



House of Commons  
CANADA

## Standing Committee on Finance

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FINA • NUMBER 046 • 1st SESSION • 39th PARLIAMENT

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EVIDENCE

**Tuesday, October 31, 2006**

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**Chair**

**Mr. Brian Pallister**

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## Standing Committee on Finance

Tuesday, October 31, 2006

•(0915)

[English]

**The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)):** Welcome to our witnesses, and Madam Ablonczy, in a different role from the normal role in committee, welcome to you.

[Translation]

Pursuant to the order of reference of Tuesday, October 24, 2006, the committee is considering Bill C-25, an Act to amend the proceeds of crime (money laundering) and Terrorist Financing Act and the Income Tax Act and to make a consequential amendment to another act.

[English]

We will begin with a statement from Madam Ablonczy.

**Ms. Diane Ablonczy (Parliamentary Secretary to the Minister of Finance):** Thank you, Mr. Chairman.

It's always a pleasure to be in committee, this time wearing a little bit of a different hat, but I'm pleased to be here nonetheless to give some background to the committee about Bill C-25. Then I and officials from the department, who've been working very hard on this for a long time, can answer any questions you may have.

Mr. Chairman, this bill strengthens the Proceeds of Crime (Money Laundering) and Terrorist Financing Act to ensure that Canada continues to be a global leader in combating organized crime and terrorist financing. As you know, Minister Flaherty recently addressed the first plenary meeting of the 18th session of the Financial Action Task Force, or FATF, an international body, held in Vancouver this year. He assured the delegates there that Canada takes its global responsibilities very seriously.

We can be proud that for the first time ever, Canada has assumed the presidency of the FATF, the international standards-setting body whose purpose is the development and promotion of policies to combat money laundering and terrorist financing. We are a country on the move, a country with a G7-leading economy, and we are a country committed to meeting our international obligations, including the global fight against terrorism.

We live, as we all know, in an increasingly interconnected world, where terrorists and criminal organizations are becoming more sophisticated in their attempts to move, conceal, and launder funds through financial systems and by other means. I know you can appreciate that abuses to our nation's financial system can have a serious ripple effect well beyond our own borders. The FATF has made great strides over the years in working with regional bodies

and international financial institutions to develop a more fortified international system.

Canada must do its part in preventing criminals and terrorists from using our financial systems to fund criminal activities. Canada wants to be relentless in its efforts to combat money laundering and terrorist financing, and Bill C-25 reflects that.

We're committed to playing a stronger role at home and internationally, and we have already been doing so through a number of initiatives. We are committed to making the safety and security of our citizens, and our fellow global citizens, a priority.

The May budget, as you will recall, announced significant new funding for anticipated initiatives and to bolster existing capacities to combat money laundering and terrorist financing. The budget announced funding of \$64 million over the next two years for the Financial Transactions and Reports Analysis Centre of Canada, called FINTRAC, funding for the RCMP, for the Canada Border Services Agency, and for the Department of Justice.

This additional funding will help in a number of ways. For example, it will increase the number of RCMP officers working within the anti-terrorist financing and anti-money-laundering units. It will also expand the capability of the Canada Border Services Agency to detect unreported currency at airports and border crossings. Furthermore, the new funding will ensure that FINTRAC can better analyze financial transaction reports and monitor the compliance of the unregulated financial sectors, such as money remitters.

Bill C-25 implements measures that will improve Canada's ability to act decisively against money laundering and terrorist financing. What part does the bill play in the fight against terrorism? Of course, one of the main things terrorists need is money. The measures in Bill C-25 will make it harder for terrorists to get funding. The fight against money laundering and terrorist funding is one where we must stay one step ahead of criminals by continuing to develop ways to defeat them, wherever and however they operate. These proposed amendments will make Canada's anti-money laundering and anti-terrorist financing regime more effective by making it consistent with new FATF standards.

As a founding member of FATF, Canada is committed to implementing forty recommendations on money laundering, as well as nine special recommendations on terrorist financing. In addition to these recommendations from FATF, we have now had the interim report of the Standing Senate Committee on Banking, Trade and Commerce. The Senate is calling for tougher measures to deal with money laundering and terrorist financing.

Mr. Chairman, I'd like to thank the Senate banking committee, on behalf of our committee, for their guidance in shaping the requirements of Bill C-25.

The proposed measures in Bill C-25 also follow recommendations made in the 2004 Auditor General's report and, in addition to that, in a 2004 Treasury Board evaluation of the regime. So we have a number of expert voices calling for some upgrades to our regime.

For example, as recommended in the 2004 Auditor General's report, and at the behest of law enforcement, these proposed amendments enhance the information FINTRAC can disclose to law enforcement and security agencies on suspicious transactions that point to money laundering or terrorist financing. It's important to mention here that the bill proposes an amendment to the Income Tax Act that would allow the sharing of information between FINTRAC, the Canada Revenue Agency, and law enforcement agencies regarding charities where there are reasonable grounds to suspect they are being used for terrorist financing.

Mr. Chairman, these measures will increase the value of FINTRAC disclosures, ultimately leading to more investigations and eventual prosecutions.

The amendments proposed in Bill C-25 also include the creation of a registration regime for money service businesses. FINTRAC would act as registrar and would maintain a public list of registered money service businesses and foreign exchange dealers. These businesses are already covered by the existing legislation; however, given that this is an unregulated sector, the registry will assist FINTRAC in ensuring compliance with the regulation.

What's more, Bill C-25 provides for enabling legislation for enhanced client identification measures. What this means is that banks, insurance companies, securities dealers, and money services businesses will be required to take measures to identify and monitor the transactions of foreign nationals who hold prominent public positions.

Finally, Bill C-25 proposes to create administrative and monetary penalties to better enforce compliance with the Proceeds of Crime and Terrorist Financing Act. Current legislation only allows for serious criminal penalties if the act is contravened. But FINTRAC requires the ability to levy fines to deal with lesser contraventions in order to take a more balanced and gradual approach to compliance.

The government believes that the act strikes the right balance between protecting the privacy rights of Canadians and providing law enforcement with the necessary tools to fight serious crimes such as money laundering and terrorist financing. The act contains a number of safeguards designed to ensure privacy rights are protected, such as criminal penalties for unauthorized disclosure.

Officials in the Department of Finance have met with the Office of the Privacy Commissioner and continue to work with them to ensure privacy rights are protected.

In sum, Mr. Chairman, the steps I have outlined here today add up to a better, safer world for Canadians, a world where our financial systems are used only as they were intended, to create better opportunities for our citizens and greater prosperity for our nation. The measures contained in this bill today will help win the battle against terrorist and criminal activity by making our regime smarter, more resourceful, and more tenacious. Mr. Chairman, criminals don't stand still, and neither can we. We need to take decisive action and Bill C-25 does just that.

We would now be pleased to answer any questions from the committee and we look forward to our examination of this bill.

Thank you, Mr. Chairman.

• (0920)

**The Chair:** Thank you very much, Madam Ablonczy.

We begin with Mr. McKay, for seven minutes.

**Hon. John McKay (Scarborough—Guildwood, Lib.):** Thank you, Chair, and thank you, Madam Parliamentary Secretary.

I too want to thank the unelected Liberal Senate for its work on this particular file.

**Some hon. members:** Oh, oh!

**Hon. John McKay:** It's remarkable what they can do.

My first question has to do with charities. Is there any limitation on the definition of charities? In other words, do you have to be a charity registered with Revenue Canada and in a position to be giving receipts, or can FINTRAC follow charities that are not registered with Revenue Canada?

**Ms. Diane Lafleur (Director, Financial Sector, Financial Sector Policy Branch, Department of Finance):** Thank you for that question.

All charities will continue to have to be registered with Revenue Canada. That charities registration process is not being changed here.

**Hon. John McKay:** So if I'm not in the business of giving donation receipts, but I act as a charity, this legislation wouldn't capture me?

**Ms. Diane Lafleur:** My understanding of the legislation is that you cannot issue tax receipts unless you are a registered charity.

**Hon. John McKay:** Charity is therefore limited to those who issue tax receipts? I just wanted to clarify that. I'm asking this as an open question: is that a potential issue?

My second question is about the threshold of disclosure. When you're following a transaction for the purposes of national security or terrorism, presumably your threshold of disclosure to CSIS and to other law enforcement agencies is far lower than it is for, say, organized crime or criminal activity of any kind. How do you resolve that issue of disclosure? What constitutes a serious transaction for the purposes of organized crime, and what constitutes a serious or suspicious transaction for the purposes of terrorism or national security, or is there in fact a difference?

● (0925)

**Ms. Diane Lafleur:** Detecting suspicious transactions is, of course, subjective. FINTRAC has provided guidance to reporting entities, and that is available on the website. Certain things such as indicators are made publicly available: what to look for, and what might constitute something that is suspicious and is something that.... Indicators have been provided to the reporting entities to guide them in making those decisions.

**Hon. John McKay:** So there is really no difference, in terms of suspicious transactions, whether you're tracking organized crime or tracking for terrorism?

**Ms. Diane Lafleur:** I think the indicators might vary, depending on the situation, but all of the indicators are provided to the reporting entity, and they're watching out for both when they're filling out reports.

**Hon. John McKay:** My third question has to do with the exemption the lawyers have. When this legislation was originally passed by the Liberal government, it was fairly tight vis-à-vis the law society and the lawyers. Yet as I understand it, the law society went to court and succeeded in preserving for themselves a solicitor-client protection.

Now, as I understand the proposal, it is essentially a "know your client" idea. What puzzles me is a lawyer who is intentionally or unintentionally complicit in these kinds of serious transactions. Typically, certainly in the case of organized crime, it's a small law firm with a single practitioner, or two or three, and the client is well known in the area of organized crime—that's what the lawyer does; he defends this particular individual from prosecution in organized criminal activity.

What I don't understand is how this kind of legislation is going to capture the intentional or unintentional complicit activity on the part of the member of the law society.

**Ms. Diane Ablonczy:** There are two things to say about that, Mr. McKay.

One is that you can never capture everybody. We all know that. One of the two things that will make it more likely that these individuals will be captured is the fact that now there is a legislative duty to collect certain information, which may have to be disclosed under the terms of the Supreme Court decision in *Lavallee*, which the law society, of course, fully accepts. Now you have people under a positive duty. Then you have, as you know as a lawyer, law societies able to examine books of individual members of the society, and when that happens, if there are breaches of the law, there are serious penalties for breaching the law. So it's important that you have a regime that, potentially, captures everybody. Some people may try to wiggle out of it, but the consequences are very clear for

doing that. You're more likely to have compliance if you have a duty than if you just leave it wide open and say you can't catch everybody, so you won't do anything.

**Hon. John McKay:** Isn't my defence, as a practising lawyer, that I complied with the requirements of the law society? I know my client. I have a record of who he or she is. I've done everything that's required, but I don't have any obligation to anybody to disclose that I transferred \$10 million to Afghanistan.

● (0930)

[*Translation*]

**The Chair:** The next person up will be Mr. Paquette.

**Mr. Pierre Paquette (Joliette, BQ):** Thank you, Mr. Chair.

I would like to come back to the issue of reasonable grounds and criteria used to determine whether information must be sent to the concerned police forces. The bill does not provide any regulation listing the reasonable grounds.

Would it not have been preferable to have a number of standards to help the centre determine whether a transaction is suspicious? I would like to know why the organization, which will forward information where there are reasonable grounds, is being given sole responsibility to establish criteria in order to determine whether there are reasonable grounds or whether transactions are suspicious. Perhaps the act or the regulations could have provided safeguards to ensure consistent decisions by the centre, which forwards information to the concerned police forces.

**Ms. Diane Lafleur:** Trends are constantly changing. If the act or the regulations included such indicators, they would become outdated pretty quickly. The work done by the Financial Action Task Force on money laundering, or FATF, or other organizations shows that the typologies, trends and techniques of laundering proceeds of crime are constantly changing. We therefore have to be able to adjust the indicators and provide the authorities that send reports to the Financial Transactions and Reports Analysis Centre of Canada, or FINTRAC, with additional information to keep up with criminal trends.

**Mr. Pierre Paquette:** In the event that FINTRAC defines a number of criteria to determine whether transactions are suspicious or not, how would the Department of Finance interact with police authorities? How can you assess the merits of a decision to forward information? Will the department or parliamentarians be regularly informed of the criteria used to determine whether there are reasonable grounds to think that a transaction is suspicious? There has to be some interaction, because a single organization cannot be left to determine such criteria. That way we can assess the quality of the work done by FINTRAC. Does the act provide for such an interaction mechanism?

**Ms. Diane Lafleur:** There is a constant dialogue between the various partners, whether it be FINTRAC, the RCMP, police authorities or the international community, in order to share information. Partners also share information with their international counterparts to stay abreast of trends and provide their private sector partners with the most up-to-date information on current trends and typologies.

A number of interdepartmental committees meet regularly to discuss these issues. Discussions are not about establishing strict rules, but about giving private sector agencies guidelines to help them do their work, because it is they who are on the front lines.

**Mr. Pierre Paquette:** We are talking about guidelines; I fully understand that. In that case, what kind of relationship will there be with the privacy commissioner? Will the commissioner be asked to ensure that the criteria in place do not contravene the right to privacy?

**Ms. Diane Lafleur:** Needless to say, the commissioner was asked for her input during the preparation of the bill. I do not want to speak on her behalf. As you no doubt know, the act contains a number of privacy provisions. As Ms. Ablonczy mentioned, the legislation contains serious penalties in cases of non-compliance with its provisions.

**Mr. Pierre Paquette:** I have another, more general question.

All studies show that tax havens are major money laundering hubs. I even read that a reported 20 to 25% of the money sent to tax havens comes from proceeds of crime and is used to fund terrorist organizations.

Will this bill have an impact on the use of tax havens for such purposes? Other purposes are no more legitimate, but we are dealing here with money laundering.

• (0935)

**Ms. Diane Lafleur:** Canada is cooperating with the FATF and similar regional organizations, such as the Asia Pacific group, to insure that the FATF recommendations are implemented worldwide. Members of the FATF and those regional organizations are evaluated to make sure that they have taken the necessary measures to fight money laundering and terrorist funding. Common standards are used to ensure that the system is seamless. Clearly, this is a work in progress, and we must remain vigilant. That is why we try to play a leading role, both internationally and domestically.

**Mr. Pierre Paquette:** Thank you.

**The Chair:** Thank you very much.

Ms. Judy Wasylycia-Leis, you have seven minutes.

[English]

**Ms. Judy Wasylycia-Leis (Winnipeg North, NDP):** Thank you, Mr. Chairperson.

It's nice to see you, Madam Parliamentary Secretary, in this new role here. We could probably quickly introduce a lot of motions and win them, because you can't vote when you're over there. Right?

I have several issues to raise. First, I know the bill was probably drafted before the Senate committee completed its final report. I've been trying to find out from Senator Grafstein if the bill reflects their concerns. When we called his office a couple of weeks ago, they still hadn't studied the bill.

I'm wondering if you're able to indicate to us what parts of their report are included in the bill, what's not covered, and if there are areas for amendment, given the timing of the two pieces.

**Ms. Diane Ablonczy:** That's a good question.

I did meet with Senator Grafstein, who is the chair of the committee studying this matter. He indicated that the provisions of the bill pretty much reflect the recommendations of the Senate and the Senate study.

I'll ask the officials to indicate if there are any areas where the two aren't congruent, but I did have a comparison done and there seemed to be almost 100% congruency, which is pretty good.

Are there any gaps that you're aware of?

**Ms. Diane Lafleur:** There are no significant gaps. I would only add a point of clarification.

A couple of the recommendations weren't necessarily legislative in nature. They had to do with funding for FINTRAC and the RCMP specifically. As Ms. Ablonczy has already stated, budget 2006 provided funding for FINTRAC, CBSA, the Department of Justice, and the RCMP in order to meet existing pressures and meet the new requirements that will be imposed on those departments and agencies as a result of Bill C-25.

**Ms. Judy Wasylycia-Leis:** I appreciate and accept the answer. I simply wondered if it would be useful for us to have a representative of the Senate committee appear before us to help us talk about the issue in the context of this bill.

**Ms. Diane Ablonczy:** That would be up to the committee.

**Ms. Judy Wasylycia-Leis:** Okay. Perhaps we'll propose that later on.

The issue that's been addressed several times, which the law society has raised.... As I understand it, this bill still doesn't accommodate their concerns and the concerns of lawyers in terms of law firms having to report either suspicious transactions or large sums of money passing through their offices, mostly through their trust accounts. I guess what the legal people of the law society is asking for is an exclusion from the bill in those terms. I wonder if there is any way to accommodate their concerns in this bill.

How do you feel about the issue?

• (0940)

**Ms. Diane Ablonczy:** The legal profession has accepted the need for inclusion in this bill under the terms of the Lavallee decision. As you know, lawyers are already prohibited by law societies from accepting more than \$7,500 in cash from any client, so the political profession is well aware of the need to be vigilant in this area. Any disclosure by lawyers is covered by the Lavallee decision and is accepted by the legal profession, so I don't think at this point there's a problem in the way this is structured vis-à-vis the legal profession.

**Ms. Judy Wasylycia-Leis:** I'm not very familiar with the issue. Joe Comartin has been following it, but he's away right now. I'm using as a basis, unfortunately, newspaper articles that suggest that Canada's lawyers are ready to put up a big fight if in fact they are forced to report large cash payments from their clients.

**Ms. Diane Ablonczy:** The fact of the matter is that they're not required to report; they're only required to ensure that they know who their client is and to be aware of the background. Under certain circumstances, they may be asked for that information. Those circumstances are set out in the Lavallee decision of the Supreme Court, which the legal profession accepts. So the response to that article would be based on a misunderstanding, because there's no requirement to report.

**Ms. Judy Wasylycia-Leis:** The other concern that has been brought to my attention has, of course, to do with foreign access to personal information. I guess this has been raised in light of the U.S. program under which the Bush administration has access to international banking records through SWIFT. I guess the question here is, is there anything in this bill that deals with that concern, or is that an area we should be looking at?

**Ms. Diane Ablonczy:** That's an excellent question, and we are very anxious to make sure that privacy concerns are met and protected to the greatest extent possible.

The fact of the matter is that there is a very stringent protocol for information sharing. Information can only come from FINTRAC, to begin with, under a court order, and any information sharing can only be with other countries where we have a memorandum of understanding. And in every case, the request will be personally vetted by the minister. So there are some fairly stringent protocols in place for information sharing.

I don't know whether the officials can add anything to that, but we want to make sure this information is very closely guarded and given out on only a very stringent basis.

**The Chair:** Thank you very much, Madam Wasylycia-Leis.

We continue now with Mr. Dykstra.

**Mr. Rick Dykstra (St. Catharines, CPC):** Thank you, Mr. Chair.

I would like to thank the witnesses today. Ms. Ablonczy, you did a great job on the presentation. I appreciate it.

One of the first enhancements that was completed through, I guess, the updating of this act is the information sharing between the Financial Transactions and the Reports Analysis Centre of Canada.... I wonder if you can expand a little bit on how that relationship is actually enhanced between FINTRAC and other domestic and international agencies.

**Ms. Diane Lafleur:** Essentially, what the bill provides for is that FINTRAC, in making disclosures to law enforcement and some of its partners, is proposed to be allowed to share additional information to provide a bit more context for why it is making those disclosures. Therefore, it is hopefully helping law enforcement in its determination as to whether an investigation is required and how to initiate that investigation. So it's to provide more context, but again, we've worked very closely with our partners to ensure that the scope of that information is still within the realm of what is onside with privacy legislation.

● (0945)

**Mr. Rick Dykstra:** I guess the second part is creating a registry for money service businesses. I know for a lot of folks in this country, when they hear the word "registry", their heart skips a beat. Could you put into context what that registry is going to do and what its responsibilities are?

**Ms. Diane Lafleur:** The registry is intended to help FINTRAC with its compliance efforts. FINTRAC uses a collaborative approach to compliance.

I should just back up for a second and clarify this a little. The FATF standards require that each member have either a licensing or registration scheme for money services businesses. What we are proposing is a registration system, not a licensing system, so it's not a regulatory system. The idea is to essentially have a better understanding of who the money services businesses are out there.

I don't think you would be surprised if I say there are literally hundreds of thousands of these businesses out there. Some are very large and some are extremely small. It is always a challenge to try to communicate obligations for some of the smaller reporting entities. So this is going to help FINTRAC with its outreach in terms of reaching the smaller organizations and making them aware of what their obligations are under the law, how they can be compliant with the obligations, and doing that in an effective manner.

**Mr. Rick Dykstra:** The important part of this is registration, not regulation.

**Ms. Diane Lafleur:** That's right.

**Mr. Rick Dykstra:** The third change is that the client identification measures are being enhanced. What does that do exactly, from a practical application perspective?

**Ms. Diane Lafleur:** A few things are being done in terms of enhanced client ID and record keeping, and the focus really is on higher-risk situations. Basically, in terms of financial institutions, when they are engaging in correspondence banking relationships, they will have to engage in enhanced due diligence in order to know who they actually are doing business with at the other end of the line. As well, there will be an enhanced monitoring of foreign politically exposed persons, as required under the Financial Action Task Force—

**Mr. Rick Dykstra:** Excellent.

The fourth and most significant piece of enhancement to the legislation is the administrative and monetary penalty system to better enforce compliance with the act. Could you also comment on how the enhancement is actually better than what was there before?

**Ms. Diane Lafleur:** As the parliamentary secretary mentioned, right now, basically FINTRAC has a big hammer, and that is criminal sanctions where there is non-compliance. Consistent with its more collaborative approach to compliance, it's viewed that there should be a more graduated system of penalties. Sometimes non-compliance is not necessarily willing non-compliance. Sometimes you don't understand your obligations and you do want to be fully compliant, but you just need a bit more information. Sometimes it's somewhere in between the two. But you want to have something in between essentially doing nothing and going to criminal sanctions, so this will allow for more tools in the tool kit, if you will, in terms of compliance.

**Mr. Rick Dykstra:** One of the questions that continue to come up, both when you present and when we talk about this, is the whole issue of privacy. A lot of folks in the country would think that criminals don't have any need or any right to privacy; others would suggest that they do. At least from my personal experience over the last little while, it seems that one of the things that FINTRAC is very concerned about is the whole issue of privacy. I'm wondering if you could take me through the differences between a criminal who has been convicted and the privacy that FINTRAC is trying to pay attention to.

**Ms. Diane Ablonczy:** I think the balancing act, so to speak, is to put the emphasis on suspicious transactions, and those are fairly clearly outlined. Even then, FINTRAC holds that information very closely guarded, and only discloses key identifiers and publicly available information. If a law enforcement agency wants additional information, they must go to court and actually get a court order requiring FINTRAC to provide additional information. So there is the filter of a court process to ensure that anyone's privacy is breached only when there is good and sufficient grounds to do so.

Once a person has been convicted, of course, that's a different issue, and I don't think you're really asking about that.

• (0950)

**Mr. Rick Dykstra:** As for the four enhancements that we've done to Bill C-25, how does this put us with respect to our colleagues around the table at the UN? Have we significantly advanced? Is there some satisfaction that we're on the cutting edge, or at least that we're keeping pace with what we should be doing internationally?

**Ms. Diane Lafleur:** We will be assessed against the FATF's standards in 2007, and we are hopeful that we will be among the leaders in crime prevention.

**The Chair:** Mr. Pacetti.

**Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.):** Thank you, Mr. Chairman, and thank you to the parliamentary secretary. I guess this is your first official meeting.

I have a quick question on the Auditor General's report dated November 2004, chapter 2, "Implementation of the National Initiative to Combat Money Laundering". The first issue was regarding legislative limits. Mr. Dykstra asked the question, but I think it was a question that was more politely worded. There was a problem with what FINTRAC may disclose, and I'm not sure the bill addresses it.

The report says:

FINTRAC may disclose on suspicious transactions to so-called "tombstone" data: account numbers; names of the account holders; and places, dates, and values of transactions that have occurred. When a disclosure is related to an ongoing investigation, these data can be useful in corroborating findings or providing new leads.

But then it goes on to say:

In short, as the system now works, FINTRAC's disclosures can contribute to an existing investigation but generally generate new ones.

I'm not sure how the legislation would correct that.

**Ms. Diane Lafleur:** The legislation would allow FINTRAC to disclose additional information to law enforcement agencies. This would make their disclosures more useful to law enforcement. For example, if a financial institution were to submit a suspicious transaction report, FINTRAC can disclose the grounds for suspicions.

Previously, FINTRAC wasn't allowed to pass on that information to law enforcement. But under this legislation, it would be able to share the rationale or explanation of what was suspicious that came from the financial institution.

**Mr. Massimo Pacetti:** But the changes would implement only the actual suspicions. You're only transferring account numbers. Are you still going to be allowed to transfer names of account holders and all the backup with that?

**Ms. Diane Lafleur:** Yes.

**Mr. Massimo Pacetti:** Does this apply only to information from the financial institutions?

**Ms. Diane Lafleur:** Financial institutions and other reporting entities.

**Mr. Massimo Pacetti:** I don't want to get too technical, but where is this in the bill? I can wait for the answer.

**Ms. Lynn Hemmings (Chief, Financial Crime - Domestic, Financial Sector Division, Financial Sector Policy Branch, Department of Finance):** We can find it for you.

**Mr. Massimo Pacetti:** What happens when FINTRAC wants to cooperate with the other agencies, whether it be with the RCMP or CSIS? Is there an overlap or duplication of work? That's what I understand was happening before, when we had the Auditor General in during the last parliamentary session.

**Ms. Diane Lafleur:** FINTRAC is not an investigative body, so there is no overlap with law enforcement. It receives transaction reports, voluntary information reports, from law enforcement and sometimes from its international partners. It conducts analyses of the financial information. Where it has reasonable grounds to suspect that there's been either money laundering or terrorist financing, it turns this information over to the appropriate law enforcement agency. That's where the law enforcement agency takes over the investigation.

**Mr. Massimo Pacetti:** But the law enforcement agency will never turn around to FINTRAC and ask for an analysis. They will do it themselves, when FINTRAC may already have done the analysis.

**Ms. Diane Lafleur:** What can happen—and maybe this is where the confusion is coming from—is this: if the RCMP already has an investigation under way, it may voluntarily disclose information to FINTRAC.

**Mr. Massimo Pacetti:** But they won't give FINTRAC specifics. They'll just say they have an investigation under way. So FINTRAC, without knowing it, may already be doing their work on that case.

• (0955)

**Ms. Diane Lafleur:** The voluntary information reports are actually quite specific.

**Ms. Lynn Hemmings:** Yes, they are.

**Ms. Diane Lafleur:** They are specific in the information that they are provided. For example, they might refer to a specific individual. They might ask, do you have information in your data bank about somebody? Of course, FINTRAC, before it discloses the information, still has to apply the same test of reasonable grounds to suspect

**Mr. Massimo Pacetti:** The other problem I have is that I think this bill comes from putting two acts together, one to combat money laundering and one to combat terrorist financing, if I'm not mistaken. I think my colleague John McKay alluded to this.

Are we using the same tools for two different items, two different aspects? Terrorist financing would work in one fashion, whereas even if the money is funnelled through a charity, or they're raising money through a charity, I don't think a money launderer would want to use a charity, because they're trying to launder money.

[Translation]

**The Chair:** Mr. St-Cyr, you have five minutes.

**Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ):** Thank you, Mr. Chair. Before the end of the round of questions, and before we leave the room, I would like to raise a procedural question.

Thank you for being here. I have two specific concerns regarding this bill. Like several of my colleagues, I would first like to speak about the protection of privacy. I believe this was something that was raised by all parties. Mr. Dykstra, among others, asked whether we should protect the privacy of criminals and to what extent we should do so.

In my opinion, that is not the problem. Rather, the problem is that we do not know whether the people are criminals or not. That is why we protect people's privacy. You cannot label someone a criminal and share information about that person without taking a number of precautions.

You said that the act provides measures and penalties in the case of unauthorized disclosure of information. What mechanisms for protecting privacy do you plan on implementing in the various organizations?

As Ms. Ablonczy said earlier, it is not enough for a piece of legislation to prohibit the unauthorized disclosure of information. There also needs to be a system to ensure that people who handle such information will not disclose it and that, if they do, we will be able to find out and take appropriate action.

**Ms. Diane Lafleur:** The provisions in the bill are very clear: if FINTRAC employees who handle information without authorization are subject to very serious criminal penalties. In addition, if they are obliged to appear before the courts, they are not subject to...

[English]

They are immune from subpoenas.

[Translation]

In other words, they cannot be forced to disclose protected information, even before the courts.

**Mr. Thierry St-Cyr:** Very well, but that is in terms of legislation.

In my previous career, as an engineer, I managed databases. If we did not want people to disclose or consult information they did not need as part of their duties, we would implement mechanisms to that end and monitor the people consulting the registry. This is what is currently being done with the registry at the Société de l'assurance automobile du Québec; access is being controlled so that unauthorized people who consult files or disclose information can eventually be identified.

It is not enough to have legislative provisions. I want to know the concrete mechanisms you plan to implement to control monitoring, if you will.

**Ms. Diane Lafleur:** All I can tell you is that a FATF representative is to appear before you Thursday morning. I will tell him that this is of interest to you and that he should be prepared to answer your questions on the current procedures and mechanisms, in order to alleviate your concerns.

• (1000)

**Mr. Thierry St-Cyr:** Very well.

Mr. Paquette spoke earlier talked about tax havens. He wanted to know how this bill would eventually affect our ability to spot suspicious transactions conducted in tax havens.

I would like to hear from the people whose work is to uncover this type of crime. If we look at the problem from another angle, the fact that we tolerate tax havens and...

[English]

**The Chair:** Monsieur Del Mastro, five minutes.

**Mr. Dean Del Mastro (Peterborough, CPC):** Thank you, Mr. Chair.

Madam Ablonczy, one of your comments was that terrorism costs money. We know that. To carry out their goals, they need funding. We announced \$64 million so that the government can combat terrorism—financing and money laundering in general.

You talked about how it would bolster existing capacities. Could you expand on that a little? What type of capacities are we talking about? Is this for additional officers? Is it for new equipment? Why type of capacities have we invested in?

**Ms. Diane Ablonczy:** As I mentioned, there are a number of ways this money will be of assistance in the fight against money laundering and terrorist financing. One way of course would be to add to the number of officers who are active in this field, doing investigations and gathering information. It will also assist the Border Services Agency that is on the look out for large sums of money being brought into the country illegally. It will help FINTRAC upgrade some of its equipment and processes to put more resources into the regime they're responsible for. All of these parts of the regime will be enhanced by the additional funding.

**Mr. Dean Del Mastro:** Great. It sounds like money well spent.

Ms. Lafleur, you were asked earlier about where this bill would rank. You said that you hoped it would rank somewhere near the top. In your personal opinion, how does this bill stack up against other G7 nations in terms of preventing terrorist financing and money laundering?

**Ms. Diane Lafleur:** I don't want to prejudge the outcome of the Financial Action Task Force evaluation, so that's a tough question for me. There are challenges that are unique for Canada among its FATF partners. We have much stricter privacy laws in Canada, for example. And the charter sometimes imposes some challenges on us. That said, this legislation goes a long way in meeting the revised international standards. We have seen a number of countries be assessed to date. The outcome of those evaluations gives us reason to believe that we will in fact do quite well in our own evaluation.

**Mr. Dean Del Mastro:** We had a number of questions with respect to attorney-client privilege this morning. I don't know that it's necessarily been called exactly that, but that's what the conversation is really about. You mentioned potential challenges with respect to the charter. On what potential grounds could we see legal challenges to this bill? Do you foresee any that would bring challenges from lawyers with respect to attorney-client privilege?

**Ms. Diane Lafleur:** Given that the legislation is going to carve out the legal profession from suspicious transaction and other prescribed transaction reporting, and given that this was essentially the crux of the legal challenge, we are certainly comfortable that the measures for the legal profession in respect of client ID and record keeping are sound. At least that's the legal advice we have been getting.

• (1005)

**Mr. Dean Del Mastro:** Did the additional funding contributed towards FINTRAC help us crack down at all on the potential illegal use of tax havens?

**Ms. Diane Ablonczy:** If there is a belief that tax evasion is an element, the information is shared with the Canada Revenue Agency. The CRA would then take whatever steps they think are appropriate. That would include the kind of activity you're talking about.

**Mr. Dean Del Mastro:** Great.

I have nothing further, Mr. Chair.

**The Chair:** Thank you very much.

We'll continue with Mr. McCallum. You have five minutes.

**Hon. John McCallum (Markham—Unionville, Lib.):** Thank you, Mr. Chair.

I think we all agree that we're trying to achieve a balance between security needs and privacy concerns here. Just as a footnote to Mr. Dykstra, I think privacy concerns relate to the freedoms of all Canadians, not just the rights of criminals. All Canadians are assumed not to be criminals unless proven otherwise.

I also think it's the case that this bill strengthens the security side of the equation in various ways. My general question would be whether there are corresponding strengthenings of the privacy side. If there are not, maybe a bill that was previously balanced is now unbalanced. Compared with the previous bill, are privacy concerns stronger in this bill?

**Ms. Diane Lafleur:** We have maintained that we believe there are already very strong privacy concerns in the legislation.

**Hon. John McCallum:** So you've strengthened the security side of it, but there's no change to the privacy side. Is that right?

**Ms. Diane Lafleur:** We have not made any changes in respect to the privacy side.

**Ms. Diane Ablonczy:** It's important to point out that the changes in the bill are a result of new recommendations from the FATF, the international body that Canada helped found. The main purpose of the bill is to bring those recommendations into effect in Canada, while still maintaining a strong privacy protection element.

**Hon. John McCallum:** But you're still saying it's status quo on privacy and more action on security. That's not necessarily wrong, but it does change the balance from what was in the previous bill.

So on Senate recommendation 14, I think you said the new bill was consistent with this. The Senate recommendation is that there be "an annual report to Parliament...undertaken by the Security and Intelligence Review Committee". Is this in the bill?

**Ms. Diane Lafleur:** No, it's not.

**Hon. John McCallum:** I thought you said the Senate recommendations were...well, so that one is not.

**Ms. Diane Lafleur:** It's not.

**Hon. John McCallum:** Why not?

**Ms. Diane Lafleur:** FINTRAC is already subject to extensive oversight and reporting requirements. It tables an annual report in Parliament, as you know. It submits a departmental performance report annually, a report on planning and priorities. It's subject to the privacy legislation. It has to report on its compliance with the Privacy Act and the Access to Information Act. It's subject as well to Treasury Board-mandated evaluations that have been taking place every five years.

**Hon. John McCallum:** Then why does the Senate make this recommendation?

**Ms. Diane Lafleur:** I can't answer that question. That's a question for the Senate.

**Hon. John McCallum:** I guess you can't answer that question, but they seem to think there is a need for this.

My next question is this. Senate recommendation 13 is that we give "information only to foreign financial intelligence units in countries which have privacy legislation that is consistent with" our own. Is that in the act?

**Ms. Diane Lafleur:** What Ms. Ablonczy has already mentioned is that in order to share information with its partners, FINTRAC must enter into a memorandum of understanding that must be approved by the Minister of Finance. One of the key pieces of the memorandum of understanding is to ensure that there are adequate privacy protection provisions that we are comfortable with in the handling of that information if and when it is shared.

**Hon. John McCallum:** So the bill does not prevent us from entering into divulging information to countries that have privacy legislation substantially weaker than our own. In other words, you have not followed this Senate recommendation. Is that right?

**Ms. Diane Lafleur:** If you're asking me if it's actually specifically in the bill, what I'm saying is that there's a memorandum of understanding that must be approved by the minister, and it makes the privacy protection provisions a key component so that the information cannot be shared.

• (1010)

**Hon. John McCallum:** Last question. Has the Privacy Commissioner been consulted on this bill? If so, do you know what her view is?

**Ms. Diane Lafleur:** Yes, she has been consulted. There have been a number of meetings with the Office of the Privacy Commissioner, but I would let her speak for herself.

**Hon. John McCallum:** Thank you.

**The Chair:** Thank you very much, sir.

We continue with Mr. Wallace now, for five minutes.

**Mr. Mike Wallace (Burlington, CPC):** Thank you, Mr. Chairman.

Thank you for being here today, panel. I also want to thank you for having a pre-meeting that I went to a few weeks ago. I didn't know anything about the money laundering act, to be frank with you, so that was a good opportunity to get some information.

I just want to be clear. I've heard a number of conversations so far. In this new bill—and maybe you can clarify it for Massimo, who was asking a question and didn't get an answer—we're really making four changes. Isn't it a combination of two acts?

**Ms. Diane Lafleur:** I'm not sure what your reference is to four changes.

**Mr. Mike Wallace:** There's the enhancement of sharing of information with FINTRAC, creating the registry, enhanced legislation for identification of clients, and the monetary penalties.

**Ms. Diane Lafleur:** At a very high level, those are the key components.

**Mr. Mike Wallace:** The four big things.

**Ms. Diane Lafleur:** I think what the honourable member was referring to is the fact that the Proceeds of Crime (Money Laundering) Act was, post-September 11, 2001, amended by the Anti-terrorism Act to add a terrorist financing mandate to FINTRAC's existing money laundering mandate. The Anti-terrorism Act amended the proceeds of crime legislation and renamed it the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

**Mr. Mike Wallace:** I appreciate that.

Obviously this is going to cost the taxpayer money to implement. There are some changes here to registration systems and so on. Have they been budgeted for, and can you tell me how much money that is?

**Ms. Diane Lafleur:** Yes, it was budgeted for. The funds required to implement these initiatives were allocated in budget 2006. That's the \$64.4 million over two years that was referred to.

**Mr. Mike Wallace:** So it's already pre-budgeted.

I did ask a question previously, but I don't know if there has been any work on it. One of the major changes is that now that there are only criminal charges if this bill does pass, there will be administrative charges, which are really monetary. Has there been any work on what that means in terms of a minor charge? What's that definition? Do you have any sense of what that might be?

**Mr. Vincent Jalbert (Senior Project Leader, Financial Crimes - Domestic, Financial Sector Division, Financial Sector Policy Branch, Department of Finance):** There is a range of infractions that will be part of this monetary system. For example, sir, minor infractions will include failure to keep appropriate records. These will all be established in regulations to be passed later on.

**Mr. Mike Wallace:** So those are the kinds of things that will attract financial penalties, but at present all we have is a criminal opportunity. Is that correct?

**Mr. Vincent Jalbert:** That's correct.

**Mr. Mike Wallace:** There are couple of other things, if I have time.

Are wire transfers included in this bill or not? Can somebody explain to me either if they are or they're not, and why?

**Ms. Lynn Hemmings:** They are already included in existing legislation, under section 9 of our act. We have the ability to proscribe certain transactions, and currently financial institutions and other financial intermediaries are required to report international wire transfers over \$10,000.

**Mr. Mike Wallace:** So they're required to report international stuff, but any domestic stuff is not reportable. Is that correct?

**Ms. Lynn Hemmings:** That's correct.

**Mr. Mike Wallace:** Another question arises because I'm new to this legislation. I didn't understand what a "politically exposed person" was. What does that mean in this legislation?

**Ms. Diane Ablonczy:** Like you.

**Mr. Mike Wallace:** Well, I'm often politically exposed, but I have nothing to do with money laundering. I want to point that out right now.

If somebody could answer that for me, I'd appreciate that. It's in here, but I don't understand it.

**Ms. Lynn Hemmings:** There is a definition under the act. Essentially, it's any foreign public official who has access to public funds.

**Mr. Mike Wallace:** That's a foreign official, but a domestic official is not included in this act. Is that correct?

**Ms. Lynn Hemmings:** That's correct.

**Mr. Mike Wallace:** Just as a general question, is money laundering a major issue for Canada? Is it an issue that the RCMP have been following up on? Are we really trying to accommodate both FINTRAC, the requirements internationally, and the Auditor General's report that we had in 2004? Just give me a sense of where we are in terms of the problem.

• (1015)

**Ms. Diane Lafleur:** I don't have numbers for you in terms of the scope of the problem, because by its very nature, this activity is happening under the table, if you will. But the indication that we have from some international studies is that there is a significant international and global problem in respect of money laundering. Money tends to flow to the point of least resistance. If our regime is not as robust as our neighbour's regime, then we become vulnerable to abuse.

**The Chair:** Thank you very much, Mr. Wallace.

Committee members, I have four more members who wish to ask questions. I have also received notice of motion from Ms. Wasylycia-Leis, and a point of order from Monsieur St-Cyr that will be dealt with afterwards. I will go with five-minute rounds, but will leave time for dealing with those two issues at the end.

We'll continue with Mr. McKay now, for five minutes.

**Hon. John McKay:** Thank you, Chair.

This legislation is at the height of 35,000 feet, and I want to bring it down to my riding. My riding is possibly the most multicultural, multi-ethnic riding in the country.

**Hon. John McCallum:** Apart from mine.

**Hon. John McKay:** Well, second only to yours.

There isn't a conflict on the face of the globe that doesn't have groups of people living in my riding. If you want to go to Sri Lanka, I have both sides of that conflict. If you want to go to Afghanistan, Iraq, or Sudan, again, I have all sides of the conflicts, etc.

It would be naive of me to assume that fundraising doesn't occur in my riding. It would also be naive of me to assume that the lawyers in particular, from a variety of ethnic groups, aren't implicitly or complicitly involved in "suspicious transactions", shall we say, where things would be of interest to various law enforcement agencies.

What I'm having difficulty understanding is how the average lawyer in Scarborough in a small practice, in a one- or two-person practice—we're not talking McCarthy Tétrault here, where lawyers really do know their clients—is possibly going to comply with this legislation. A lot of these folks just walk in off the street. They're buying a house—but the proceeds are just being parked for the purposes of funding something else at some other date.

How does this proposed legislation make a whit's worth of difference to that kind of transaction?

**Ms. Diane Lafleur:** A number of things would impact that small law firm. The first, and I think the most important, from that example is that law societies on their own have imposed a cash prohibition rule on lawyers so that they cannot accept large amounts of cash. They can't accept more than \$7,500 in respect of any single transaction. That is a huge vulnerability when you're talking about money laundering, which is moving large amounts of cash.

As well, lawyers are now required to keep separate ledgers in respect of what cash they receive and to attest to the veracity of that ledger. The law societies now make that part of their ongoing audits. When they go into a law firm to audit the books of those law firms, they look at that separate accounting of cash transactions. That is an important step forward in terms of addressing a key vulnerability.

The other point is that those who are doing real estate transactions or any financial transaction in respect of their clients will have had to ID their clients so that they know who it is they are dealing with. If there is an investigation subsequently, law enforcement, going through the Lavallee process that we've talked about, will know that there are actually good files on these clients.

• (1020)

**Hon. John McKay:** Even on the issue of ID, which I'm sure you've been following, lawyers feel somewhat vulnerable. Anybody can walk into a law firm, produce ID saying, for instance, "I'm Diane Lafleur," and put a \$150,000 mortgage on your house—not, of course, with your knowledge. Lawyers are having difficulty keeping track of that. In fact, there is some legislation before the Ontario legislature.

So I'm somewhat suspect of the ID part. And in terms of the \$7,500 limit, well, here are three or four \$7,500 cheques, with a \$5,000 cheque from so-and-so. Then you close the transaction and, bingo, after the lawyer is finished, they pay down the mortgage by \$50,000.

I don't see how this is going to help with those kinds of issues.

**Ms. Diane Lafleur:** I think an important—

**The Chair:** We don't have time for a response.

We'll move on to Madam Wasylycia-Leis.

**Ms. Judy Wasylycia-Leis:** Thank you very much.

I'd like to go back to the Senate report for a moment and to whether or not this proposed legislation covers all of their concerns.

The first question I have pertains to the second Senate recommendation, which would have the legislation require dealers in precious metals, stones, and jewellery to report suspicious transactions above \$10,000 to FINTRAC. Is that included in this bill?

**Ms. Diane Lafleur:** As indicated in the consultation paper that the Department of Finance issued last year, that is something we will be moving forward on. It will be done by way of regulations.

**Ms. Judy Wasylcyia-Leis:** Why not in the bill?

**Ms. Diane Lafleur:** It's just a question of how the legislation is currently structured. We're working with an existing piece of legislation, so those kinds of additions are made by way of regulations.

**Ms. Judy Wasylcyia-Leis:** So is the Senate misinformed when it calls for an amendment to the actual act?

**Ms. Diane Lafleur:** It's just a technicality in that it's something that is done by way of regulations rather than legislation, but it's something that we're fully in agreement with the Senate on.

**Ms. Judy Wasylcyia-Leis:** Okay.

Secondly, going back to the question of law societies, as I understand it, this legislation respects the court case that exempts the law society from the terminology and provisions of the bill, but the question that I think the Senate committee is raising and others have raised is whether or not there is some reporting obligation on the part of the law society. That was specifically mentioned in the Senate report, and I'm wondering if the bill makes any attempt to require that kind of reporting from the legal community.

**Ms. Diane Lafleur:** The bill carves out the legal profession from reporting obligations.

**Ms. Judy Wasylcyia-Leis:** It carves them out.

**Ms. Diane Lafleur:** It carves them out in respect of transactions.

**Ms. Judy Wasylcyia-Leis:** That's my point.

I think the hope was that there could be some way to keep the reporting aspect, to keep some reporting element in the bill, while carving out the law society in terms of the broad provisions around terminology and provisions of the act.

**Ms. Diane Lafleur:** I'm not quite sure what you're—

**Ms. Judy Wasylcyia-Leis:** I'm referring to page 14 of the Senate report:

The federal government complete its negotiations with the Federation of Law Societies of Canada regarding the client-identification, record-keeping and reporting requirements imposed on solicitors under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

**Ms. Diane Lafleur:** I don't want to read between the lines too much here, but my reading of that is that there's a gamut of issues on which we've been negotiating with the law societies. Those touch on record keeping, client ID, and reporting requirements.

I don't think this recommendation is specifically saying there should be reporting requirements. I think it's saying, please come to an agreement on what you're going to do about reporting requirements. At least that's how I read it, but I don't want to speak for the Senate.

**Ms. Judy Wasylcyia-Leis:** I was reading it the other way, that in fact since we are carving out the law society, there still needs to be some meaningful reporting.

**Ms. Diane Lafleur:** My reading of that next sentence, which says, "These requirements should respect solicitor-client privilege, the Canadian Charter of Rights and Freedoms," and so on, would suggest to me that actually the reporting should be carved out.

• (1025)

**Ms. Judy Wasylcyia-Leis:** So even though keeping the law society protected in terms of client confidentiality, you don't think there needs to be some way for us as a government to know, in an indirect way or a subtle way, what transactions are going on. I think that's what some people are calling for, that there be some reporting requirements that don't breach the agreement with the lawyers but allow for some knowledge to be passed on.

**Ms. Diane Lafleur:** The real challenge for us is to have a regime that is both effective and constitutionally sound. So we're having to walk that line.

Ultimately, though, if a lawyer believes they have taken part in or have witnessed a transaction that is suspicious, that they don't feel right about, they can voluntarily report to FINTRAC, if they want. They're simply not required to, because of the constitutional challenges.

**The Chair:** Thank you very much.

We'll continue with Mr. Del Mastro now.

**Mr. Dean Del Mastro:** Thank you, Mr. Chair.

We've certainly seen reports in the U.S. media, be they right or wrong, that somehow Canada is a haven for terrorist activities and money laundering. One of the things you outlined in your speech this morning, Madam Ablonczy, was specifically that the measures we've taken "will increase the value of FINTRAC disclosures, ultimately leading to more investigations and eventual prosecutions."

So it would seem to me that, in lieu of this bill, essentially what we're saying is that there may be some things falling through the cracks, if not pouring through the holes. Could you comment on that a little bit?

**Ms. Diane Ablonczy:** That concern is exactly what motivated the FATF to upgrade their recommendations and their special recommendations so that member countries would have a strengthened regime, given some of the innovations that the criminal element has come up with. By putting those recommendations into our own regime through this act, we will again be in the top tier of international countries fighting terrorist financing and international money laundering. So the whole purpose of this bill is to make sure that any cracks are solidly filled in with cement.

**Mr. Dean Del Mastro:** Ms. Lafleur, I saw an example of a recent investigation that was followed up by FINTRAC. I agree with Mr. McKay that it's important we bring this down to the people's level so they can understand exactly what we're hoping to accomplish with Bill C-25.

The example I saw involved some 11 or 12 companies with electronic transfers that went both internationally and domestically and chased each other around. But when it was actually put on a flow chart, it looked like something a computer engineer might use in designing a computer system—very complex and multi-faceted.

In today's electronic age, how difficult is it for them to do that?

**Ms. Diane Lafleur:** When you say “for them”, do you mean the criminal element? Not being in that business myself, I'm not sure if I can answer that question. I think you're right that crime is getting increasingly sophisticated. It certainly is borderless when we're talking about terrorist financing and money laundering. What's really important is to ensure that we have the legislative and regulatory provisions in place to stay one step ahead and adequately resource the people who are on the front lines of this fight in law enforcement, FINTRAC, and the other partners. That's what we've done.

**Mr. Dean Del Mastro:** When we talk about money laundering and so forth, there may sometimes be a perception that money is being handed around in envelopes. But in reality these types of sophisticated criminals are actually making electronic transfers into shell corporations, some of which may not even really exist or have so much as an office. It's changed quite a bit, hasn't it? It's really not intensive work. They may be planning it, but you're not talking about any money ever actually touching anyone. It's all electronic.

**Ms. Diane Lafleur:** Some of it is, for sure, and it is constantly changing. That's why the FATF devotes so many resources to what it calls its typologies working group, which tries to identify new trends and techniques for money laundering and terrorist financing. It tries to identify vulnerabilities and see if there's more that needs to be done to address them.

• (1030)

**Mr. Dean Del Mastro:** Can you talk about the cooperation of the Canadian chartered banks? I know there's a propensity sometimes amongst politicians, if not the media, to beat up on the chartered banks, but they've been a pretty solid partner in helping us combat this type of illegal activity.

**Ms. Diane Lafleur:** Absolutely. They're on the front lines of this fight, and they are absolutely willing partners in this fight. They understand the risks and vulnerabilities of not taking this seriously. It's a reputational issue for them as much as anything else, so it's real bottom-line dollars and cents. We work very closely with the Office of the Superintendent of Financial Institutions, the prudential regulator, and the individual financial institutions to ensure that we develop a regime that makes sense, conforms to some of their business practices, and is solid.

**The Chair:** Thank you very much, Mr. Del Mastro.

We'll conclude with Mr. Pacetti.

**Mr. Massimo Pacetti:** Thank you, Mr. Chairman.

I'm not sure if you had a chance to verify or give me an answer on the question I had.

**Ms. Lynn Hemmings:** The expanded information and disclosures are in clause 27.

**Mr. Massimo Pacetti:** And clause 26 as well?

**Ms. Lynn Hemmings:** Yes.

**Mr. Massimo Pacetti:** Okay. That leads me to my next question.

I was saying that money laundering techniques and terrorist financing techniques were two different ones. FINTRAC would have to work more closely with CRA. I remember that when FINTRAC was before the committee in the last parliamentary session, there wasn't that much cooperation between the two because some of the information couldn't be transferred from one to the other.

In clause 26 you seem to provide the opportunity for CRA to get more information, but then subclause 26(4) mainly speaks about registered charities, and again that relates mainly to terrorist financing. So are we okay with that?

**Ms. Diane Lafleur:** I'll let Monsieur Jalbert—

**Mr. Massimo Pacetti:** Is it accomplishing what I think it's supposed to accomplish?

**Mr. Vincent Jalbert:** There are two aspects in the bill in respect of improving information sharing with CRA. There is the charity aspect. The bill will allow FINTRAC to share information with the Canada Revenue Agency in respect of charities.

The bill is also improving the disclosure provision in respect of potential tax evasion by adding elements to share also potential fraudulent claims of tax rebate and tax credits.

**Mr. Massimo Pacetti:** I'm sorry to interrupt you, but our time is limited. It's not to initiate or to look for tax evaders while there is an investigation going on, then, or to initiate one?

**Mr. Vincent Jalbert:** FINTRAC will disclose information if they suspect money laundering or terrorist financing and tax evasion. FINTRAC may not know whether there is tax evasion.

**Mr. Massimo Pacetti:** That's where the problem is. So this bill doesn't address that particular aspect.

**Mr. Vincent Jalbert:** Well, CRA could disclose some information to FINTRAC voluntarily if they are looking into potential tax evasion cases. With the disclosure provision, the information would flow both ways, and that issue would be addressed.

**Mr. Massimo Pacetti:** Okay, thank you.

The Senate report had 16 recommendations, and I know we've discussed some of them. How many of those recommendations are incorporated in the legislation? I think when replying to Mr. McCallum's questions, you said recommendations 13 and 14 were not taken, but are there any other ones? Has an analysis been made?

**Ms. Diane Lafleur:** In terms of what's in the legislation, what I want to be clear on is the combination of the legislation and the regulations that will come pursuant to this legislation. The vast majority of the recommendations will then have been taken into account.

As I mentioned, there are a couple that are not legislative.

**Mr. Massimo Pacetti:** Right. Was there a reply made to this report?

**Ms. Diane Lafleur:** Not yet.

**Mr. Massimo Pacetti:** And is it going to be forthcoming?

**Ms. Diane Lafleur:** It is my understanding that the committee hasn't asked for a formal response yet. I think our reply, in a way, is going to be when this bill is before the Senate.

• (1035)

**Mr. Massimo Pacetti:** Can you provide us with the information as to which recommendations you think are in the legislation—just a one-pager to say yes or no?

**Ms. Diane Lafleur:** What we can do is give you essentially a full account of where we are on each recommendation.

**Mr. Massimo Pacetti:** Just quickly, yes—through the clerk.

**Ms. Diane Lafleur:** Sure, absolutely.

**Mr. Massimo Pacetti:** My other question is this. In June 2005 there was a consultation paper regarding this anti-money laundering and anti-terrorist financing legislation. Is there any summary of what those consultations came up with?

**Ms. Diane Lafleur:** All of the submissions we've received, where we got the okay, were posted on the Department of Finance website, and I believe they're still available on that website.

**Mr. Massimo Pacetti:** Okay, so everything is available.

And how many of the submissions would be considered to have been enacted in the legislation?

**Ms. Diane Lafleur:** Most of the submissions deal with details of implementation—how you actually tailor these kinds of recommendations to the existing business practices of the reporting entities. They're really on the technicalities of implementation more than on the legislation.

But in terms of comparing the proposals in the white paper with what's in the legislation, the vast majority of what was in the white paper is now either in legislation or the subsequent regulations.

**Mr. Massimo Pacetti:** And was the biggest problem the privacy issue?

**The Chair:** Thank you very much, sir. We are concluded.

I thank the witnesses very much for their participation.

Madam Ablonczy, would you like to make some closing comments?

**Ms. Diane Ablonczy:** No, except to thank my colleagues for their courtesy to me in my first appearance. I'm sure you all can put yourselves in my position. I have to tell you, in all honesty, I'd rather be over there than here.

**Some hon. members:** Oh, oh!

**The Chair:** Thank you, Madam Ablonczy. Thank you, all. Thanks to committee members for their attention, despite their chocolate levels here this morning.

We will excuse the panel now, and the cameras will be off momentarily so we can continue our civil discussions this morning.

I think I can deal, actually, with Monsieur St-Cyr's issue in advance. It may save us time, and we'll then move to Madam Wasylycia-Leis's motion. Also, I should notify the committee that we've received notice from Mr. Paquette of his desire to present a motion on Thursday.

I want to quickly give you an overview of the work we have before us. This Thursday we will continue dealing with Bill C-25. I will encourage all committee members, if they have amendments to this bill, to bring them forward in advance of the discussions. It would facilitate discussion of the bill. I would encourage you to give those to the clerk by 5 p.m. tomorrow, knowing, of course, that you can bring amendments during the discussion if you so desire. It would facilitate our discussion at that time.

Also, we have C-28, the budget implementation bill, before us, which we must deal with by.... When? Is there a deadline on that? It should be as soon as possible.

We also have Bill C-294. Supplementary estimates also have to be dealt with by December 5. We have the fall fiscal forecast. And the minister will be appearing, we think, but not until the week after, we hope, the Remembrance Day recess.

We also have, of course, the priorities that I've asked you to identify and forward to us, because we want to get those over to Finance so they can come to speak to those and provide us with further information. That process will begin next Tuesday. So those priorities, I'd remind you.... When did we say we wanted those in by? They should be in by tomorrow at noon. Please do so, because we do want to make sure that Finance officials have a bit of lead time to prepare fully for your questions.

As well, we have private members' bills and the tabling of reports on the pre-budget consultations. We need to prepare that as a result of our weeks of deliberations. That has to be done by December 4. As well, Mr. McCallum has a notice of motion on the record in regard to GST rebates.

We have 10 meetings to do all of that. That being said, Mr. St-Cyr has raised with the chair his concern about—

**Mr. Massimo Pacetti:** Excuse me.

**The Chair:** We'll deal with Mr. St-Cyr's request first, because I think we can expedite his request.

Mr. St-Cyr expressed concern about nine o'clock meetings being more difficult for him in terms of his schedule. I've had verbal communication from other members that this is also the case. We have been endeavouring to move the meetings, and we have been able to move Thursday's meeting to 11 o'clock, in this room. So Mr. St-Cyr, I hope that satisfies you in terms of the point you raised. We'll deal with the other scheduling challenges as we can. My understanding from committee members who have given me input is that they would prefer to continue with a 10 o'clock or 11 o'clock rather than a 9 o'clock start. So we will attempt to facilitate that.

Madam Wasylycia-Leis has given notice of motion, and I'll invite her to make a brief comment on her motion. We'll then entertain discussion, and I will adopt the format I alluded to earlier. I will ask Madam Wasylycia-Leis to note the comments you make and will give her an opportunity to make concluding remarks, and then we will proceed to a vote.

Yes, Mr. Pacetti.

• (1040)

**Mr. Massimo Pacetti:** Mr. Chairman, I have a point of order.

**The Chair:** On a point of order, Mr. Pacetti.

**Mr. Massimo Pacetti:** I didn't want to interrupt you while you were going through a list of work the committee has to do, but I was looking for a deadline for when you would like to see the list of witnesses on Bill C-25, because we may want to have a list of witnesses for Bill C-25, and you're looking for amendments already. I'd like to first hear from witnesses and then decide whether we're going to present any amendments. It's usually in that order.

**The Chair:** I'm trying to expedite the work of the committee, obviously. This is my responsibility. Mr. Pacetti has expressed the desire to have witnesses appear on Bill C-25. Do we take that in the form of a motion?

**Mr. Massimo Pacetti:** It's not a motion. I think it's a request, as is normally done. When we're studying Bill C-25—

**The Chair:** You have a strong indication of my feelings on the issue, so if you wish to present a motion, please do. Otherwise I'm going to try to expedite discussion on Bill C-25 among committee members. If the committee members wish to do further research on the issue, I welcome that, and I encourage them to do that. However, I won't entertain discussion on this unless it's a motion, and we'll move immediately to Madam Wasylycia-Leis. If you'd like to make a motion, I'll allow you to do that.

**Hon. John McCallum:** Then we should have to make a motion.

**The Chair:** Certainly. The motion then is what?

**Mr. Massimo Pacetti:** We move to allow witnesses to appear before the finance committee so that we can have further discussions on Bill C-25.

**The Chair:** Very well.

Are there any questions or comments? Yes, Mr. Dykstra.

**Mr. Rick Dykstra:** Through you, Mr. Chair, I have a question to Massimo.

We've had over 50 folks and organizations who have presented. They have put everything together. We've had two hours this morning to ask questions. What is the rationale behind needing to

have witnesses come forward? What have we missed or what issues have we not covered or are you not satisfied with?

**The Chair:** Are there any further questions or comments for Mr. Pacetti before I invite him to conclude discussion on his motion?

**Mr. Massimo Pacetti:** Did I miss something?

**The Chair:** Mr. Wallace, go ahead, please.

**Mr. Mike Wallace:** I was looking for the mover of the motion to tighten it up. If he wanted witnesses to come in on this item—which I think is fairly clear—could he indicate whether it's one hour, fifty witnesses, or one witness? Having it wide open to invite witnesses makes it difficult for me to support it.

**Mr. Massimo Pacetti:** Is this something new, or did I miss something? We had 50 witnesses before Bill C-25. I think this is normal. I don't understand.

**Mr. Mike Wallace:** I'm just asking you to narrow it.

**Mr. Massimo Pacetti:** I don't know. We submitted a list of 15.

**The Chair:** Please indicate to the chair if you wish to speak to this motion.

**Mr. Massimo Pacetti:** We submitted a list of 15 on Thursday afternoon.

**The Chair:** Mr. McKay.

**Hon. John McKay:** I think Mr. Pacetti is right. I'm kind of puzzled that anybody would be resisting having a.... It seems to me the way you do things is that you have witnesses, then you have amendments, and then you go to clause-by-clause. I thought that was the way you did legislation. We had the first cut at Bill C-25 this morning. I thought a lot of members on both sides of the House raised legitimate questions. Even the Conservatives raised legitimate questions, which was novel in and of itself.

I think we should just proceed on this bill in the normal fashion, which is that you hear witnesses, and then we'll schedule clause-by-clause.

**The Chair:** Go ahead, please, Mr. McCallum.

**Hon. John McCallum:** Just to give an indication of why this is not just for the fun of it, I think there were serious issues raised, and we have serious concerns on privacy. I think we need to hear the Privacy Commissioner. We want to hear the Auditor General. We want to hear the chair of the Senate Committee, whose recommendations were not adopted. I think there are serious matters about privacy, about solicitor-client privilege, and possibly about other areas. It is our duty to review these things before passing legislation.

**The Chair:** Are there any further comments?

Yes, Madam Wasylycia-Leis?

•(1045)

**Ms. Judy Wasylycia-Leis:** Maybe there's a compromise between endless hearings with witnesses, and a rather tight period of hearing from the key witnesses. I would agree that we need to hear from the three that John McCallum just mentioned. Actually, there are four: Senator Grafstein and the Senate committee; the Auditor General, since she's the one who has brought this to our attention to begin with; the Privacy Commissioner, because there are some real concerns being raised back and forth; and the law society. I think those four would actually clear the air, and we'd have a chance to then proceed to clause-by-clause.

**The Chair:** Could I offer this, then, to the committee? How would committee members respond to the format that we had used on other issues, which is the establishment of a panel, in which each witness makes brief introductory comments, and then question and comment exchanges with committee members? Would a panel satisfy the intent of the motion?

Yes, Mr. Pacetti.

**Mr. Massimo Pacetti:** Mr. Chairman, there are some amendments to this bill that relate to some of the other government agencies, like the Canada Border Services Agency and the Canada Revenue Agency. The Senate prepared a report. There are a number of witnesses that are important. We don't have to hear from all of them, but if we set up two panels of seven or eight witnesses each for an hour and a half, which is a three-hour block, as we've been doing for the pre-budget hearings—it's not a big deal—then we get this thing over with. I'm not asking for a lifetime of hearings, but I think by only having the Auditor General or the Privacy Commissioner, we're not going to—

**The Chair:** Thank you.

Go ahead, please, Mr. Wallace.

**Mr. Mike Wallace:** That was completely my point: that if the mover of the motion narrows it to the numbers and the hours, I am interested in supporting it if it's reasonable.

**The Chair:** Madam Ablonczy.

**Ms. Diane Ablonczy:** Yes, I think it's good to hear more witnesses. It is an important piece of legislation.

I just wanted to remind the committee that the big picture in which this legislation is coming forward is that Canada is going to be assessed by the FATF. Our regime will be assessed at the beginning of the new year. So if we're going to bring our regime in line with those of our international partners, we do need to get this legislation through the House before the Christmas break.

**The Chair:** Thank you.

Restate the motion, please, Mr. Pacetti, and then I'll call for the vote.

**Mr. Massimo Pacetti:** I believe we should have witnesses before we table any amendments to Bill C-25, and the witnesses appearing before the finance committee could be in blocks of an hour and a half. One session of three hours would probably suffice, but if you need a limit, we can limit it to 16, with eight witnesses per panel.

**Hon. John McKay:** There won't be royal assent by January 1, regardless.

**The Chair:** No, I'm not entertaining discussion.

I'm allowing Mr. Pacetti to state his motion so that—

**Mr. Massimo Pacetti:** But I have a full list of names, and it's 15—

**The Chair:** We'll establish the panel after we debate this motion, sir, but the motion is to have hearings not in excess of three hours, not in excess of 16 witnesses. Is that correct?

**Mr. Massimo Pacetti:** Yes.

[*Translation*]

**Mr. Thierry St-Cyr:** All right.

[*English*]

**The Chair:** Okay, I call for the vote on that motion.

(Motion agreed to [See *Minutes of Proceedings*])

**The Chair:** Madam Wasylycia-Leis.

**Ms. Judy Wasylycia-Leis:** Thank you, Mr. Chairperson.

I'm pleased to introduce this motion. Should I read it for the record?

**The Chair:** Please.

**Ms. Judy Wasylycia-Leis:**

That the Standing Committee on Finance reconstitute its program of quarterly independent fiscal forecasts employing the services of the Conference Board of Canada, Canadian Centre for Policy Alternatives, Global Insight and Dr. Vaillancourt or other independent forecasters, as determined by the Finance Committee, with an initial appearance before the Finance Committee in November.

To speak to it very briefly, in terms of the program I'm referring to in the motion, I would refer committee members to the motion that was put before the committee on December 1, 2004, by Monte Solberg, which was adopted and began a process for the committee. It outlines the purpose and the format that we used in the whole program, so I won't go into detail on that front.

The second point I would make is that the four organizations that are named, including one individual, are only there because that's basically the list we used the last time; however, it is open for other suggestions. It's not a fixed list. In fact, the last report of the fiscal forecasting program included Ellen Russell of CCPA; Dale Orr of Global Insight; Don Drummond of TD Bank; and François Vaillancourt from the University of Montreal.

That's basically the motion. And I'm suggesting we have some initial appearance in November just because with this period of time where we're expecting the report from the minister, where we have concerns about the accuracy of fiscal forecasting and the surplus dollars that are presumably rolling up, we need to have all the facts before us.

Finally, let me say that this is an interim program that always was intended to be a temporary initiative until such time as we have a more independent bureau in place to provide us with the budget advice we need. That idea is enshrined in Bill C-2, which, once through, will hopefully be the permanent way we deal with this. This is, therefore, only a temporary and interim measure.

•(1050)

**The Chair:** We have three indications of wishing to speak. I will, however, not to attempt to influence your feelings on this particular motion, but solely for information, let you know that based on the previous motions we discussed and our obligations to report back by said dates, we have now, in total, five meetings left available to us to deal with the pre-budget consultation report.

Now, on the motion, Mr. Wallace.

**Mr. Mike Wallace:** On the motion, Mr. Chairman, I need a clarification, because I was not here, on whether this is a panel approach similar to what we've just experienced, which I'm assuming it is, but I'm not positive. And the other piece I have concern about is a November meeting, which you just mentioned, because I think we're going to have a very hard time squeezing that in.

I appreciate the member's concern and wanting good numbers, but I don't know if we could push that off to the beginning of the new year as a first meeting.

Those are my comments, and I'm willing to hear what everybody else has to say.

**The Chair:** Thank you.

Mr. McKay.

**Hon. John McKay:** I have two comments.

First, when Dr. Vaillancourt was here last time, I think he lamented his lack of resources with respect to econometric modelling, and so his commentary was largely derived from other information that was in the public realm.

The second comment has to do with the University of Toronto, which I understand has very sophisticated econometric modelling. I think they should be included.

The third comment is that essentially this information is useful only if it's provided prior to the appearance of the minister. If in fact this material is to be generated, it should be generated prior to the minister's appearance, so may I ask the parliamentary secretary if she can be any more specific as to when the minister would like to do his November update? We could work backwards from a date like that.

**The Chair:** We'll continue with Mr. McCallum, Mr. Pacetti, and Madam Ablonczy.

**Hon. John McCallum:** My colleague took the point I was going to say, which is fine. I just want to repeat it. It is that if we're going to have an independent view of our own, it is important we hear these alternative forecasts before we hear the minister.

**The Chair:** Mr. Pacetti is next.

**Mr. Massimo Pacetti:** Thank you, Mr. Chairman. There are just a couple of issues.

The first issue is that it doesn't say "interim", so I would propose a friendly amendment to make it read, "an interim program of quarterly independent fiscal forecasts".

Second, I have a problem because there's no cost attached to this. I remember dealing with these independent forecasters. We can get the costs down, but I think we should at least put the cost in. I don't

remember what the cost was, but I think it went down exponentially as we took out contracts with them, whether it was for one or two quarters, because there's some work involved for the forecasters before they can do this type of work.

I understand that the committee is busy. We've been working quite hard. I don't see why we should just not have time to have another meeting, if need be, but we can always get summaries prepared by these independent forecasters.

I suggest that maybe another friendly amendment would allow all parties to submit names, and then perhaps the research staff could decide which four we should pick.

That's it. Those are my points.

**The Chair:** Thank you, Mr. Pacetti.

I think the motion covers the issue of who would be involved. It's self-explanatory. I think it addresses that concern.

As for the others, I'll review the friendly amendments that have been proposed and invite Madam Wasylycia-Leis to respond, following Madam Ablonczy's and Mr. Dykstra's comments.

Madam Ablonczy is next.

**Ms. Diane Ablonczy:** I have two points, Mr. Chair.

One is that a date has not been set for the fall update, but it will be sometime this month.

Secondly, the parliamentary budget office is in the Federal Accountability Act, which is still being held up. If that act passes, then the parliamentary budget office will be enshrined in legislation, which I think is what Madam Wasylycia-Leis is looking for and which the intent of this motion is focused on as well.

•(1055)

**The Chair:** Thank you very much.

Mr. Dykstra is next.

**Mr. Rick Dykstra:** I just wanted to be clear on Mr. Pacetti's amendment.

Is your amendment suggesting that we not have names of organizations, but that we determine a list and then have the clerk decide?

**The Chair:** I'm sorry, Mr. Dykstra, I can't permit discussion between two members—

**Mr. Rick Dykstra:** Through you—

**The Chair:**—on a potential amendment that has not been presented to the committee. If you'd like to speak to the actual motion—

**Mr. Rick Dykstra:** Then I would present that amendment. I would present it as a friendly amendment.

**The Chair:** What is the amendment, again?

**Mr. Rick Dykstra:** It is that in the motion we not be specific as to which organizations present, but that we put a list together and give it to the clerk to determine who is best or who should be presenting.

**The Chair:** Just to assist Madam Wasylycia-Leis—

**Mr. Rick Dykstra:** All it does is—

**The Chair:** No, thank you; that's good.

That's list preparation. Okay, we've got three or four different friendly amendment requests. We'll go through them, Madam Wasylycia-Leis, one at a time. If you accept them, then that expedites the process nicely.

Mr. Wallace asked for a friendly amendment to allow your motion to read not in November but by year end. I think I can safely assume that if you agree with Mr. McCallum's subsequent suggestion that the group appear before the finance committee prior to the finance minister, you won't agree with Mr. Wallace's friendly amendment.

Is that correct?

**Ms. Judy Wasylycia-Leis:** Correct.

**The Chair:** Thank you.

As to Mr. Pacetti's friendly amendment, which was in respect of the preparation of lists, and I would take Mr. Dykstra's in tandem with that, the amendment would be modified so that it gives the committee the ability, through the clerk, to submit names and for us to determine the list of participants. Would you be amenable to that friendly amendment?

**Ms. Judy Wasylycia-Leis:** With all due respect, I would suggest that's redundant to the motion as it now reads, which lists the previous names and forecasters but also says "or other independent forecasters, as determined by the finance committee", which means the suggestions put forward today or subsequently will be taken under advisement by the clerk.

**The Chair:** Thank you. Well stated, Madam Wasylycia-Leis, that any references to these two friendly amendments are unnecessary by your wording and your motion. That's quite correct, in my opinion.

Now, you have also had a friendly amendment from Mr. McCallum that would involve stating "before the Finance Committee, prior to the presentation by the minister or the appearance of the Minister". Would you agree with that friendly amendment? The last sentence says "in November", and this would simply be altered, I believe, by Mr. McCallum.

Mr. McCallum, I don't want to misrepresent your—

**Hon. John McCallum:** You expressed it very well.

**The Chair:** Thank you, sir.

**Ms. Judy Wasylycia-Leis:** As I understand it, then, it's a change in two places, one would be saying not necessarily an appearance, but initial presentation to the finance committee before the minister brings forward his quarterly—

**The Chair:** That's my understanding. Is that correct, Mr. McCallum? Would you accept that, Madam Wasylycia-Leis?

**Ms. Judy Wasylycia-Leis:** Yes, Mr. Chairman.

**The Chair:** We now know what we're discussing.

Committee members, is there any further discussion? Mr. Dykstra.

**Mr. Rick Dykstra:** On a point of clarification. I want to make sure I understand the motion. That is that the names that are on here, and the organizations, are suggestions of who may present. It doesn't

confirm that they actually are going to present. In fact, the list will be provided and we'll make a determination that these are suggestions of who might present.

**The Chair:** I'm sorry, I was consulting with the clerk and I missed your point. I apologize. Please restate.

**Mr. Rick Dykstra:** I wanted clarification that in fact what the mover was saying is that they were suggestions, not confirmations.

**Ms. Judy Wasylycia-Leis:** Based on past practice, that's right.

**Mr. Rick Dykstra:** Thank you.

**The Chair:** Is there any further discussion?

Mr. Pacetti.

**Mr. Massimo Pacetti:** May I read what I have and then Ms. Wasylycia-Leis can decide whether she agrees with it or not?

It reads: "That the Standing Committee on Finance reconstitute an interim program of quarterly independent fiscal forecasts, employing the services of the Conference Board of Canada, Canadian Centre for Policy Alternatives, Global Insight and Dr. Vaillancourt or other independent forecasters, submitted by the members of the Finance Committee, with the research staff deciding which forecasters to be chosen by"—I don't know if that's English—"as determined by the Finance Committee." Then you take out "as determined by" and replace it with "with an initial appearance before the Finance Committee prior to the appearance of the finance minister".

• (1100)

**The Chair:** Now—

**Ms. Judy Wasylycia-Leis:** Initial presentation.

**The Chair:** All right.

Now, my only concern is the issue of "employing the services of" as the wording, because we do not have time to establish contracts or re-establish those contracts with these people. The words "employing the services of" implies, of course, that they are hired. They will not be hired by the time that you expect they would appear, I would think.

So I would ask a friendly amendment from the chair that you utilize an alternative word to "employing", such as "utilizing", or some other word that does not give the implication that they are employees.

**Mr. Massimo Pacetti:** Contracting.

**The Chair:** The term "contracting" also gives the implication of a contract, doesn't it?

**Ms. Judy Wasylycia-Leis:** "Utilizing" is good.

**The Chair:** Thank you very much, madam.

We will now entertain the vote.

(Amendment agreed to [See *Minutes of Proceedings*])

**The Chair:** Thank you very much, committee members. I will see you all on Thursday at 11 a.m.

We are adjourned.





**Published under the authority of the Speaker of the House of Commons**

**Publié en conformité de l'autorité du Président de la Chambre des communes**

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