

**PROCEEDINGS AT HEARING
OF
DECEMBER 1, 2020**

COMMISSIONER AUSTIN F. CULLEN

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December 1, 2020
(Via Videoconference)

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

THE REGISTRAR: Good morning. The hearing is now resumed. Mr. Commissioner.

THE COMMISSIONER: Thank you, Madam Registrar. Yes, Mr. Martland, who has conduct of the witnesses today.

MR. MARTLAND: Mr. Commissioner, Mr. Davis has conduct of the first witness today.

THE COMMISSIONER: Thank you, Mr. Davis.

MR. DAVIS: Thank you, Mr. Commissioner. The next witness will be Carol Prest. Madam Registrar I'm advised that Ms. Prest will affirm. Thank you.

**CAROL PREST, a witness
called for the
commission, affirmed.**

THE REGISTRAR: Please state your full name and spell your first and last name for the record.

THE WITNESS: Carol Elizabeth Prest. Carol, C-a-r-o-l, Prest, P-r-e-s-t.

EXAMINATION BY MR. DAVIS:

Q Ms. Prest, can you see and hear me okay?

A I can, thank you. Good morning.

1 Q Great. I'll start off with a bit of an overview
2 of your background. You've held the role of
3 Executive Director and Registrar of
4 BC Registries and Online Services since 2012; is
5 that right?

6 A That's correct.

7 Q And what your responsibilities in that role?

8 A I'm responsible for the Corporate Registry, the
9 Personal Property Registry, the Manufactured
10 Home Registry, the one stop business registry
11 and also responsible for BC Online, which is a
12 gateway to business services.

13 Q And prior to --

14 THE COMMISSIONER: Mr. Davis, I'm going to interrupt
15 just for a second. I'm not sure if this is just
16 me, but I'm having a little trouble hearing
17 Ms. Prest, and I'm wondering if she could turn
18 up her microphone.

19 THE WITNESS: I can put on a headset. That might
20 help because I think --

21 THE COMMISSIONER: That sounds better already.

22 THE WITNESS: Okay. Does that work now?

23 THE COMMISSIONER: Yes, that's very good. Thank you.

24 THE WITNESS: Okay. Thank you.

25 MR. DAVIS:

1 registers liens on all non-land assets, so
2 boats, cars, heavy equipment, and it is a -- so
3 mainly used by financing institutions and other
4 financial transactions.

5 Q And what about the One-Stop Business Registry?

6 A The One-Stop Business Registry has two
7 functions. The first is that it shares the
8 Canada Revenue Agency business number with BC,
9 the Corporate Registry and the Corporate
10 Registry shares that -- the business number hub
11 shares that data, that business number, with a
12 number of provincial programs, including
13 WorkSafe, the Ministry of Finance, a number of
14 tax programs in finance, the natural resource
15 sector, and the liquor control and licensing
16 branch, now called LC, liquor and cannabis
17 licensing branch.

18 Q Since June 2014, Ms. Prest, you've led the
19 BC Online partnership office; is that right?

20 A That's correct. When it was --

21 Q Sorry, go ahead.

22 A BC Online was in the private sector for 15 years
23 as a contracted service, and it was repatriated
24 in June of 2014 and it came back to me at that
25 time into my organization.

1 Q And what is the purpose of the BC Online
2 partnership office?

3 A The BC Online service, it provides a doorway to
4 a number of mainly high volume users, lawyers,
5 notaries, car dealerships, that kind of stuff,
6 and it provides access to a number of services.
7 So not only are a lot of the Corporate Registry
8 filings available through BC Online like
9 registering a company, registering a lien
10 through the Personal Property Registry,
11 manufactured homes, but it also gives access to
12 the wills registry and the Ministry of Justice,
13 vital stats and the BC Assessment. So it's kind
14 of a gateway to a number of services. A client
15 will log in to the BC Online and create a user
16 profile. They will then set up a drawdown
17 account. So BC Online has -- we take money in
18 advance and hold it for the client and as they
19 complete filings we debit the drawdown account.

20 Q And we'll turn a little more to BC Online
21 accounts later. But first I'd like to ask
22 generally, Ms. Prest, how, if at all, are all of
23 these various registries integrated with one
24 another?

25 A So currently they are not integrated as well as

1 they should be. So they are -- the One-Stop
2 Business Registry, it registers proprietorships
3 and partnerships. The corporate online service
4 incorporates companies as well as BC Online can
5 incorporate companies. Cooperative associations
6 are paper -- through paper filings. And
7 societies are through another application as
8 well. But we are undertaking a modernization
9 initiative. I am replacing -- I have approval
10 to replace seven applications in the Corporate
11 Registry, including corporate online, the
12 partnerships, proprietorships and cooperative
13 associations. So we are midway through that
14 program and we are in the process of have moved
15 cooperative association maintenance filings on
16 to this new platform, as well as a new corporate
17 entity type that was introduced in the spring
18 legislative session called benefit companies,
19 and those now on one platform and we will be
20 moving all of these entities over to the new
21 platform.

22 Q And what is the timeline for this project or
23 this initiative?

24 A We are hoping to be through in the spring of
25 2022.

1 MR. DAVIS: Madam Registrar, if I could ask you to
2 pull up the spreadsheet BCR0011.0001 from the
3 list of documents, please.

4 Q And, Ms. Prest, if you could let me know when
5 you see the spreadsheet on the screen, please.

6 A I can see the spreadsheet.

7 Q Do you recognize it as a spreadsheet prepare by
8 BC Registries that presents it's budgets and
9 revenues from fiscal year 2010/2011 to present?

10 A Yes.

11 MR. DAVIS: Mr. Commissioner, I'd ask that this
12 please be marked as the next exhibit.

13 THE COMMISSIONER: Exhibit 293.

14 THE REGISTRAR: Exhibit 293.

15 **EXHIBIT 293: BC Registries Budget (Excel**
16 **spreadsheet)**

17 MR. DAVIS: That was 293?

18 THE REGISTRAR: Correct.

19 MR. DAVIS: Thank you, Madam Registrar.

20 Q Ms. Prest, if we look at the tab A1 it's called
21 "Estimates Budget." Do you see that there?

22 A Yes.

23 Q Why do we see a \$1 figure under the total
24 estimated budget row for BC Registry Services
25 each year?

1 A BC Registries and Online Services is what we
2 call a thousand dollar vote, so it is fully cost
3 recovered and so the costs are offset by the
4 revenue generated by the registries.

5 Q And so that's my next question, that line item
6 recovers to net out the salary and other
7 operating costs, that comes from registry
8 revenue?

9 A That's correct.

10 Q And if Madam Registrar, if we could turn to
11 tab 2 of the spreadsheet that is called "B5
12 Revenue," please. Do you see that, Ms. Prest?

13 A I do, on the screen there's a number sign. Yes,
14 it has to be widened.

15 MR. DAVIS: It has to be widened a little bit, Madam
16 Registrar.

17 THE WITNESS: Yes.

18 MR. DAVIS:

19 Q Thank you. Ms. Prest, potentially while
20 Madam Registrar is doing that, I can ask you
21 where does BC Registries generate most of its
22 revenue?

23 A Through the Corporate Registry, and that is
24 through the incorporation process as well as the
25 other entity types, societies, et cetera. And

1 then the Personal Property Registry generates a
2 significant amount of revenue as well.

3 Q And where on this spreadsheet could the
4 Commissioner see where those revenues come from?
5 For example, with the Corporate Registry is that
6 simply just a revenue line item there?

7 A That's correct. And that is specific to
8 companies, all the corporate entities types,
9 companies, societies, the cooperative
10 associations. Obviously companies would be by
11 far and away the most -- the largest revenue
12 generator.

13 Q And what is the difference between revenue from
14 BC Online, which is kind of one section there,
15 and revenue from registry and on online
16 services?

17 A So BC Online, as I said it was in the private
18 sector until 2014. At the time the contractor
19 kept the majority of the revenue. When it was
20 repatriated, we -- the revenue received from
21 BC Online is the amount of money that nets out
22 the BC Online cost. So that BC Online revenue
23 line is revenue that is net of the BC Online
24 service.

25 Q And is that what you say at note five on this

1 tab where it says:

2 "The figures shown are the net of the BC
3 Registries program."

4 A That's correct.

5 Q And your previous statement, I take it that is
6 what is contained at note 1 where it says
7 "BC Online (BCOL) was repatriated," that line?

8 A Yes.

9 MR. DAVIS: Thank you. Madam Registrar, if I could
10 ask that you pull up BCR0010.0001 from the list
11 of documents. Should be titled "Structure of BC
12 Registries."

13 Q Ms. Prest, do you see that document before you?

14 A I do.

15 Q And do you recognize it as a document prepared
16 by BC Registries that provides information on
17 structure and staffing?

18 A I do.

19 MR. DAVIS: Mr. Commissioner, I'd ask that this
20 please be marked as the next exhibit.

21 THE COMMISSIONER: 294.

22 THE REGISTRAR: Exhibit 294.

23 **EXHIBIT 294: Structure of BC Registries**

24 MR. DAVIS:

25 Q Ms. Prest, shows the chart shows that as of

1 May 2020 BC Registries had capacity for
2 85 staff; is that right?

3 A That's correct.

4 Q And 13 of those positions were vacant as of
5 May 2020; is that right?

6 A Yes.

7 Q And what can you tell the Commissioner,
8 Ms. Prest, about staffing levels and retention
9 during your tenure as executive director and
10 registrar of BC Registries?

11 A So well, there's a couple of things to note.
12 Under the modernization initiative we have moved
13 about 12 positions into the modernization
14 initiative and so they are showing up as part of
15 the 85 here, but they are dedicated to the
16 projects underway. The changes over 2014
17 through to 2017 were the result of -- you will
18 see that there was less staff and the IT staff
19 was not accounted for. They moved over to what
20 we called our strategic services branch within
21 Service BC, which I report into, and they were
22 returned in 2018, which is the reason for the
23 changes in the number of staff.

24 Q And do any of the BC Registry staff, so business
25 or IT staff, perform anti-money laundering

1 related work?

2 A No.

3 Q And what capacity would those staff currently
4 have to take on extra anti-money laundering
5 related responsibilities?

6 A BC Registries is an operational organization.
7 Currently we do not have any process,
8 individuals or other resources to support an
9 audit or oversight of anti-money laundering.

10 Q And what sort of training does BC Online
11 provides its employees, so again business staff
12 or IT staff on, for example, identifying red
13 flags for a potential misuse of an incorporation
14 application?

15 A There is no audit undertaken in a -- or review
16 of incorporation filings. The only review would
17 be if they did not fill out the online
18 application correctly and that would be -- that
19 would signal to the user, the completing party,
20 that there has been an error and they wouldn't
21 be able to submit it. But for the most
22 part there is no audit functions after
23 incorporation.

24 MR. DAVIS: Thank you. Madam Registrar I don't need
25 that document displayed any longer.

1 Q Ms. Prest, what can you tell the Commissioner
2 about registration for trust arrangements in
3 British Columbia?

4 A So trusts are registered under the *Business*
5 *Corporations Act*. They are -- my understanding
6 is they must have trust in their name and when a
7 company -- before a company can incorporate,
8 their name must be examined. When one of our
9 names examiners sees "trust" in the name, they
10 send that document, that request to the
11 BC financing services authority for approval.
12 And then it goes through the regular
13 incorporation process.

14 Q So is it fair to say that BC Registries itself
15 doesn't have a lot of visibility into trust
16 arrangements?

17 A That's correct.

18 Q What can you tell the Commissioner about the
19 registration for partnerships in
20 British Columbia?

21 A As I mentioned, partnerships are under a
22 different process. They go through the One-Stop
23 Business Registry. Partnerships can register in
24 as a -- in our service, and they are very
25 similar to an incorporated filing, they must go

1 through a name approval process and then once
2 that is completed they register the
3 partnerships. I would say the largest
4 difference between those entities that are
5 registered under the *Business Corporations Act* as
6 opposed that those that are registered under the
7 *Partnership Act* is that the *Partnership Act*,
8 under the *Business Corporations Act* there is a
9 requirement to submit an annual report every
10 year to identify that the business is still
11 active. Under the *Partnership Act*, there is no
12 such requirement and therefore there is likely
13 partnerships and proprietorships on our database
14 that are no longer active.

15 Q And are there any limitations that exist with
16 respect to that partnership data, for example,
17 does BC Registries have information on who the
18 limited partners of a partnership would be?

19 A We register those separate entities, so if it's
20 a general partnership, a limited partnership or
21 a liability liabilities partnership. So they
22 are registered individually.

23 Q And, Ms. Prest, thinking generally about
24 BC Registries how does BC Registries measure
25 its effectiveness? You've spoken a bit about

1 how it's a very operational body, but is it for
2 example the number of incorporations annually or
3 searches or revenue? How is that evaluated?

4 A So we don't evaluate at the global scale about
5 how many companies are incorporated. Obviously
6 we have all of that data, as you can see, as
7 we've provided. But from an effectiveness
8 perspective we look at the issues around the
9 number of calls, what the calls are, if we
10 receive numerous calls is there something that
11 we can do to make it a more effective operation.
12 We look at the oversight of where there may be a
13 particular issue from our systems. There's
14 errors that are occurring, so it is very
15 operationally focused from a statistic
16 perspective and then we report up to our ADM
17 around the issues that you were talking about
18 regarding the number of companies, the number of
19 registrations, et cetera.

20 Q And you mentioned receiving calls. Do you mean
21 calls from the public, or who are those calls
22 from?

23 A Calls from the public. We have a very -- we
24 receive a number of calls into each of the
25 areas, the corporate entities. So we have a

1 search unit, we have a names unit, we have a
2 society's unit. They all receive calls every
3 day and are responding to inquiries from
4 businesses and the broader community.

5 Q I'd now like to ask a few general questions
6 about incorporation and the incorporation
7 process.

8 And, Madam Registrar, if I could ask that
9 you please pull up the spreadsheet BCR0014.0001
10 from list of documents, please.

11 Ms. Prest, let me know when you have that in
12 front you, please?

13 A I do.

14 Q Do you recognize it as a spreadsheet prepared by
15 BC Registries regarding the number of registered
16 entities in British Columbia?

17 A I do.

18 MR. DAVIS: Mr. Commissioner, I'd ask that be marked
19 as the next exhibit, please.

20 THE COMMISSIONER: Very well, 295.

21 THE REGISTRAR: Exhibit 295.

22 **EXHIBIT 295: Active Entities (Excel**
23 **spreadsheet)**

24 MR. DAVIS:

25 Q If we stay at tab 1, it's called "active,"

1 Ms. Prest, we see that there are approximately
2 1.27 million active entities registered with BC
3 Registries; is that correct?

4 A That's correct.

5 Q And of those 1.27 million approximately 490,000
6 are corporations; is that correct?

7 A That's correct.

8 Q Can you explain to the Commissioner -- it
9 appears several times on this sheet -- what XPRO
10 means.

11 A Extra-provincial registrations. So in our --
12 you know, within Canada if you want to -- or
13 even internationally, if you want to register or
14 incorporate in your home jurisdiction and you
15 want to do business in another jurisdiction in
16 Canada, for example, you would incorporate in
17 your home jurisdiction and extra-provincially
18 register in another jurisdiction. So in this
19 instance, the XPROs are those companies that
20 have extra-provincially registered into
21 British Columbia.

22 Q What level of insight does BC Registries have on
23 those extra-provincial corporations? Does it
24 rely on its kind of provincial counterparts to
25 do the vetting and intake, or does it do its own

1 analysis?

2 A So similar to our processes with incorporated
3 companies, we have an online service and the
4 information that is taken is taken from the
5 extra-provincial jurisdiction and we supplement
6 the data into the Corporate Registry. I would
7 say in June of this year we launched a new
8 service called the Multi-Jurisdictional Registry
9 Access Service. The federal government built it
10 and it is a way to share extra-provincial
11 information between jurisdictions. So across
12 jurisdictions we have agreed to core data
13 elements that go into the MRAS,
14 Multi-Jurisdictional Registry Access Service,
15 and that information is shared with the
16 participating jurisdictions that are seeking --
17 right now there are only four jurisdictions that
18 are participating in MRAS, but my understanding
19 is there will be more joining.

20 Q What information was decided that would be
21 collected and shared?

22 A So business name, business number, whether it's
23 active or not. We share director information
24 and address information, registered address.

25 Q And are you aware of who the other provinces are

1 who are engaged right now?

2 A Yes. So it is the four western jurisdictions,
3 so British Columbia, Alberta, Saskatchewan and
4 Manitoba.

5 Q And if we turn to tab 3 of this spreadsheet,
6 Madam Registrar, the tab should be called
7 "dissolutions."

8 A Yes.

9 Q You can see -- Ms. Prest, do you have it in
10 front of you?

11 A I do.

12 Q Thank you. And you see that in 2019, for
13 example, there were almost 21,000 companies
14 involuntarily dissolved; is that right?

15 A That's correct.

16 Q Why would a company be dissolved involuntarily?

17 A As I mentioned under the *Business Corporations*
18 Act a company has to file an annual report every
19 year to prove that they are still in business
20 and active. If they do not file after two years
21 we advise them that they will move into
22 dissolution status and within, you know, shortly
23 no more than two and a half years we dissolve
24 the company.

25 Q So is it fair to say that a company would be

1 dissolved involuntarily for more administrative
2 failures rather than substantive reasons like
3 fraud or misuse of a company for some other
4 reason?

5 A That's correct, with one exception. In 2018 we
6 recognized that there were a number of companies
7 that were incorporated that used stolen credit
8 card and so we were able to dissolve those
9 companies for failure to file -- well, for
10 failure to complete payment.

11 Q We're jumping ahead a little bit here, but we
12 might as well deal with that now. What can you
13 tell the Commissioner about that stolen credit
14 card situation? How did it come to BC
15 Registries' attention that certain companies had
16 been incorporated with stolen cards?

17 A We were advised by one of the directors that was
18 on a company and he indicated that he did not
19 incorporate that company.

20 Q And were you ever advised as to the outcome of
21 that referral to law enforcement?

22 A Yes, we referred it to the RCMP as well as to
23 our ministry chief information office security
24 investigations division.

25 Q But did you ever hear anything about the

1 substantive outcome of any investigation or what
2 actually came of it?

3 A Given the -- so no, I don't believe there was
4 any followup. My understanding is there was no
5 followup.

6 Q Thank you. And how many disclosures like this
7 to your knowledge have been made by
8 BC Registries to law enforcement during your
9 time as Executive Director and registrar?

10 A With respect to incorporation of companies there
11 has been just the one time where we had
12 37 companies that where the credit card payment
13 failed because of a fraudulent credit card.

14 Q Are there circumstances other than incorporation
15 applications that you would make referrals to
16 law enforcement?

17 A In 2015 we also had some compromised user name
18 and passwords from BC Online that were accessing
19 the Personal Property Registry.

20 Q And that's the other circumstance that --

21 A And that's the other circumstance, yes.

22 Q Thank you. And, Madam Registrar, if we could
23 pull up BCR0002.00001 titled "Types of
24 Registered Entities" from the list of documents,
25 please. Ms. Prest, do you have it in front of

1 Classification System. And then for companies
2 it is something that they can type into their --
3 into the when they're having their name
4 approved, they type it in. So both approaches
5 are not as reliable as we would like. For the
6 NAICS code the challenges that you have, it's
7 very difficult for a user to try and determine
8 what NAICS code would apply to their particular
9 business. And then obviously for typing in a
10 nature of business it becomes -- the definition
11 and how someone would describe their business
12 may not align to an industry classification
13 system.

14 Q So under the NAIC is it a drop-down menu that
15 they pick from a number of options, predefined
16 options?

17 A They do, yes. Well, you can go -- so you go on
18 to the website and you can try and manage your
19 way to the classification, but it can be
20 difficult to get to the right answer. And I
21 think as a result some companies take -- you
22 know, just choose something.

23 Q And when you say that the other type of data
24 entry is you can type whatever you want, is that
25 where the document -- sorry, not whatever you

1 want, but that's what the document means when it
2 says "the nature of business is free-form text";
3 is that right?

4 A That's correct. That's correct.

5 Q And it goes on to say:

6 "The entry is not validated in any way and
7 should not be relied on for accuracy."

8 Is that statement accurate?

9 A That is true.

10 Q And scrolling down a little bit here we see the
11 question 2 still on the first page here asks for
12 a breakdown of the BC Registered Companies by
13 business type. Do you see that?

14 A I do.

15 Q And the document notes that in total there are
16 276,941 distinct values in the database for
17 nature of business; is that right?

18 A That's correct.

19 Q And so can you explain that?

20 A Well, I think as it goes on to explain, a
21 free-form field gives individuals an opportunity
22 to have some discretion about what they believe
23 their business is. And it can be different than
24 other types of business that may be a standard
25 classification system.

1 Q And in fact it goes on to say that the vast
2 majority, so that being 258,596, are unique
3 entries that occur only once; is that right?

4 A That's true.

5 Q And what implications does that fact have, if
6 any, on BC Registries' ability to make sense or
7 use of this data on business type?

8 A So as I've previously stated we do not have the
9 processes or individuals or resources to take
10 and analyze or audit this information. It is
11 primarily used for names examination to
12 understand whether or not it is -- it would need
13 additional approval through the names
14 examination process. So, for example, if it's
15 an engineering firm, we need to go to the
16 engineering organization. I can't remember what
17 it's called. But if it's a lawyer, it would
18 have to go to the Law Society for approval. So
19 in those instances that's how we help -- that's
20 how it helps the names examiner understand
21 whether or not there is additional approvals
22 required before they can approve the name.

23 Q Sorry, do you mind explaining in a little more
24 detail how that name approval interacts with the
25 free-form text? What sort of validation is done

1 there? Because you can imagine with 258,596
2 unique values. I'm just wondering if you can
3 explain that a little better.

4 A Well, as you will note in the information
5 childcare can be child minding, it can be
6 childcare, it can be one word or two words, but
7 the names examiner would understand that
8 description and would be able to distinguish
9 around what the nature of the business is, for
10 example.

11 MR. DAVIS: Thank you. Madam Registrar, if I could
12 ask that you pull up the spreadsheet
13 BCR0013.0001, please.

14 THE WITNESS: Yes.

15 MR. DAVIS:

16 Q Ms. Prest, you recognize this spreadsheet as one
17 prepared by BC Registries that describes the
18 list of top incorporators since 2010 and their
19 registered addresses?

20 A Yes.

21 MR. DAVIS: Mr. Commissioner, I'd ask that this
22 please be marked as the next exhibit.

23 THE COMMISSIONER: 297.

24 THE REGISTRAR: Exhibit 297.

25 **EXHIBIT 297: "Nature of Business" Occurring**

1 **More than 200 Times - May 25, 2020 (Excel**
2 **spreadsheet)**

3 MR. DAVIS:

4 Q Ms. Prest, can you advise the Commissioner of
5 any data quality challenges that exist with this
6 spreadsheet as the Commissioner considers it?

7 A So, you know, as we've discussed, I think, and
8 as we cautioned in the previous tab, the
9 information should not be relied upon as it is
10 not clearly with a free-form field, it may or
11 may not be true. And including with the NAICS
12 code, you know, you can say, I'm doing
13 childcare, and not be in that business.

14 Q If we turn, Madam Registrar, to the tab titled
15 "Top Ten." Do you see that, Ms. Prest?

16 A Yes.

17 Q What can you tell the Commissioner about what we
18 see on this tab of the spreadsheet?

19 A So a number of companies identify themselves, by
20 far and away, as a holding company, followed by
21 construction and then various consulting,
22 et cetera.

23 Q And is it fair to say that if there's
24 8,668 corporations that are identified by nature
25 of business as holding company that all of those

1 enter the exact same free-form text in the
2 field?

3 A That's correct.

4 MR. DAVIS: Madam Registrar, if I could have ask that
5 you pull up the spreadsheet BCR0005.0001 from
6 the list of documents, please.

7 Q Ms. Prest, do you recognize this spreadsheet as
8 one prepared by BC Registries that describes the
9 list of top incorporators in British Columbia
10 since 2010 and the registered addresses?

11 A Yes.

12 MR. DAVIS: Mr. Commissioner, I'd ask that this
13 please be marked as the next exhibit.

14 THE COMMISSIONER: 298.

15 THE REGISTRAR: Exhibit 298.

16 **EXHIBIT 298: "Nature of Business" Occurring**
17 **More than 200 Times - May 25, 2020 (Excel**
18 **spreadsheet)**

19 MR. DAVIS:

20 Q If we look at tab 1 it's called "Incorporator,"
21 we can see that certain individuals and
22 companies have incorporated hundreds and in one
23 instance upwards of 2,000 companies since 2010;
24 is that right?

25 A That's correct.

1 Q And I don't mean to press on this too much, but
2 what analysis does BC Registries do or has it
3 done regarding the question of why somebody or
4 an entity would incorporate upwards of
5 2,000 companies over a decade?

6 A So, you know, we do not oversee or audit the
7 number of companies that are incorporating
8 multiple and in this case, you know, thousands
9 of companies. I will say we recognize and I
10 recognize the need for greater assurance, so
11 under our modernization initiative we are in the
12 process of requiring verification of identity
13 for the completing party. So if these are --
14 you know, in reading some of these they are law
15 firms, so we will require if they are
16 BC residents to verify the identity of the
17 completing party that is filling out the form
18 and that will give us at least greater assurance
19 that the person is -- it's a valid person in
20 British Columbia.

21 Q I think that dovetails nicely [indiscernible].
22 Madam Registrar, I don't need that spreadsheet
23 displayed any longer, thank you. Ms. Prest, can
24 you explain to the Commissioner how someone
25 logistically goes about incorporating a company

1 in British Columbia.

2 A Okay. I have notes. Are you comfortable if I
3 just -- so I don't forget a step?

4 MR. DAVIS: Mr. Commissioner, that's no issue for me.

5 THE COMMISSIONER: No, that's fine, Ms. Prest. You
6 go ahead and refer to your notes. And thank you
7 for letting us know you're doing that.

8 THE WITNESS: Okay. Thank you. So the completing
9 party is the individual who is completing the
10 online form. So they would as I said, the names
11 approval is the first step. So they would have
12 to go first and get an approved name. Either
13 they can choose a numbered company or they can
14 have a name reservation number provided once the
15 name is approved. They will -- they must
16 certify that the signed incorporation
17 agreement -- there is a signed incorporation
18 agreement and there is a set of articles for
19 their records office, and then they insert the
20 name reservation approval number and determine
21 whether it is an immediate or future dated
22 filing and identify the incorporator name and
23 address, you know, identify themselves as the
24 completing party. And then submit, input the
25 director information and addresses and identify

1 the records and registered office. Select the
2 share structure that they want to have and then
3 the completing party identifies their email
4 address and company password that they would
5 like to -- to be able to continue to access the
6 file and they are then given an opportunity to
7 review the filing and pay.

8 Q Thank you. And so would that person -- sorry,
9 you used term -- I was going to use the term
10 "incorporator," but it doesn't work -- the
11 completing party?

12 A The completing party.

13 Q The completing party, do they need to create an
14 account with BC Registries?

15 A So if they are using BC Online, as I mentioned,
16 they create a user name and profile and set up a
17 drawdown account. If they are going directly
18 into corporate online they can just create a
19 user name and password and pay with a credit
20 card.

21 Q And does that completing party need any
22 affiliation with the company that they're trying
23 to incorporate?

24 A No. There's no followup around the information.

25 Q And you mentioned that the completing party

1 submits both their own name and address as well
2 as the names and addresses of the directors and
3 officers; is that right?

4 A That is correct.

5 Q Is there any vetting done of that information?

6 A No.

7 Q And what does it cost to incorporate? So I
8 suppose from stage 1 to having an incorporated
9 company, that being creating an account and all
10 the fees, do you have a sense of what it cost to
11 do that?

12 A To incorporate a company?

13 Q Yes?

14 A It's \$350 plus \$1.50 for the BC Online service.

15 Q So \$351.50?

16 A That's correct.

17 Q Yes, thank you. And when, if ever, would
18 BC Registries refuse an application for
19 incorporation?

20 A If the information is not -- the fields are not
21 completed appropriately and for failure to --
22 for payment.

23 Q Does BC Registries keep track of the refusals?

24 A No. I don't believe so.

25 Q Turning back to the fee for a moment for a

1 question, is that fee of \$351.50 is that set by
2 the registry itself?

3 A It's set -- so the 350 is a statutory fee under
4 the *Business Corporations Act* and the \$1.50 is
5 set under the *BC Online Act*.

6 Q And, Ms. Prest, I'd now like to ask you about
7 directors and officers. What are the
8 requirements to become a director or officer of
9 a corporation in British Columbia?

10 A Currently there are no requirements to become
11 either a director or an officer. There is no
12 vetting and there is no oversight regarding
13 that. I recognize that there is, you know -- it
14 would be much preferred to have some vetting of
15 some sort to ensure the integrity of the
16 Corporate Registry, so ...

17 Q And what requirements exist, Ms. Prest, if any,
18 with respect to the required residency of
19 directors and officers? Is there a requirement
20 of residents?

21 A There is not.

22 MR. DAVIS: Madam Registrar, if I can ask that you
23 please pull up the spreadsheet BCR0007.0001 from
24 the list of documents, please.

25 THE WITNESS: Yeah, thank you.

1 MR. DAVIS:

2 Q Ms. Prest, you recognize this as a spreadsheet
3 prepared by BC Registries regarding the number
4 of director and officer appointments since 2010?

5 A I do.

6 MR. DAVIS: Mr. Commissioner, if I could ask that
7 this please be marked as the next exhibit.

8 THE COMMISSIONER: 299.

9 THE REGISTRAR: Exhibit 299.

10 **EXHIBIT 299: Directors/Officers Showing How**
11 **Many Corporations (Including XPro) They Were**
12 **Appointed to Since 2010 (Excel spreadsheet)**

13 MR. DAVIS:

14 Q Ms. Prest, we see in this spreadsheet looking
15 at -- sorry, I don't actually have it open.
16 Give me one moment here. Looking at tab 1,
17 which is called "2_more_than_100" that certain
18 persons have been the director of hundreds of
19 companies, in one instance upwards of
20 500 companies since 2010. What analysis does
21 BC Registries do or has it done regarding why
22 somebody would be the director of several
23 hundred companies over a decade?

24 A As I mentioned, currently registries does not
25 have any ability or resources or of oversight of

1 the number of directors or the information that
2 is submitted to the registry.

3 Q What insight does BC Registries have regarding
4 the potential use of nominee directors and
5 shareholders for a corporation?

6 A We do not track shareholders and nominee
7 directors.

8 Q Does BC Registries require a nominee director to
9 declare that they're acting on another's behalf?

10 A No, not to my knowledge.

11 Q Thank you.

12 MR. DAVIS: Madam Registrar, if I could ask that you
13 pull up the document BCR0006.0001 from the list
14 of documents, please.

15 Q Ms. Prest, do you recognize this as a response
16 document prepared for the commission regarding
17 its questions posed to BC Registries about
18 directors and officers?

19 A I do.

20 MR. DAVIS: Mr. Commissioner, I'd ask that this
21 please be marked as the next exhibit.

22 THE COMMISSIONER: Very well, 300.

23 THE REGISTRAR: Exhibit 300.

24 **EXHIBIT 300: Directors/Officers - Questions and**
25 **Answers**

1 MR. DAVIS:

2 Q Ms. Prest, to what degree can employees of
3 BC Registries search for a director and officer
4 information?

5 A So our business unit staff are not able to
6 search for director or officer information, but
7 our database analysts in the technical group can
8 and do on occasion.

9 Q And what other bodies or persons, meaning
10 non-BC Registries staff, have the ability to
11 search for director or officer information, if
12 anybody?

13 A So we have an application called director
14 search. It's a separate application outside of
15 any of the other ones. And it provides an
16 ability for law enforcement and others, to other
17 investigative bodies, to search our database for
18 director information.

19 Q And that's the registries director search
20 application; is that correct?

21 A That's correct.

22 Q And to whom is that provided?

23 A Law enforcement, the other investigative bodies,
24 the Securities Commission. There are Ministry
25 of Justice, some organizations in Ministry of

1 Justice.

2 Q And do all of those bodies who are granted
3 access have the same program in front of them,
4 the same degree of searchability?

5 A They do.

6 Q Thank you. And, Ms. Prest, I'd like to ask you
7 a few questions about BC Registries' database.
8 What information does BC Registries include on
9 registered entities in its database? What does
10 it keep?

11 A So everything that is submitted in the online
12 application, so the completing party, the
13 incorporation registered and records office, the
14 directors information, the date of
15 incorporation, the status of the company and the
16 annual reports that are submitted on an annual
17 basis.

18 Q You mentioned earlier that BC Registries does
19 not keep information on corporate shareholders
20 in its database; is that right?

21 A That's correct.

22 Q The Commissioner heard evidence yesterday,
23 Ms. Prest, that in some provinces the Corporate
24 Registry data and certain functions had been
25 granted to third party companies, for example

1 Ontario was used. Are you aware of that fact?

2 A I am.

3 Q And has BC Registries done anything similar?

4 A No.

5 Q One moment here.

6 A So ...

7 Q Sorry, go ahead.

8 A The only thing I would suggest from my
9 perspective, the Corporate Registry is a
10 strategic asset for government and holds
11 information that is an important part of
12 ensuring the integrity of services in business
13 and information regarding businesses and I
14 believe there is a value in ensuring that
15 governments retain that asset.

16 Q And on that point, then, what is that value,
17 then, in your view?

18 A For all intents and purposes, the Corporate
19 Registry is the birth of a company and holds
20 information about the status of that company.
21 There is opportunities to improve the integrity
22 of the data but it does ensure that there is --
23 that information is available to the public in a
24 way that builds trust.

25 Q And we'll turn to some more about those general

1 themes a little later, but I ask at this point
2 what information does BC Registries keep on the
3 relationship between companies that might be
4 related?

5 A Can you expand on that a bit. I'm not sure.

6 Q I suppose you might have already answered this
7 question, Ms. Prest, but I'm asking what
8 information, if any, BC Registries has on the
9 relationship between companies. Is there any
10 sort of database that will link company A to
11 company B on the basis of their directors or
12 otherwise?

13 A So on the basis of directors there is no way to
14 connect companies together. There are companies
15 that have what we call "doing business as"
16 companies, and those are registered as sole
17 proprietorship, so there can be a parent company
18 and their relationship to a number of sole
19 proprietorships as doing business on behalf of
20 the parent.

21 Q And what level of feedback does BC Registries
22 receive, if any, regarding the accuracy of
23 information in the database, for example from
24 law enforcement or from the public or other
25 government bodies?

1 A To my knowledge we have never received any
2 information from law enforcement or others
3 regarding the accuracy of the data. Is that --
4 did I answer your question?

5 Q You did, thank you.

6 A Okay.

7 Q Ms. Prest, how does BC Registries distinguish in
8 its database between different individuals with
9 the same name or variations in name spelling?

10 A So as the -- you know, similar to the nature of
11 business, it is a free-form field, so we are not
12 able to distinguish between a John Smith, a
13 J Smith, a Jonathan Smith if someone so chooses.
14 Under the BC Online program we would be able to
15 determine that that is one and the same persons
16 because it was done through the established user
17 name and password that was set up. So there
18 would be that. And then and as I said, as part
19 of our modernization initiative we are requiring
20 the completing party to identify and verify
21 their identity.

22 Q And is that through the use of the BC Services
23 Card? Is that the initiative you are referring
24 to?

25 A That is it.

1 Q And what can you tell the Commissioner about the
2 BC Services Card, how it will be used and when
3 it will be used?

4 A So the BC Services Card is a way to create a
5 digital identity. There is an app you can
6 download called the BC Services Card app and you
7 must go into either a Service BC office or you
8 can do it online, but you show yourself, you
9 show your BC Services Card. There is a pairing
10 code that is connected to the -- or a passcode
11 that is connected to that interaction with the
12 Service BC office and you are able to verify
13 your identity. Then when you come to our
14 service we will -- you will upload that identity
15 assurance, that credential, and we will send you
16 a passcode, a one-time passcode that is secure,
17 and we will then have assurance that you are who
18 you say you are. And that, I anticipate, will
19 help us in creating greater transparency around
20 who is registering our information and will
21 improve the information that you were talking
22 about, is this John Smith the same John Smith in
23 this other company.

24 Q So to what sorts of transactions will -- sorry,
25 I should say for what sorts of transactions will

1 the BC Services Card be required?

2 A For all of the programs that we are moving
3 online into this one platform, so for
4 corporations, for partnerships, proprietorships,
5 anybody coming into the renewed BC Online
6 service, so even those who are accessing the
7 Personal Property Registry, or the Manufactured
8 Home Registry they will all be required
9 eventually to verify their identity.

10 Q What's the timeline I suppose if you want
11 piecemeal to bring in those various registries
12 into this initiative?

13 A So we're hoping that the Corporate Registry will
14 be completed by spring of 2022. We are working
15 I anticipate that the Manufactured Home Registry
16 and the Personal Property Registry will probably
17 take a little bit more time, maybe a further
18 year.

19 Q And on this note, what can you tell the
20 Commissioner about the blockchain project
21 OrgBook?

22 A So OrgBook is a new service that was launched in
23 January of 2019. It is a way to share corporate
24 data in a way that is trusted and secured. So
25 it uses, as Mr. Davis suggested, it uses

1 blockchain technology. It takes data from the
2 Corporate Registry and it uploads it on to a web
3 service that is available to both public and
4 private sector. It's actually a public-facing
5 web service. The value of the OrgBook is that
6 it provides realtime information about the
7 status of a company in British Columbia, so for
8 example, you can be assured that this company is
9 incorporated in British Columbia and that status
10 has not changed. We are working with other
11 issuers, government issuers of permits and
12 licences to onboard more services on to OrgBook
13 so that there is complete transparency regarding
14 a business operating in British Columbia. So
15 for example, we have just onboarded recently the
16 cannabis licences, retail licences. So you can
17 go to OrgBook and be assured that this
18 particular business, not only are they
19 incorporated and in good standing in
20 British Columbia but they also have a cannabis
21 retail licence. We've also recently onboarded
22 the Canada Revenue Agency business number and
23 that can be shared with members of the public.
24 So as we onboard more issuers of permits and
25 licences, what we will be able to do is does

1 this company have the appropriate mining licence
2 or cutblock licence, or does this restaurant
3 meet health operating permits. So that there is
4 assurance from the public that this company is
5 able to do the required business and has all of
6 the permits and licences required to operate in
7 British Columbia.

8 The other service that we are in the process
9 of building is what we are calling a web hook,
10 so in effect if a company, you can -- so an
11 organization can subscribe to this. So for
12 example, cannabis can subscribe to this web
13 hook. If the company dissolves in the Corporate
14 Registry, within 30 minutes the cannabis retail
15 licence organization will be advised that the
16 company has dissolved and they are no longer in
17 good standing. So from the perspective of
18 complete transparency for those other issuers of
19 permits and licences, we will be able to provide
20 assurance to our other organizations and other
21 issuers of permits and licences that the
22 information is accurate.

23 Q And on that point of new kind of initiatives and
24 changes, Ms. Prest, you're aware that as of
25 October 1st, 2020, that all private

1 British Columbia companies must now keep and
2 maintain registers of beneficial ownership?

3 A I am.

4 Q Is that right?

5 A I am.

6 Q And where and how is that data currently being
7 stored?

8 A So the requirement is for the companies to store
9 that data in their records office. It is not a
10 requirement for them to share that information
11 with the Corporate Registry.

12 Q And so what does the adoption of this new
13 transparency register mean operationally, if
14 anything, for BC Registries?

15 A It is -- so to date it does not mean -- there's
16 very little or there's nothing for the Corporate
17 Registry, but it is phase 1 in discussions
18 between the federal-provincial-territorial
19 governments about improving transparency through
20 a beneficial ownership registry.

21 Q And what sort of capacity do employees or staff
22 at BC Registries have to take on enforcing or
23 verifying the requirements of the transparency
24 register?

25 A So currently there is no ability to take on any

1 oversight. We do not have the resources,
2 investigative legal or audit resources, that
3 would require the level of investigation that
4 you are talking about. It would -- a business
5 model would have to be changed to accommodate
6 changes in that regard.

7 Q So have there been requests made by
8 BC Registries since the requirement came into
9 place on October 1st? Any requests made to
10 private companies to update or verify that
11 information?

12 A There have not.

13 Q Ms. Prest, if we could just turn to searches
14 next.

15 Madam Registrar, I'd ask that you pull up
16 the document BCR0003.001 from the list of
17 documents, please.

18 Ms. Prest, do you recognize this as a
19 document prepared by BC Registries regarding
20 searches?

21 A I do.

22 MR. DAVIS: Mr. Commissioner, if I can ask that this
23 please be marked as the next exhibit. You may
24 be muted, Mr. Commissioner.

25 THE COMMISSIONER: Yes, I was. Thank you. Yes, that

1 will be marked as the next exhibit. I think
2 we're at 301.

3 THE REGISTRAR: Yes, correct, exhibit 301.

4 **EXHIBIT 301: Searches - BC Online and Corporate**
5 **searches**

6 THE COMMISSIONER: Thank you.

7 MR. DAVIS: Thank you.

8 Q And, Ms. Prest, looking at the document, the
9 first page, you can confirm that it says there
10 were 41,581 BC Online accounts as at May 1st,
11 2020; is that right?

12 A That's correct.

13 Q And if we scroll down, Madam Registrar, to the
14 bottom of page 1, capturing the top half of
15 page 2.

16 Ms. Prest, what can you tell the
17 Commissioner about the volume of searches
18 conducted over time?

19 A So the searches that are conducted, searches
20 are, they are -- the public is charged a fee.
21 So outside of the director search information
22 that we spoke about earlier, searches are
23 available to the public. We do primarily
24 through BC Online, but there are other searches
25 undertaken. And as you can see, we do about

1 almost 600,000 searches and generate almost
2 \$5 million a year in revenue as a result of
3 that. However, this information is not fulsome
4 in that there are searches that are undertaken
5 through corporate online and we are not able to
6 capture it through our current systems
7 limitations.

8 Q And is that what's described with the asterisks
9 bolded note below the table there? "These
10 figures are partial results," underlined?

11 A That's correct.

12 Q And why does BC Registries not have access to
13 the transaction data filed through that
14 different system? Sorry, I can't remember the
15 name.

16 A The corporate online service and -- so our
17 systems are -- can range from anywhere from 15
18 to 35, 40 years old, so depending on the
19 application, we are challenged in trying to
20 bring data together from all of these various
21 systems that have been built over a number
22 of years.

23 Q Thank you. Madam Registrar, I don't need that
24 document displayed any longer.

25 Ms. Prest, what does a member of the public

1 need to do logistically to search through the
2 database? How do they go about doing that?

3 A Through BC Online. You know, they would have
4 their user name and profile up. They would go
5 to the corporate online service, select "search"
6 and would be asked to -- they would type in the
7 name or the business number. You can only
8 search by business name and business number
9 under the *Business Corporations Act* and as a
10 result, the business name and number would come
11 up and if they wanted further information, there
12 is a \$10 fee plus \$1.50 for access to the full
13 corporate summary.

14 Q And sorry, just on a point you just made, so the
15 ability of the public to search only for
16 corporate name and number, that's prescribed by
17 statute; is that right?

18 A That's correct.

19 Q And what are the initial costs? So I know you
20 said it costs \$10 to search. Are there initial
21 costs to set up an account?

22 A There is not a cost to set up an account, but as
23 I mentioned you have to transfer money into a
24 drawdown account that sits in our account.

25 Q Right. And sorry, was that the -- that wasn't

1 the \$351. How much do you have to deposit into
2 your drawdown account?

3 A I think we recommend about \$100 depending on the
4 types of filings, if you're wanting to do
5 searches, but if you're wanting to incorporate a
6 company obviously you would need to have more
7 than that.

8 Q And do these answers about public access to
9 search parameters, do those apply equally to
10 other members of government?

11 A So, yes. The fee, the BC Online fee is reduced
12 usually to a dollar for government entities
13 unless they specifically ask and they are an
14 investigator and they specifically ask for
15 access to director search.

16 Q And what's available to an account holder, so an
17 account holder who is searching online once they
18 found a company that they want to examine
19 further? What sort of documents can they
20 access?

21 A So depending on whether the information, the
22 documents are online or not, the Corporate
23 Registry has been in existence since before
24 confederation, so there are a number of files
25 that are paper-based, so depending on what they

1 are looking for, they can select what they want,
2 whether it's an annual report. So it really
3 does depend on what they're trying to find.

4 Q And to what degree can the public or a business
5 partner of BC Registries download the database
6 or access it through what I understand is called
7 an application programming interface, that's an
8 API?

9 A So we have limited API usage right now. As I
10 mentioned with the multiregistry access service
11 that we share data with the federal government,
12 that is through an API. OrgBook also uses an
13 API. And as part of our modernization
14 initiative, we are actively in the build of an
15 API gateway that will allow the private sector
16 and others to access information through an API
17 for search as well as corporate filings.

18 Q And that's integrating the prodata users through
19 this secure API gateway; is that right?

20 A That's correct. And the way that we describe
21 prodata users is these are organizations that
22 are currently what's called screen scraping data
23 from the Corporate Registry and then in many
24 respects some of them are repackaging the
25 information and selling it as a value add

1 product. So what we would do is we would give
2 them access, a more secure access to our data in
3 a way that leverages modern technology.

4 Q And how would -- appreciating that with a
5 spreadsheet or a set of data, how would the
6 search fees or fees apply to those with access
7 to a secure API gateway?

8 A So the information would be tracked very similar
9 to what happens today except it's much more
10 seamless and easier for our clients.

11 Q Sorry, I probably wasn't clear. Will those
12 clients with access to a secure API gateway,
13 will they pay for that?

14 A They will.

15 Q And, Ms. Prest, I'd like to ask finally about
16 enforcement, asking first what you can tell the
17 Commissioner about BC Registries visibility into
18 companies that might be created for potentially
19 criminal or nefarious purposes.

20 A We have no insight into companies that may be
21 criminal in nature.

22 MR. DAVIS: Madam Registrar, if I could ask that you
23 pull of up the document BCR0009.0001 from the
24 list of documents, please.

25 THE WITNESS: Did you say 9?

1 MR. DAVIS:

2 Q Do you have that before you, Ms. Prest?

3 A I do.

4 Q And you recognize it as a document prepared by
5 BC Registries titled "Enforcement." Is that
6 right?

7 A I do.

8 MR. DAVIS: Mr. Commissioner, if I could again ask
9 that this be marked as the next exhibit, please.

10 THE COMMISSIONER: Yes, thank you. Exhibit 302.

11 THE REGISTRAR: Exhibit 302.

12 **EXHIBIT 302: Enforcement - Question and Answers**

13 MR. DAVIS:

14 Q And, Ms. Prest, the document reads at page 1,
15 second paragraph, and it says:

16 "The expectation for the proposed policy
17 is that the information provided about
18 beneficial owners will be verified through
19 an audit function or regulatory
20 oversight."

21 Do you see that?

22 A I do.

23 Q And what does that mean?

24 A So conversations are currently in progress and
25 we are talking about as I said there is a

1 federal provincial territorial working group on
2 beneficial ownership as well as internal
3 discussions regarding what a beneficial
4 ownership registry would look like.

5 Q And to clarify from earlier, BC Registries
6 currently does not conduct ongoing audit or
7 enforcement efforts and doesn't have capacity to
8 do so; is that fair?

9 A That's correct.

10 Q And looking down at page 3 of the document,
11 Madam Registrar, question number 5.

12 Ms. Prest what can you tell the Commissioner
13 about how many investigations you've conducted
14 in your role as registrar into alleged or
15 suspected violations of the *Business*
16 *Corporations Act*?

17 A So we -- can you repeat that question, please.

18 Q Sure. What can you tell the Commissioner about
19 investigations you have conducted as registrar
20 into suspected or alleged violations of enabling
21 legislation like the *Business Corporations Act*?

22 A So we do not investigate or penalize companies
23 in the registry and we generally advise that the
24 courts are used to resolve issues.

25 Q What are the enforcement mechanisms that are

1 available to you as registrar, if any? Are
2 there any?

3 A There are none.

4 Q And down further looking at question 6 on that
5 same page 3, the question reads:

6 "Summarize any penalties issued under
7 section 428 of the *Business Corporations*
8 Act since 2000."

9 Do you see that question, Ms. Prest?

10 A I do.

11 Q What is section 428 of the *Business Corporations*
12 Act?

13 A It identifies a number of penalties that the
14 registrar can -- it's in part 12 of the *Business*
15 *Corporations Act*, so identifies, you know, the
16 role of the registrar.

17 Q Thank you. And what can you tell the
18 Commissioner about the answer to this question,
19 how many penalties have been issued under that
20 section?

21 A To my knowledge there have been no record of
22 penalties issued under this section.

23 Q Ms. Prest, does BC Registries have any
24 engagement with FINTRAC?

25 A Not -- no.

1 Q Sorry, no, no engagement with FINTRAC?

2 A No engagement.

3 Q And does BC Registries have any sort of tip line
4 or whistle blower line?

5 A No.

6 Q Ms. Prest, I'll just ask you a few concluding
7 questions now. The first being I'll ask what
8 can you tell the Commissioner about any recent
9 or upcoming work that has been undertaken or
10 will be undertaken by BC Registries that I might
11 not have touched on in my examination thus far?

12 A So I would -- the only -- we have talked about
13 the modernization initiative, the need for
14 greater verification of identity. We're focused
15 right now on the identity of the completing
16 party, but I would -- I recognize that there's
17 probably a greater need to have identity
18 assurance for more than just the completing
19 party. There is, as I mentioned, there's
20 discussions underway regarding the business --
21 discussions underway regarding beneficial
22 ownership. And as you have heard there is, you
23 know, as part of our modernization initiative we
24 are preparing a page that would -- you know, as
25 part of the incorporation process that would

1 support a beneficial ownership certification, if
2 you will, but that's -- we are in the process of
3 just preparing ourselves. I would say that for
4 the most part we are -- we recognize that there
5 are challenges in the current model, business
6 model, regarding verification and validation of
7 information, and that's -- you know, and there's
8 opportunities.

9 Q And what would assist BC Registries to
10 effectively vet and analyze the information in
11 its possession, Ms. Prest?

12 A As I said, there would likely have to be
13 individuals who were skilled in investigations,
14 lawyers, auditors, that kind of stuff.
15 Currently we are -- as I mentioned we're an
16 operational organization, so we have people that
17 are dedicated to serving our clients.

18 Q Is there any information not currently collected
19 or in the possession of BC Registries that would
20 assist it in potentially understanding better
21 the relationships between companies and
22 between -- in British Columbia? Any information
23 that you can think of that BC Registries might
24 benefit from?

25 A I don't have anything off the top of my head,

1 sorry.

2 MR. DAVIS: Thank you. Mr. Commissioner, those are
3 my questions for this witness. I believe there
4 are two participants with questions for
5 Ms. Prest.

6 THE COMMISSIONER: Yes, thank you, Mr. Davis. I
7 understand that Ms. George on behalf of the Law
8 Society of British Columbia has some questions
9 and has been allocated ten minutes for
10 Ms. Prest.

11 MS. GEORGE: Thank you, Mr. Commissioner. Having
12 heard the direct examination we have no
13 questions for this witness.

14 THE COMMISSIONER: Thank you. Mr. Gratl on behalf of
15 Transparency International Coalition who has
16 been allocated 15 minutes.

17 MR. GRATL: Yes, thank you, Mr. Commissioner. I
18 expect to be brief.

19 **EXAMINATION BY MR. GRATL:**

20 Q Ms. Prest, do the organizations or databases
21 within your control track companies' ownership
22 of other companies?

23 A Sorry, do we track other companies?

24 Q Yes, so companies can own or incorporate other
25 companies?

1 A Yes. Do we track them? No. Well, insofar as
2 they are registered on the Corporate Registry,
3 but we don't investigate or audit them.

4 Q All right. Is there any attempt to draw any
5 connection between persons incorporating or
6 being registered in respective companies conduct
7 any kind of background check whatsoever,
8 including criminal charges or criminal
9 convictions?

10 A There are no -- there's no ability currently to
11 investigate the information that is being
12 received either from the data that we receive or
13 the information on the directors or
14 incorporators.

15 Q Is there any requirement to your knowledge to
16 register trusts or trust arrangements within the
17 province of British Columbia?

18 A So as per my earlier testimony, we do
19 incorporate trusts in BC under the *Business*
20 *Corporations Act*.

21 Q All right. That is essentially voluntary, is
22 it?

23 A It is.

24 Q Okay. So there's no requirement, then, in law
25 to your knowledge to register trusts?

1 MS. RAJOTTE: Mr. Commissioner, it's Ms. Rajotte here
2 for the province. We object to that question.
3 It's calling for a legal conclusion.

4 THE COMMISSIONER: All right. I think maybe it could
5 be rephrased, Mr. Gratl, so that it sort of
6 touches on what this witness understands the
7 capacity of the registry to do vis-à-vis trusts.

8 MR. GRATL:

9 Q All right. To your knowledge then, Ms. Prest,
10 there are a number of trusts that do business in
11 British Columbia that are not registered; is
12 that right?

13 A I don't have any knowledge about that.

14 Q Okay. Would there be any technical barrier
15 to -- or could you describe the process by means
16 of which trusts currently register? What kind
17 of information do they need to supply in order
18 to be eligible for registration?

19 A So as I mentioned they are incorporated under
20 the *Business Corporations Act*. In our names
21 examination process they identify themselves as
22 a trust in their name and when that happens we
23 forward the information to the BC services
24 financing authority, and if they approve it, we
25 follow a regular incorporation process.

1 Q All right. So is there any requirement to
2 supply beneficial ownership information?

3 A In the Corporate Registry?

4 Q For trusts.

5 A For trusts. No.

6 Q Okay. Would there be any barrier, information
7 technology barrier, to including beneficial
8 ownership information in the current registry,
9 the Corporate Registry?

10 A In order to capture information there would have
11 to be system upgrades and as I mentioned we are
12 in a modernization initiative and are replacing
13 a number of our applications, including
14 corporate online which incorporates companies.
15 And we have the ability to include a way for
16 beneficial ownership to be captured in our new
17 application.

18 Q All right. And does that include percentage
19 ownership?

20 A The discussions around what type of information
21 beneficial ownership and what beneficial
22 ownership is even defined as is still in
23 discussion.

24 Q All right. I wonder whether contingency plans
25 are being made to ensure that the information

1 database and so I would ask my friend to please
2 rephrase the question.

3 THE COMMISSIONER: All right.

4 MR. GRATL: I'm not sure what the objection is
5 exactly.

6 THE COMMISSIONER: I think Ms. Rajotte has expressed
7 a concern that you're really asking this witness
8 to identify what may become sort of a cabinet
9 level decision, but as I understand it what
10 you're asking about is the current state of the
11 technology or what's apprehended for the
12 technology. Is that correct?

13 MR. GRATL: That's right, Mr. Commissioner. So the
14 concern is say for example --

15 THE COMMISSIONER: I think you've frozen on us,
16 Mr. Gratl.

17 MR. DAVIS: Yes, for me, too, Mr. Commissioner. He's
18 frozen.

19 THE COMMISSIONER: I think, unfortunately, we appear
20 to have lost Mr. Gratl for the time being.
21 Maybe the thing to do is just take a brief
22 adjournment and maybe five minutes and see if we
23 can be rejoined by Mr. Gratl. Madam
24 Registrar -- or I'm sorry, Madam Coordinator, if
25 you can attempt to get into touch with Mr. Gratl

1 to see if we can get him back online. I think
2 what we'll do is just stand down for
3 five minutes. Thank you.

4 MR. GRATL: Mr. Commissioner, sorry, I'm back.

5 THE COMMISSIONER: You're back. All right. Thank
6 you.

7 MR. GRATL: Sorry, I just changed source for
8 bandwidth.

9 Q I'm really looking at whether or not -- I'm
10 really asking about whether or not the
11 intellectual or the IT information technology
12 architecture is going to be sufficiently
13 flexible to allow changes or tightening up of
14 the beneficial ownership regime?

15 THE COMMISSIONER: I think that's a fair question.
16 Ms. Prest, are you able to answer that?

17 THE WITNESS: I can answer that we are using modern
18 technologies to upgrade our applications,
19 including improved databases and other ways to
20 improve the service experience and as well as
21 some improving the way we are able to extract
22 data. So I would say yes.

23 MR. GRATL:

24 Q All right. And would the current technologies
25 be sufficiently flexible to allow for input of

1 trust information such as the settler, the
2 trustee and beneficiary identities?

3 A So as I said, the conversations are ongoing. I
4 am not certain where we would go with that
5 except to say that we would have to make some --
6 we would have to adapt to whatever decisions are
7 made and would ensure that we met the
8 requirements that would be placed before us.

9 MR. GRATL: All right. Those are my questions,
10 Mr. Commissioner.

11 THE COMMISSIONER: Thank you, Mr. Gratl. Ms. Rajotte
12 for the ministry of finance has been allocated
13 15 minutes.

14 MS. RAJOTTE: Thank you, Mr. Commissioner.

15 **EXAMINATION BY MS. RAJOTTE:**

16 Q Ms. Prest, I just have a few questions for you
17 arising from some questions that were asked of
18 you by Mr. Davis, counsel for the commission.
19 Mr. Davis asked you some questions this morning
20 that were about whether there were any
21 requirements on a director in BC. Do you recall
22 that?

23 A I do.

24 Q And I believe you said there were no
25 requirements to become a director in BC. Is

1 that right?

2 A That's right.

3 Q And when you gave that answer did you mean to
4 say that there are no requirements imposed by
5 BC Registries?

6 A That's correct. The *Business Corporations Act*
7 does have requirements for directors.

8 MS. RAJOTTE: Thank you, Ms. Prest. Those are my
9 questions.

10 THE COMMISSIONER: Thank you. I take it nothing
11 arising, Mr. Gratl, from that?

12 MR. GRATL: Nothing arising, Mr. Commissioner.

13 THE COMMISSIONER: And Mr. Davis?

14 MR. DAVIS: Nothing arising, Mr. Commissioner. I
15 thank my friend for clarifying that question.

16 THE COMMISSIONER: All right. Thank you. Thank you,
17 Ms. Prest, you are excused from any further
18 testimony. Thank you.

19 THE WITNESS: Thank you very much.

20 **(WITNESS EXCUSED)**

21 THE COMMISSIONER: Yes, Mr. Isaac.

22 MR. DAVIS: It's Mr. Davis here. I'm looking at the
23 time. It might be an appropriate time for a
24 ten-minute break before Mr. Isaac examines the
25 next witness.

1 THE COMMISSIONER: Yes. I'm sorry. I should have
2 suggested that. We'll take ten minutes. Thank
3 you.

4 MR. DAVIS: Thank you.

5 THE REGISTRAR: This hearing is adjourned for a
6 ten-minute recess until 11:11 a.m. Please mute
7 your mic and turn off your video. Thank you.

8 **(PROCEEDINGS ADJOURNED AT 11:01 A.M.)**

9 **(PROCEEDINGS RECONVENED AT 11:11 A.M.)**

10 THE REGISTRAR: Thank you for waiting. The hearing
11 is now resumed. Mr. Commissioner.

12 THE COMMISSIONER: Yes. Thank you, Madam Registrar.
13 Yes, Mr. Isaac.

14 MR. ISAAC: Thank you, Mr. Commissioner. The next
15 witness is Joseph Primeau. Madam Registrar, the
16 witness will affirm.

17 **JOSEPH PRIMEAU, called**
18 **for the commission,**
19 **affirmed.**

20 THE REGISTRAR: Please state your full name and spell
21 your first and last name for the record.

22 THE WITNESS: Joseph Primeau. J-o-s-e-p-h
23 P-r-i-m-e-a-u.

24 **EXAMINATION BY MR. ISAAC:**

25 Q Mr. Primeau, you are the acting executive

1 director of the financial and corporate sector
2 policy branch of the Ministry of Finance; is
3 that right?

4 A No, that was a previous position. I'm currently
5 the Acting Executive Director of the policy
6 branch of the finance, real estate and data
7 analytics unit.

8 Q You've held that position since September 2019?

9 A That's correct, yes.

10 Q And prior to that you worked in the Ministry of
11 Finance in various roles for over a decade; is
12 that right?

13 A That's correct.

14 Q And that included in financial and corporate
15 sector policy, administrative tax policies and
16 capital markets policy as well; right?

17 A Yes.

18 Q And you have been involved in and served as the
19 primary ministry contact for its work on the
20 potential implementation of a corporate
21 beneficial ownership transparency registry and
22 related public consultations; is that correct?

23 A Correct.

24 Q And you've also been involved in and served as
25 the ministry's primary contact for the potential

1 establishment of a provincial regulatory
2 framework for money services businesses and
3 consultations relating to that as well; is that
4 correct?

5 A Correct.

6 Q Can you briefly explain to the Commissioner, the
7 nature of your role and involvement in the
8 BC government's work to examine and potentially
9 address corporate transparency issues?

10 A Sure. I am as the executive director leading a
11 small branch of policy analysts and advisors
12 that are looking at putting together
13 recommendations and options for the government
14 on a potential central registry of beneficial
15 ownership.

16 Q And similarly what has been the nature of your
17 role and involvement in the BC government's
18 examination and work to address the potential
19 regulation of money services businesses?

20 A It's a similar role. I am leading the same
21 branch which also has policy analysts and
22 directors and advisors working on creating
23 recommendations and options for the government
24 to consider with respect to money service
25 businesses.

1 Q I'd like to begin looking at the beneficial
2 ownership topic and I'd like to begin by
3 examining some of the background to the
4 provinces's recent work on that issue. Starting
5 with its participation in the
6 federal-provincial-territorial working group on
7 beneficial ownership transparency. Would you
8 please describe for the Commissioner what the
9 federal-provincial-territorial working group on
10 beneficial ownership is, please?

11 A Sure. It's a working group comprised of policy
12 advisors and registry staff across the country
13 and also law enforcement is involved along with
14 I believe some tax administrators and tax policy
15 experts that are working towards trying to come
16 up with a coordinated response to the FATF
17 recommendation for Canada to develop a central
18 registry of beneficial ownership.

19 Q And are there representatives from all of the
20 provinces and territories on that working group?

21 A Yes.

22 Q And have you participated in that working group
23 on behalf of the ministry of finance?

24 A On occasion I've participated in that group.

25 Q How often does the working group meet?

1 A It varies. The most recent meeting was this
2 summer, I believe. There was a meeting where
3 the federal government presented its findings
4 from a recent consultation that it had. But the
5 meetings tend to occur in advance of minister of
6 finance minister's meetings because this was an
7 initiative that my understanding is flowed out
8 of a finance minister's meeting in 2016.

9 Q Is there -- I mean there is another finance
10 minister's meeting I believe upcoming. Is there
11 a another working group meeting scheduled on the
12 horizon?

13 A Not that I'm aware of.

14 Q Is BC's participation in that joint working
15 group ongoing?

16 A It is, yes. We have had representatives
17 participate in every single meeting that has
18 occurred.

19 Q Okay. We're going to look at some documents
20 that relate to the background to the province's
21 work on beneficial ownership.

22 And, Madam Registrar, if we could bring up
23 the document at tab 2, please. That's Ministry
24 of Finance document 2341. Mr. Primeau, if you
25 could let me know if you're able to see that

1 document either in front of you on the screen
2 there?

3 A Yes, I can.

4 Q Do you recognize this as a November 2017
5 briefing document to the then minister of
6 finance?

7 A Yes.

8 Q And the title is "Federal Proposal For Improving
9 Beneficial Ownership Transparency in Canada" and
10 the purpose there is shown for information; is
11 that correct?

12 A That's correct.

13 MR. ISAAC: If we could mark this please,

14 Mr. Commissioner, as the next exhibit?

15 THE COMMISSIONER: Very well. I think we're at 303.

16 THE REGISTRAR: Yes. Exhibit 303.

17 **EXHIBIT 303: BC Ministry of Finance Briefing**
18 **Document re Federal Proposal for Improving**
19 **Beneficial Ownership Transparency in Canada -**
20 **November 30, 2017**

21 MR. ISAAC: Thank you.

22 Q And if we turn to page 2 of this document,
23 please. So the first two paragraphs set out
24 some background and I'm just going to read that.

25 "In April 2016, the G20 finance ministers

1 in and the Central Bank governors released
2 a communiqué reiterating the high priority
3 they attach to financial transparency, in
4 particular with regard to the beneficial
5 ownership of corporations and legal
6 arrangements. BC Ministry of Finance
7 staff have participated in the FPT Working
8 Group on Improving Beneficial Ownership
9 Transparency in Canada since it first
10 began meetings in September 2016."

11 Mr. Primeau, I think you referred to the first
12 meeting that preceded that. Is that your
13 recollection? Did you attend that meeting?

14 A No, I did not. I was in a different role at the
15 time, but I am aware of the meeting and this
16 working group following from that meeting.

17 Q Thank you. And the text continues in the next
18 paragraph:

19 "In order to demonstrate a commitment to
20 enhancing beneficial ownership
21 information, the federal government has
22 drafted a discussion paper and an
23 agreement in principle (attached)
24 recommending a phased approach for
25 addressing beneficial ownership of

1 corporations. It is going to seek the
2 approval of provincial/territorial finance
3 ministers at the upcoming finance
4 ministers meeting December 10 through 11,
5 2017."

6 If we just pause there for a moment and go to
7 page 6 of this document. Is this the federal
8 discussion paper that was referenced in that
9 paragraph that I just read?

10 A It is.

11 Q Okay. And if we look at the overview there it
12 indicates that the paper sets out the context,
13 objectives and issues to be discussed by the
14 working group, it proposes both a short-term
15 path and a longer term path forward; is that
16 right?

17 A That's correct.

18 Q Okay. And then if we go to page 14, please, the
19 same document. Is this a copy of the agreement
20 in principle that was referred to?

21 A I believe it is, yes.

22 Q Okay. And was the agreement in principle here,
23 was that ultimately approved by all of the
24 ministers at the December 2017 meeting?

25 A Yes, it was.

1 MR. ISAAC: Madam Registrar, if we could bring up
2 briefly the document at tab 1, please.

3 Q And do you recognize that, Mr. Primeau, as the
4 agreement to strengthening beneficial ownership
5 transparency that was agreed to?

6 A Yes, that's the agreement.

7 MR. ISAAC: Thank you. Mr. Commissioner, if we could
8 mark that as 304, please.

9 THE COMMISSIONER: Very well.

10 THE REGISTRAR: Exhibit 304.

11 **EXHIBIT 304: Department of Finance Canada,**
12 **Agreement to Strengthen Beneficial Ownership**
13 **Transparency - July 11, 2019**

14 MR. ISAAC:

15 Q We can bring that document down and go back to
16 the previous document, please. If we go to the
17 page 3, please of this document. There is a
18 reference here in the third paragraph that
19 reads:

20 "The recommendation that all Canadian
21 partners agree to making legislative
22 amendments requiring corporations
23 themselves to maintain information
24 regarding the beneficial ownership of
25 shares (at the company records office) may

1 be considered a significantly weaker
2 option than those being implemented by
3 leading jurisdictions. This approach
4 would address very little of the FATF
5 recommendations."

6 And just pausing there, the recommendation
7 that's referred to there, that's
8 recommendation 1 in the agreement that was
9 agreed to between the ministers in December; is
10 that right?

11 A That's right, it's the agreement for
12 corporations to hold within the corporate
13 records office this information about their
14 beneficial owners.

15 Q And that was one of the measures that was
16 implemented by British Columbia through Bill 24
17 in May 2019; is that right?

18 A Yes.

19 Q Okay. Are you able to elaborate further for the
20 Commissioner on the limitations of that measure,
21 a register that's maintained only in the
22 corporate offices and why it might be considered
23 to be a significantly weaker option than those
24 implemented by leading jurisdictions?

25 A The requirement would not centralize information

1 for competent authorities, so if law enforcement
2 or a tax authority or some other authority
3 wanted to get information about beneficial
4 owners of a particular company it would actually
5 have to go to the company itself to obtain that
6 information. Whereas the FATF recommendation of
7 a central registry would allow these agencies to
8 simply go to a central registry and get that
9 information. It's also a much more difficult to
10 enforce regime given there's not a lot of points
11 of contact between the corporations' records
12 offices and governments, so there's not a lot of
13 opportunity to discover where it's not being
14 complied with.

15 Q And would that aspect that you mentioned about
16 needing to go to the records office to obtain
17 this information, would that have an implication
18 for its usefulness to law enforcement and
19 potentially tipping off an entity that is being
20 investigated?

21 A That is certainly a possibility, yes.

22 Q The next paragraph in this document goes on to
23 say that:

24 "The federal representatives of on the FPT
25 Working Group have proded a "phased

1 approach" in response to concerns that
2 have been raised by several jurisdictions
3 during previous meetings. It is proposed
4 that, by agreeing to a minimum standard
5 that could be implemented in the short
6 term, this would show commitment to
7 address the issue while the Working Group
8 explores more robust options."

9 Would you explain please for the Commissioner
10 what is meant by the working group proposing a
11 phased approach?

12 A Sure. It is a much less dramatic of a step to
13 require companies to begin keeping this
14 information within their corporate records
15 office as opposed to having them filed with the
16 government. It would allow for companies to get
17 comfortable with --

18 THE COMMISSIONER: I'm sorry, I'm going to interrupt.
19 I'm having real trouble hearing Mr. Primeau and
20 I'm wondering if there is a way he could adjust
21 his microphone.

22 THE WITNESS: How is that?

23 THE COMMISSIONER: That's better.

24 MR. ISAAC:

25 Q Thank you.

1 A I can't hear anything now. Nicholas, can you
2 say something.

3 Q Yes. Can you hear me?

4 A Can you hear me?

5 Q I can hear you, Mr. Primeau. Can you hear us?

6 MR. ISAAC: Mr. Commissioner, perhaps if we have a
7 brief five-minute break to allow Mr. Primeau to
8 organize his technology issues.

9 THE COMMISSIONER: Yes, we'll do that, we'll stand
10 down for five minutes. Thank you.

11 THE REGISTRAR: This hearing is stood down for
12 five minutes until 11:31 a.m. Please mute your
13 mic and turn off your video. Thank you.

14 **(WITNESS STOOD DOWN)**

15 **(PROCEEDINGS ADJOURNED AT 11:26 A.M.)**

16 **(PROCEEDINGS RECONVENED AT 11:29 A.M.)**

17 **JOSEPH PRIMEAU, a**
18 **witness for the**
19 **commission, recalled.**

20 THE REGISTRAR: Thank you for waiting. The hearing
21 is now resumed. Mr. Commissioner.

22 THE COMMISSIONER: Thank you, Madam Registrar. Yes,
23 Mr. Isaac.

24 **EXAMINATION BY MR. ISAAC (continuing):**

25 Q Thank you. Mr. Primeau, I had asked you to

1 describe what was meant by the phased approach
2 and you were just beginning to answer that
3 question. If you would continue to do so,
4 please.

5 A Sure. It was thought that starting with
6 requiring corporations to begin collecting this
7 information it would place less of a burden on
8 them than having to collect it and file it all
9 at once and it would be much less of a step
10 forward in the short term.

11 Q And so phases in terms of a phased approach, are
12 there several phases and what's included in
13 those? You referred to collecting the
14 information themselves, but are there other
15 phases contemplated?

16 A From BC's perspective the second phase would be
17 having them file it with some kind of central
18 registry.

19 Q And in the agreement there's a reference to a
20 July 2019 timeline for implementation of
21 phase 1; is that right?

22 A Correct.

23 Q And has a timeline been set for phase 2 at this
24 point?

25 A No.

1 Q And the briefing document refers to concerns
2 raised by several jurisdictions that led to the
3 phased approach, and you mentioned that it would
4 be less burdensome, but you are aware of what
5 this nature of those concerns were?

6 A No. I'm not completely clear on what the nature
7 of the concerns were for the other
8 jurisdictions. I do understand that there could
9 be some concerns even here in BC with the burden
10 of having this information being collected as
11 well as filed at the same time.

12 Q Okay. And continuing on the next paragraph in
13 the briefing document refers to bearer shares.
14 And discusses potentially banning bearer shares.
15 Do you see that?

16 A Yes.

17 Q And that was the other principle change that was
18 introduced in British Columbia through Bill 24;
19 is that right?

20 A That's correct. The bill clarified that bearer
21 shares could no longer be used in the province.

22 Q Has British Columbia now met the phase 1 goals?

23 A Yes.

24 Q Okay. And we've already touched on Bill 24
25 which introduced those two changes, the banning

1 of bearer shares and the introduction of the
2 transparency register. Were some types of
3 companies exempted from the transparency
4 register requirements?

5 A Yes. There's a number of companies that were
6 exempted. The key one being public companies
7 are exempt from the requirement.

8 Q Thank you. And, Madam Registrar, if we could
9 bring up the document at tab 5, please.

10 Mr. Primeau, do you recognize this? It's a
11 briefing document prepared November 28, 2019,
12 and the title is "Exemptions to the Corporate
13 Transparency Register Requirement."

14 A Yes.

15 MR. ISAAC: If we could mark that, please, as the
16 next exhibit, exhibit 305.

17 THE COMMISSIONER: Thank you.

18 THE REGISTRAR: Exhibit 305.

19 **EXHIBIT 305: BC Ministry of Finance Briefing**
20 **Document re Exemptions to the Corporate**
21 **Transparency Register Requirement in the**
22 ***Business Corporations Act - November 28, 2019***

23 MR. ISAAC:

24 Q Mr. Primeau, I don't intend to take you through
25 all of this document, but do you agree that this

1 briefing document sets out the policy rationales
2 for the various exemptions to the transparency
3 register requirement?

4 A Yes, it does.

5 Q If we scroll through the document to page 3,
6 please. There's a number, 1, 2 3. Do those set
7 out the criteria that were used to assess and
8 craft the exemptions to the requirement?

9 A Yes, they do.

10 Q And if we continue to scroll through the
11 document to page 6, were all the exemptions that
12 were proposed in the briefing document approved
13 and adopted?

14 A Yes, they were.

15 Q Thank you.

16 Madam Registrar, we can bring this document
17 down, please. If you could bring up the
18 document at tab 3, please.

19 This is another briefing document dated
20 May 31st, 2019, to the then finance minister.
21 And the title is "Effective Date of Beneficial
22 Ownership Transparency Register." Do you see
23 that?

24 A Yes, I do.

25 Q Do you recognize this document?

1 A Yes.

2 MR. ISAAC: If we could mark that, please, as
3 exhibit 306.

4 THE COMMISSIONER: Very well.

5 THE REGISTRAR: Exhibit 306.

6 **EXHIBIT 306: BC Ministry of Finance Briefing**
7 **Document re Effective Date of Beneficial**
8 **Ownership Transparency Register - May 31, 2019**

9 MR. ISAAC:

10 Q Mr. Primeau, can you explain what the context of
11 this briefing document is, please.

12 A My understanding is that the -- we were seeking
13 at the time approval to launch the beneficial
14 ownership registry at a later date other than
15 the July deadline.

16 Q Thank you. If you go into page 2 of the
17 document, please. Under the background it
18 describes what you addressed earlier which were
19 the two main changes implemented by Bill 24, and
20 if we go to -- if we see at the bottom there is
21 a heading that says "Discussion." Do you see
22 that?

23 A Yes.

24 Q And it refers there it says:

25 "BC is the first province to pass

1 legislation establishing a requirement to
2 create and maintain a transparency
3 register."

4 Is that accurate?

5 A To the best of my knowledge, yes.

6 Q If we can go to the next page, please. The
7 paragraph here at the top reads:

8 "It is important to note that no
9 jurisdiction, other than the federal
10 government, will be able to comply with
11 the July 1, 2019 deadline, and with
12 14 corporate statutes across Canada there
13 is a risk full compliance will never be
14 achieved. See appendix A for the status
15 of other jurisdictions' measures. This
16 poses a risk that if BC implements its
17 legislation ahead of other jurisdictions,
18 some BC companies may move to other
19 jurisdictions that do not require
20 companies to hold transparency registers.
21 Similarly, new companies may choose to
22 incorporate in other jurisdictions. This
23 may result in a decrease of revenue that
24 the Corporate Registry receives in filing
25 fee, (e.g., fees for filing incorporation

1 annual reports, etc.)."

2 Since implementing the transparency register in
3 May 2019, has the Ministry of Finance observed
4 this risk of BC companies moving to other
5 jurisdictions materializing?

6 A First I'd have to correct you on the launch of
7 the -- or the implementation of the transparency
8 register requirement actually was delayed until
9 October due to the COVID pandemic. So we
10 haven't had a lot of time to do that analysis,
11 so it has not happened.

12 Q Okay. Is it something that you have despite the
13 shorter time frame, is it something that the
14 Ministry of Finance has tried to determine,
15 whether or not that's occurring?

16 A No. We haven't.

17 Q But it's not aware at this point of any
18 indication that that risk has materialized; is
19 that right?

20 A No, we're not aware of that risk materializing.

21 Q Okay. And the concern here about moving ahead
22 of other provinces and the potential impact to
23 the registry's revenue is raised in the context
24 of this briefing document in relation to the
25 timeline for the transparency register. Have

1 similar concerns about moving ahead of other
2 provinces and the potential impacts on
3 government revenue been raised as policy
4 considerations in relation to phase 2,
5 potentially whether to move ahead with a
6 government maintained beneficial ownership
7 transparency registry?

8 A Yes, it's a concern that we will continue to
9 have because of the nature of corporate mobility
10 in Canada, and if one jurisdiction were to make
11 changes to the corporate legislation there is a
12 possibility that corporations will move to other
13 jurisdictions and establish themselves in those
14 jurisdictions with the fewer requirements. So
15 it will always be something that we have to
16 consider as we develop any kind of changes to
17 our *Business Corporations Act* to collect
18 beneficial ownership information.

19 Q Has the ministry conducted any studies or
20 estimates about what the potential costs might
21 be if it did move ahead of other provinces in
22 implementing a beneficial ownership transparency
23 registry for the reasons identified here?

24 A No, and I'm not sure how the ministry would be
25 able to go about doing that. It's very hard to

1 predict what a company would consider too
2 onerous of a requirement for them to want to
3 continue within any particular jurisdiction. In
4 our consultations we did hear on occasion this
5 comment, though, that the companies would choose
6 to go somewhere else.

7 Q Is that part of the objective of the working
8 group is hoping that all provinces move perhaps
9 not in lockstep but that there is a Pan-Canadian
10 approach to avoid that risk?

11 A I would say yes, I think from BC's perspective
12 that's an important aspect of this project and I
13 would think that other jurisdictions would feel
14 the same way.

15 Q The paragraph I read referred to appendix A as
16 being the status of other provinces and
17 territories efforts. And if we could go to
18 page 6 of this document, please. And is this a
19 table showing what the status of other
20 provinces' implementation efforts were as of
21 May 2019, the date of the briefing document,
22 Mr. Primeau?

23 A Yes, that's what I believe that is.

24 Q Has the Ministry of Finance continued to keep
25 track of the status of other provinces'

1 implementation efforts, whether through the
2 working group or otherwise?

3 A Yes. We have kept track of the progress.

4 Q Okay. Appreciating you likely have enough on
5 your own portfolio to keep you busy, but are you
6 able to provide the Commissioner with any update
7 on the statuses that are shown here in this
8 appendix in terms of what other provinces and
9 territories might be undertaking?

10 A I can say that I understand in Manitoba and
11 Saskatchewan have -- Manitoba has implemented
12 its registry and Saskatchewan either has or is
13 coming close. My understanding is the rest of
14 the provinces have not yet. But I also am aware
15 that a number of provinces have paused things
16 for the same reasons we delayed our
17 implementation until the fall because of the
18 COVID pandemic.

19 Q Thank you. If we could bring up the next
20 document. I've received a note asking that if I
21 could please identify the Ministry of Finance
22 number as well, so I'll do both. But, Madam
23 Registrar, it's document at tab 4 and it's
24 Ministry of Finance document 2352.

25 Mr. Primeau, if you can see this, this is

1 another briefing document dated September 18th,
2 2019. And the title is "Consultation For a
3 Publicly Accessible Government Maintained
4 Transparency Registry of the Significant
5 Individuals of BC Private Companies." Do you
6 see that?

7 A Yes.

8 MR. ISAAC: If we could mark that as the next
9 document, please, exhibit 307.

10 THE COMMISSIONER: Very well.

11 THE REGISTRAR: 307.

12 **EXHIBIT 307: BC Ministry of Finance Briefing**
13 **document re Consultation for a publicly**
14 **accessible, government-maintained transparency**
15 **registry of the significant individuals of BC**
16 **private companies - September 18, 2019**

17 MR. ISAAC:

18 Q Mr. Primeau, can you explain, please, what the
19 context of this briefing document is?

20 A This was a document to get approval to begin
21 consulting on essential registry of beneficial
22 ownership.

23 Q And that approval was granted and consultation
24 did proceed; is that right?

25 A Correct.

1 Q Okay. If we turn to page 2, please, of the
2 documents. There's a description here starting:

3 "The *Business Corporations Amendment Act*
4 did not create a government-maintained
5 transparency register as it represented
6 phase 1 of a pan-Canadian approach."

7 Do you see that?

8 A Yes.

9 Q Okay. And then it goes on to explain what
10 phase 2 will involve and then it says:

11 "The work of federal-provincial-
12 territorial working group on beneficial
13 ownership continues but the focus is now
14 on phase 2."

15 Can you explain what the federal-provincial
16 working group's focus on phase 2 has involved?

17 A Well, the province of BC began its own
18 consultations, but simultaneously the federal
19 government began consulting and jurisdictions
20 were able to participate in those consultations
21 in the spring this year.

22 Q And it's accurate, I mean, we looked at the
23 table earlier of the status that a number of
24 other provinces and territories haven't
25 completed phase 1; is that right?

1 A That's correct, but my understanding is there
2 was an interest in participating in the
3 consultations nevertheless.

4 Q Okay. And this briefing document goes on to say
5 "most importantly," this is on page 3 third
6 paragraph on that page:

7 "Most importantly there is currently no
8 draft legislation developed by legislative
9 counsel and creating one would
10 significantly delay this part of the
11 consultation process. Finance staff would
12 like to launch the consultation in
13 October 2019 to allow for legislative
14 amendments to be ready for introduction in
15 spring 2021 should the government choose
16 to do so."

17 Is the Ministry of Finance still working towards
18 a spring 2021 timeline for the introduction of
19 potential legislative amendments?

20 A I can say that my staff is trying to be ready
21 for whenever the government would like to move
22 ahead. We have a new government, so it's
23 unclear what this government's priorities are at
24 this time.

25 Q Thank you. I'd like to turn. We've dealt with

1 some of the background and buildup to the
2 consultation, and I'd like to turn to the
3 consultation itself and some of the issues that
4 were identified. If we could bring up the
5 document at tab 7. That's Ministry of Finance
6 2396, please. Is this the consultation paper
7 that was issued, Mr. Primeau?

8 A Yes. Yes, it is.

9 MR. ISAAC: If we could mark that as
10 exhibit 308 [sic], please.

11 **(SEE PAGE 100)**

12 THE COMMISSIONER: Very well.

13 MR. ISAAC:

14 Q Mr. Primeau, can you explain how this
15 consultation paper was prepared.

16 A My staff drafted it based on research that we've
17 done of other jurisdictions.

18 Q Okay. If we go to page 6 of the consultation
19 paper. This is the table of contents here. And
20 you'll see it sets out a number of consultation
21 topics. How were those topics determined?

22 A My understanding from my staff is that they
23 looked at the key issues that exist in other
24 jurisdictions that have beneficial ownership
25 registries and they wanted to find out what BC's

1 companies and citizens would think of these
2 issues.

3 Q I'd like to, as I said, address some of the
4 specific topics that are identified in the
5 consultation paper, and in framing my questions,
6 Mr. Primeau, I appreciate that you are not in a
7 position to speak for the government about
8 specific policy choices or preferences that may
9 have yet to be decided by cabinet but that you
10 can speak about the work done by the Ministry of
11 Finance to consider various policy issues and
12 the range of policy options that have been
13 looked at in that regard.

14 If we could go to page 9 of this document
15 first. There's a passage here about the role of
16 legal personality and it starts:

17 "Although the separate legal personality
18 of the company is what creates this
19 anonymity --"

20 It's speaking of corporate anonymity here.

21 "-- anonymity was not a primary feature
22 the led to the recognition of the corporal
23 body at law."

24 Then it goes on to say below the identification
25 of the key features:

1 "Rather than being a core feature of a
2 company structure, anonymous ownership is
3 a result of a need to create a separate
4 legal personality combined with the
5 historical data limitations of the
6 corporate registries across the globe."

7 My question is in the ministry's consultation
8 and consideration of this issue, has it heard
9 from any stakeholders or seen any support for
10 the position that anonymity of ownership is a
11 legitimate component of company ownership that
12 should be preserved? Is that a view that has
13 been expressed through the consultation?

14 A Yes, it has. I think most strongly by the -- we
15 did receive a comment letter from the society of
16 trust and estates professionals and they made a
17 fairly strong argument that anonymity is an
18 important aspect of corporate ownership, and
19 even more so for trusts.

20 Q Thank you. Given a government beneficial
21 ownership registry would likely build on the
22 existing transparency register, has the Ministry
23 of Finance conducted any study or assessment of
24 the level of compliance with the transparency
25 register requirements or the accuracy of the

1 information that has been collected so far in
2 companies' records?

3 A Again it's very early days so we haven't had
4 much opportunity to do that. We have been
5 receiving a lot of correspondence that has been
6 asking how to comply, so our sense is there is
7 an effort out there to comply with the
8 requirements, but beyond that, no, we have not
9 done any studies.

10 Q Does the ministry plan to at this point to
11 conduct any preliminary vetting or examination
12 of the level of compliance with the transparency
13 register requirements that were introduced in
14 October?

15 A I can't speak for the ministry. I can speak for
16 as far as the policy branch goes we don't have
17 any plans to go and begin to assess whether or
18 not there is a certain level of compliance.

19 Q Another topic that is identified both in the
20 consultation as well as in the evidence that the
21 commission has heard to date relates to
22 responsibility, who is responsible for ensuring
23 the accuracy of information in a potential
24 transparency register. And is it correct that
25 currently the responsibility to maintain an

1 accurate transparency register in
2 British Columbia is on the company and its
3 directors? Is that right?

4 A That's correct. That is a model that is -- has
5 been created under the transparency register.

6 Q Some jurisdictions that have implemented
7 beneficial ownership transparency registries,
8 the UK for example, have also placed obligations
9 on professionals and others that are involved in
10 company formation or who may routinely use the
11 register, such as lawyers or notaries, financial
12 institutions, to report inaccuracies in the
13 data. Has the Ministry of Finance looked at
14 those types of models and conducted any policy
15 assessment of their pros or cons?

16 A We are looking at those sorts of models in the
17 context of central registry of beneficial
18 ownership. We did not look at it in the case of
19 it's a transparency register requirement given
20 the nature of the registries being individual
21 corporate records offices. It would seem
22 difficult to place those obligations on others.

23 Q My apologies, Mr. Primeau. I think my question
24 was unclear. I was asking specifically about in
25 connection with the potential beneficial

1 ownership --

2 A Yes, yes, we are looking at options when it
3 comes to verification and one of those options
4 would be having an obligation on professionals
5 and other private agencies to report
6 inconsistencies.

7 Q And what can you tell the Commissioner about the
8 policy rationales either in favour or against
9 such an approach that had been identified at
10 this point?

11 A Well, the policy rationale for it would be to
12 improve the accuracy of any database that is
13 created. But the -- it is a new obligation that
14 is being placed on parties that may not be best
15 position to be able to provide that sort of
16 information.

17 Q Has the ministry engaged in any consultation or
18 received any feedback at this point on that
19 point of potentially extending the
20 responsibility to gatekeepers such as legal
21 professionals or financial institutions to
22 report on inaccuracies?

23 A We may have as part of the consultation. I
24 wasn't directly involved in all of it, but it
25 seems like it's something that we could have

1 heard.

2 Q If we go to page 13 please of the consultation
3 document, this is a table drawn from the expert
4 panel on money laundering in BC real estate,
5 professor Maureen Maloney's report. It
6 identifies a number of best practices. Do you
7 see that, Mr. Primeau?

8 A Yes.

9 Q The third best practice there is:

10 "The beneficial ownership register should
11 include all types of non-individual
12 owners."

13 And the status shown there is "not started."
14 Has the Ministry of Finance at this stage looked
15 at a potential register of non-corporate
16 entities such as partnerships or trusts? And
17 what can you tell the Commissioner about what
18 the status of that is?

19 A That is within the scope of what we are looking
20 at we are -- the starting points -- and there's
21 two when it comes to the work that we're doing
22 on a beneficial ownership registry is the work
23 that's being done as part of the
24 federal-provincial-territorial working group,
25 but also we are cognizant of the work that was

1 done as part of the *Land Owner Transparency Act*
2 which includes trusts and partnerships. So in
3 that context we are thinking about those other
4 non-individual entities.

5 Q Are there particular challenges with a registry
6 for partnerships or trusts, different than, for
7 example, a registry for corporations?

8 A There could be. Again, going back to the
9 comment that we heard from the society of trust
10 and estates professionals, there are possibly
11 more sensitivities when it comes to trust and
12 why they're set up and piercing through them to
13 identify who the beneficiary of those trusts
14 are.

15 MR. ISAAC: Mr. Commissioner, I've received a note
16 alerting me to the fact that the last
17 exhibit that we just marked was already marked
18 earlier as exhibit 55, so if we could correct
19 that, please, on the record.

20 THE COMMISSIONER: All right. Thank you. That was
21 30 -- sorry, where were we at there?

22 THE REGISTRAR: We originally marked it as 308, but
23 apparently we already marked it previously as
24 exhibit 55.

25 THE COMMISSIONER: Thank you. That will be unmarked

1 as 308 then.

2 MR. ISAAC: Thank you.

3 Q So you were explaining, Mr. Primeau, about the
4 range of options that are being looked at and
5 potential challenges with partnerships or
6 trusts. Can you elaborate on that slightly,
7 whether a potential register of partnerships or
8 trusts raises unique challenges that are not
9 presented by a potential register and
10 corporations?

11 A Yeah. Specifically for trusts there are unique
12 challenges because trusts are not always set up
13 for business purposes, and in that case
14 identifying a beneficiary in a relationship that
15 is created for the purpose of maintaining
16 property for a minor may not be appropriate when
17 it comes to further transparency.

18 Q Okay. What can you say at this point about the
19 range of options that are being looked at about
20 how to potentially address a registry for
21 partnerships or trusts?

22 A We still have a lot of work to do on that, so I
23 can't really speak to a range of options other
24 than we need to figure out what risks there are
25 and what benefits there are when it comes to

1 creating that level of transparency.

2 Q I'd like to move to another topic which is about
3 how to potentially fund an expanded beneficial
4 ownership transparency registry. And if we go
5 to page 18, please, of exhibit 55. At the
6 bottom of the page under the heading of
7 "Compliance and Enforcement" there's a reference
8 here that says:

9 "It is possible to fund the registry,
10 including a proactive approach to
11 verification, by charging the public
12 search fees."

13 Is charging the public search fees, which is the
14 only funding option mentioned in the
15 consultation paper, is that the only potential
16 funding model that the Ministry of Finance has
17 examined at this point?

18 A No.

19 Q Can you explain further what other range of
20 potential funding options that the ministry has
21 looked at?

22 A Sure. There's the possibility that government
23 completely funds a registry through an
24 appropriation. It's also possible for the
25 government to bake the fees into existing

1 corporate filing fees, for example. It's also
2 possible to completely depend on filing fees
3 with the search fees being if there are search
4 fees being just part of what a budget would look
5 like, which is my understanding where the *Land*
6 *Owner Transparency Act* landed. So there are a
7 number of options when it comes to how a
8 registry could be funded.

9 Q We've heard that some jurisdictions that have
10 implemented beneficial ownership transparency
11 registry, such as the UK, that they have chosen
12 to fund the increased role of the registries
13 through the incorporation fees model, baking
14 that into incorporation fees as opposed to
15 through charging for searches. Are there
16 particular policy issues for or against that
17 sort of an approach that the Ministry of Finance
18 has identified at this point?

19 A Well, there is a question of equity. Should all
20 corporations have to pay for the registry that's
21 intended only for possibly beneficiaries, so
22 yeah, there's some -- there may be some equity
23 issues.

24 Q Are there other issues -- and I will give you an
25 example. One of the topics that we've heard is

1 the potential impact of a pay wall on the
2 ability of the public to access a registry and
3 the consequences for the ability, for example,
4 of civil society to play a role in verification
5 or the ability of businesses and the public to
6 use the information. Are those policy issues
7 that the Ministry of Finance has studied and
8 examined as part of its consideration of this?

9 A Yes. We are looking at those issues of whether
10 or not a registry without a pay wall that
11 provides access to the full registry to the
12 public is sufficiently protecting the privacy of
13 some individuals. But we are also very aware of
14 possibly the benefits that could arise from the
15 civil society having the opportunity to take a
16 look at that information and do some of the
17 analysis on behalf of the government and
18 providing tips, I guess, to government to pursue
19 potential money launderers.

20 Q Mr. Primeau, you mentioned privacy in connection
21 with this question about a potential pay wall.
22 Would you explain what the connection, if any,
23 is between privacy, protecting privacy, and the
24 decision of whether or not to put in place a pay
25 wall to access the registry?

1 A Well, a pay wall with a nominal fee can reduce
2 the number of queries of the registry and
3 without it it's possible that someone in civil
4 society could essentially obtain the entire
5 registry for their own use. How that data could
6 be used, I think there is some opportunities for
7 civil society to find possible wrongdoers as a
8 result of having that level of access, but it's
9 also possible that that data could be used for
10 nefarious purposes such as identity theft or
11 scams or even solicitations.

12 Q And has the Ministry of Finance -- and I
13 appreciate that there are only a few canaries in
14 the gold mine at this point with examples of
15 operating beneficial ownership registries, but
16 has the Ministry of Finance identified any
17 examples of that sort of misuse of Corporate
18 Registry data from other jurisdictions?

19 A No, not from other jurisdictions. I can say
20 that at least in a previous position I can put
21 forward an example that I'm aware of where
22 transparency resulted in solicitations and
23 policy had to be changed as a result. My
24 understanding is in the early 2000s the BC
25 Securities Commission used to publish names of

1 investors on their website that were included in
2 exempt distribution reports. At the time we had
3 media, in particular one journalist within the
4 province, that relied heavily on those reports
5 in identifying frauds and even uncovered some
6 things I think that the BC Securities Commission
7 was able to use. But the securities commission
8 decided to no longer publish those names because
9 they had heard from the individuals that they
10 were receiving solicitations because their name
11 was out there as people who were investors. So
12 that's the sort of example that could arise if
13 the names of beneficial owners become widely
14 known.

15 Q Through the consultation on this question of
16 whether to charge or not to charge to access the
17 registry, did the Ministry of Finance hear from
18 representatives of civil society about whether
19 or not even a nominal fee would inhibit their
20 ability to make use of the data in a potential
21 beneficial ownership registry?

22 A Yes, we did.

23 Q Can you explain a little bit about the positions
24 that were articulated by those civil society
25 organizations.

1 A Well, Transparency International clearly has
2 indicated that a pay wall would prevent their
3 ability for uncovering wrongdoing and they've
4 even provided us with an example of a
5 circumstance in Europe where they were able to
6 use I believe a Slovakian beneficial ownership
7 registry to identify some wrongdoing done by the
8 Czech prime minister. So those opportunities
9 potentially if there is a pay wall may not be
10 present in BC if we were to move forward with
11 it.

12 Q We heard earlier today from Ms. Prest from the
13 registry that currently members of the public in
14 British Columbia must pay to search the existing
15 Corporate Registry, and Ms. Prest indicated that
16 that generates just under \$5 million per year
17 for the registry. Has the Ministry of Finance
18 studied or conducted any analysis of the
19 potential impact on revenue to government if it
20 moved forward with implementing a publicly
21 accessible beneficial ownership registry and
22 what the impact of that would be?

23 A The revenue on government from the fees?

24 Q Yes, from searching?

25 A No. And it's hard to predict because it's hard

1 to really anticipate how many searches would
2 occur. Again, my understanding with the land
3 owner transparency registry, search fees isn't
4 really built into the budget because there's not
5 way to anticipate how many searches will occur
6 because there's no requirement for the searches.

7 Q The other aspects that we heard about was the
8 question of the data format and I'm referring in
9 particular to API or essentially format that can
10 be downloaded in bulk by members of the public
11 or civil society to access. Has the potential
12 implications of that from a revenue perspective
13 been one of the considerations that the Ministry
14 of Finance has looked at in terms of how the
15 data might be made available through a potential
16 registry?

17 A No. No, we have not considered what the revenue
18 implications of the accessibility of bulk data
19 from beneficial ownership registry would be.
20 Whether or not if there's a prescription or not,
21 we have not done the actual financial analysis.

22 Q Has the -- there's reference in the consultation
23 paper and in addition to some of the evidence
24 that the commission has heard thus far on this
25 topic about the potential positive economic

1 benefits to government, to business, to society
2 that may result from a publicly freely
3 accessible beneficial ownership registry,
4 whether that is increased tax enforcement or
5 decreased due diligence costs. Has the Ministry
6 of Finance conducted any of its own study into
7 that question, what the potential positive
8 economic benefits might be of a beneficial
9 ownership registry?

10 A No, not beyond what has been articulated in the
11 expert panel's report, the Maloney report,
12 whether I think there was an expression that
13 there could be some benefits to the province as
14 a result of this extra information being out
15 there.

16 MR. ISAAC: Madam Registrar, if we could bring up
17 Ministry of Finance document 2400, please.

18 Q And this is a briefing document dated May 26,
19 2020. Do you see that, Mr. Primeau?

20 A Yes.

21 Q And the title is "Company Beneficial Ownership
22 Consultation - Summary." Can you explain what
23 that document is, please.

24 A Sure. This was a summary that was provided to
25 the Minister of Finance after the consultation

1 summarizing what we heard as a part of the
2 written comments we received and the in-person
3 consultations that we participated in along with
4 the federal government.

5 Q Did you or your staff, who prepared this
6 briefing document?

7 A My staff did.

8 MR. ISAAC: If we could mark this the next document.
9 That would be exhibit 308.

10 THE COMMISSIONER: Yes, all right. Thank you.

11 THE REGISTRAR: Exhibit 308.

12 **EXHIBIT 308: BC Ministry of Finance Briefing**
13 **Document re Company Beneficial Ownership**
14 **Consultation - Summary - May 26, 2020**

15 MR. ISAAC:

16 Q And if we go to the next page, please, on this
17 document. There's a reference to having
18 received a number of submissions. Approximately
19 how many submissions did the ministry receive in
20 connection with this consultation?

21 A Approximately 40, I believe.

22 Q Okay. And I don't intend to take you through
23 those submissions today, Mr. Primeau. I'd ask
24 that these not be live streamed at this point,
25 but if we could please bring up -- there's a

1 range of documents that have been combined into
2 one. It's Ministry of Finance 2403 to Ministry
3 of Finance 2448. Thank you. And if we could
4 scroll through perhaps a couple of these. If
5 you would just confirm whether these are the
6 submissions that were received in connection
7 with the beneficial ownership transparency
8 consultation, please. If you could scroll to
9 the next page. Are these the submissions,
10 Mr. Primeau?

11 A I believe they are.

12 MR. ISAAC: If we could mark, then, this bundle of
13 documents, please, as the next exhibit,
14 exhibit 309?

15 THE COMMISSIONER: All right. 309 will be documents
16 2403 to 2448 collectively.

17 THE REGISTRAR: Exhibit 309.

18 **EXHIBIT 309: A collection of emails -**
19 **Beneficial Ownership Transparency consultation**
20 **submissions**

21 MR. ISAAC: We can bring this document down and go
22 back to exhibit 308, please.

23 Q So there's a comment if you go to page 3 on this
24 summary. And under the heading of "Public
25 Access and Privacy" there's a comment here that

1 says that:

2 "Most submissions from stakeholder groups
3 did not support giving the public access
4 to the transparency register. They argue
5 that once all the information is in the
6 hands of government, the government is in
7 the best position to analyze the data.

8 The general public will not be able to add
9 much to this analysis which requires
10 complex computer software and expertise."

11 Just pausing there, has the Ministry of Finance
12 been able to test the validity of this assertion
13 and is it one that's supported in the other
14 research and other comments that you received
15 through the consultation process, the argument
16 that only the government has the ability to
17 analyze data in a beneficial ownership registry?

18 A No, we haven't done work to verify it though we
19 are aware of, as I provided you earlier examples
20 where civil society has in fact identified money
21 laundering as a result of a beneficial ownership
22 registry, but beyond that we have not done any
23 work.

24 Q And if we go to the next page, please, page 4.
25 There's a heading here under "The Efficient

1 minister has looked at or is it still too early
2 stages on this?

3 A It really is a too early of a stage for us to
4 start looking at that level of detail.

5 Q Has the ministry identified any down sides to
6 adopting a common data standard at this point?

7 A No. As long as the standards would meet our
8 policy objectives I don't see why there would
9 be -- or there wouldn't be any concerns with
10 adopting a common data standard.

11 Q Has the issue of the question of common data
12 standards one that's been -- and the potential
13 for interoperability a topic that's been to your
14 knowledge addressed as part of the joint federal
15 working group with other provinces and
16 territories?

17 A Not that I'm aware of.

18 Q Okay. And related similarly the question of
19 whether or not to allow data to be downloadable
20 in an API format, so in a way that members of
21 civil society or the public could download the
22 data en masse. Is that something that the
23 ministry has specifically looked at at this
24 stage and are there any policy considerations
25 that have been identified with that?

1 A Yes. My staff has looked at that and I would
2 say the policy considerations are very similar
3 to the policy considerations that we have when
4 it comes to a pay wall. It's -- there seems
5 like there could be some benefits to having
6 civil society have that level of access to the
7 data and be able to manipulate it and use it in
8 ways to help governments identify money
9 launderers, but there's also a risk that that
10 data could be used in nefarious ways.

11 Q And the next topic I'd like to look at is
12 verifying accuracy. You'll see that there's a
13 heading here, the next one in the document,
14 "Government's Role in Verifying the Accuracy of
15 the Information." And the paragraph begins:

16 "The government's role in verifying the
17 accuracy in the information contained in
18 the registry received a lot of discussion
19 in the submissions and was perhaps the
20 most important issue to come out of the
21 consultation."

22 What can you tell the Commissioner about what
23 policy tools, either alone or in combination,
24 that the Ministry of Finance has examined in
25 terms of how to verify the information that

1 might be contained in a potential registry?

2 A Well, there's a number of options. There could
3 be reactive compliance reviews or audits to look
4 at whether or not the information provided by a
5 company is actually accurate. There's also the
6 option of requiring, as we discussed, key
7 gatekeepers to verify or and certify that the
8 information that they are seeing is consistent
9 with the information that's within the registry.
10 There's also the possibility of maybe doing some
11 proactive verification either reaching out to
12 beneficial owners to find out if they are in
13 fact beneficial owners, if they're reported by
14 companies and also possibly requiring either the
15 collection of identifying documents through a
16 reporting body or from a beneficial owner, him
17 or herself. Those are the spectrum of options.
18 There may be other things that we will consider
19 in the future.

20 Q Okay. And beyond identifying those options, has
21 the Ministry of Finance conducted any further
22 assessment of the pros or cons of various models
23 or looked at, for example, what might be
24 involved in having a verification, sort of a
25 proactive verification model and what staffing

1 or skills might be necessary for that?

2 A We've begun some of that work, but it's really I
3 would say at an exploratory stage. There's
4 definitely a benefit to more verification
5 because it improves the accuracy of the data
6 that's held by the registry. However, the
7 greater the level of verification, the more
8 costly the regime will be and the more
9 specialized resources we need to do the work.

10 Q Would you agree based on the research and
11 consultation that you've engaged in that
12 verification, accuracy of the information is
13 vitally important to the ultimate value of a
14 beneficial ownership registry?

15 A Not only the value, but it reduces some of the
16 risk. There is a risk if government creates a
17 beneficial ownership registry and puts the
18 information out there as a picture of the
19 beneficial ownership of companies in BC that
20 that registry will become the authoritative
21 statement of beneficial ownership, and if that's
22 the case, if it's inaccurate, it could actually
23 exacerbate the problems when it comes to money
24 laundering.

25 Q Has the -- this is not a topic that's been

1 identified in the consultation or briefing
2 documents that we've looked at, but as part of
3 your work on this topic has the Ministry of
4 Finance studied potentially reintroducing a
5 residency requirement for directors as part of
6 strengthening the oversight of BC companies?

7 A No, that's not within the scope of the work
8 we're doing.

9 Q Has the Ministry of Finance looked at what
10 agency or agencies might be the most appropriate
11 home if a beneficial ownership transparency
12 registry is created in British Columbia?

13 A Yes, we were. We've begun considering how --
14 what options for what would be the most -- what
15 would be the best agency to administer such a
16 program.

17 Q Can you tell the Commissioner what the range of
18 options are at this point?

19 A Sure. Well, we already have a beneficial
20 ownership registry in BC with the Land Title
21 Survey Authority so that's certainly an open
22 option. There are definitely some efficiencies
23 that could be found if the BC Registries were to
24 administer such a program. So those are two
25 agencies that may make the most sense.

1 Q And has any preparatory work been done at either
2 of those agencies to scope out or lay the
3 groundwork for a potential registry?

4 A We've done some exploratory work with both those
5 agencies.

6 MR. ISAAC: Mr. Commissioner, I'm sorry, before I
7 move on I received a reminder just to say that
8 exhibit 309, which is the collection of
9 submissions on the consultation, our submission
10 that we would welcome participants to apply, if
11 they seek redactions beyond contact information,
12 emails, phones, and other addresses, but
13 otherwise that we would propose to have that
14 document ultimately made available on the
15 website and we'd ask the participants apply by,
16 say, 3:00 p.m. on Thursday if they seek to have
17 other redactions.

18 THE COMMISSIONER: All right. Thank you. So you're
19 asking that it be withheld from the website
20 until that time; is that right?

21 MR. ISAAC: Yes, Commissioner.

22 THE COMMISSIONER: All right. Thank you.

23 MR. ISAAC:

24 Q So, Mr. Primeau, are there other -- we've
25 obviously covered a number of topics on the

1 beneficial ownership subject. Are there any
2 other key issues that the ministry is grappling
3 with around what a beneficial ownership registry
4 might look like or what hurdles there might be
5 to establishing one in British Columbia, and if
6 so, what can you tell the Commissioner about
7 that, please?

8 A Well, I think one of the key issues we're still
9 grappling with is -- and it's a theme that we've
10 discussed a little bit through your questions,
11 is should we be -- what should be the focus of
12 harmonization, should we be harmonizing the
13 requirements under the registry with our
14 federal, provincial and territorial partners, or
15 does it make sense to harmonize it with our
16 existing registry of beneficial ownership of
17 land? And there is a key difference between the
18 two regimes, that being the threshold for
19 identifying beneficial owners. Under the land
20 owner transparency registry it's a 10 percent
21 threshold. In the transparency register
22 requirement in BC and as agreed to across the
23 country, it's a 25 percent threshold.

24 Q And are there any other sort of next steps that
25 the ministry is expecting to take to seek to

1 further explore that issue?

2 A Well, it along with all the issues we've
3 discussed, we're working on putting together
4 options and recommendations for the government,
5 which is very new, so I have not had an
6 opportunity to speak to any of my leadership in
7 my ministry about these issues yet and I think
8 our next step is to begin those conversations.

9 Q Well, that leads perfectly into my next question
10 on the topic, which is what is the current
11 status and what are the next steps and are there
12 any sort of timelines or milestones that you're
13 able to advise our commission about at this
14 point?

15 A Beyond -- we would like to get in front of a
16 decision-maker to begin talking about these
17 issues within 30 days.

18 Q Aside from getting before a decision-maker in
19 the next month or so, are there any timelines at
20 least at this point in terms of next steps that
21 have been identified?

22 A No. We really do need to figure out what the
23 priorities of the government is.

24 Q I'd like to turn now to the other subject that
25 you've been involved in at the ministry, which

1 is the question of the potential regulation of
2 money services businesses at the provincial
3 level. And if we could bring up Ministry of
4 Finance document 2398, please. This is the
5 ministry's consultation paper from March 2020 on
6 this topic. Before we go through some of the
7 issues that are identified in this, would you
8 briefly explain for the Commissioner the
9 background and the buildup to the province's
10 consultation on this issue, what informed it,
11 what prompted it and what led up to the issuance
12 of this consultation paper, please.

13 A Well, Peter German's first report identified
14 money service businesses as being a high risk
15 business for when it comes to money laundering,
16 and in his report he did recommend that the
17 province look at possibility a provincial
18 option. Following that recommendation my
19 understanding is policy staff within the
20 Ministry of Public Safety and Solicitor General
21 began to do some exploratory work. My staff
22 actually didn't get engaged in any of this work
23 until after the Maloney report, which also
24 recommended the province look at possibly moving
25 into regulating money service businesses for

1 similar reasons to Peter German's reasons, and
2 at that point we began developing a consultation
3 paper to explore the possibility of regulating
4 money services businesses in the province.

5 Q Can you explain the work or studies and analyses
6 that went into preparing this consultation paper
7 or that preceded the issuance of the
8 consultation paper?

9 A There was a jurisdictional scan done by my
10 staff. We've identified one jurisdiction within
11 the country that regulates money service
12 businesses outside the federal government and
13 that's Quebec. So we did look -- we had
14 meetings with the AMF to talk to them about some
15 of the work that they were doing. There was
16 also an ad hoc working group with a law
17 enforcement where we discuss some of the reasons
18 why a money service business regulatory regime
19 within the province could assist with their work
20 and so that's some of the exploratory work that
21 we did as we developed this paper.

22 Q What law enforcement entities were represented
23 on that ad hoc working group?

24 A The RCMP and I believe there were some law
25 enforcement from the city of Richmond.

1 indication on this issue of the unregistered
2 component of the industry?

3 A They have explained to us that they have
4 intelligence that indicates that there are risks
5 with this unregulated portion of the industry,
6 but actually describing the size, no. They have
7 not been able to provide us with a good
8 understanding of what the size of unregistered
9 activity looks like in the province.

10 Q Do you have any understanding about why? Is
11 that why they've been unable to do that or what
12 the challenges are in determining the potential
13 size of that component of the sector?

14 A Well, unregistered activity, there's no real
15 line of sight into that other than when law
16 enforcement anecdotally hears about it. It's
17 hard to assess an industry and given its
18 diversity it's hard to assess its size without
19 having anyone actually actively monitoring it.

20 Q Has the Ministry of Finance been advised of any
21 efforts by law enforcement to identify the
22 unregistered money services businesses in any
23 systematic way in British Columbia?

24 A I have not been. My staff may have had
25 conversations, but I have not heard of that.

1 Q Okay. Has the Ministry of Finance looked at
2 potentially other mechanisms to identify
3 unregistered money services businesses whether
4 that's through business licences or advertising
5 or other mechanisms?

6 A We have been considering different ways that we
7 could try to identify it and business licences
8 is one that we have discussed.

9 Q Is one of the potential benefits flowing from a
10 provincial regulatory scheme a better sense of
11 what the size and composition of the sector is
12 in British Columbia? Is that one of the policy
13 rationales for potentially implementing a
14 provincial scheme?

15 A It certainly would assist in better
16 understanding the industry if there was a local
17 regulator that was focused on trying to regulate
18 the industry. It would assist us in learning
19 more about it and its size.

20 Q Did any of the industry organizations that you
21 engaged with such as the Canadian Money Services
22 Businesses Association, did they have any
23 insight or measure or estimate into the size of
24 the unregistered component of the industry or
25 any suggestions about how that might be

1 determined?

2 A No. And we did ask and they were frank that
3 their industry is difficult to engage sometimes,
4 even from their perspective.

5 Q Okay. Is the government, the BC government,
6 looking to conduct any further studies to try to
7 determine the size of and risks posed by the
8 unregistered sector?

9 A It's an option that we are still considering.

10 Q Have you been able to flush out what that option
11 might look like, about how that question might
12 be approached about how do I identify the
13 unregistered component of the industry?

14 A No, we haven't gone to that stage yet.

15 Q Going on in the document that we are looking at
16 here.

17 MR. ISAAC: I'm not sure -- Mr. Commissioner, I may
18 have blanked on a moment whether or not we
19 marked this as an exhibit already.

20 THE COMMISSIONER: I don't think we have.

21 THE REGISTRAR: No, we haven't.

22 THE COMMISSIONER: No, we haven't.

23 MR. ISAAC: Well, that might be a good prompt so I
24 don't forget again. If we could mark this,
25 please, as exhibit 310.

1 THE COMMISSIONER: Very well.

2 THE REGISTRAR: Exhibit 310.

3 **EXHIBIT 310: BC Ministry of Finance - Money**
4 **Service Businesses Public Consultation Paper -**
5 **March 2020**

6 MR. ISAAC:

7 Q If we go to page 7 of the consultation, please.
8 There is a heading here called "Regulation Of
9 Money Services Businesses." And there's a
10 summary here of the existing federal regime
11 which operates under FINTRAC for the
12 registration and compliance of money services
13 businesses, and there's a number of subheadings.
14 The first of those subheadings is "Registration
15 and Compliance." Did the Ministry of Finance
16 receive any information about how FINTRAC
17 assesses the fitness of applicants before
18 granting registration or how well that is
19 working?

20 A My staff has. My understanding is that there's
21 certain convictions that prevent people from
22 entering into the business that are listed
23 within the statute. I'm not sure if there's
24 more to it, but my staff would have a better
25 understanding of that.

1 Q Did the Ministry of Finance examine or receive
2 any information about specific instances of that
3 vetting process in British Columbia?

4 A No.

5 Q Did the ministry, for example, inquire into how
6 Silver International came to be registered by
7 FINTRAC or any other specific instances of
8 whether or not the registration regime is
9 functioning?

10 A We did not inquire into that.

11 Q The next heading under this section is
12 "Examinations and Penalties." The consultation
13 paper here refers to FINTRAC's authority to
14 conduct onsite and desks examinations. Did the
15 Ministry of Finance examine or receive any
16 information from the federal government about
17 how frequently FINTRAC conducts onsite or desk
18 examinations of money services businesses in
19 British Columbia?

20 A We did receive some information from the Money
21 Services Businesses Association itself which
22 indicated that the examinations tend to occur a
23 couple of years after registration, but beyond
24 that no, we haven't received any other
25 information on that.

1 Q Was there any concern attributed to that
2 observation that examinations might not occur
3 until several years after a money services
4 businesses has already been operating?

5 A Yes. The Canadian Money Service Business
6 Association did raise some concerns with that.

7 Q Can you describes those concerns, please.

8 A They indicated that they're concerned that money
9 services businesses may be operating
10 unregistered or not in compliance with the
11 registration requirements for a number of years
12 before FINTRAC would engage in a
13 compliance examination.

14 Q Were you able to confirm whether or not that
15 observation from the Canadian Money Services
16 Businesses Association was accurate or not or
17 receive any further information about that from
18 the federal government?

19 A No, we have not done that yet.

20 Q Has the ministry asked for that information?

21 A Yes, we have.

22 Q And is that information that it's expecting to
23 be received, or has it been told that it will
24 not receive that information?

25 A I expect we will receive the information.

1 Q Okay. The other topic that's identified under
2 this examinations and penalties heading is about
3 the imposition of administrative penalties or
4 AMPS. Has the federal government, FINTRAC or
5 Ministry of Finance provided the Ministry of
6 Finance with any information on the number of
7 examinations in British Columbia and how many of
8 those have resulted in administrative penalties
9 for MSBs operating in British Columbia?

10 A No, we have not.

11 Q What about law enforcement action? Again on the
12 same page 8 under "Examinations and Penalties"
13 there's reference to the fact that FINTRAC can
14 disclose cases to law enforcement if there's
15 extensive non-compliance or little expectation
16 of immediate or future compliance. Has the
17 ministry requested or been provided with any
18 information about how frequently referrals to
19 law enforcement from the money services
20 businesses or relating to the money services
21 business sector have occurred in British
22 Columbia and what, if any, law enforcement
23 action has taken place?

24 A We have not verified it, but we're aware of the
25 findings of Peter German in his report that he

1 found that there was not that much.

2 Q Have you seen any indication to the contrary,
3 have been presented with any information about
4 law enforcement action that has been taken
5 resulting from these type -- the referrals that
6 are mentioned here in the consultation paper?

7 A No, we've seen no evidence to the contrary.

8 Q And you mentioned Peter German's report. One of
9 the recommendations in that report that was
10 attributed to prosecutors was to consider
11 significantly increasing the penalties for
12 non-registration of money services businesses
13 under the federal PCMLTFA. Has there been any
14 discussion that you're aware of on that specific
15 recommendation about potentially increasing the
16 penalties for money services businesses?

17 A Not from my branch, no.

18 Q One of the other areas of concern that have been
19 identified with the money services business
20 sector is about location, concerns about money
21 services businesses that may be located in
22 private residences or post office boxes or
23 lawyer's offices. Has the Ministry of Finance
24 looked at the question of location issues, risks
25 associated with specific locations and creating

1 possible restrictions in that regard?

2 A Yes, we are considering it, different options
3 when it come to that. Certainly it ties into
4 the difficulty of understanding the size and
5 nature of the industry, is the fact that a
6 number of these businesses can be somewhat
7 informal.

8 Q And what is your understanding of the potential
9 risks that may be associated with those sorts of
10 locations. Is that something that's being
11 looked into or studied at all?

12 A Not beyond the fact that it seems as though it
13 would be -- it poses a -- the informal networks
14 do seem like they would pose money laundering
15 risk because of the difficulty in not only
16 understanding them but if there is a regulatory
17 regime regulating it, the activity. But I would
18 say that there's also a risk in not having those
19 sorts of networks because they do provide an
20 important service to segments of our society.

21 Q Are there questions about the existing
22 regulation of money services businesses and how
23 well that's working or questions about the risks
24 that are posed by the sector that remain
25 unresolved from the Ministry of Finance's

1 perspective that it would want to answer before
2 proceeding with potentially regulating the
3 industry? Are there sort of unanswered
4 questions at this point that you have?

5 A Yes, we have -- and I think we've talked about
6 that. The size and nature of the industry is
7 very difficult to get a good understanding of
8 and before imposing new requirements and
9 restrictions on an industry we would like to
10 understand how those restrictions and
11 requirements could impact that industry, and
12 it's hard to do that if we don't know enough
13 about it.

14 Q And what about the way in which the current
15 federal regulation of money services businesses
16 is operating? Is that something where you
17 require more information about that that would
18 be helpful to answer before proceeding with
19 potentially regulating the industry in
20 British Columbia?

21 A Yes, we are trying to better understand how the
22 federal registration regime works. We are aware
23 of the concerns raised by Peter German and
24 Maureen Maloney's panel in the expert report
25 that regulating money services businesses or

1 regulating financial services is not a core
2 activity of FINTRAC, and so because of that we
3 have concerns.

4 Q If we could bring up Ministry of Finance
5 document 2401 please. This is a briefing
6 document dated June 8th, 2020. The heading is
7 "Money Service Businesses Consultation -
8 Summary." As we saw with the other summary,
9 Mr. Primeau, is this a briefing document that
10 summarizes the consultative work that was
11 conducted in relation to this consultation?

12 A Yes, it is.

13 MR. ISAAC: If we could mark this please as the next
14 exhibit, exhibit 311.

15 THE COMMISSIONER: Very well, 311.

16 THE REGISTRAR: Exhibit 311.

17 **EXHIBIT 311: BC Ministry of Finance Briefing**
18 **Document re Money Services Businesses**
19 **Consultation - Summary - June 8, 2020**

20 MR. ISAAC:

21 Q And the briefing document, if we go to page 2,
22 there's a reference here to having received a
23 comparative only eight submissions in writing
24 which was attributed possibly to COVID and that
25 to supplement that staff held additional

1 conference calls with various stakeholders
2 outside of the sort of written consultation
3 process. Is that accurate?

4 A Yeah, that's accurate. We had some concerns,
5 especially early in the consultation as the
6 COVID restrictions started being put into place
7 and we recognize that it was a short
8 consultation period in the first place, that we
9 may not get comments from some stakeholders,
10 especially some of the key stakeholders, so we
11 did reach out and try to arrange some calls with
12 them just so we could be sure to get their
13 feedback.

14 Q The consultation refers to a number of
15 stakeholders, the Canadian Money Services
16 Business Association, the Money Services Round
17 Table, FINTRAC and others. Are there any other
18 key stakeholders that you and your staff engaged
19 with through that process?

20 A Those were definitely the big advocacy groups.
21 We did talk to a few individual money services
22 businesses. I know my staff had reached out to
23 a number of them. And we also spoke with law
24 enforcement and FINTRAC and the Department of
25 Finance and the Government of Quebec.

1 Q And the briefing document in the discussion
2 portions breaks down stakeholder comments into
3 four major themes: regulatory burden and
4 overlap, unregistered money services businesses,
5 de-risking, and white label ATMs. I'm not going
6 to take you through all of those, Mr. Primeau,
7 but on the topic on the first one, the
8 regulatory burden and overlap, what were the
9 takeaways that you had from the consultation on
10 this theme, please?

11 A There was some significant concern about
12 creating a new regulatory regime when there's
13 already a federal regime in place, and both the
14 Canadian Money Services Business Association and
15 the round table expressed a lot of concern that
16 we would create something that would place new
17 burdens or be inconsistent burdens with the
18 existing regime that's in place federally.

19 Q If we go to the next page, page 3, there's a
20 reference here to FINTRAC providing seven
21 lessons learned from the experience with the
22 Quebec regime. Just focusing on this question
23 of regulatory burden and overlap, did you look
24 at any potential options of ways to effectively
25 minimize that burden and overlap? And could you

1 describe those, please.

2 A Yes, we discussed that with each stakeholder we
3 spoke to. We tried to get a sense of what they
4 thought would reduce some of the overlap and
5 burden and FINTRAC did provide us with these
6 seven lessons that they said that they learned
7 through the Quebec experience and provide us
8 with some suggestions on how if we were going to
9 recommend a regulatory regime, how we could
10 design the regime to reduce some of the
11 complications that come from having two separate
12 overlapping regimes.

13 Q Okay. From the Quebec experience did you draw
14 from that that it is possible to have a
15 comparatively low burden regulatory regime? Was
16 that one the lessons that you drew from the
17 Quebec experience?

18 A I would say that their suggestions are practical
19 and common sense suggestions that would assist
20 in making sure that whatever we design would not
21 create new and/or conflicting obligations on
22 money service businesses.

23 Q Just going to the next heading which is the
24 unregistered money services businesses, and we
25 already touched on this topic earlier. If you

1 look at the second bullet point here,
2 Mr. Primeau, it says:

3 "They support --

4 And I think this is likely a reference to the
5 Canadian Money Services Businesses Association,
6 but:

7 "They support any local specialized unit
8 that could effectively investigate,
9 prosecute and shut down unlicensed money
10 services businesses."

11 As part of your ministry's examination of this
12 issue, have you examined or engaged with any law
13 enforcement or other agencies about that
14 question about whether or not a law enforcement
15 or other entity could be created or deployed to
16 investigate, prosecute and shut down unlicensed
17 money services businesses?

18 A And I think that the comment from the CSMBA was
19 more along the lines of having a local unit that
20 could administratively move in and address some
21 of the concerns that they had raised. And then
22 the key takeaway I had from the conversation
23 that we had with them was that money services
24 businesses -- that's the unregistered
25 activity -- would appreciate a more local

1 regulator that they could go to to explain that
2 they are seeing unregistered activity and that
3 agency would possibly be more responsive than
4 these currently in place across the country.

5 Q Is that a specific proposal or that idea of an
6 investigative wing, essentially, agency or wing
7 or team, is that something that the ministry has
8 looked at and studied in further detail?

9 A It is one of the options we are studying right
10 now.

11 Q The other suggestion immediately below that is
12 to have a dedicated whistle-blowing outlet. Is
13 that an option that's under consideration as
14 well?

15 A Yes.

16 Q If we go to the next page, please. There's a
17 reference here Revenue Quebec sending a *Quebec*
18 *Money Services Businesses Act* implementation
19 report along with a number of notes. I
20 understand that a claim of privilege has been
21 made to respect to the report that has been
22 provided, but I'd like to ask you just about the
23 notes here. One of them refers to the use of
24 nominees. You see the second point there,
25 nominees or principle-agency models? Has the

1 Ministry of Finance looked at how the risk of
2 money services businesses operating through
3 nominees or a principle agent model might be
4 addressed through a model here in
5 British Columbia?

6 A It is something we are looking at.

7 Q Can you describe any further if there's any
8 detail to what options have been looked at in
9 terms of addressing that risk?

10 A Well, some restrictions on the use of nominees
11 is one of the options. Should there be some
12 restrictions on it.

13 Q We've been looking at these two as entirely
14 separate consultations, but has there been any
15 consideration about how a beneficial ownership
16 registry or the matters that are being looked at
17 on the beneficial side of things might interface
18 with the work that's being done on the potential
19 money services business side of things?

20 A In a way. Not specifically looking at the
21 connections between the two but the fact that we
22 are trying to develop options and
23 recommendations as a unified suite of options
24 for the government to consider to address money
25 laundering as no one measure is going to address

1 the problem entirely. But I would also say that
2 money services businesses like other reporting
3 bodies under the federal *Proceeds of Crime and*
4 *Money Laundering Act* have indicated that a
5 beneficial ownership registry with good and
6 accurate information could assist them in their
7 own due diligence, and I do believe that the
8 Canadian Money Services Businesses Association
9 even submitted a comment as part of the
10 beneficial ownership registry consultation. So
11 they are definitely interconnected as are all
12 the measures that we're looking at.

13 Q Okay. I'm appreciating the time. I want to
14 look at the item 4 on page 5 which we haven't
15 discussed yet which is the white label ATM
16 issue. And the report here refers to your
17 engagement with a number of stakeholders and law
18 enforcement and federal government around the
19 potential regulation of white label ATMs.
20 Perhaps I could -- comparing the comments
21 attributed in the report there appear to be two
22 quite different perspectives. The white label
23 ATM industry, Interac, the ATM Industry
24 Association arguing that money laundering is not
25 a significant risk and that current measures are

1 sufficient, and then the Department of Finance
2 and the RCMP arguing that it is. Is that a fair
3 summary of the dividing line in the submissions
4 that you received on this?

5 A Yes, it is.

6 Q Okay. What has the Ministry of Finance been
7 able to do in terms of ascertaining where
8 reality actually lies on that, whether money
9 laundering is a risk with white label ATMs in
10 British Columbia or whether it is not a risk?

11 A Well, we are actually starting to put together a
12 plan on how we're going to try to figure out the
13 answer to that question. We are contemplating
14 engaging possibly an external expert to help us
15 in some of that work, but it's an issue that we
16 think we need to better understand before we can
17 make any recommendations with respect to white
18 label ATMs.

19 Q Has finance, the RCMP or other law enforcement
20 provided the Ministry of Finance with any more
21 information to support their assertion and their
22 concerns that white label ATMs do pose a risk?

23 A They have not put it -- provided us with any
24 specific cases where it's occurred. They have
25 indicated that they have intelligence that is

1 occurring and they have actually described to us
2 how it could occur. And their description does
3 seem to suggest that it's possible, but like I
4 said, they have not provided specific cases.

5 Q The comment attributed to the industry is that
6 laundering through white label ATMs is an
7 inefficient way to launder money. Is that
8 accurate?

9 A I'm not sure. The way that it has been
10 described to us that it could occur is with the
11 machines themselves being loaded with cash, the
12 own of the machine attempting to launder money
13 and when the money is withdrawn from the machine
14 by the public, clean money going into a bank
15 account, so that's the modality that we've been
16 described to us. How efficient that is to
17 constantly load a machine and get money into an
18 account, 20, 50 or \$100 at a time, I don't know.
19 That would be the type of question that we would
20 be seeking the answer to.

21 Q Did the stakeholders from the industry have any
22 response to that modality that was described and
23 whether or not that was a realistic scenario?

24 A My understanding is that there are standards if
25 a white label ATM owner wants to be a part of a

1 network, for example the Interac network that
2 they have to adhere to, and part of that is a
3 know your client type of standard. Again I'm
4 not sure how that standard would be applied.
5 They've also told us that there are occasionally
6 compliance reviews of the white label ATMs done
7 by the network provider to see if AML standards
8 are being met. But we also have been told that
9 Interac is not the only network and we haven't
10 actually had an opportunity to talk to any of
11 the smaller networks to find out what sort of
12 standards are put in place there.

13 Q I asked about that how you resolved that, the
14 sort of diametrically opposed perspectives on
15 whether or not it's a risk or not a risk, and I
16 think you indicated that you were considering,
17 the ministry was considering potentially
18 retaining a consultant or an expert to conduct
19 an examination into that. Is that right?

20 A That's a possibility or we may -- we've been
21 directed to come up with a plan to try to
22 answer this question, so we are right now
23 exploring options when it comes to a plan.

24 Q Are there other important questions that the
25 ministry wants to resolve before it potentially

1 moves forward with regulating the sector
2 provincially?

3 A I think we're going to have to verify some of
4 the statements that have been made as part of
5 the consultations, but we are right now trying
6 to put together options and recommendations for
7 a government and again it would be a matter of
8 what priorities this government has before we
9 could know when we'll even have that chance.

10 Q Again that leads perfectly into my last
11 question, Mr. Primeau, which is what can you
12 tell the Commissioner about what the current
13 status of the work on the money services
14 businesses portfolio where that currently stands
15 and whether or not there are any timelines or
16 milestones that have been set at this point?

17 A Again, it's going to be very dependent on the
18 priorities of the government. And so I'll have
19 a clearer idea of what the timelines are once
20 I've had an opportunity to speak to the
21 leadership within my ministry.

22 Q And is that something -- you referred to a
23 30-day timeline to be before a decision-maker.
24 Is that a similar timeline you were hoping to
25 have for this issue as well?

1 A That would be my hope.

2 MR. ISAAC: Okay. Mr. Commissioner, those are all of
3 my questions for this witness.

4 THE COMMISSIONER: All right. Thank you, Mr. Isaac.
5 Ms. George on behalf of the Law Society has been
6 allocated ten minutes.

7 MS. GEORGE: Thank you, Mr. Commissioner. We have no
8 questions for this witness.

9 THE COMMISSIONER: Thank you. Mr. Gratl on behalf of
10 Transparency International Coalition has been
11 allocated 15 minutes.

12 **EXAMINATION BY MR. GRATL:**

13 Q Yes, Mr. Primeau, I'm concerned that the
14 Ministry of Finance has not reached out to civil
15 society groups in its consultation. Can you
16 outline what steps have been taken in respect of
17 these money laundering amendments to reach out
18 to groups such as my client Transparency
19 International or Canadians for Tax Fairness?

20 A My understanding is that the Canadians for Tax
21 Fairness and Transparency International did
22 participate in the consultations.

23 Q All right. Is that true for all of the
24 consultations?

25 A There has only been one consultation.

1 Q All right. In terms of the criteria for
2 registering beneficial ownership, a great deal
3 might turn on the definition of indirect ability
4 to control appointment of directors. Is that
5 correct?

6 A I'm sorry, can you clarify that.

7 Q So one of the criteria for registering
8 beneficial ownership is indirect control of a
9 corporation; is that right?

10 A That's correct, yeah.

11 Q Okay. And the phrase "indirect control" is
12 not -- or indirect control or indirect ability
13 are not defined; is that right?

14 A They are set out in a regulation.

15 Q Okay. And what was the definition of indirect
16 ability in the regulations?

17 A I wouldn't be able to describe it. It's a
18 fairly complicated regulation identifying what
19 indirect control is.

20 Q Would that include trust interests then?

21 A My understanding is it could, yes.

22 Q Okay. And just under some circumstances then?

23 A It would be circumstances where the corporation
24 that is the trustee -- and this is again my
25 understanding based on I'm not an expert on the

1 regulation, but corporations that have
2 sufficient control over a parent corporation
3 would have to disclose its trustees.

4 Q All right. Public access to beneficial
5 ownership information can improve the quality of
6 the information in the registry if there's a
7 sufficient feedback loop; is that right?

8 A That's part of what we had discussed, yes.
9 There is some potential to have some improved
10 information should civil society have an
11 opportunity to review the registry and provide
12 feedback to the registrar.

13 Q So that would be a benefit to the public at low
14 cost then; is that right?

15 A I can't say that. I can say it would seem it
16 would be a benefit to society. I don't know
17 about the cost.

18 Q And has there been a cost benefit analysis
19 comparing what it would cost to having public
20 servants verify the information as opposed to
21 providing public access so the public could
22 assist with that process?

23 A No. That's part of the work we're doing right
24 now.

25 Q All right. And has there been a cost benefit

1 analysis done in terms of the public user fees
2 versus the cost of police enforcement?

3 A Again, it's part of the work that we're doing
4 right now.

5 Q Okay. And so those issues will be considered
6 then?

7 A Yes. Yeah.

8 Q All right.

9 MR. GRATL: Thank you, those are my questions.

10 THE COMMISSIONER: Thank you, Mr. Gratl. On behalf
11 of the Ministry of Finance Ms. Rajotte, who has
12 been allocated 15 minutes.

13 MS. RAJOTTE: Thank you Mr. Commissioner. I have no
14 questions for Mr. Primeau.

15 THE COMMISSIONER: Thank you. Anything arising,
16 Mr. Isaac, from what you've heard?

17 MR. ISAAC: No, Mr. Commissioner.

18 THE COMMISSIONER: All right. Thank you. Thank you,
19 Mr. Primeau. You are excused from further
20 testimony. Thank you for your assistance.

21 THE WITNESS: Thank you.

22 **(WITNESS EXCUSED)**

23 THE COMMISSIONER: I take it that brings us to the
24 end of today's evidence, Mr. Isaac. Is that so?

25 MR. ISAAC: It does, Mr. Commissioner.

1 THE COMMISSIONER: All right. Thank you. We will
2 adjourn, then, until tomorrow morning at 9:30.

3 THE REGISTRAR: The hearing is adjourned until
4 December 2nd, 2020 at 9:30 a.m. Thank you.

5 THE COMMISSIONER: Thank you.

6 (PROCEEDINGS ADJOURNED AT 1:05 P.M. TO DECEMBER 2, 2020)

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