

Intelligence MEMOS



From: Denis Meunier
To: Canada's Financial Regulators and Policymakers
Date: January 28, 2019
Re: **WHY IS CANADA STILL THE WORLD'S MONEY LAUNDERING PAWN?**

Official estimates of money laundering in Canada range from \$5 billion to \$100 billion. Offences such as drug trafficking, fraud, tax evasion, smuggling and corruption are fuelling the laundering of dirty money.

While many methods and techniques are used to hide ill-gotten gains from tax authorities and police, launderers often use corporations and trusts to co-mingle dirty money with legitimate funds then flow them through these entities' bank accounts or brazenly use the entity to exclusively conduct illegal activities.

The "secret sauce" in this recipe is the creation of legal arrangements that hide the beneficial owner of the corporation, partnership or trust that exercises significant control over the entity. Indeed, with professional knowhow, complex structures can be created in Canada, or offshore, that will slow down or stop any intrepid investigator trying to connect the dirty money to the beneficial owner.

My recent C.D. Howe Institute [Commentary](#) shows how the lack of beneficial ownership transparency facilitates the use of corporations and trusts for illicit purposes. At present, there are no requirements to disclose beneficial ownership when creating a corporation. Nominee shareholders and directors can be appointed without disclosing the ultimate beneficial owner or the nominator. For trusts, there are also no requirements to identify the parties when registering.

As a result, Canada fares poorly on international standards for disclosing beneficial ownership. Lack of beneficial ownership transparency is a structural flaw in Canada's corporate registration system (federally, provincially and territorially) and, consequently, in its anti-money laundering and anti-terrorist financing measures. And it paints Canada as an international laggard and as a financial-secrecy jurisdiction.

However, there now is a global momentum, led by the Europeans, to make beneficial ownership registries accessible to the public, and trusts under certain conditions, to more effectively address the threats posed by money laundering, terrorist financing, corruption and tax evasion.

Among my recommendations:

1. The federal government, in collaboration with the provinces and territories, needs to establish a central publicly accessible beneficial ownership registry of corporations and certain trusts.
2. Require all reporting entities under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act to identify beneficial ownership information.
3. Place the onus on corporations and trusts to truthfully and fully disclose beneficial ownership information.
4. Follow the European example by keeping Canada current with the international standards, commitments and trends on beneficial ownership transparency.

Denis Meunier is an independent consultant specializing in anti-money laundering and compliance issues. He is also former Deputy Director of the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) This Memo was originally published last September.

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