were approximately 110 police officer vacancies in the provincial service.²⁶⁹

120. The *Police Act* sets out the structure and terms of provincial policing. Pursuant to s. 2, the Minister of PSSG (the “PSSG Minister”) is responsible for ensuring an adequate

²⁶³ [Ex. 994](#), ¶¶7-8, 11, Exs. A and D.

²⁶⁴ [Ex. 994](#), ¶¶9-10, 12; see also [Ex. 844](#), p. 7.

²⁶⁵ [Ex. 994](#), ¶¶13-15.

²⁶⁶ [Ex. 788](#); [Ex. 789](#), p. 2; the PPSA, effective April 1, 2012, has a 20-year term. Authority to enter into the agreement is provided by s. 14 of the *Police Act*.

²⁶⁷ [Ex. 788](#); [TR W. Rideout, 06/APR/2021](#), p. 13, l. 1-9

²⁶⁸ [TR W. Rideout, 06/APR/2021](#), p. 13, l. 10-15; [Ex. 789](#), pp. 3, 17

²⁶⁹ [TR W. Rideout, 06/APR/2021](#), p. 14, l. 4-15.

and effective level of policing in BC; the Director of Police Services (the “Director”) performs this function on behalf of the PSSG Minister.²⁷⁰

121. The Director is also responsible for the Policing and Security Branch (“PSB”) within PSSG, which is responsible for superintending policing in the province.²⁷¹ Superintending policing is an oversight function; it involves, among other things, the administration of the provincial police force and the police boards that govern independent police agencies throughout the province. It does not consist of operational management of police.

122. Section 2.1 of the *Police Act* and Article 6 of the PPSA allow the PSSG Minister to establish priorities, goals and objectives for policing and law enforcement in BC.²⁷² PSB helps identify these priorities through informal and formal processes, including committee work, data collection and analysis regarding crime rates and trends, liaising with police forces, and considering community expectations and societal concerns.²⁷³ The PSSG Minister communicates the priorities and expectations for provincial policing to the RCMP’s commanding officer.²⁷⁴ Despite its superintendent function, the PSSG Minister, Director, and PSB do not establish tactical priorities for provincial police forces; those priorities are established independently by senior police members.²⁷⁵ Once priorities are set, PSB monitors the RCMP’s performance through a compliance and evaluation group, participation on the CFSEU-BC board of governance, and the receipt of various reports, as required by the PPSA and pursuant to the PSSG Minister’s priorities letter.²⁷⁶

B. Federal Policing in BC

123. In addition to provincial police services, the RCMP also provides federal police services in BC (as well as nationally). The RCMP falls under the responsibility of the

²⁷⁰ The Director also holds the concurrent position of Assistant Deputy Minister (ADM).

²⁷¹ [Police Act, RSBC 1996 c 367](#), s. 39

²⁷² See also [Ex. 788](#), Article 6.

²⁷³ [TR W. Rideout, C. Pecknold, 06/APR/2021](#), pp. 28-32; Priorities are constantly evolving according to external pressures in the community, such as the emergence of the opioid crisis seen in the last number of years: see [TR W. Rideout, 06/APR/2021](#), p. 20, l. 22–p. 21, l. 1.

²⁷⁴ [TR W. Rideout, 06/APR/2021](#) p. 32, l. 18-23.

²⁷⁵ [TR W. Rideout, 06/APR/2021](#), p. 40, l. 3-6; [TR C. Pecknold, 06/APR/2021](#), p. 51, l. 23–p. 52, l. 3; p. 67, l. 1-8; [Ex. 790](#).

²⁷⁶ [TR W. Rideout, 06/APR/2021](#), p. 37, l. 5-17; [TR C. Pecknold, 06/APR/2021](#), p. 84, l. 9-25.

Minister of Public Safety Canada and takes direction from the RCMP Commissioner.²⁷⁷ The federal police services enforce federal statutes and are responsible for border integrity, national security, drugs and organized crime, and financial crime.²⁷⁸ The federal government bears the cost of the federal force. Since 2010, the authorized strength of the RCMP federal service in BC has been 1,038 officers.²⁷⁹ The vacancy rate for the RCMP federal service in BC in recent years has ranged between 140 to 200 police officers.²⁸⁰

124. With respect to federal police services, RCMP members report up through the command structure within BC; however, they are also accountable to the federal RCMP at the national level.²⁸¹ RCMP's national headquarters sets the priorities for the federal police services' operational files.²⁸²

125. PSB has no statutory authority over federal police services and, as a result, has less visibility into federal policing business lines. PSB does not have full insight into the "depth of files, the investigative strategies, the productivity what went right, what went wrong".²⁸³ PSB's limited understanding of federal policing operations is derived through informal processes.²⁸⁴ Recently, PSB has taken steps to increase visibility into federal operations by requesting metrics relating to resources and performance outcomes.²⁸⁵

C. Municipal Policing in BC

126. Pursuant to s. 3(2) of the *Police Act*, a municipality with a population of more than 5,000 persons must provide policing and law enforcement within the bounds of their municipality either by: (1) establishing a municipal police department; (2) entering into an agreement with the PSSG Minister under which policing will be provided by the RCMP; or (3) contracting with an existing municipal department to have their municipal police department provide policing services. At present, there are 11 municipal police

²⁷⁷ [Ex. 789](#), p. 2.

²⁷⁸ [Ex. 789](#), p. 2.

²⁷⁹ [TR W. Rideout, 06/APR/2021](#), p. 16, l. 1-15; [Ex. 789](#), p. 17.

²⁸⁰ [TR W. Rideout, 06/APR/2021](#), p. 17, l. 2-4.

²⁸¹ [TR W. Rideout, 06/APR/2021](#), p. 39, l. 13-17; [Ex. 863](#), p. 2.

²⁸² [TR W. Rideout, 06/APR/2021](#), p. 39, l. 17-21; [TR B. Taylor, 16/APR/2021](#) p. 9, l. 6-8.

²⁸³ [TR W. Rideout, 06/APR/2021](#) p. 39, l. 17-25.

²⁸⁴ [TR C. Pecknold, 06/APR/2021](#), p. 85, l. 1-6; p. 62, l. 1-4.

²⁸⁵ [Ex. 792](#).

departments that provide independent police services to 12 municipalities in BC.²⁸⁶ The RCMP provides police services to the remaining 66 municipalities pursuant to agreements between the Province and the respective municipality.²⁸⁷

D. Civil Forfeiture Office and Civil Asset Forfeiture in BC

127. The [Civil Forfeiture Act, SBC 2005, c 29](#), (“CFA”) is part of BC’s enforcement landscape.²⁸⁸ The CFA authorizes the forfeiture of property that is either, in whole or in part, the proceeds of unlawful activity or property that is an instrument of unlawful activity. Under s. 21 of the CFA, a director may be appointed to bring forfeiture proceedings (the “CFO Director”). The forfeiture proceedings are “*in rem*” and commenced either by applications for forfeiture under s. 3 of the CFA (colloquially referred to as the judicial forfeiture stream) or under the administrative process, outlined in Part 3.1 of the CFA.

128. The civil forfeiture office (the “CFO”) is not an investigatory office and receives its files exclusively by way of voluntary referrals from law enforcement or other regulatory agencies in BC.²⁸⁹ To facilitate this process, the CFO has information sharing agreements with all law enforcement agencies in BC and several outside of BC.²⁹⁰ BC Prosecution Service is not a referral agency.²⁹¹

129. Upon receipt, the files are assessed, assigned and, if accepted, funnelled into either the judicial forfeiture or the administrative forfeiture stream.²⁹² In cases involving criminal prosecution where criminal forfeiture will be pursued, the CFO Director will defer

²⁸⁶ [TR W. Rideout, 06/APR/2021](#), p. 10, l. 20-25.

²⁸⁷ [Ex. 789](#), p. 3. The 11 municipal police departments are: Vancouver, Victoria, Saanich, Central Saanich, Oak Bay, Delta, Abbotsford, New Westminster, West Vancouver, Nelson and Port Moody. Whether a municipal police department has the capacity and resources to pursue money laundering investigations is dependent on its size and capacity. While larger departments, like the Vancouver Police Department, may engage in money laundering investigations, smaller departments seek outside assistance and often transfer files to the RCMP’s federal police services: see: [TR Municipal policing panel, 30/MAR/2021](#), p. 23, l. 5–p. 24, l. 17; p. 40, l. 18–p. 41, l. 2.

²⁸⁸ The origin and structure of BC’s civil forfeiture office and the CFA is canvassed in [Ex. 373](#).

²⁸⁹ [TR P. Tawtel, 18/DEC/2020](#), p. 19, l. 20–p. 20, l. 9; p. 30, l. 17-20. The evidence indicates that municipal police departments rely on CFO for asset forfeiture matters and that while CFO does receive referrals from specialized units, such as FSOC, they tend to be low-volume but high value and complex: [TR Municipal policing panel, 30/MAR/2021](#), p. 29, l. 19-21; p.30, l. 17-18; p. 51, l. 6-8, 13; p. 53, l. 5-6, p. 56, l. 1-3; [TR P. Tawtel, 18/DEC/2020](#), p. 27, l. 13-24.

²⁹⁰ [Ex. 389](#), Aff #1 P. Tawtel, ¶17.

²⁹¹ [TR P. Tawtel, 18/DEC/2020](#), p. 44, l. 15-22.

²⁹² [TR P. Tawtel, 18/DEC/2020](#), p. 4, l. 8-15.

to the criminal process and not commence civil forfeiture proceedings. If the criminal process ceases, the matter can be referred by the police to the CFO.²⁹³

130. The CFO does not have the authority or the resources to initiate its own investigations.²⁹⁴ To successfully investigate, identify, trace, restrain and forfeit the proceeds of unlawful activity, the CFO would require specially trained investigators and financial experts, such as forensic accountants.²⁹⁵ The CFO is currently considering whether adding staff with this expertise would require legislative amendment.²⁹⁶

E. Prioritization and resources for investigation into money laundering

i. Federal enforcement priorities and resourcing

131. The ability of law enforcement agencies to address the issue of money laundering in BC has been impacted by competing priorities and capacity issues.²⁹⁷ In his testimony, Mark Sieben, Deputy Solicitor General, explained that “there has been a known shift in prioritization at the federal level within the RCMP away from economic crime toward prioritizing of internal and external terrorism threats and also to high-end organized crime”.²⁹⁸ This accords with Clayton Pecknold’s evidence in which he observed that during his time as Director of Police Services, there was “considerable” concern with respect to the federal police services’ ability to deliver on its AML mandate due to the erosion of federal policing capacity. According to Mr. Pecknold, RCMP leadership and successive provincial ministers had consistently conveyed this concern to the federal government.²⁹⁹

132. While local RCMP leadership can advocate for local issues, RCMP priorities are set at the national level through a “tiering process”, which balances and prioritizes competing federal priorities, such as drug and firearms related violence, outlaw

²⁹³ [TR P. Tawtel, 18/DEC/2020](#), p. 42, 9–p. 43, l. 9.

²⁹⁴ [TR P. Tawtel, 18/DEC/2020](#), p. 20, l. 19–p. 21, l. 10; [Ex. 389](#), Aff #1 P. Tawtel, ¶43.

²⁹⁵ [Ex. 389](#), Aff #1 P. Tawtel, ¶56, [TR P. Tawtel, 18/DEC/2020](#), p. 14, l. 20-24.

²⁹⁶ [TR P. Tawtel, 18/DEC/2020](#), p.48, l. 18-21.

²⁹⁷ The federal business policing lines prioritize national priorities and mandates rather than provincial priorities: [Ex. 863](#), p. 3; [TR B. Taylor, 16/APR/2021](#), p. 9, l. 21-25; p. 10, l. 1-12.

²⁹⁸ [TR M. Sieben, 12/JUN/2020](#), p. 18, l. 12-18; See, [Ex. 863](#), p. 3, the Federal Policing Strategic Plan’s three priorities are: transnational and serious organized crime, cyber-crime and national security.

²⁹⁹ [Ex. 790](#); [TR C. Pecknold, 06/APR/ 2021](#), p. 52, l. 13-25; p. 53

motorcycle gangs, transnational cartels, and terrorism/national security issues.³⁰⁰ As a result, the fact that an investigation is proposed does not mean it will proceed.³⁰¹

133. In addition to having finite resources, the federal police services' AML mandate has likely been impacted by organizational restructuring. While Mr. Pecknold and Wayne Rideout, Director of Police Services and ADM, could not draw a causal relationship between the re-engineering of federal police services and any perceived decrease in enforcement with respect to proceeds of crime, they understood that the restructuring impacted federal policing.³⁰² For example, as part of the re-engineering process, the federal "E" Division's Integrated Proceeds of Crime ("IPOC") unit and its Commercial Crime sections were disbanded and amalgamated under the Federal Serious and Organized Crime ("FSOC")³⁰³.

134. It remains unclear what impact, if any, the shift to FSOC had on the federal police services' ability to investigate financial crime. There were no specific units within FSOC dedicated to handling proceeds and money laundering cases.³⁰⁴ However, the evidence indicates the specialists who worked within IPOC and the Commercial Crime section did not leave; they were simply disbursed to other generalist teams.³⁰⁵ Investigating and prosecuting proceeds of crime and money laundering offences is complex and challenging – regardless of how the investigation teams were structured. Between 2010 and 2012 there were few charges or convictions for money laundering or proceeds of crime.³⁰⁶

³⁰⁰ [TR W. Rideout, 06/APR/2021](#), p. 71, l. 4-17; [TR C. Pecknold, 06/APR/2021](#), p. 51, l. 15-22; [TR B. Taylor, 16/APR/2021](#), p. 12, l. 21–p. 13, l. 3; See, [Ex. 863](#), p. 5, prioritization of all files would determine support ensuring that federal policing funding was used on a federal policing mandate.

³⁰¹ [TR M. Paddon, 14/APR/2021](#), p. 13, l. 1-13; p. 23, l. 20–p. 24, l. 5; p. 132, l. 17–p. 133, l. 3; [TR B. Baxter, 08/APR/2021](#), p. 89, l. 1-20.

³⁰² [TR W. Rideout and C. Pecknold, 06/APR/2021](#), pp. 44-47.

³⁰³ [TR B. Baxter, 08/APR/2021](#), p. 3, l. 18-25; [Ex. 796](#), p. 1; [TR W. Rideout, 06/APR/2021](#), p. 96, l. 2-10; [Ex. 795](#), p. 1.

³⁰⁴ [TR B. Baxter, 08/APR/2021](#), p. 89, l. 21–p. 90, l. 2.

³⁰⁵ [TR W. Rideout, 06/APR/2021](#), p. 96, l. 1-10; [TR B. Taylor, 16/APR/2021](#), p. 38, l. 12-16; Supt. Brent Taylor also testified that there was a dedicated component dealing with financial crimes within FSOC after the restructuring and that there were still people working on financial crimes, money laundering and proceeds investigations: [TR B. Taylor, 16/APR/2021](#) p. 34, l. 24–p. 35, l. 6.

³⁰⁶ [TR C. Chrustie, 29/MAR/2021](#), p. 93, l. 20-25; p. 94, l. 1-2; [Ex. 822](#), p. iii, issues regarding IPOC.

ii. Current federal enforcement initiatives to address money laundering

135. Under the re-engineered federal police services framework, there are three primary units engaged in and dedicated to financial crime offences: (a) “E” Division FSOC Financial Integrity Teams; (b) JIGIT; and (c) Project E-Neutralize.³⁰⁷ For the purposes of the Commission’s mandate, JIGIT is the most significant unit from an AML perspective.³⁰⁸

136. The federal government also recently announced several new AML initiatives, including a Trade-based Money Laundering centre of expertise, the Financial Crime Coordination Centre, formerly the Anti-Money Laundering Action, Coordination and Enforcement Team, and a new Integrated Money Laundering Investigative Teams.³⁰⁹ Although any federal action to address money laundering is promising, the new initiatives will not resolve the capacity issues historically experienced at the federal level because, among other things, they will not address the vacancies in federal policing.³¹⁰

F. Provincial enforcement initiatives to address money laundering

137. In 1999, the Province established the Organized Crime Agency of BC (“OCABC”) as a designated policing and law enforcement unit under the *Police Act*. Its mandate was to facilitate the disruption and suppression of organized crime.³¹¹ OCABC was to build capacity to address organized crime groups laundering money through businesses.³¹² The creation of OCABC is indicative of the Province’s attempts to grapple with one of its main enforcement challenges: organized crime, guns and gang violence.³¹³

138. In recent years, there has been a move to establish a provincial policing unit dedicated to economic crime and AML investigations. In 2016, the RCMP submitted a proposal for a provincial financial crime unit to PSB.³¹⁴ The proposal was included in the

³⁰⁷ [Ex. 793](#).

³⁰⁸ JIGIT will be discussed further in the Province’s closing submission relating to the gaming sector.

³⁰⁹ [TR J. Gibbons, 11/DEC/2020](#), p. 1, l. 1–p. 6, l. 9; [Ex. 345](#), p. 28; [Ex. 872](#).

³¹⁰ [TR W. Rideout, 06/APR/2021](#), p. 124, l. 16–p. 125, l. 7; [TR G. Clement, 09/APR/2021](#), p. 129, l. 23–p. 130, l. 8.

³¹¹ [Ex. 884](#).

³¹² [TR K. Begg, 21/APR/ 2021](#), p. 14, l. 16–p. 15, l. 3; p. 16, l. 16-25; [Ex. 884](#).

³¹³ [TR C. Pecknold, 06/APR/2021](#), p. 35, l. 5-9; In 2004, OCABC was brought into CFSEU-BC. Despite the creation of the OCABC, it was not able to fill a gap left in policing after the dissolution of the Ports Canada Police, a federal law enforcement agency: [TR K. Begg, 21/APR/ 2021](#), p. 23, l. 10-17.

³¹⁴ [Ex. 796](#).

RCMP “E” Division’s May 2017 Multiyear Report and Financial Plan and prioritized as medium risk.³¹⁵ The proposal was circumscribed and outlined plans for a provincial fraud team rather than fully addressing provincial economic crime. It did not have a specific AML mandate. The proposal was limited to filling a gap for low level fraud issues, such as mass marketing frauds, which did not hit the federal commercial crime threshold (handled by FSOC), but which exceeded the local or municipal police capacity.³¹⁶ PSB responded to the proposal by asking the RCMP to submit a proposal for a broader provincial economic integrity unit and specifically one that would address money laundering.³¹⁷ At that time, JIGIT (an initiative supported by PSB) had been operational for a year and a half.³¹⁸

139. Four months later, in March 2018, Dr. German released his Dirty Money report which recommended the creation of a Designated Policing Unit.³¹⁹ Shortly thereafter, PSB began to develop the Anti-Money Laundering Financial Intelligence and Investigations Units draft proposal (“FIU”).³²⁰ The FIU was described in testimony as the “Cadillac” model for enforcement and the fusion of enforcement and intelligence.³²¹

140. The FIU proposal was presented to the AML Deputy Ministers’ Committee (“AML DMC”) in May 2019; however, the AML DMC put the FIU proposal on hold pending receipt of the Commission’s recommendations.³²² If the FIU proposal is recommended, it is important to note that Mr. Rideout testified that FIU will not have a meaningful impact on money laundering if pursued in a provincial enforcement vacuum. AML efforts must be pursued in coordination and in conjunction with increased investment and attention at the

³¹⁵ [Ex. 798](#).

³¹⁶ [TR W. Rideout, 06/APR/2021](#), p. 97, l. 3-13; [Ex. 796](#).

³¹⁷ [TR C. Pecknold, 06/APR/2021](#), p. 103, l. 10-16; [Ex. 798](#). Supt. Brent Taylor testified that because proceeds of crime and money laundering might be associated with commercial crime activities they moved towards a provincially funded “holistic financial crimes investigation group” as opposed to one just dealing with fraud: [TR B. Taylor, 16/APR/2021](#), p.29, l. 2-11. There is also evidence to indicate that a specific money laundering mandate is important for prioritizing the pursuit of money laundering investigations and not just the predicate offence: [TR K. Bedford, 15/APR/2021](#), p. 150, l. 3-25.

³¹⁸ [Ex. 809](#), p. 3; While there was no dedicated provincial unit at that time, there were provincial does that were still investigating financial crime, including the sensitive investigation unit: see [TR B. Taylor, 16/APR/2021](#), p. 85, l. 11-21.

³¹⁹ [Ex. 832](#), pp. 208-211.

³²⁰ [TR T. Steenvoorden, 06/APR/2021](#), p. 108, l. 2-10; [Ex. 60](#).

³²¹ [TR W. Rideout, 06/APR/2021](#), p. 114, l. 15-19.

³²² [TR W. Rideout, 06/APR/2021](#), p. 119, l. 15-21; [TR M. Harris and M. Sieben , 11/JUN/2020](#), p. 84, l. 45–p. 86, l. 15.

federal enforcement level, as well as regulator participation.³²³

G. Provincial options to address enforcement gaps and resourcing issues

141. The Province continues to engage with the issue of enforcement gaps and adequate resourcing through various means, including:

- a. continuing to seek support and AML resourcing from the federal government that is commensurate with their mandate, jurisdiction and responsibility;³²⁴
- b. continuing to review the *Police Act* and structure of policing in BC with an aim to improve its current structure or establish a provincial police force;³²⁵
- c. collaborating with RCMP to identify gaps and consider alternative structures, recognizing the Province has no authority over the federal force;³²⁶
- d. improving collaboration between CFO and enforcement agencies engaged in organized crime and money laundering investigations, through early engagement and increased numbers of police liaison officers;
- e. seeking approval for an increase to the total authorization strength of the provincial service;³²⁷ and
- f. focusing on developing skills and expertise necessary to combat money laundering in both the civil and criminal contexts, including recruiting qualified professionals, such as forensic accountants and other financial specialists.³²⁸

142. While work is underway on these initiatives, the Commissioner's recommendations will assist in providing clarity and focus to any new initiatives.

H. Criminal Enforcement and Civil Asset Forfeiture in Other Jurisdictions

143. Like BC, other jurisdictions have used both criminal and civil enforcement mechanisms to disrupt criminal activity and ensure individuals do not benefit, financially or otherwise, from criminality. Their experiences provide guidance as to the hallmarks of effective enforcement regimes and insight as to the potential pitfalls that ought to be

³²³ [TR W. Rideout, 06/APR/2021](#), p. 121, l. 2-25. [TR M. Sieben, 11/JUN/2020](#), p. 85, l. 21-38.

³²⁴ The Province has been engaged in ongoing efforts to obtain resources allocated to AML from the federal government and to move AML measures to a higher priority: [TR W. Rideout, 06/APR/2021](#), p. 61, l. 12-19; [TR D. Eby, 26/APR/2021](#), p. 86, l. 11-23; p. 90, l. 2-21; [Ex. 912](#); [TR M. Sieben and M. Harris, 11/JUN/2020](#), p. 43, l. 37–p. 44, l. 31; p. 87, l. 23-29.

³²⁵ Steps towards this review commenced in June 2020: [TR M. Sieben, 12/JUN/2020](#), p. 18, l. 23-47.

³²⁶ [TR W. Rideout, 06/APR/2021](#), p. 61, l. 20-25.

³²⁷ [TR W. Rideout, 06/APR/2021](#), p. 21, l. 13-25.

³²⁸ [TR P. Tawtel, 18/DEC/2020](#), p. 47, l. 12–p. 48, l. 6.

avoided. Despite the distinct approaches taken by other jurisdictions, four distinct themes emerge from the evidence:

- a. to be effective, regimes – whether criminal or civil – must be adequately resourced with a targeted mandate and specialized expertise;
- b. multi-agency bodies working together under one umbrella organization can be an effective strategy for combatting financial crimes;
- c. information sharing between agencies is an important strategy in both criminal and civil regimes; and
- d. investigative and asset freezing powers can be useful tools to combat proceeds of crime.

i. Adequate resourcing, clear mandate and requisite expertise

144. To be successful, enforcement regimes must have a targeted mandate, be adequately resourced, and staffed with individuals who have the requisite expertise. In both the civil and criminal enforcement contexts, witnesses testified to the benefits of having an agency dedicated to money laundering, proceeds of crime, or financial crime more generally. A dedicated unit with a clear mandate removes competing investigative demands and allows the unit to focus on financial crime investigations.³²⁹

145. The creation of specialized agencies is critical to the development of expertise.³³⁰ It allows individuals employed by the agency to develop skills and expertise specific to financial crime investigations, which improves the agency's ability to investigate such crime.³³¹ The cross-jurisdictional evidence identified the existence of an agency with the requisite expertise and dedicated exclusively to civil asset forfeiture as being beneficial in jurisdictions such as New Zealand,³³² Australia³³³ and Ireland.³³⁴ Similarly, having a police force unit dedicated to financial crime has proven effective in New Zealand³³⁵ and the

³²⁹ [TR C. Hamilton, 12/MAY/2021](#), p. 52, l. 5–p. 53, l. 1; [Ex. 986](#), pp. 3-4; [TR R. van Wegberg, 14/MAY/2021](#), p. 42, l. 5–p. 43, l. 4.

³³⁰ [TR R. van Wegberg, 14/MAY/2021](#), p. 43, l. 5–p. 44, l. 10; [TR C. Hamilton, 12/MAY/2021](#), p. 56, l. 4-25.

³³¹ [TR C. Hamilton, 12/MAY/2021](#), p. 52, l. 25; p. 55, l. 7–p. 56, l. 3.

³³² [Ex. 953](#), ¶6.18-6.19; [Ex. 976](#).

³³³ [TR N. Skead, 17/DEC/2020](#), p. 60, l. 15-24; p. 79, l. 13-22.

³³⁴ [TR C. King, B. Butler, K. McMeel, 16/DEC/2020](#), p. 46, l. 9-26.

³³⁵ [Ex. 953](#), Gary Hughes, ¶2.1-2.19; [TR C. Hamilton, 12/MAY/2021](#), pp. 52-56.

Netherlands.³³⁶

146. In addition to a dedicated team which facilitates skill development, the recruitment and training of individuals with the necessary expertise is beneficial to an agency tasked with financial investigations. A multidisciplinary approach helps prevent the tunnel vision that may result when individuals have the same background, skills and experiences.³³⁷ Other jurisdictions have experienced difficulties recruiting individuals to the public sector given its historically lower salaries.³³⁸ Despite this challenge, multidisciplinary teams with experience in forensic accounting, finance, and computer science to conduct financial investigations, are being successfully used in the civil and criminal context.

147. For example, the Asset Recovery Units that pursue civil forfeiture investigations in New Zealand are staffed with a mix of police and civilian investigators, forensic accountants and analysts.³³⁹ The staff at asset forfeiture agencies in Australia also commonly include forensic accountants.³⁴⁰ Similarly, in the Netherlands, the Fiscal Intelligence and Investigation Service, a specialized agency focused on combatting tax and financial fraud, including money laundering and corruption, hires individuals from a variety of backgrounds, such as law, finance, computer and data science, and trains them as law enforcement officers, rather than hiring directly from law enforcement training.³⁴¹ This strategy has successfully created multidisciplinary teams with essential skills that a typical policing unit may not otherwise have.³⁴²

ii. Multi-Agency Bodies

148. An alternative approach to ensuring an agency has the requisite skills and expertise to combat financial crime is to develop multi-agency bodies that work

³³⁶ [Ex. 986](#), pp. 3-4; [TR R. van Wegberg, 14/MAY/2021](#), p. 42, l. 5–p. 43, l. 23. [TR F. Rense, 13/MAY/2021](#) p. 43, l. 15–p. 44, l. 3.

³³⁷ [TR R. van Wegberg, 14/MAY/2021](#), p. 52, l. 13–p. 53, l. 4.

³³⁸ [TR R. van Wegberg, 14/MAY/2021](#), p. 53, l. 5–p. 55, l. 2; [TR J. Sharman, 06/MAY/2021](#), p. 38, l. 20–p. 39, l. 14; [TR O. Bullough, 02/JUN/2020](#), p. 23, l. 23–p. 24, l. 23; [Ex. 777](#), ¶53.

³³⁹ [TR C. Hamilton, 12/MAY/2021](#), p. 31, l. 1-14.

³⁴⁰ [TR N. Skead, 17/DEC/2020](#), p. 59, l. 21–p. 61, l. 11.

³⁴¹ [Ex. 986](#), p. 4; [TR R. van Wegberg, 14/MAY/2021](#), p. 51, l. 4–p. 52, l. 12; The United States relies on task forces comprised of law enforcement agencies which have access to a wide range of financial intelligence, capabilities and expertise that allow them to trace assets, identify targets and undertake money laundering investigations: [TR J. Cassara, 09/DEC/2020](#), pp. 30-32; [Ex. 341](#), pp. 7-8.

³⁴² [TR R. van Wegberg, 14/MAY/2021](#), p. 53, l. 5–p. 54, l. 4; p. 70, l. 6-13.

collaboratively under one umbrella organization, also known as a “fusion centre”.³⁴³ This collaborative effort between separate agencies allows each body to share resources, expertise, and information to combat money laundering.

149. For example, Ireland has had success targeting the proceeds of crime through a dedicated multi-agency body called the Criminal Assets Bureau (“CAB”). CAB is comprised of Ireland’s police force, customs agency, social welfare agency and tax revenue body, and its investigative teams consist of officers from each of its member agencies.³⁴⁴ As a relatively small organization, CAB also relies on the assistance of local police, customs offices, and other agencies outside of CAB’s purview to assist with larger investigations. CAB conducts parallel criminal and civil investigations targeting proceeds of crime relying on criminal and civil law powers.³⁴⁵ Key factors to CAB’s success include effective information sharing, facilitated by its multi-agency composition, and its dedicated proceeds of crime and asset recovery mandate.³⁴⁶

iii. Information sharing

150. A third theme that emerged from both the civil forfeiture and criminal enforcement witnesses was the importance of information sharing in the effort to combat money laundering.³⁴⁷ For example, Jeffrey Simser, Ontario lawyer and creator of Ontario’s civil forfeiture regime, emphasized “the right relationship with financial institutions, the right relationship with the [Financial Intelligence Unit (FIU)], with FINTRAC, and with law enforcement so that the right information was coming in”.³⁴⁸ Other witnesses testified that two-way information sharing between the FIU and reporting entities would improve reporting compliance and quality.³⁴⁹

³⁴³ This is similar to the Fusion Centre proposed in [Ex. 60](#).

³⁴⁴ [TR C. King, B. Butler, K. McMeel, 16/DEC/2020](#), p. 25, l. 19–p. 26, l. 12; see also [Ex. 386](#).

³⁴⁵ [TR C. King, B. Butler, K. McMeel, 16/DEC/2020](#), p. 14, l. 12-25.

³⁴⁶ [TR C. King, B. Butler, K. McMeel, 16/DEC/2020](#), p. 28, l. 13–p. 29, l. 8; p. 142, l. 25–p. 144, l. 24.

³⁴⁷ See, [TR J. Simser, 14/DEC/2020](#), pp. 30-32, (specifically, p. 31, l. 23–p. 32, l. 8); [TR C. King, B. Butler, K. McMeel, 16/DEC/2020](#), p. 29, l. 1-23; p. 143, l. 6-14; [TR N. Skead, 17/DEC/2020](#), p. 62, l. 9-22; [TR G. Hughes, 03/MAY/2021](#), p. 17, l. 8–p. 19, l. 15; [Ex. 966](#), p. 5; [TR C. Hamilton, 12/MAY/ 2021](#), p. 17, l. 14–p. 18, l. 17; p. 23, l. 21–p. 25, l. 4; [Ex. 986](#), pp. 4-5; [TR R. van Wegberg, 14/MAY/ 2021](#), pp. 55-57, [TR M. Murray, 05/MAY/2021](#), p. 81, l. 25–p. 82, l. 13, [TR M. Murray, 05/MAY/2021](#), p. 63, l. 15–p. 64, l. 4.

³⁴⁸ [TR J. Simser, 14/DEC/2020](#), p. 110, l. 10–p. 111, l. 8.

³⁴⁹ [Ex. 411](#), pp. 19, 93-95, 102; [TR N. Maxwell, 14/JAN/2021](#), p. 88, l. 24-25; p. 89-93; [Ex. 986](#), p. 5;

151. Unsurprisingly, the approach to information sharing varies across and between jurisdictions. For example, in Manitoba’s civil forfeiture regime, which was modeled after BC’s civil forfeiture legislation, information sharing occurs between its Criminal Property Forfeiture Unit (the “CPFU”) and police departments through liaison officers employed by law enforcement agencies. These officers act as gatekeepers who review files to ensure they are suitable for referral to the CPFU, which has the added benefit of enhancing efficiency and consistency in file referral.³⁵⁰ In Canada more generally, civil forfeiture offices share information about specific files in order to pursue asset recovery where there is cross-jurisdictional unlawful activity.³⁵¹ This practice is reflected internationally as well.

152. In Ireland, the CAB facilitates information sharing between the disparate member agencies, as described above.³⁵² In New Zealand, its Financial Intelligence Unit is located within the Financial Crime Group of the New Zealand Police, along with civil Asset Recovery Units and a dedicated money laundering investigative team, which facilitates information sharing between these three groups.³⁵³

153. In the criminal enforcement context, some jurisdictions have approached the task of information sharing through public-private partnerships.³⁵⁴ For example, the Netherlands has established the Anti-Money Laundering Centre — a knowledge and expertise centre consisting of public and private partners including the police, the prosecution service, the FIU, various regulators, the FIOD, banks, accountancy firms, and notaries.³⁵⁵ The Joint Money Laundering Intelligence Task Force (“JMLIT”) in the UK — the world’s first public-private partnership — enabled the sharing of operational intelligence between law enforcement and private sector entities, which one witness described as “one of the biggest shifts in law enforcement capability that I’ve seen in the last 30 years”.³⁵⁶ Public-private partnerships can be advantageous insofar as they

[TR R. van Wegberg, 14/MAY/2021](#), p. 64, l. 22–p. 66, l. 17; see also TR S. Davis, J. Stark, G. Stavridis, 19/JAN/2021 (*in camera*), p. 94, l. 11–p. 95, l. 25.

³⁵⁰ [TR M. Murray, 05/MAY/2021](#), p. 29, l. 5–p. 31, l. 16.

³⁵¹ [TR M. Murray, 05/MAY/2021](#), p. 81, l. 6-16; [TR J. Simser, 14/DEC/2020](#), p. 78, l. 5–p. 79, l. 1.

³⁵² [TR C. King, B. Butler, K. McMeel, 16/DEC/2020](#), p. 28, l. 13–p. 29, l. 1-8.

³⁵³ [TR G. Hughes, 03/MAY/2021](#), p. 17, l. 8–p. 19, l. 12; p. 34, l. 19–p. 35, l. 12; [TR C. Hamilton, 12/MAY/2021](#), p. 17, l. 14–p. 18, l. 18.

³⁵⁴ For private-public partnerships, see, [Ex. 411](#), pp. 13-17, 20-26, 35-38, 97-100, 106-107, 113-114.

³⁵⁵ [TR R. van Wegberg, 14/MAY/2021](#), pp. 55-57; [Ex. 986](#), p. 4.

³⁵⁶ [TR S. Lord, 28/MAY/2020](#), p. 25, l. 20-25; see also pp. 24-27; [TR R. Wainwright, 15/JUN/2020](#), pp.

encourage robust collaboration based on common expertise, rather than information sharing solely within individual workplaces.³⁵⁷ Public-private partnerships can also be strengthened through formal and institutionalized relationships.³⁵⁸

iv. Investigative and Asset Freezing Powers

154. Having sufficient investigative and asset freezing powers has also been critical in combatting money laundering. In New Zealand, police officers pursuing civil investigations under its criminal proceeds recovery statute can exercise many powers similar to those conferred on police officers investigating criminal matters, including the powers to obtain search warrants, production orders in relation to documents and witness examination orders.³⁵⁹ In Ireland, the CAB can rely on both civil law powers and criminal law powers, such as freezing a bank account or exercising a search warrant, in its investigations.³⁶⁰ Manitoba introduced a bill which received Royal Assent in May 2021, to enhance the information gathering tools of its Civil Forfeiture Unit.³⁶¹

155. Unexplained wealth orders (“UWOs”) are another information gathering tool used by some jurisdictions when targeting illicit wealth and proceeds of crime.³⁶² While there is no uniform definition, a UWO can generally be described as a statutory presumption that a person’s property constitutes proceeds of crime.³⁶³ Three common types of UWOs include: (a) when a person’s wealth that exceeds their lawful income is liable to be confiscated (e.g. Australia); (b) when reasonable suspicion that specific property derives from a criminal offence triggers a reverse burden of proof (e.g. Ireland); and (c) when unexplained wealth and other statutory requirements leads to the issuance of a UWO and

45-48; p. 16, l. 39–p. 17, l. 39. Sir Wainwright described JMLIT as the “best practice model ... around the world” and noted that “there was an 80 times increase in the productivity of suspicious transaction reports that go to the FIUs” within the first two years of operation: pp. 45-46.

³⁵⁷ [TR R. van Wegberg, 14/MAY/2021](#), p. 69, l. 21–p. 70, l. 5.

³⁵⁸ [TR R. van Wegberg, 14/MAY/2021](#), p. 60, l. 5–p. 62, l. 13; [TR M. Paddon and B. Robinson, 14/APR/2021](#), p. 96, l. 25–p. 98, l. 15.

³⁵⁹ [TR G. Hughes, 03/MAY/2021](#), p. 100, l. 8–p. 101, l. 10; [TR C. Hamilton, 12/MAY/2021](#), p. 90, l. 25–p. 93, l. 14; [Ex. 953](#).

³⁶⁰ [TR C. King, B. Butler, K. McMeel, 16/DEC/2020](#), p. 14, l. 12-23; pp. 86-89.

³⁶¹ [TR M. Murray, 05/MAY/2021](#), p. 5, l. 22–p. 6, l. 4.

³⁶² The Expert Panel recommended the Province consider introducing UWOs in BC (R. 11): [Ex. 330](#), p. 5; The policy branch of FREDA is currently exploring this possibility: [TR J. Primeau, 08/MAR/2021](#), p. 34, l. 11-25.

³⁶³ [TR A. Moiseienko, H. Wood, 15/DEC/2020](#), p. 15, l. 16–p. 16, l. 15.

failure to comply with that UWO triggers a reverse burden of proof (e.g. UK).³⁶⁴ UWOs are generally considered an investigatory tool; they are a way to gather information and evidence that can then be used in civil asset forfeiture.³⁶⁵

156. The UK relies on UWOs as an investigative tool for collecting evidence for civil recovery proceedings.³⁶⁶ UWOs can also be accompanied by an interim freezing order.³⁶⁷ While UWOs in the UK are generally effective, their effectiveness is somewhat limited by a requirement that they can only be used when other information gathering avenues are not available.³⁶⁸ Other limitations to the UK's UWO scheme include complex requirements which can result in expensive litigation, and statutory requirements that are difficult to satisfy when nominees, trustees, or complex corporate structures are involved.³⁶⁹

157. Challenges associated with UWO schemes are also reflected in the Australian experience.³⁷⁰ The effectiveness of UWOs has been stymied by law enforcement's inexperience with UWOs, the difficulty in proving quantum in UWO-based confiscation (which requires extensive forensic accounting experience) and court proceedings which are complex, lengthy, and expensive but have no guarantee of success.³⁷¹ The effectiveness and practical utility of UWOs thus remains an open question based on the evidence before this Commission.

PART VII – CLOSING

158. The Commission has received evidence regarding potential vulnerabilities and money laundering risks across a multitude of economic sectors in BC, along with evidence

³⁶⁴ [TR A. Moiseienko, H. Wood, 15/DEC/2020](#), pp. 12-14.

³⁶⁵ [TR A. Moiseienko, H. Wood, 15/DEC/2020](#), p. 11, l. 11-25; [Ex. 382](#), p. 3.

³⁶⁶ In the UK, an application for a UWO may be brought without notice, and if the respondent fails to comply with the UWO, there is a rebuttable presumption that the property is recoverable under the asset recovery legislation: [TR A. Moiseienko, H. Wood, 15/DEC/2020](#), p. 41, l. 23–p. 42, l. 4.

³⁶⁷ [TR A. Moiseienko, H. Wood, 15/DEC/2020](#), p. 61, l. 16-22.

³⁶⁸ [TR A. Moiseienko, H. Wood, 15/DEC/2020](#), p. 77, l. 11-25.

³⁶⁹ [Ex. 382](#), p. 19.

³⁷⁰ [TR N. Skead, 17/DEC/2020](#), p. 64, l. 24–p. 65, l. 3.

³⁷¹ [TR N. Skead, 17/DEC/2020](#), pp. 54-57; UWO schemes are considered excessively harsh in Australia. Among other things, there is no requirement for a reasonable suspicion or belief that property is criminally derived before the burden of proof is reversed, a judge has no discretion not to grant a UWO if unexplained wealth is established on the balance of probabilities, and the scheme is retrospective and can apply to wealth obtained at any time in an individual's past: [TR N. Skead, 17/DEC/2020](#), p. 49, l. 22-25, and pp. 50-52.

detailing enforcement efforts taken and provincial regulatory responses created to address this pressing issue. Despite these efforts, money laundering vulnerabilities persist in BC. As the Province considers next steps in its AML efforts, this inquiry will provide guidance regarding the hallmarks of effective, efficient, and viable AML initiatives.

159. To effectively address the risk of money laundering, it is first necessary to understand the scope and magnitude of the problem. It is evident that having access to reliable and easily searchable data coupled with the capability to analyze that data is fundamental to any AML initiative. For example, BC's real estate and financial services sector regulators emphasized the data gaps that currently exist and how that hinders their ability to proactively regulate in the public interest. Improved data quality and data management tools would help regulators and other enforcement bodies better understand risk in their respective sectors and take the requisite steps to mitigate those risks.

160. Regulators and enforcement bodies alike must also have a clear mandate and an understanding of their respective roles and responsibilities regarding AML initiatives. As noted above, many provincial regulators do not currently have an explicit AML mandate, though there is a recognition that regulators have an important role to play in combating money laundering. In determining the nature and extent of those roles, guidance can be derived from other jurisdictions, where the evidence suggests that having a dedicated AML mandate allows agencies to better understand the relevant issues and develop skills and expertise specific to financial crime, thereby improving their investigative abilities.

161. An effective AML response is also one grounded in a collaborative approach which maximizes information sharing opportunities. For example, other jurisdictions have had success using fusion centres to allow the constituent agencies to share resources, expertise, and information. Significantly, the Province has taken steps to foster a more collaborative regulatory approach; it has introduced legislation that will combine OSRE, RECBC, and BCFSA to create a single regulator for the financial services sector, including real estate, and done significant policy work on its FIIU proposal. While collaboration between provincial government bodies is important, the evidence makes clear that a comprehensive and successful AML strategy requires collaboration with non-government regulators, the Province's federal counterparts, and the private sector.

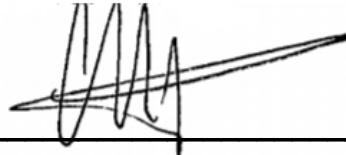
162. Ultimately, the Commissioner's recommendations will provide the Province with the requisite clarity and focus as it endeavours to create a flexible, data-focused AML regime that is collaborative in nature and responsive to a changing criminal landscape.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 9th DAY OF JULY 2021

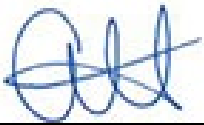
Counsel for Her Majesty the Queen in right of the Province of British Columbia:



Jacqueline D. Hughes, Q.C.



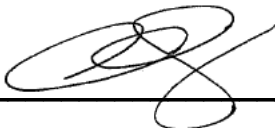
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