

**From:** [Avis, Andrew FIN:EX](#)  
**To:** [BCA Beneficial Ownership Consultation FIN:EX](#)  
**Subject:** 390975 FW: Beneficial Ownership -- Federal Government submission  
**Date:** April 30, 2020 8:40:23 AM  
**Attachments:** [Deloitte\\_CorporateBeneficialOwnershipSubmission.pdf](#)

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*Andrew Avis*

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**From:** Dawkins, Christina FIN:EX [REDACTED]  
**Sent:** April 30, 2020 8:40 AM  
**To:** Avis, Andrew FIN:EX [REDACTED]  
**Cc:** Primeau, Joseph FIN:EX [REDACTED]  
**Subject:** FW: Beneficial Ownership -- Federal Government submission

fyi

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**From:** Flanagan, Paul FIN:EX [REDACTED]  
**Sent:** April 30, 2020 8:04 AM  
**To:** Dawkins, Christina FIN:EX [REDACTED]  
**Subject:** Fw: Beneficial Ownership -- Federal Government submission

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**From:** Dent, Peter [REDACTED]  
**Sent:** Thursday, April 30, 2020 7:57 AM  
**To:** Flanagan, Paul FIN:EX  
**Cc:** Primeau, Joseph FIN:EX; Kohari, Karen; Wolford, Jessica; Ring, Christine  
**Subject:** Beneficial Ownership -- Federal Government submission

Good morning Paul,

I trust that you and your family are well. I expect that the topic of Beneficial Ownership is well down your list of priorities these days, but I wanted to share with you our submission to the federal government as part of their consultation process with respect to a national registry.

If you do have any questions, please do not hesitate to reach out.

Best regards,

Peter

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April 30, 2020

By email: [ic.beneficial.ownership-propriete.effective.ic@canada.ca](mailto:ic.beneficial.ownership-propriete.effective.ic@canada.ca)

To Innovation, Science and Economic Development Canada:

We were pleased to learn that your department is conducting a consultation on making beneficial ownership information more transparent by establishing a public registry of beneficial ownership for privately held corporations. We set out our point of view below.

As Canada's leading professional services firm, Deloitte is committed to ensuring that Canada has a robust corporate governance framework that prioritizes ease of doing business, promotes investment, fosters economic growth and enables an efficient marketplace.

We therefore support the creation of a pan-Canadian, publically accessible, registry of beneficial ownership for Canadian corporations and trusts. We believe that this will reduce the misuse of private corporations by individuals and increase the amount of trust that the public has in the Canadian business and regulator system moving forward. In our report on the Future of Trust, we fielded a market survey and found that more than half of Canadians do not find corporate Canada trustworthy. It is crucially important to change that perception and build trust in Canadian business through increased transparency. The creation of a publically accessible registry will bring a level of transparency for the public previously unseen in Canada, and help address concerns of Canadians.

The registry is also likely to result in increased efficiency for law enforcement agencies. Money laundering and terrorist financing are key public safety issues, and bringing transparency to the ownership of corporations is necessary to ensuring that criminal entities are unable to use corporations, trusts, and other vehicles to bring harm to Canadians.

We also expect that the potential for reduced due diligence costs for regulated entities will drive efficiency and gains for the economy. For example, a key benefit of the central beneficial ownership registry, with appropriate verification, would be that it allows reporting entities to meet their obligations to the Financial Transactions and Report Analysis Centre of Canada (FINTRAC) of identifying beneficial ownership without having to independently obtain and verify this information.

In this submission, we provide recommendations aimed at balancing the need for compliance with global anti-money laundering (AML) standards and guidelines with the privacy concerns of individuals and private corporations. These recommendations stem from our Canadian and global team of specialist resources who support clients in the development and enhancement of their financial crime risk-management frameworks, including anti-money laundering, anti-terrorist financing, sanctions compliance, data analytics, and business intelligence.

Our recommendations cover three broad categories:

1. Privacy considerations
2. Data and analytics
3. Verification; and
4. Enforcement

### **Privacy considerations**

As raised in the consultation paper, balancing privacy considerations is key to ensuring that a system of corporate beneficial ownership achieves the Government of Canada's goals. Deloitte believes that a central public beneficial ownership registry can function while ensuring that legal rights to privacy are upheld.

In particular, we would recommend the creation of a three-tiered system in which law enforcement entities are able to access the full registry, with appropriate safeguards, including personal information, regulated entities are allowed to

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access a reduced version of the registry, and the general public is able to access a limited version that minimizes any privacy issues that may arise.

We suggest the following elements be included in the full registry, as a minimum:

1. Beneficial owner name (publically available)
2. Beneficial owner address
3. Beneficial owner date of birth
4. Beneficial owner nationality and country of residence (publically available)
5. Names of directors and senior officers of corporation or trust (publically available)
6. Ownership and control interest of the beneficial owner
7. Nominee shareholders should be legally required to disclose the identity of their nominator; and
8. Times of key transactions including transfer of ownership or control interest

Following the example of the United Kingdom, we also suggest that Canada create a process by which people can apply to have their personal information shielded from public access for safety reasons. This kind of exemption, granted in appropriate circumstances, should allow the Government of Canada the flexibility to balance safety, privacy, and transparency as appropriate.

#### **Data and analytics**

Deloitte supports a model in which the federal government operates a national beneficial ownership registry which pools all the information collected in provincial and federal databases to create a one-stop resource for the country to easily find information about any business in Canada. A single database would help ensure that the transparency and public safety benefits of the registry are maximized. For example, an individual or organization analyzing ownership patterns would not have to search multiple disparate databases, each with their own data fields and formatting, in order to flag potential issues. A central registry will require the creation of a robust and secure data sharing mechanism between provinces and the federal government, as well as enabling legislation to provide the legal ability to share private data.

It is important that the government work with the provinces to align on specific requirements around data collection and data hygiene across the entire database. For example, the legislation in British Columbia proposes that all beneficial owners owning 10% or more of a company must be listed in their registry. A centralized registry will need uniformly applicable rules across all databases that feed into it, and the Beneficial Ownership Data Standard is an example of one that could be modified to suit the Canadian context.

Analytics provides insight into people, situations and/or behaviour that are at times not identifiable with conventional methods. The Government should consider the use of advanced analytics to create predictive models to risk-rate ownership, properties, and geography. For example, this could include a model that is able to detect circular ownership, complex corporate structures, involvement in jurisdictions with low levels of transparency, and persistent delays or errors in reporting. These types of models allow officials to focus on important cases that require their attention, rather than spending time identifying potentially problematic cases.

We recommend that the data presented to both regulated entities and the general public be done in a machine-readable format. This would allow for users, both in and outside government, to more easily use advanced analytical methods to identify and report on financial malpractice. A small way of ensuring data accuracy would be through the use of drop-down menus and multiple opportunities for the submitter to confirm the accuracy of data being submitted. Deloitte suggests that the Government of Canada explore how blockchain could be used to create a digital registry that is superior to locally-stored databases, and provide a method of record keeping that cannot be tampered with, mitigating the risk of fraud. Blockchain is particularly suited to a federated data model because it creates a decentralized database that helps foster trust between provinces, territories, and the federal government. Changes to the database would require consensus from participants, ensuring that governance of the registry is shared across

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partners. The data itself is stored diffusely in every node of the network, protecting the database from attack and providing ownership and responsibility to all contributors to the registry.

We also recommend that the private sector be involved in the creation of potential data sharing platforms in order to ensure that such a system is implemented soundly and in a way that participants can meet regulatory standards while remaining competitive in the global economy. A highly formalized public-private partnership (PPP) approach, with clear accountabilities, roles, and responsibilities for each member in the strategy should be explored as a way of ensuring maximum effectiveness in service delivery.

### **Verification**

The benefits of a corporate beneficial ownership registry are maximized only when the information contained within it is accurate. Deloitte suggests that the registry include mechanisms for oversight and enforcement of the information submitted by corporations and trusts that create the incentives that are most likely to result in compliance.

We recommend that the Government create or empower an existing authority with the powers and resources to undertake compliance and verification checks and to investigate apparent instances of non-compliance. It should not be enough for entities to submit information, but this information should be supported through the provision of documentation as evidence to support details of beneficial ownership. This information can then be cross-referenced with information held by the Canada Revenue Agency and other government sources in order to better ensure accuracy. In addition, corporate entities should be required to update their information on at least a yearly basis, and within a short amount of time (eg. two weeks) of any change to its beneficial ownership.

Companies House, the United Kingdom's beneficial ownership registry, currently accepts information to the register without checking the identity of individuals. A 2018 analysis of the UK Company Register by Global Witness found that more than 9,000 companies are controlled by beneficial owners who control more than 100 companies, highlighting the possibility of false or fraudulent information. To combat the risk that this lack of verification poses, the administrators of the registry are proposing to verify the identities of directors, people with significant control, and presenters, and potentially for shareholders as well. Deloitte recommends that the Government of Canada pursue a form of pro-active approach here as well to ensure the integrity of the data being presented.

There are also opportunities to use to help ensure the submission of accurate information by making the registry more personal. We suggest that a senior executive in the private company be required to submit the required information to the Government, and personally sign off on the submission. This is likely to increase accountability, as a specific person would hold responsibility, rather than the diffuse responsibility of a corporate submission. Given the amount of data that this registry is likely to hold, it may also be beneficial to set up a 'crowd-sourcing' system in which users can raise red flags and report unusual or unexplained information that they come across while using the service.

### **Enforcement**

The verification methods outlined above will be most effective if they are enforceable. Therefore, we suggest that the authority mentioned above should also have legal powers to prosecute instances of non-compliance through the imposition of penalties, both financial and criminal, if required. These penalties should be large, as small penalties could simply be seen as the cost of doing business by money launderers and other criminals.

While the creation of a public beneficial ownership registry should ease the operations of law enforcement, the enforcement agencies themselves simply do not have enough skilled resources to investigate financial crime to the fullest extent. For example, a Transparency International report has found that, although the Financial Transactions

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and Reports Analysis Centre of Canada (FINTRAC) has the statutory authority to sanction entities that fail to report suspicious transactions or meet their other AML obligations, it has not issued any administrative penalties since 2016. The authority tasked with operating the beneficial ownership registry should also include a financial intelligence unit, which incorporates data from various sources and runs it through advanced analytical models to create actionable intelligence for law enforcement.

#### Conclusion

We are grateful to have this opportunity to provide our recommendations and trust that they will be helpful as you move forward with the development of the registry. Protecting Canada against money laundering, terrorist financing, tax evasion and tax avoidance while ensuring that it remains an attractive place to do business is crucial to the future growth and competitiveness of the economy. Deloitte is committed to sharing our expertise in ways that advance the prosperity and well-being of Canada, and hope to continue to do more to advance that goal. We would be happy to meet personally to provide further information or discuss any of these matters further.

Yours sincerely,



Christine Ring



Peter Dent

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