

**PROCEEDINGS AT HEARING
OF
JANUARY 12, 2021**

COMMISSIONER AUSTIN F. CULLEN

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January 12, 2021
(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. Davis.

MR. DAVIS: Yes, Mr. Commissioner. The next witnesses will be Mr. Edward Tanaka and Ms. Lisa Eng-Liu testifying as a panel on behalf of the Chartered Professional Accountants of British Columbia. And, Madam Registrar, both witnesses will affirm.

THE REGISTRAR: Witnesses, please unmute yourselves. Can each of you please state your full name and spell your first and last name for the record. I'll start with Ms. Liu.

THE WITNESS: My name is Lisa Liu, L-i-s-a L-i-u.

THE REGISTRAR: Thank you. And Mr. Tanaka.

THE WITNESS: Edward Tanaka. E-d-w-a-r-d. Last name is T-a-n-a-k-a.

EDWARD TANAKA, a witness
called for the
commission, affirmed.
LISA LIU, a witness

1 **called for the**
2 **commission, affirmed.**

3 THE COMMISSIONER: Yes, Mr. Davis.

4 MR. DAVIS: Thank you, Mr. Commissioner.

5 **EXAMINATION BY MR. DAVIS:**

6 Q I'm going to begin by asking you both about your
7 backgrounds and experiences.

8 Mr. Tanaka, can you see and hear me okay
9 from your end?

10 A (ET) Yes, I can.

11 Q And, Mr. Tanaka, you've held the role of Vice
12 President, Professional Conduct with the
13 Chartered Professional Accountants of
14 British Columbia, or CPABC if it's okay if I use
15 that shortened term. You've held that role
16 since 2015; is that right?

17 A (ET) Yes.

18 Q And what are your responsibilities as Vice
19 President Professional Conduct?

20 A (ET) I oversee our professional conduct
21 department, so the professional conduct
22 department deals with the complaints we receive
23 against members, firms, students.

24 Q And in that role you also represent CPABC as a
25 member of the national rules and conduct and the

1 discipline committees. Isn't that correct?

2 A (ET) Correct.

3 Q And prior to your work with CPABC from 2009 to
4 2015 you worked as the Manager of Regulatory
5 Practices with the Certified General Accountants
6 Association of British Columbia. Do I have that
7 right?

8 A (ET) Correct. Different title but very similar
9 role.

10 Q What was the title? Sorry if I have got that
11 wrong.

12 A (ET) Oh, you had it right. It was Manager of
13 Regulatory Practices.

14 Q Oh, sorry, it's a different title to the one you
15 currently hold but a similar role?

16 A (ET) Yes.

17 Q Thank you. And prior to your work with the CGAs
18 you held management positions with the Legal
19 Services Society of British Columbia from 2001
20 until 2008?

21 A (ET) Correct.

22 Q And you hold a law degree from the University of
23 Saskatchewan and you practised law in
24 British Columbia from about 1993 till 2001. Do
25 I have that right?

1 A (ET) Correct.

2 Q And, Ms. Liu, if I can turn to you, can you see
3 and hear me okay?

4 A (LL) I can.

5 Q Perfect. And you've held the role of Vice
6 President, Public Practice Regulation with CPABC
7 since about 2018; is that right?

8 A (LL) That's right.

9 Q And what can you tell the Commissioner about
10 your responsibilities in that role?

11 A (LL) I oversee the licensing and practice
12 inspection of members that are engaged in the
13 practice of public accounting in BC. As well I
14 also oversee the pre-approval of training of
15 students within organizations.

16 Q And in that role you also serve as chair on the
17 national practice inspection program standing
18 committee; is that right?

19 A (LL) That's right.

20 Q And you also represent CPABC on the national
21 professional liability insurance task force; is
22 that right?

23 A (LL) I do.

24 Q And from 2015 to 2018, Ms. Liu, you held the
25 role of Director of Practice Review with CPABC?

1 A (LL) With ICABC, so the institute.

2 Q Sorry, ICABC.

3 A That's right.

4 Q And what were your responsibilities in that
5 role?

6 A (LL) The same responsibilities as I hold now.
7 So similar to Ted, different title, same scope.

8 Q And I won't take you through all of your
9 professional experience, but is it fair to say
10 that you worked in public practice starting out
11 as a staff accountant and working your way up to
12 a senior manager of audit?

13 A (LL) That's right.

14 Q And, Ms. Liu, you hold the designation of
15 chartered accountant in British Columbia; is
16 that right?

17 A (LL) CPA CA, so a chartered professional
18 accountant.

19 Q Chartered professional accountant?

20 A (LL) Yeah.

21 Q And certified public accountant, do you hold
22 that designation in the state of Illinois; is
23 that right?

24 A (LL) I do.

25 Q Thank you. Ms. Liu, I'd like to turn to ask you

1 a question or two about the regulation of
2 accountants in British Columbia. What can you
3 tell the Commissioner about the amalgamation
4 briefly of legacy organizations that formed
5 CPABC in 2015?

6 A (LL) So prior to the amalgamation there were
7 three professional bodies, the Chartered
8 Accountants, Certified General Accountants and
9 Certified Management Accountants. And within
10 that the three professional bodies had come
11 together to form a unified profession under the
12 Chartered Professional Accountants in 2015. It
13 was probably about a two-, three-year process,
14 in-depth three-year process.

15 Q And who does CPABC regulate now?

16 A (LL) CPABC regulates all professional
17 accountants in the province of British Columbia.

18 Q And what can you tell the Commissioner about
19 where the breakdown of those professional
20 accountants might work? For example, are most
21 in audits and insurance, or do most work in
22 industry?

23 A (LL) About 20 percent of our members are
24 engaged, are in public practice. The remaining
25 members, a large number of them are in industry,

1 some in academia and government.

2 Q And where do you get those statistics from?

3 A (LL) They sit within our database of members.

4 So we do have, for the most part, an idea of

5 what our members do. Those that are engaged in

6 public practice certainly we are aware of -- we

7 have more information on our members that are in

8 public practice as they have to also identify

9 what areas they practise in.

10 Q And, Ms. Liu, what can you tell the Commissioner

11 in a summary way about the process to become a

12 CPA in British Columbia?

13 A (LL) Sure. To become a CPA do you have to

14 undergo a very rigorous education program as

15 well as there is a unified or a common final

16 examination that all of our members must

17 undertake, or students must undertake, as well

18 as practical experience requirements. So a

19 30-month practical experience term that all of

20 these of which must meet very specific

21 requirements of the profession.

22 Q And when CPABC is considering a candidate, what

23 sorts of criminal record or background checks

24 does it do of its incoming members?

25 A (LL) I might need to defer to Ted on that.

1 Q Mr. Tanaka, if I can you the same question. I'm
2 happy to repeat it.

3 A (ET) So part of the application for membership
4 process involves completing self-declaration
5 forms where there are a number of questions
6 related to background, including criminal record
7 or criminal conviction background. So it does
8 rely on the honesty or the self-reporting of the
9 applicant. If there are issues identified then
10 that's looked into further.

11 Q And, Mr. Tanaka, when would that sort of issue
12 be identified? Is there any verification with
13 police, or how would that come to CPABC's
14 attention?

15 A (ET) So as I mentioned, with the application
16 process there's like a self-declaration form.
17 So if the applicant indicates that there's some
18 sort of a -- like, for example, a criminal
19 conviction background then the membership
20 department, which is separate department from my
21 group, would look into it. They may ask for
22 more information; they may ask for copies of the
23 court documents, you know, probation orders to
24 get more information about what the incident or
25 what the history is about.

1 Q Would CPABC ever verify whether or not someone
2 had a criminal record on its own, or does it
3 rely pretty much entirely on the statement that
4 you've described?

5 A (ET) Well, if CPABC had some information then we
6 would look into it; otherwise we would rely on
7 the self-declaration of the applicant.

8 Q Thank you, Mr. Tanaka. And, Ms. Liu, the next
9 question I was going to ask you is that CPABC
10 doesn't regulate all persons in British Columbia
11 who might call themselves accountants. Is that
12 correct?

13 A (LL) That is correct.

14 Q And what can you tell the Commissioner about
15 that?

16 A (LL) From the last census I think dated in 2016
17 there was an indication that there was probably
18 about 89,000 accountants in British Columbia, of
19 which only a third comprises professional
20 accountants. So our members.

21 Q And the other two-thirds, then, are unregulated
22 accountants?

23 A (LL) That's right.

24 Q So what sorts of services might only be
25 performed by CPAs in British Columbia, not

1 undesigned accountants, if there are any such
2 services?

3 A (LL) There are. It's a subject and it's
4 included in section 47 of our act. Those
5 services included in section 47, also
6 highlighted in our overview document, are
7 restricted to the CPA profession, and so that
8 includes audit services, review services, review
9 engagements, what we term together as assurance
10 services, as well as other forms of
11 certification that may be issued in accordance
12 with the CPA Canada handbook standards.

13 Q How does CPA Canada interact, if at all, with
14 the unregulated accountant world?

15 A (LL) They would not have any specific
16 interaction with an unregulated accountant role
17 similar to CPABC other than in those
18 circumstances whereby either a member, and its
19 more specifically for CPABC, a member might or
20 an individual might be using the designation or
21 holding themselves out as a professional
22 accountant as that is also a protected term
23 within our legislation. As well if they are
24 conducting any of those services that we
25 consider to be restricted to CPABC members.

1 Q And, Mr. Tanaka, I'll direct this to you as it
2 seems discipline and investigation related. How
3 would those sorts of unregulated accountants
4 either holding themselves out to be professional
5 accountants or performing services limited by
6 statute to professional accountants, how do
7 those come to CPABC's attention?

8 A (ET) There's various ways. For example,
9 somebody may try filing a conduct complaint
10 against an individual. So we may receive that
11 and then one of our first steps in the process
12 is to verify that they are actually a CPABC
13 member. So if they're not, that would be an
14 example.

15 We might get inquiries from somebody. It
16 could be a company or another body or an
17 individual asking about supposedly a member, and
18 that would provide us with information that they
19 may be talking about somebody who is not a CPA
20 or is holding themselves out to be.

21 If I could add just a comment about your
22 previous question to Ms. -- to my colleague
23 about unregulated accountants. In addition to
24 the census statistics that spoke to unregulated
25 accountants, there's also a group of people who

1 are -- who likely didn't identify themselves as
2 an accountant in the census but maybe have the
3 training or knowledge in accounting or financial
4 services who may be performing accounting
5 services or activities but aren't captured by
6 that unregulated accountant number. So the
7 number could actually be larger than 89,000,
8 although still there's that one-third segment
9 which are CPAs.

10 Q So do I take it that your evidence is that that
11 two-thirds of accountants in British Columbia
12 that Ms. Liu described could be classified as
13 unregulated, it could be even a larger
14 proportion than that, than the two-thirds?

15 A (ET) Yeah, it could be. And only the CPAs are
16 covered by statutory oversight and that's by
17 CPABC.

18 Q And, Mr. Tanaka, the Commissioner heard evidence
19 yesterday from Mr. Matt McGuire regarding his
20 suggestion that BC consider a registry of those
21 performing accounting services outside the
22 supervision of a regulator such as of CPABC, and
23 Mr. McGuire gave evidence that the registry
24 would be accompanied, for example, by background
25 screening of owners, managers and key employees.

1 Do you have any views on that proposal?

2 A (ET) I think in principle we'd be supportive of
3 that. That's not directly within our mandate.
4 You know, notwithstanding there may be
5 challenges in terms of implementing such a
6 registry of unregulated or unidentified
7 accountants.

8 Q But in principle would that be of assistance,
9 for example, in determining when someone might
10 be holding themselves out as a CPA or offering
11 services that they shouldn't?

12 A (ET) Well, for us in terms of regulating our
13 members, we believe that our authority, our
14 regulatory framework is very strong to
15 effectively regulate our members, and as my
16 colleague said, we have very little contact with
17 unregulated accountants in BC.

18 Q And, Ms. Liu, maybe I will turn back to you for
19 a moment. To your knowledge is there any sort
20 of monitoring or supervision of unregulated
21 accountants in British Columbia?

22 A (LL) I don't know. I guess there are -- as my
23 colleague had mentioned what you define as an
24 accountant is challenging. It's similar to what
25 was discussed yesterday in regards to the

1 services that might be performed. There's many
2 people that may not identify themselves as
3 accountants that perform those services, and as
4 such I suppose it depends what type of
5 organization someone might belong to if it's a
6 little more formalized.

7 Q And is it fair to say then that CPABC wouldn't
8 have any knowledge as to whether those
9 unregulated accountants would, for example, be
10 involved in criminal activity like money
11 laundering?

12 A (LL) No, we certainly wouldn't have any contact
13 with unregulated accountants. Our focus really,
14 and really our oversight, is based on our
15 members and what's included within our member
16 database, so it's -- we wouldn't have any
17 knowledge of who is an unregulated accountant.

18 Q I'd like to turn now to ask some specific risks
19 about the potential of money laundering or
20 accountants becoming involved in money
21 laundering schemes. Mr. Tanaka, I'll look to
22 you first. What can you tell the Commissioner
23 in your view about whether or not CPAs in
24 British Columbia are vulnerable to becoming
25 involved in money laundering schemes?

1 A (ET) Well, I would say that the risk is very
2 low. We have not had any cases involving CPABC
3 members or firms being involved or connected to
4 money laundering or terrorist financing
5 activities. We haven't received any information
6 referrals from FINTRAC or any other regulatory
7 body or any individual regarding any CPABC
8 member or firm being involved, engaged, involved
9 with, facilitating money laundering or terrorist
10 financing activities and there's no evidence
11 that there's a problem with CPAs in BC or in
12 Canada.

13 Q And you mentioned that CPABC doesn't receive
14 information on its members -- or its the firms,
15 CPABC firms being involved in money laundering,
16 but does CPABC receive any information from
17 other money laundering stakeholders, for
18 example, the results of FINTRAC compliance
19 reviews of its examination of its members?

20 A (ET) To my knowledge, no. Just in addition to
21 answer your question, you know, the CPAs aren't
22 regularly involved in some of the activities
23 that are identified as sort of high risk. You
24 know, our members are required and expected to
25 comply with laws and that includes the *Legal*

1 *Profession Act* in British Columbia. So, you
2 know, activities such as creating corporations
3 or trusts, CPAs aren't engaged in those
4 activities. In British Columbia that's
5 considered the practice of law and our members
6 are educated that they are to comply with laws
7 and not to practice law. So that is another
8 reason why my view is that the risk is low.

9 Q And, Mr. Tanaka, we heard evidence yesterday
10 from Mr. McGuire where he put a bit of nuance on
11 that proposition, namely that even if
12 accountants aren't involved necessarily in the
13 creation, i.e., the practice of law as you've
14 just described, they might be involved in the
15 planning and giving advice in respect of
16 creating complex corporate structures. Do you
17 have any views on whether or not that presents a
18 risk?

19 A (ET) Well, again I would say in my view that
20 it's low. I mean, I mentioned earlier that our
21 regulatory framework we believe is very strong
22 and, you know, in terms of professional conduct,
23 our code of professional conduct has five or six
24 rules that would capture money laundering
25 activities. We have a rule 213 which is called

1 unlawful activity and this is more than a
2 discouragement. This is a prohibition on
3 members against being involved with unlawful
4 activity that they know to be unlawful or should
5 know to be unlawful. So that's one example of
6 the rules. We have a self-report rule which is
7 rule 102 which has various components to it,
8 including reporting any criminal convictions,
9 and in that rule specifically listed is money
10 laundering and terrorist financing. Part of
11 rule 102 requires members to self-report if
12 there are breaches or findings against them by
13 other CPA governing bodies, other professional
14 regulators or other regulatory bodies which
15 would include FINTRAC. You know, we have
16 rule 205, which is a prohibition against members
17 being involved or connected to false and
18 misleading statements, and again that includes
19 know or should know to be false or misleading.
20 And then we have general principles about
21 reputation of the profession and professional
22 behaviour which is rule 201. Our general
23 rule 101 requires all members to abide with our
24 act, our bylaws, our bylaw regulations and the
25 code of professional conduct. We have rule 211,

1 which is a self-report rule, and members are
2 required to report another member or themselves
3 about potential breaches of the code of
4 professional conduct. So there's a whole regime
5 of -- we have bylaw 511, which is similar to one
6 of our code rules which is a duty to
7 self-report. So we have a whole cadre of rules
8 and requirements on our members that we believe
9 and I believe, that's why I believe that the
10 risk is low.

11 Q Thank you, Mr. Tanaka. Now, you were jumping
12 ahead a little bit. I suppose it's as good a
13 time as ever to discuss this. So when you're
14 describing the obligations imposed on CPABC's
15 members under its bylaws, the regulation of the
16 code, do those obligations apply equally
17 regardless of the service provided? I'm
18 thinking, for example, if an accountant is
19 preparing financial statements versus doing
20 insolvency work versus doing something, you
21 know, sort of a financial transaction. Would
22 those obligations apply equally in all of those
23 scenarios?

24 A (ET) Yes, the code applies to all members
25 equally regardless of the professional

1 activities they're engaged in. There are some
2 specific rules in the code that are related to
3 certain activities, but the code, the
4 principles, the rules I listed just a minute
5 ago, they apply equally to all members. In fact
6 the code, like other professions, the code of
7 professional conduct also covers members'
8 conduct that isn't specifically related to
9 professional accounting work. For example, if
10 somebody, not related to work, is convicted of a
11 criminal offence, that still is a professional
12 conduct matter.

13 Q And so when if ever, imagining a CPA in
14 British Columbia encounters some sort of illegal
15 activity, when would those documents like the
16 bylaws, the regulations and the code require a
17 member to report a matter to the police or law
18 enforcement?

19 A (ET) To the police or to CPABC?

20 Q To the police?

21 A (ET) Well, there isn't a specific requirement
22 for that. I mean, one of the important features
23 of our act and of the profession is the duty of
24 confidentiality, so you know, section 69 of our
25 act is quite strong on confidentiality and in

1 the code as well there is a rule about
2 confidentiality. So like many professions,
3 members honouring the confidentiality
4 particularly of clients, for example, is
5 paramount to the trusting relationship between
6 the CPA and their client.

7 Q And so when if ever would that sort of matter,
8 if not to the police, would it ever be disclosed
9 to CPABC as the regulator? Sorry, and that
10 scenario being where a CPABC member has
11 encountered illegal activity when they're
12 performing any sort of service.

13 A (ET) Well, we don't regulate clients, so they
14 would be -- the member would be required to
15 comply with the code and the bylaws. So if that
16 member was potentially associating with
17 something false and misleading, for example, it
18 would be expected that they would report that to
19 CPABC. If they were convicted of something or
20 found to be guilty or there was a finding by a
21 regulatory body, as I said in rule 102 they
22 would be expected to report.

23 Q And I take it from your evidence that while
24 those documents, you know, the *CPA Act*, the
25 regulations, the bylaws and the code, they might

1 not mention money laundering or anti-money
2 laundering expressly, that you're of the view
3 that those obligations are broad enough to cover
4 any sort of conduct that CPAs in
5 British Columbia wouldn't be able to kind of
6 skirt the rules just because it's not expressly
7 mentioned?

8 A (Et) Correct. But as I said rule 102 does
9 require self-reporting of any criminal
10 conviction and rule 102 does specifically name
11 money laundering and terrorist financing.

12 Q And so to what extent do CPABC's members have to
13 self-report for FINTRAC's deficiencies of any
14 sort, for example compliance deficiencies?

15 A (ET) Well, in terms of I referred to rule 102.4,
16 and that's the rule that covers the requirement
17 to self-report if there's a finding by another
18 regulatory body. So I would say FINTRAC fits
19 within that category. But members are required
20 to report when there's a finding of breach or
21 finding of guilt.

22 Q So would rule 102, then, would it not capture,
23 for example, a critical finding of failure to
24 file an STR on time or failure to have your risk
25 assessment policies, would that be a reportable

1 offence or reportable incident to CPABC?

2 A (ET) Well, I'm not sure what critical -- I think
3 you said "critical finding" or -- I'm not sure
4 what exactly that means.

5 Q I mean critical in the sense that it's adverse
6 against the member. So we heard evidence
7 yesterday from Mr. McGuire, for example, that
8 particularly in the early days of the
9 professional accounting sector in the kind of
10 2010 to 2015 era that FINTRAC had provided
11 evidence to suggest that many accountants in
12 Canada were non-compliant with the PCMLTFA in
13 terms of setting up their compliance regimes,
14 and I'm asking you if whether or not that sort
15 of finding by FINTRAC would be -- you know,
16 whether an accountant would have to self-report
17 in that instance?

18 A (ET) Well, if it was a finding of a breach of
19 the act then I would say that's -- they would be
20 expected to report. If it's a finding of guilt
21 or breach of a legislation then I would expect
22 they would self-report. But, I mean, the other
23 part of it for CPABC is I guess I would also
24 expect FINTRAC to be informing us of that
25 situation, and as I said earlier, we have yet to

1 receive any referral, information, advice from
2 FINTRAC about any concern about any CPABC member
3 or firm. If we were to receive such information
4 we would seriously look at it and run it through
5 our investigation discipline processes to come
6 to whatever appropriate outcome is required.

7 Q And that's actually good timing. Madam
8 Registrar, if I could ask that you pull up
9 exhibit 397 onto the screen, please.

10 Mr. Tanaka, or Ms. Liu, do you recognize
11 this as a July 2015 alert that was published by
12 CPA Canada?

13 A (ET) Yeah, I recognize it. It's not our
14 document. It's CPA Canada's document.

15 Q That's right. And it was entered as an
16 exhibit yesterday, but you are familiar with the
17 document's contents?

18 A (ET) Yeah, I've read it. I've read the alert.
19 I'm not intimately knowledgeable. I wasn't
20 involved in the drafting of it.

21 Q Are you familiar, Mr. Tanaka, if CPABC had any
22 involvement in preparing this alert?

23 A (ET) I don't know.

24 Q Well, if we look at page 1, the last paragraph,
25 second sentence, that sentence reads:

1 "The accounting sector plays a very
2 important role --"

3 In the battle against money laundering and
4 terrorist financing.

5 "-- given the nature of its work."

6 Sorry, and I filled in "in this battle," the
7 battle being against money laundering and
8 terrorist financing. But what's your view on
9 that statement, Mr. Tanaka?

10 A (ET) Well, I don't have an objection to the
11 statement. I mean, I think that the important
12 role CPABC plays is that we regulate our members
13 effectively to ensure that they are upholding
14 the high ethical and professional standards
15 required of them.

16 Q And that's your reading of the accounting
17 sector's role in the battle against money
18 laundering and terrorist financing from this
19 letter?

20 A (ET) Well, my colleagues at CPA Canada will
21 likely have more to say on this. I mean, the --
22 you know, CPA Canada plays more of an advocacy
23 role for the profession, for example, it being
24 much more involved with the federal AML regime
25 than CPABC has. And so I expect tomorrow my

1 past regulatory examinations conducted by
2 FINTRAC, it is particularly important to
3 focus on and improve performance in the
4 following two key areas to achieve better
5 AML and ATF compliance. 1: Mandatory
6 two-year effectiveness reviews. And 2:
7 Risk assessment and risk mitigation
8 plans."

9 Do you see that, Mr. Tanaka?

10 A (ET) Yes.

11 Q Are you aware of whether this is still an
12 accurate statement that those two areas, so
13 mandatory two-year effectiveness reviews and
14 risk assessment and effective risk mitigation
15 plans, that they still need improvement?

16 A (ET) I can't speak for CPA Canada. They
17 authored this document, so, you know, tomorrow I
18 expect they'd have more to say about it. For
19 CPABC our focus has been -- our mandate is to
20 regulate CPABC members and firms in
21 British Columbia. Our mandate is not to
22 regulate AML. So our focus has been on
23 providing education, information, guidance to
24 our members. You know, from the outset at 2015
25 when we became CPABC that's been our focus has

1 been to provide that for our members. We've
2 done that through various publications,
3 articles. There's a webpage on our website.
4 From about 2017 on between CPABC and CPA Canada
5 there have been a number of courses, I think
6 about ten courses, professional development
7 courses directly on the topic of money
8 laundering. Those are in-person courses and
9 available through webinar. And there continue
10 to be publications, articles to the membership
11 about AML and their obligations under the AML
12 regime. So that's been our focus is to educate
13 and guide our members.

14 Q We'll get to some of that education courses, the
15 guidance provided later, but did CPA Canada to
16 your knowledge notify CPABC of this alert,
17 Mr. Tanaka?

18 A (ET) Oh, yeah, we would have received a copy.
19 I'm not a CPA member, but I believe that CPA
20 members were also notified of it.

21 Q Yeah. This looks like it was an alert sent to
22 CPA members, but your evidence is that CPABC
23 would have been aware of this in 2015, to your
24 belief?

25 A (ET) When it came out, yeah. I believe that we

1 also brought it to our attention of our members
2 in BC as well even though CPA Canada does
3 communicate directly with members. CPABC
4 members are also members of CPA Canada. So they
5 do receive communications from CPA Canada as
6 well.

7 Q And so the response of CPABC as I understand it
8 was to forward this on to its members and then
9 that was kind of the extent of it. Is that
10 fair?

11 A (ET) Well, you know, you are asking me if I was
12 aware of this personally and in my area I can't
13 speak for other parts of the organization
14 intimately because, I mean, I'm focused on my
15 area. So in 2015 when this came out I can't say
16 specifically.

17 Q And, Ms. Liu, do you have anything to add to
18 that? Are you aware of what was done by CPABC
19 in response to this alert?

20 A (LL) What I would suggest is that similar to
21 Ted, my area does surround regulation of public
22 practice. There is an area within our
23 organization, our advisory services team, which
24 is the team that is, you know, focused on
25 getting messaging out to our members in regards

1 to various types of articles and so forth, and
2 similar to Ted, my understanding is that this
3 was redirected through us as well, which means
4 our members would have received it both from CPA
5 Canada as well as us. In regards to this alert
6 that was made. But it should be noted that our
7 focus and our mandate of CPABC is not in the
8 area of money laundering and as such we don't
9 regulate specifically to this area. So what we
10 do do and what we're very conscious of is trying
11 to provide as much resources to our members as
12 we can to help them support them in meeting
13 their needs. So those areas that do arise that
14 are pertinent to our members and impact our
15 members, we will certainly do our best to get as
16 many resources into their hands as we can to
17 support them in meeting their various
18 obligations, even those that extend beyond money
19 laundering.

20 Q You might have just answered the question there,
21 Ms. Liu, but just to clarify, CPABC does not
22 have an anti-money laundering mandate, does it?

23 A (LL) Does not.

24 Q And what prescribed duties, if any, does CPABC
25 have under the *Proceeds of Crime (Money*

1 *Laundering) and Terrorist Financing Act?*

2 A (LL) I'm not intimately familiar with the act,
3 but I don't believe we directly have a
4 responsible in there. Our members -- our
5 practitioners do and as do our members.

6 Q Thank you, Ms. Liu. Sorry to interrupt. And
7 that was my next question, that you're aware
8 that members of CPABC practitioners are
9 reporting entities to FINTRAC; is that right?

10 A (LL) That is right.

11 Q So when a CPABC members files a report under the
12 PCMLTFA, so whether that's a large cash
13 transaction report or an STR, does CPABC have
14 any visibility on that either at the time of
15 filing or after the fact through FINTRAC?

16 A (LL) It would not. Our practice review program
17 certainly does not go into the area of AML or
18 FINTRAC compliance. Nor though, I should say,
19 does it go into -- our practitioners are subject
20 to many laws and regs such as the *Employment*
21 *Standards Act* and various things. We do not
22 look at all areas of laws and regs that our
23 individual practitioners must comply with. We
24 do, however, expect them to comply with laws and
25 regs as my colleague had mentioned.

1 Q And you're aware, Ms. Liu, that the *Proceeds of*
2 *Crime (Money Laundering) and Terrorist Financing*
3 Act only applies to accountants or accounting
4 firms if they engage in prescribed triggering
5 activities; is that right?

6 A (LL) That is my understanding.

7 Q And in the practice review department what sort
8 of information does CPABC have on how often its
9 members are performing triggering activities?

10 A (LL) We do not collect that information.

11 Q So CPABC doesn't have any statistics or reports
12 on how many members are performing triggering
13 activities; is that right?

14 A (LL) We do not maintain within our database or
15 collect this information on a regular basis. We
16 did recently conduct a survey to obtain some
17 more information. However, it wasn't a
18 scientific survey by any means, nor was it
19 necessarily representative.

20 Q And we can turn to that in just a moment. But,
21 Ms. Liu, you're aware that certain functions --
22 I discussed this earlier with Mr. Tanaka -- such
23 as audit review or compilation or insolvency
24 work are not captured as reporting activities
25 for accountants; is that right?

1 compliance with all laws and regs. So within
2 that discussion that is where we would see
3 potentially an issue with compliance with AML
4 could potentially arise through those
5 discussions or reviews.

6 Q And where would an auditor or an -- we'll stick
7 with an auditor. Where would an auditor report
8 if they discovered issues with a client? You
9 know, as we note you just clarified they're not
10 reporting entities under the *Proceeds of Crime*
11 *Act*, so what would an auditor do in that sort of
12 circumstance?

13 A (LL) Well, if an auditor did come across
14 something within the aspects of their engagement
15 that may cause them concern, the typical process
16 would be to discuss with management or those
17 that are charged with governance is what the --
18 and I'm getting technical here, that is the
19 requirement within the standards is to discuss
20 with management or those charged with
21 governance. And those charged with governance
22 in a more sophisticated entity could be the
23 board of directors.

24 Q And is there a second step of escalation? What
25 would an auditor do if the board of directors or

1 whatever other governance body wasn't receptive
2 or even, on the more sinister side, was perhaps
3 complicit? Where would an auditor go then?

4 A (LL) This is where we go back to our rules of
5 professional conduct and those ethical
6 obligations that we are all bound by as members
7 because we aren't to associate with illegal or
8 unlawful activity and it would be the auditor's
9 determination; they need to determine what the
10 appropriate next steps would be depending on the
11 discussions and the response that they are
12 getting from their client. But underlying it is
13 that they can't be associated with illegal
14 activity. So if that does ultimately
15 potentially mean resigning from an engagement,
16 that could be an outcome.

17 Q And resigning, would that be -- you know,
18 Mr. Tanaka, described the confidentiality
19 reasons that, you know, for example an auditor
20 might not go to the police. Would resigning
21 kind of be the final step that an auditor would
22 take in the face of what they believe to be
23 criminal activity?

24 A (LL) They do need to consider their requirements
25 and perhaps if there are requirements to report.

1 They have to look to potentially what is being
2 breached because as the section within the
3 standards go, it is compliance with laws and
4 regs and if there isn't compliance you're
5 looking to see what those next steps are. It's
6 not a definitive process. So this is where we
7 do suggest, especially in the more challenging
8 situations, for our practitioners to potentially
9 engage legal counsel and have those discussions
10 around what the appropriate next steps for them
11 would be.

12 Q And, Ms. Liu, in terms of training, if we can
13 deal with something completely different, what
14 sorts of training or courses does CPABC offer
15 its members on anti-money laundering?

16 A (LL) I believe it has been provided to the
17 commission, the listing of courses that has been
18 provided. I think it's one of the appendices in
19 our overview document.

20 (ET) I believe it's appendix L attached to
21 the overview report, I believe.

22 MR. DAVIS: Well, thank you. Actually, if Madam
23 Registrar, if I could ask that you just pull up
24 CPABC000004. I probably haven't counted all of
25 the zeros there from the list of documents,

1 please. Yes, that's it.

2 Q Ms. Liu, do you recognize this as a list of what
3 appear to be CPD courses that were offered by
4 CPABC that relate in some way to money
5 laundering?

6 A (LL) Yeah, my understanding is this is listing
7 of all the courses that are directly dealing
8 with money laundering. I believe there were
9 other courses that may have included a money
10 laundering component within them that may not
11 have been listed here specifically. And it
12 might not be encompassing them all. I think it
13 was as far back as the last three years is what
14 was provided.

15 Q Right. So you do recognize this, then, as a
16 list of CPD courses that relate completely to
17 money laundering that were offered by CPABC?
18 You recognize it?

19 A (LL) I do.

20 MR. DAVIS: Mr. Commissioner, if I could ask that
21 this be marked as the next exhibit, please. And
22 I've completely lost track. I don't know if
23 we're at 399 or 400.

24 THE COMMISSIONER: I think we're at 399.

25 THE REGISTRAR: Yes, exhibit 399.

1 **EXHIBIT 399: CPABC Strategy, Governance, Risk &**
2 **Human Resource AudioWeb - Anti-Money Laundering:**
3 **An Interactive Overview**

4 MR. DAVIS:

5 Q Looking at the document, Ms. Liu, you've briefly
6 touched on this, but when I reviewed it it
7 looked as though the first date on which CPABC
8 offered one of the courses for this record was
9 September 2018, but you say that this only
10 captures the last three years; is that correct?

11 A (LL) Yeah. From my understanding I think there
12 is another list that actually dates back to
13 maybe 2017 and this is not the same listing that
14 I'm referring to. That said, this looks like
15 the detailed course descriptions on a number of
16 courses.

17 Q So what sorts of -- when to your knowledge
18 then -- maybe we can cover this off. When to
19 your knowledge did CPABC begin offering courses
20 that touched on or related completely to money
21 laundering?

22 A (LL) I can't speak to that. I don't -- I'm not
23 part of the professional development department,
24 which is a whole other department that handles
25 our professional development.

1 2020, to gain some additional information
2 on their practices."

3 Is that right?

4 A (LL) That's right.

5 Q And looking down at the first paragraph under
6 "Discussion" it says a total of about 450 of
7 those 4,129, so that's about 10 or 11 percent by
8 my math here, about 10 or 11 percent responded
9 to the survey; is that right?

10 A (LL) That's correct.

11 Q And what sorts of information did CPABC obtain
12 about the respondents, so whether it was the
13 size of the firm or any other characteristics
14 for their survey?

15 A (LL) We did not obtain any characteristics on
16 the firm. It was an anonymous survey, so purely
17 the intention of it was not necessarily to gain
18 statistical data but to just to gain some
19 information so that we could determine further
20 outreach.

21 Q And does CPABC have any plans to conduct a more
22 scientific survey on this point? I took your
23 evidence earlier, Ms. Liu, that you don't
24 currently have statistics regarding the number
25 of members -- any definitive statistics, I

1 should say, on the number of CPABC members who
2 perform specific activities like triggering
3 activities. Does CPABC have a plan to do that?

4 A (LL) Well, as you can see the survey, the
5 survey -- these survey results were received not
6 very long ago, so we are still in the process of
7 looking into the results and determining what
8 steps we may wish to take.

9 Q And if we can maybe talk about the results.

10 Madam Registrar, if you don't mind scrolling
11 down to the bottom of page 1, please. There's a
12 paragraph there called "Trust Accounts." Thank
13 you.

14 And, Ms. Liu, this document provides that
15 only 5 percent of respondents to the survey were
16 found to use trust accounts; is that right?

17 A (LL) That's correct.

18 Q And what information did CPABC object obtain on
19 why the trust accounts were used or how often by
20 those members or for what amounts?

21 A (LL) We did not. The survey questions were very
22 high level. It was a yes or no answer, do you
23 use trust accounts?

24 Q And would you agree that that sort of
25 information on why they were used or how often

1 or the amounts, that that would be relevant
2 information in kind of determining, I guess, the
3 degree to which accountants used trust accounts?

4 A (LL) It's possible that we would want to obtain
5 greater information determining dependent on how
6 we want to proceed.

7 Q And going down Madam Registrar, if you don't
8 mind scrolling to the top of page 2, please.
9 Thank you. Stop there. Thank you.

10 For "retainers" -- we are looking at the
11 very top of page 2, Ms. Liu -- it says:

12 "It is believed that practitioners
13 typically apply the retainers against
14 their client's account as opposed to
15 placing the retainer in trust as lawyers
16 may do."

17 Is that accurate?

18 A (LL) That is our suspicion, our belief, is what
19 is typically done in practice. As mentioned
20 there, practitioners are encouraged to obtain
21 some retainers so that they are able to minimize
22 issues on collection.

23 Q And you mentioned that it's your -- I should say
24 CPABC's belief that the practitioners apply
25 retainers against their client account. What's

1 the source of that belief?

2 A (LL) Well, if you take the fact that the trust
3 accounts are low, so they are not using trust,
4 the offsetting aspect would be that they would
5 apply it against the account. Logically in some
6 ways it is -- the fees if you think on some of
7 these engagements are not high. They're not
8 necessarily the same level of fees. I think
9 typically the amounts that practitioners are
10 dealing with are somewhat nominal as well. So
11 this is again a presumption or an assumption we
12 are making.

13 Q And is that presumption based totally on the
14 survey results, or is that as you've described,
15 you know, just kind of all things considered?

16 A (LL) I think it is more all things considered.
17 It's the way our members practice.

18 Q And to clarify, that wasn't confirmed in the
19 survey or asked about, was it?

20 A (LL) No. It was not.

21 Q And looking at the next subheader there, "Cash,"
22 it says that while 40 percent of respondents
23 indicate they accept cash for payments or
24 retainers -- and I'm just reading a quote:

25 "It is likely that such cash is for

1 accepting cash. And my question, Ms. Liu, is
2 there any sort of limit on CPABC members
3 receiving cash in the course of their practice?

4 A (LL) This is a question that Ted probably is
5 better to answer.

6 (ET) I can probably field that one.
7 Currently there isn't. I mean, it's important
8 to note, too, you mentioned the law society, the
9 legal profession, it's important to note the
10 difference. There is a difference that CPAs
11 fall within the AML regime, the federal regime,
12 whereas law society lawyers do not. So in terms
13 of regulating their members, the law society has
14 sort of an obligation to -- because they are not
15 within the regime have an obligation to do their
16 part in regulating their members.

17 Q Thank you. And, Ms. Liu, we're going to turn
18 back to this document on the screen now. The
19 next paragraph after "Cash" is called
20 "Triggering Activities." And I look at this
21 paragraph and I see that 88 percent of
22 respondents indicated that they did not engage
23 in triggering activities but that 12 percent
24 indicated that they did engage in triggering
25 activities; is that right?

1 A (LL) That's correct.

2 Q And I'm looking at the math here and you can
3 probably help me with this. So if I see
4 88 percent indicated they engaged in none of the
5 activities, 12 percent said that they received
6 or paid funds, 3 percent purchased or sold
7 securities, real property or business assets or
8 entities and 3 percent transferred funds or
9 securities, that obviously adds up to
10 106 percent. So can I assume that there's some
11 overlap there, certain respondents performed
12 more than one triggering activity?

13 A (LL) That's correct. Within the survey there
14 was the option to tick multiple boxes.

15 Q Okay. And did the survey ask how often or for
16 what purpose or in what amounts these
17 professionals were engaged in triggering
18 activities?

19 A (LL) It did not.

20 Q And the final point and that's the last sentence
21 under the subheader "Triggering Activities."
22 CPABC confirmed that lending was a particularly
23 uncommon practice that was less than 1 percent
24 of respondents; is that right?

25 A (LL) That's correct.

1 Q And quickly I take it that CPABC again did not
2 confirm any details on the details of the
3 lending such as amounts or the borrower in terms
4 of repayment?

5 A (LL) No, we did not.

6 Q And, Madam Registrar, if you don't mind
7 scrolling down to the bottom of page 2, please.

8 A (ET) Mr. Davis, can I just make a comment. I
9 heard you ask my colleague about the 12 percent,
10 the 3 percent, the 3 percent. And I heard you
11 say that totals 106 percent so is it fair to say
12 that some members who responded are engaged in
13 more than one triggering activity. That may not
14 necessarily be the case. The 3 percent, for
15 example, may be part of the 12 percent, so it
16 may not be two activities. It may be one
17 activity that's hit both of those categories.
18 Like, there could be a rollup into that
19 12 percent.

20 Q Right. Okay. Thank you, Mr. Tanaka, I do
21 appreciate that qualification. I might ask you
22 about that once I've had a chance to really
23 process it. But if we look, Ms. Liu, at under
24 the heading "Next Steps" at the bottom of
25 page 2, the last sentence in the first

1 paragraph and I'm going to read it. It says:

2 "The complexity of the legislation and
3 regulations appear to be one of the main
4 areas of concerns for those practitioners
5 who responded to the survey."

6 Sorry. That's "of concern." I read in a typo.

7 Do you see that sentence there, Ms. Liu?

8 A (LL) I do.

9 Q So I take it, then, that "complexity of the
10 legislation and regulations," the "legislation
11 and regulations," that's referring to the
12 *Proceeds of Crime (Money Laundering) and*
13 *Terrorist Financing Act* and its regulations?

14 A (LL) I believe that's correct.

15 Q And what can you tell the Commissioner about why
16 CPABC, why you wrote here that the complexity is
17 one of the main concerns for the respondents?

18 A (LL) This was simply based on the comments that
19 were received within the survey that indicated
20 that the legislation and the regulations were
21 complex. And you can sum that up through
22 various different comments that are made.

23 Q And was there any -- you know, can you unpack
24 those comments a little bit? Were there any
25 that you are able to repeat for the Commissioner

1 today or any that consistently came up more so
2 than others?

3 A (LL) We have not unless I could -- at this point
4 I wouldn't be able to summarize it.

5 Q I appreciate, I can move on, Ms. Liu. I'll ask
6 you what if anything does CPABC plan to do based
7 on this conclusion that the complexity of the
8 legislation and regulations are one of the main
9 areas of concern?

10 A (LL) Certainly within this as we have now
11 launched an AML-focused webpage that is a
12 holding spot or a space where we intend to
13 expand and to add additional resources and
14 materials or what we consider to be guidance and
15 support for our members and we are taking parts
16 of the survey. The focus of the survey was to
17 look at those areas that may have been of
18 concern that we could add additional support and
19 education to.

20 Q And, sorry, go ahead, Mr. Tanaka.

21 A (ET) I was going to ask if I could add to that
22 as well.

23 Q Yes.

24 A (ET) As my colleague said we are continuing to
25 provide information and support to our members,

1 and you asked about courses and we talked about
2 that. But, you know, in addition to the list of
3 specifically AML-focused courses that we were
4 looking at, as my colleague said, there are a
5 number of courses that also mention AML or money
6 laundering that aren't -- but all of the courses
7 isn't specifically focused. An example of that
8 is the ethics course. So one of the
9 requirements of our members within the
10 professional development requirements is that
11 they are required to take at least four hours of
12 ethics education in every three-year cycle and
13 the most recent version of the CPABC ethics
14 course has a specific element on AML. In
15 addition, the 2020 member engagement tour also
16 included a presentation on AML. The member
17 engagement tour is an annual event. There's
18 numerous locations and times for this, but it's
19 an opportunity for members across the province
20 to engage with senior leadership on an annual
21 basis. And as I said in 2020, the tour did have
22 a presentation on AML. So as my colleague said,
23 we're continuing to provide education, guidance,
24 support to our members and you know, you quoted
25 this sentence about complexity of the

1 legislation. It matches with us continuing to
2 provide education and guidance.

3 Q Thank you again, Mr. Tanaka. That is helpful.
4 And, Ms. Liu, one of the items of evidence that
5 the Commissioner heard about, again back in the
6 legal professional sector, was that one of the
7 things that the law society offers is a practice
8 advice program where, for example, members can
9 call in and get clarification on their
10 anti-money laundering obligations. Does CPABC
11 currently offer any sort of call-in line?

12 A (LL) Yeah, we do. We have a similar advisory
13 services line and this is the same team that I
14 mentioned also fosters a lot of the resources,
15 guidance and support that's on our website. We
16 do work very collaboratively internally to
17 ensure that, for example, areas that are
18 identified in practice inspections as being an
19 area of challenge for practitioners, getting
20 those resources, guidance and support material
21 out there. So advisory services is -- they are
22 not just to provide that support with resources
23 but also as an area for our members to phone in
24 on and receive advice and discussion around
25 various matters.

1 Q And on a somewhat related note -- this seems
2 like a good time to ask about it -- I expect
3 that the Commissioner will hear tomorrow from
4 your colleagues at CPA Canada about their
5 recommendation that Canada or even just BC adopt
6 a whistle-blower line. Curious, Ms. Liu, if you
7 have any view on the utility of a national
8 whistle-blowers line from CPABC's perspective?

9 A (LL) From my understanding it's not so much a
10 whistle-blower line as opposed to a
11 whistle-blowing regime. So the focus really is
12 to ensure that our members are protected, and
13 not just members but those -- not just those in
14 public practice but those that might be in
15 industry and perhaps it's going on to say not
16 just our members but individuals when they want
17 to disclose those issues. So I would say that
18 CPABC is supportive of a whistle-blowing regime.

19 Q Yes, Mr. Tanaka. I was just about to ask if you
20 have anything, so add please do.

21 A (ET) Thank you. From a professional conduct
22 perspective, you know, any information we
23 receive, whether it's from FINTRAC or -- would
24 be helpful, and as I said, if we receive
25 information concerning about a CPABC member or

1 firm we would seriously look into it. But I
2 think it's important to note, too, though, that
3 our processes do -- we do receive anonymous
4 complaints and we do follow up on and pursue
5 them. So, you know, a line may be, helpful, but
6 we do already have a mechanism to receive
7 anonymous complaints about our members/firms.

8 Q Mr. Tanaka and Ms. Liu, my next area of
9 questioning I was going to ask you some specific
10 questions about your work and, Mr. Tanaka, this
11 seems like a good time to ask you some questions
12 because you oversee CPABC's investigative and
13 discipline processes; is that right?

14 A (ET) Correct.

15 Q And what can you tell the Commissioner about the
16 staffing levels at CPABC dedicated to
17 investigation and discipline?

18 A (ET) So my department there are five of us. So
19 including me. And there are two CPAs on my team
20 and the other two staff are not CPAs. One has a
21 criminology background. In addition to the
22 full-time staff we have a roster of six contract
23 investigators. They are all CPABC members and
24 with different backgrounds and we contract with
25 them to conduct investigations.

1 Q And do any of those staff, you mentioned many of
2 the members are CPA members so I'll ask besides
3 the general training and obligations pursuant to
4 your status as a member, do any of those staff
5 have anti-money laundering training or any
6 anti-money laundering certifications?

7 A (ET) In terms of certifications not that I'm
8 aware of. One of the staff is also a certified
9 fraud examiner.

10 Q Thank you. And, Mr. Tanaka, what powers are
11 available to CPABC when it commences an
12 investigation of one of its members?

13 A (ET) Well, the powers derived from the act and
14 then flow through the bylaws. As a
15 self-regulating profession, we have I would say
16 considerable powers over our members, and of
17 course you know, with great power comes great
18 responsibility, so we take that seriously. But
19 we have -- I mean, for example, in our code
20 there's rule 104, which is basically a
21 requirement that members must cooperate with an
22 investigation, and whether that's a
23 discipline-related investigation or a practice
24 review inspection, members are obligated to
25 cooperate with that. There are abilities to

1 compel production of documents,
2 answer questions, et cetera.

3 Q And to what extent does CPABC or in this case an
4 investigator, to what extent do they examine for
5 indicators of money laundering when they
6 investigate a CPABC member or firm?

7 A (ET) It would depend on the nature of the
8 complaint or the case. I mean, some complaints
9 if it's about, I don't know, alleged error in a
10 tax return that's filed and CRA issued a
11 reassessment notice that the client is not happy
12 with, that would be unlikely to involve money
13 laundering. So, you know, along with the
14 education that we're providing to our members,
15 our staff, my team, are alert to money
16 laundering issues, and depending on the nature
17 of the case it would be investigated or we would
18 look for indicia or red flags and investigate
19 accordingly.

20 Q And what would CPABC do if during the course of
21 one of those investigations it uncovered
22 criminality on the part of an accountant?

23 A (ET) Well, it's not our role or our regulatory
24 committee's role to make findings of
25 criminality. Our mandate isn't to enforce a

1 criminal law. So we wouldn't be making a
2 finding in that regard. You know, we talked
3 earlier about the self-report rules, for
4 example, right, and the rule, for, example,
5 requirements for members to report any criminal
6 convictions. So in those situations, and it's
7 in our code, where there's a finding by another
8 body, we exercise what's called rebuttable
9 presumption. So, for example, if we're looking
10 into a matter where there's a criminal
11 conviction, our process, we don't go back to the
12 beginning and reprove the impugned conduct. We
13 take the criminal conviction or the finding of
14 breach or guilt by another regulator and then we
15 proceed from there and then apply our bylaws and
16 codes to that set of facts.

17 Q Appreciating that CPABC is not a criminal court
18 and it's not a prosecuting body, I guess my
19 question, then, is what would CPABC do if it
20 uncovered activity that it suspected might be
21 associated with criminality, not proving it but,
22 you know, we discussed earlier these referral
23 channels. Would CPABC ever refer something to
24 the police?

25 A (ET) Very rarely. I mean, we're an independent

1 organization. We're not an agent of the state.
2 And as I mentioned earlier, we have strict
3 confidentiality requirements in our act in
4 section 69 and so we have to respect that and in
5 addition there's privacy legislation as well, so
6 it would be very rare.

7 Q And you mentioned, Mr. Tanaka, complaints. How
8 do complaints come to -- about members, how do
9 those come to CPABC's attention?

10 A (ET) Various sources. The most common source is
11 receive a complaint from a third party. Quite
12 often it's a client of a practitioner, but it
13 could be an employer. It could be a member of
14 the public. It could be some information from
15 another regulatory body. Some complaints are
16 generated internally. For example, there could
17 be a complaint from another regulatory
18 department. It could be Lisa's department. It
19 could be the membership department. I mentioned
20 earlier we do receive from time to time
21 anonymous complaints. And some of them are
22 self-generated I guess I would say by the
23 professional conduct department itself, when we
24 become aware of something that we look into and
25 we may commence an investigation into it.

1 Q And just to reiterate your evidence earlier, you
2 have said that CPABC, whether it be from the
3 public or FINTRAC or the RCMP or internally, has
4 never received a complaint of one of its members
5 being engaged in activities related to money
6 laundering. Is that your evidence?

7 A (ET) Correct.

8 Q And, Mr. Tanaka, when would CPABC, if ever, your
9 group, commence an investigation on its own
10 initiative?

11 A (ET) When in terms of you mean timing?

12 Q In what circumstances? I mean, you've described
13 internal references, media reports, other ways,
14 but you know, are there any circumstances where
15 this is not the right way to phrase this but
16 where CPABC goes looking for these sorts of
17 issues?

18 A (ET) Well, in terms of -- okay, so I guess
19 difference parts to this answer. So in terms of
20 media, media monitoring. So our communications
21 department distributes a daily news digest which
22 I see every day which identifies news stories
23 where CPABC members or firms have been noted.
24 In addition to that sort of general news digest
25 the communications department also flags for the

1 professional conduct department any media
2 references they see that may be concerning in
3 terms of conduct or professional conduct. And
4 my team, the professional conduct team, to the
5 extent we have time, also monitors media on our
6 own and we have commenced files from those
7 sources. You know, sometimes we get a complaint
8 from somebody. It could be, for example, a
9 client and they have a complaint about service
10 or something like that. And as we start
11 investigating, we discover that there are some
12 concerns that we have internally. It could be
13 compliance with some internal standard. The
14 complainant wouldn't be aware of that issue, but
15 we're aware of it, and we may then look into it
16 as a separate complaint because we have a
17 concern.

18 Q And you mentioned media monitoring. Mr. Tanaka,
19 I wanted to ask you about the current
20 BC Securities Commission enforcement action
21 against what I understand are two CPABC members,
22 who I won't name here. Does CPABC have any
23 insight into their alleged involvement in the
24 BridgeMark scandal?

25 A (ET) Only what we know from BCSC and that's

1 largely based on what they can make public. So
2 when we come at a matter we're looking at and if
3 there's a collateral process -- it could be a
4 criminal law process; it could be a civil
5 action; it could be another regulatory process
6 like the BCSC -- we will often monitor that
7 collateral process and see where it lands. I
8 mentioned before rebuttal presumption; I
9 mentioned before the requirements to self-report
10 that are on members. So we don't have to wait,
11 but we often will wait for the collateral
12 process to conclude and then continue on. So
13 with the matter you're discussing, my
14 understanding it's fairly early stages for the
15 BCSC and so we're monitoring that for any new
16 information. My understanding is with BCSC some
17 of their matters take some time to complete
18 depending on the complexity of it.

19 Q And is that the usual course, waiting to see the
20 outcome of another enforcement action, or are
21 there are circumstances where CPABC will just go
22 ahead before kind of termination of those other
23 proceedings or completion of other proceedings?

24 A (ET) It really depends on the case. Like, for
25 example, if the collateral proceeding, if the

1 issues in the collateral proceeding are directly
2 relevant to the allegations in our matter, then
3 likely we will wait for the collateral process.
4 As I said earlier, it's not our mandate to make
5 findings of criminal law, for example. So if
6 there was a criminal proceeding related to
7 something we were looking at, we would wait for
8 that criminal law proceeding to conclude.

9 Q Right. And -- but would you agree that there
10 are circumstances in which an accountant might
11 not necessarily be found guilty of money
12 laundering or guilty of an offence under an
13 administrative statute but that their conduct
14 might still run afoul of CPABC's rules,
15 professional rules and code of conduct? Would
16 you agree with that?

17 A (ET) It's possible. So, for example, if we
18 waited, let's say we waited for BC Securities
19 Commission to conclude their process and they
20 did and they didn't reach a finding. Well, they
21 would come to whatever conclusion they reach
22 vis-a-vis their mandate. That doesn't tell us
23 necessarily that there's been no breach of our
24 code of professional conduct. So the answer to
25 your original question was it's possible. We

1 may still pursue a matter even if the collateral
2 process doesn't result in a breach or a finding
3 of guilt.

4 Q Again that was my next question, Mr. Tanaka, is
5 that that is not to say, though, that an
6 acquittal or a finding of non-guilt, that
7 wouldn't preclude CPABC from doing its own
8 investigation, would it?

9 A (ET) Correct. I mean, to use criminal law as an
10 example again, I mean, the standards are
11 different, too. Criminal law the standard is
12 beyond a reasonable doubt. So for whatever
13 reason, you know, within criminal law, the
14 outcome may have been the outcome, but that
15 doesn't necessarily mean for us that's the end
16 of the matter.

17 Q Maybe we can step to the civil side away from
18 the kind of criminal offences. Yesterday the
19 Commissioner, Mr. Tanaka, he heard evidence
20 about a public accounting firm's involvement
21 with PacNet, which itself as I understand it is
22 currently involved in civil forfeiture
23 proceedings. Are you familiar with the PacNet
24 matter at all?

25 A (ET) Only what I've seen in the case report and,

1 you know, the firm is unnamed. The firm is not
2 identified, so it's difficult for us to pursue
3 that because we don't know the name of the firm.

4 Q Right. And maybe you can correct me if I'm
5 wrong here but PacNet that firm as I understand
6 it was set to receive funds in the form of a
7 bank draft from the UK in trust on behalf of a
8 sanctioned entity. Is that your understanding
9 as well?

10 A (ET) I don't know if it's exactly, if I
11 understand exactly the same details as you on
12 that. I understand as well that that firm
13 sought legal advice before being involved in
14 that activity. You know, that's something that
15 we advise our members on. We don't provide
16 legal advice to our members, but we advise our
17 members, we educate them on if there's some
18 issue they're facing that has legal
19 ramifications that we encourage them to seek
20 legal advice on it. My understanding in that
21 case, the PacNet case that you're talking about,
22 is that the firm did seek legal advice.

23 Q Mr. Tanaka, I was speaking with Ms. Liu earlier.
24 Sorry, I'm scrolling up here. Looking at the
25 survey conducted, CPABC was told by the

1 11 percent of respondents that only 5 percent of
2 them indicated they used trust accounts, and I
3 look at this one example and my question for you
4 is to your knowledge is your experience
5 consistent with the survey that it's very rare
6 for professional accountants to use a trust
7 account in this way?

8 A (ET) In my experience from my area it's not
9 common for -- at least with the matters that I
10 see or my team sees, it's not common for members
11 to use trust accounts.

12 Q And, Mr. Tanaka, CPABC publishes on its website
13 professional discipline case decisions; is that
14 right?

15 A (ET) Yes.

16 Q And to your knowledge just for the record -- I
17 think I have a sense of what your answer is
18 going to be -- how many of those decisions since
19 you took on your current role have dealt with
20 money laundering, either compliance with
21 regulatory or otherwise?

22 A (ET) None of them. As I said earlier, we have
23 not had a case that has involved a member firm
24 of ours being involved or associated with or
25 facilitating money laundering or terrorist

1 financing activities, and as I said earlier nor
2 have we received any referral or information
3 from FINTRAC or other regulatory body or
4 individual about concerns about any of our
5 members. And in fact, we heard from the
6 evidence in the McGuire report, there's very
7 little evidence to support any inference that
8 there's a problem within the professional
9 accounting profession in BC or in Canada related
10 to money laundering or terrorist financing
11 activities.

12 Q And, Mr. Tanaka, do you have any insight as to
13 how many -- I think I know the answer, but how
14 many decisions from CPABC's legacy organizations
15 might have related to money laundering?

16 A (ET) Well, I can't speak to that with any
17 specifics because with two of the legacy bodies
18 I wasn't working with them, so I can't comment
19 on other legacy bodies. Given our current
20 statistics and results, I would say low to zero.

21 Q Thank you, Mr. Tanaka. And, Ms. Liu, I'd like
22 to now ask you about your group which is the
23 public practice regulation department and,
24 Ms. Liu, you oversee that department, which
25 conducts practice review of firms; is that

1 right?

2 A (LL) That's correct.

3 Q Ms. Liu, can you describe for the Commissioner
4 briefly what is a practice review?

5 A (LL) Sure. A practice review is focused on --
6 is where we go out or have an inspection team
7 that conducts regular reviews of all of its
8 licensed firms, offices, that are engaging in
9 activities what we would call reviewable. So
10 assurance services, so audit review, compilation
11 and tax are the four areas that we do inspect.
12 And the focus of the practice review program is
13 really to identify issues that might be present
14 in these types of engagements as well as having
15 our members remedy any of those issues. So any
16 followup action that might be necessary. So
17 there are various recommendations that may be
18 placed upon the completion of a practice review.

19 Q Thank you. And what can you tell the
20 Commissioner, Ms. Liu, about the staff in your
21 group dedicated to practice reviews. How many
22 are there and what does the group look like?

23 A (LL) Sure. We have a director of practice
24 review as well as three associate directors
25 internally. The three associate directors do

1 perform practice reviews as well as a team of
2 12 contractors. All are designated individuals
3 and have extensive experience, historical
4 experience in the areas of practice in which
5 they inspect.

6 Q And, Ms. Liu, how does CPABC decide, or I guess
7 I should say the public practice regulation
8 department, how does it decide when to conduct a
9 practice review of one of CPABC's members?

10 A (LL) Sure. All firms -- so the cycle, we are on
11 a three-year risk adjusted cycle, so all firms
12 get reviewed every three years, but the first
13 review commences within a year of an individual
14 starting a practice, and then it goes every
15 three years thereafter unless there's risk that
16 it is brought to our attention that indicates a
17 cycle adjustment, so a move up in terms of
18 practice review time frame. That risk can be
19 whether there's a new addition to the practice,
20 a firm starts engaging in areas that they
21 weren't traditionally practising in, so for
22 example, as they start getting engaged in audits
23 whereas they haven't done one previously, we
24 wouldn't necessarily want to wait a full three
25 year cycle to go out and inspect them again. So

1 there's various elements that might indicate a
2 more frequent inspection. Certainly if a firm
3 does not meet the requirements of their practice
4 review they are re-inspected within one year.

5 Q So if I understand your evidence, the maximum
6 time that a CPABC member could go between a
7 practice review would be three years; is that
8 right?

9 A (LL) Generally, unless there's sometimes of
10 course as you can understand there's challenges
11 of booking that inspection, but certainly the
12 due dates are a three-year time frame.

13 Q And what can you tell the Commissioner about
14 some of the common deficiencies found during
15 practice reviews? And I know that there's a
16 document produced that speaks to this exact
17 issue, but I'm hoping given your position that
18 you can maybe give the Commissioner kind of a
19 more concise sense of what your group finds when
20 it does these reviews?

21 A (LL) Sure, in a very high level because
22 otherwise this could get very technical with
23 accounting jargon. But generally we are looking
24 at the standards in the handbook, the CPA Canada
25 handbook, in terms of assessing compliance and

1 adherence to the standards, so some of the
2 issues that can arise may have to do with the
3 performance of how a firm has conducted the
4 engagement. So have they performed all of those
5 procedures necessary to gain comfort on the
6 numbers that they are reporting upon.
7 Furthermore, we do look, obviously the impact of
8 this is also that is there a material error in
9 the financial statements. If there is issues
10 with the numbers in the financial statements
11 that obviously also results in deficiencies and
12 an expectation to correct the financial
13 statements. So the focus of the practice review
14 is really on looking at the member's compliance
15 with accounting standards, so how they -- and
16 when I say "accounting standards" that is how
17 the framework in which an engagement is reported
18 upon, and then the related audit or review
19 standards in which they conduct those
20 engagements. So very formalized standards that
21 are approved by a standards board, and
22 independent standard setting board.

23 Q We talked about this earlier, and I take it your
24 evidence earlier is that during practice reviews
25 your group doesn't collect any information on

1 activities performed by firms, for example,
2 triggering activities. Is that right?

3 A (LL) That would be correct. I mean, the focus
4 of a practice review is not to look specifically
5 for these triggering activities so much as
6 finding, looking at the activities that our
7 members engage in being indicated within the
8 auspice of you know, are they doing audits,
9 reviews, compilation engagements, tax work, or
10 other assurance engagements, for example. So
11 the focus is on those engagements that we would
12 include within our inspection program.

13 Q Thank you, Ms. Liu.

14 MR. DAVIS: And just for a moment, Mr. Commissioner,
15 I've probably got about a half hour to
16 45 minutes maximum left in my examination. We
17 do have, I believe, 45 minutes of examinations
18 by participants scheduled. Just wanted to
19 canvass the time for a break. I'm happy to take
20 it now, see where our panelists are at or I can
21 wait until I finish.

22 THE COMMISSIONER: Why don't we take it now. We'll
23 take 15 minutes at this point if this is a good
24 time to break.

25 MR. DAVIS: It is. Thank you.

1 THE COMMISSIONER: 15 minutes, Madam Registrar.

2 THE REGISTRAR: The hearing is now adjourned for a
3 15-minute recess until 11:19 a.m. Please mute
4 your mic and turn off your video. Thank you.

5 **(WITNESSES STOOD DOWN)**

6 **(PROCEEDINGS ADJOURNED AT 11:04 A.M.)**

7 **(PROCEEDINGS RECONVENED AT 11:19 A.M.)**

8 EDWARD TANAKA, a witness
9 for the commission,
10 recalled.

11 LISA LIU, a witness for
12 the commission,
13 recalled.

14 THE REGISTRAR: Thank you for waiting. The hearing
15 is resumed, Mr. Commissioner.

16 THE COMMISSIONER: Thank you, Madam Registrar. Yes,
17 Mr. Davis.

18 MR. DAVIS: Yes.

19 **EXAMINATION BY MR. DAVIS (continuing):**

20 Q Mr. Tanaka, over the break I was reviewing my
21 notes and just wanted to review a point with
22 you.

23 Madam Registrar, if you could pull up I
24 believe exhibit 399 on to the screen. Oh,
25 sorry. Madam Registrar, it may be number 400.

1 I'm looking for the December 21st, 2020 memo.

2 Yes, that's exactly right. If you don't mind

3 turning to the very bottom of page 2, please.

4 Thank you.

5 Mr. Tanaka, do you see that on the screen?

6 A (ET) Yes, I do.

7 Q We had discussed earlier, I provided my reading

8 of the fact that 88 percent plus 12 plus 3 plus

9 3 is more than 100 percent. And you helpfully

10 provided the Commissioner with a different

11 understanding of how we might interpret those

12 percentages. Do you mind just clarifying how we

13 could go about doing that?

14 A (ET) Oh, I was just expressing my possible

15 reading of it. I had heard you suggest to my

16 colleague that in that 12 percent or there could

17 be members who are engaged in more than one

18 triggering activity, which is entirely possible.

19 My only point was that's not necessarily obvious

20 from the math, that one activity could fall

21 within more than one category here on this list.

22 Q Okay. Thank you.

23 A (ET) They could be part of the 12 percent and

24 that's one activity, but that same activity

25 might fall within, I don't know, related to

1 purchase or securities. My only point was just
2 to caution to maybe not risk overstating the
3 number of activities involved in by members.

4 Q Yes, thank you. That makes sense. There is a
5 similar caution at the top of the memo. So
6 thank you, Mr. Tanaka. Madam Registrar, I won't
7 need that document displayed any longer. Thank
8 you.

9 Ms. Liu, we before the break were discussing
10 practice reviews and the question, the next area
11 I wanted to discuss with you, is what degree do
12 CPABC's practice reviews include anti-money
13 laundering in their scope?

14 A (LL) The practice review program does not
15 include AML within the scope of the program.

16 Q And there were some recent discussions on that
17 point, is that right, within CPABC?

18 A (LL) There was. I think you've been provided
19 that memo.

20 Q I have. And, Madam Registrar, if I could ask
21 that you pull up the document 1, CPABC minutes -
22 September 11, 2020 from the list of documents,
23 please.

24 Ms. Liu, it's a bit blacked out right now,
25 but do you recognize this from the portion you

1 see as the minutes of the CPABC public practice
2 committee meeting on September 11, 2020?

3 A (LL) That is correct.

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

6 THE COMMISSIONER: 401.

7 THE REGISTRAR: Exhibit 401.

8 **EXHIBIT 401: Public Practice Committee Meeting**
9 **Minutes - September 11, 2020 (redacted)**

10 MR. DAVIS: Madam Registrar, if we could scroll to
11 page 2 of the PDF, please. Yeah, right there.

12 Q The number 6. Do you see that, Ms. Liu,
13 point 6, "PP20/06: Approach to Anti-Money
14 Laundering Initiatives"?

15 A (LL) I do.

16 Q The very first line says:

17 "The CPABC board has included anti-money
18 laundering (AML) initiatives as one of its
19 key areas of focus."

20 Is that accurate?

21 A (LL) That is accurate.

22 Q And when was that done?

23 A (LL) I don't know exactly when it was done as
24 I'm not privy to the board minutes or the board
25 proceedings.

1 expansion of what we look at from a more
2 regulatory perspective or within the program in
3 terms of reviewing.

4 Q And, Ms. Liu, this dovetails nicely in line with
5 your ongoing work, this document, the next
6 sentence goes on to say:

7 "An analysis was performed to determine if
8 the practice review program was able to
9 support provincial and federal anti-money
10 laundering initiatives, particularly
11 related to the Beneficial Ownership
12 Registry requirements, as part of the
13 inspection of firms within the existing
14 regulatory framework."

15 Do you see that there?

16 A (LL) I do.

17 Q And so why was the analysis conducted?

18 A (LL) Well, with this analysis we started looking
19 into this over the last I guess half a year it
20 was to just see, similar to what was indicated
21 there, whether there was a space for the
22 practice review program to play a role. This
23 really was a look into what we might be able to
24 do, consider an exploration into what we might
25 able to do within the program. Beneficial

1 ownership register was something that was coming
2 into effect this year, or last year now, and as
3 such that was something that was a little more
4 top of mind in terms of that consideration as to
5 what we might be able to look at.

6 MR. DAVIS: Madam Registrar, if I could ask that you
7 pull up the document number 2, "PPC Prereading
8 Number 6 - Approach to AML Initiatives" from the
9 list of documents, please.

10 THE WITNESS: (ET) Mr. Davis, can I make just an
11 additional comment?

12 MR. DAVIS:

13 Q Yeah, Mr. Tanaka, please.

14 A (ET) Thanks. You had asked my colleague about
15 what had prompted or what had triggered the
16 priority setting, and maybe it goes without
17 saying, but CPABC is a member of CPA Canada, and
18 so clearly -- you'll hear more from our
19 colleagues from CPA Canada tomorrow, but clearly
20 CPA Canada has been very much involved with the
21 federal anti-money laundering program regime and
22 so as part of CPA Canada we have been through
23 CPA Canada sort of involved or connected to the
24 issues. So in addition to what my colleague
25 said that would be another key part of why it's

1 front and centre as a strategic priority.

2 Q That is helpful. Thank you, Mr. Tanaka. And,
3 Ms. Liu, do you see the document before you? Do
4 you recognize it as a September 4th, 2020 memo
5 that you prepared on CPABC's approach to
6 anti-money laundering initiatives?

7 A (LL) I do.

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

10 THE COMMISSIONER: Very well, 402.

11 THE REGISTRAR: Exhibit 402.

12 **EXHIBIT 402: Public Practice Committee Data**
13 **Sheet, Pre-Reading #6 dated September 4, 2020**

14 MR. DAVIS:

15 Q Ms. Liu, was this document prepared to inform
16 the public practice committee's meetings and
17 discussions on September 11, 2020 that were
18 described in the previous exhibit, that's
19 exhibit 401?

20 A (LL) This was the document that was prepared to
21 summarize some of the discussions that were held
22 within a subwork group that we had pulled
23 together to consider the issues in more depth.

24 Q Right. And this document, if we look at the
25 first page, the second paragraph under the

1 header "Background" it starts with on
2 August 25th, 2020. Do you see that, Ms. Liu?

3 A (LL) I do.

4 Q "On August 25, 2020, staff held a meeting with
5 the subworking group (WG) of the committee to
6 explore possible areas where CPABC can place
7 more emphasize or focus around AML and the new
8 beneficial ownership requirements."

9 You do see that sentence there?

10 A (LL) I do.

11 Q And what is that subworking group?

12 A (LL) It was just a subset of the members that
13 sit on our public practice committee.

14 Q Is it a standing working group or was it just
15 for this one purpose?

16 A (LL) It was for this one purpose. We do
17 sometimes bring a subwork group together to
18 discuss some issues in more depth as it relates
19 to various policies or initiatives that CPABC
20 may be considering undertaking.

21 Q And I'd like you to look under the heading
22 "Discussion & Support."

23 Madam Registrar, if you don't mind, yeah, I
24 think we can leave it there.

25 And, Ms. Liu, one of the issues talked about

1 at this meeting and this memo speaks to is that
2 of beneficial ownership. Is that correct?

3 A (LL) That is correct.

4 Q And just stepping back from this meeting for a
5 moment I'll ask you to what degree are
6 accountants in the course of their practice, you
7 know, how do they currently interact or are they
8 currently required to obtain beneficial
9 ownership information?

10 A (LL) So in terms of the interaction with the
11 beneficial ownership requirements accountants
12 are not part of the process per se or are
13 required as part of the process. It is in fact
14 we have recently issued an article to our
15 members advising our members that they should be
16 refraining from the preparation, getting
17 involved in certain aspects of the preparation,
18 but if they're asked to do so by their clients
19 in preparation of the register or the
20 maintenance of that because it could be
21 considered a practice of law. So as such, at
22 the time of writing this we had not yet arrived
23 at that position, but certainly since looking,
24 since this point of consideration we did, and as
25 such we would expect that our members'

1 involvement overlap with the requirements to at
2 least those in public practice to be quite
3 minimal potentially. So they are cautioned to
4 not overstep.

5 Q And -- sorry. Go ahead, Ms. Liu.

6 A (LL) Sorry, if being requested by their clients
7 forces them.

8 Q And so just to unpack that a little bit, you
9 said that that conclusion on not engaging in
10 legal practice, that was drawn by CPABC after
11 this memo was put out. Is that accurate?

12 A (LL) That is correct.

13 Q And this memo doesn't necessarily address the
14 risk of engaging in legal practice? That's not
15 on my reading one of the main concerns raised.
16 Is that fair or how do you read it?

17 A (LL) Yes, this discussion that we held with the
18 work group did not enter into or contemplate
19 that potentially supporting a member through the
20 beneficial registry requirements would be
21 considered to be the practice of law. It did
22 not consider that. And certainly subsequent to
23 this point it did get raised by one of our
24 committee members as part of the committee
25 discussion in fact that transpired on

1 September 11th to look into the matter further
2 and whether it would be in fact considered to be
3 the practice of law, and as such we did do so.

4 Q And so for clarity for the record, despite what
5 this memo and the September 11th meeting minutes
6 might say, I understand your evidence is that
7 CPABC's ultimate conclusion is that their
8 members can't engage because drafting those
9 documents constitutes the practice of law. Is
10 that right?

11 A (LL) Without providing our members with legal
12 advice, we certainly did advise them of the
13 cautionary nature of what they might be -- what
14 their clients might reach out to them for.
15 Recognizing taking a step back that clients
16 often might reach out to their accountants for
17 various activities and it is up to our members
18 and this is why we do issue various notices
19 around the practice of law cautioning our
20 members if they are approved by their clients to
21 be aware of what the law society requirements
22 are and to not overstep.

23 Q And maybe we can unpack here because the
24 concerns I see in this document before you are a
25 little different and so one of the concerns

1 raised, and this is from the last sentence on
2 page 1 and I'll read that sentence. It starts
3 with "it is possible that documentation of the
4 discussion," and I'll fill this in, around
5 beneficial ownership, "would not be directly
6 apparent in the file and inspection comments
7 would only arise if there is documentation that
8 management indicated that they are not in
9 compliance." Do you see that.

10 A (LL) I do.

11 Q Can you explain what that means?

12 A (LL) Sure. As you've indicated here, our
13 analysis around the beneficial registry to the
14 transparency registry requirements did not
15 surround practising or whatnot or preparation of
16 the documents. The focus was on within the
17 aspect of our inspection program would we come
18 across compliance with beneficial ownership
19 registry requirements, and as such what is the
20 possibility of us looking to see if
21 ultimately -- or sorry, I should take a step
22 back, our members our practitioners ensuring our
23 companies compliance with the beneficial
24 registry requirements. And what this sentence
25 speaks to is that within -- and it's going back

1 to what I mentioned earlier, within the laws and
2 regulations section of an assurance file, so
3 being an audit or review file engagement, there
4 is within the standards a necessity to consider
5 the company, your clients' compliance with laws
6 and regs and this is where it could arise. And
7 so this comment says that for us as an
8 inspection area where we may see the
9 non-compliance arise is in the documentation
10 section of that file.

11 Q And is part of the risk here, Ms. Liu, that
12 people seeking to verify that sort of
13 information might see it and might not and that
14 there's no rhyme or reason to when they would
15 see that sort of information? I'm just trying
16 to appreciate, you know, coming from a
17 layperson's perspective what the issue raised
18 here is?

19 A (LL) Sure. I think what this is saying is that
20 within the documentation of a file for us, there
21 is the actual work that a practitioner would do
22 to perform their audit or their review, and the
23 various inquiries that they would make, and then
24 as the documentation within their file of that.
25 What was noted here is that through their

1 discussions or review with their client, it may
2 indicate that the client has not completed or
3 maintained the beneficial ownership register
4 properly, and if that is the case, that
5 documentation would show up in that section of
6 the file as to that company's compliance.

7 Q Okay. So then is it that it's already -- then
8 it would already be captured in appropriate
9 circumstances. Am I understanding that
10 correctly?

11 A (LL) Well, I think as I mentioned earlier that
12 when you take a step back and a company is or
13 the practitioner is discussing a company's
14 compliance with laws and regs, they are not
15 specifically, necessarily specifically asking
16 about the beneficial ownership register. A
17 company itself has to be compliant as you can
18 imagine with many different laws and regs and
19 the specific company themselves may be subject
20 to different laws and regs very specific in fact
21 to their industry depending how complicated the
22 industry is. So it is not in a practitioner's
23 discussion on that compliance with laws and
24 regs, they may not specifically ask, did you
25 comply with the beneficial ownership register?

1 They may -- the discussions could be specific to
2 that extent. They might ask that. Or they
3 might simply discuss what is the -- you know,
4 have you complied with all laws and regs for
5 your industry. And they might get into very
6 specific ones. As you can imagine for some
7 industries there are much higher risk ones that
8 are very pertinent to the financial statement,
9 recognizing that the impact is financial
10 reporting within these instances.

11 Q And that, I guess, leads to the next point I was
12 going to ask you about. If we look, Madam
13 Registrar, if you could kindly turn to page 7 of
14 10 of this document. The top should say
15 "Appendix B." Yes, that's perfect.

16 If we look at that third lengthy paragraph,
17 Ms. Liu, halfway through there's a sentence that
18 starts with "if they were required." Can you
19 let me know when you see that. The sentence
20 before ends in "share capital."

21 A (LL) Okay. I found the start of the sentence,
22 yes.

23 Q Yes.

24 "If they were required to provide further
25 assurance on the accuracy of the --"

1 And I'll fill this in, "beneficial ownership
2 information."

3 "-- there would need to be a change in the
4 transparency registry legislation to
5 require any type of certification from
6 CPAs. If certification was required, it
7 could be potentially provided by many
8 firms performing assurance as the
9 information required to support the
10 registry requirements would be available
11 in the course of performing sufficient
12 appropriate procedures to meet standards."

13 And that's quite a lengthy quote that I'm hoping
14 you can tell the Commissioner what that means.

15 A (LL) Yeah. If you can just give me a moment, I
16 do want to read the start of the
17 paragraph because it sometimes does read in
18 context.

19 Q Take your time, thank you, Ms. Liu.

20 A (LL) Okay. So going back to specifically this
21 last, I guess, two sentences here, starting with
22 if they were required to provide further
23 assurance on the accuracy of information, I
24 think this is going to the actual beneficial
25 register and it was contemplating if there was a

1 certification that was required on the register
2 that there would need to be a change in the
3 legislation because obviously right now the
4 register does not require certification from the
5 CPA and it's simply stating that fact, that we
6 don't provide a certification on it. To do so
7 would require, if it were asked by our members,
8 it would require an -- it would be an assurance
9 engagement because of course you're providing
10 that assurance.

11 Q So this is a different issue from that I
12 identified above that we just talked about?

13 A (LL) That's right. So this was an exploration
14 of how with the introduction of the beneficial
15 ownership registry requirements could various
16 areas touch, so it was, like I say, an
17 exploration into the various areas.

18 Q And my question, kind of my final question on
19 the beneficial ownership point, is looking at
20 these, you know, I guess mainly the one concern
21 in the second kind of more exploratory
22 paragraph, is there anything preventing CPABC
23 from making these requirements part of the
24 practice review program, or are these just
25 practical considerations? And I guess anything

1 preventing I'd ask is there -- is this something
2 that needs to be done by another body like CPA
3 Canada, or is there an actual impediment to
4 CPABC making these sorts of changes?

5 A (LL) Well, we would -- I'm not sure how we would
6 require that a company has a certification
7 performed on their register; right? These are
8 external governmental requirements. They're not
9 our requirements to be made or put on a firm to
10 do. Certainly often the engagements that our
11 firms are asked to perform result from an
12 external requirement. We are here, our goal
13 really is to ensure that when our members are
14 asked to perform certain engagement, that they
15 are complying with the standards under which
16 they operate. So ultimately it is also
17 protecting the public that is relying and using
18 these engagements as a basis to make decisions
19 or reliance in terms of those numbers.

20 Q And, Ms. Liu, I wanted to turn to the second
21 topic that was covered at the meeting. What can
22 you tell the Commissioner about what the
23 committee concluded on whether compliance with
24 the federal anti-money laundering regime should
25 be included in the practice review program?

1 paragraph there, first sentence:

2 "The Committee also discussed whether we
3 should include compliance with the
4 anti-money laundering legislation and
5 FINTRAC reporting requirements. These
6 requirements have been in place for
7 many years, but as the reporting to
8 FINTRAC seems low, perhaps our members do
9 not have a strong understanding of the
10 legislation."

11 Do you see that there?

12 A (LL) I do.

13 Q And what can you tell the Commissioner about how
14 or what CPABC knows about its members reporting
15 to FINTRAC?

16 A (LL) We don't know. As indicated by my
17 colleague earlier we've never been contacted by
18 FINTRAC to advise us of any issues with
19 compliance or non-compliance, so from that
20 perspective we don't have any knowledge of our
21 members' level of compliance or for that matter
22 their understanding. Certainly we endeavour to
23 always provide more resources and materials,
24 guidance and support wherever we can to enhance
25 whatever knowledge or support we can give to our

1 members. Often the practice review program is a
2 good space for that to happen where we can
3 provide, leave-behinds or whatnot in terms of
4 areas for reference for them.

5 Q And so what informed the conclusions -- well, I
6 don't want to call them conclusions because I
7 think that's a misstatement then. What informed
8 the thought, then, here that says "as the
9 reporting to FINTRAC seems low." Is that just
10 based on public anecdotal information or where
11 did CPABC get that from?

12 A (LL) Yeah, that certainly was based on just
13 information that I had heard, that the view was
14 that there may have been a low level or a low
15 amount of reports. It's not to say that we
16 determined that it was inappropriate but just
17 that the reporting was low. And as such I was
18 again hypothesizing perhaps in terms of why that
19 might be the case, and so we certainly did look
20 at how, what we would be able to do if that were
21 the case.

22 Q And why did you hypothesize that CPABC's members
23 don't have a strong understanding of the
24 anti-money laundering legislation?

25 A (LL) It's not so much -- I don't think that I

1 believed our members didn't have a strong
2 understanding but as to the aspect of the
3 reporting being low, what I was trying to
4 indicate here was that perhaps this might be a
5 reason why. We certainly didn't have an
6 indication that there were issues, though.

7 Q Sorry you did or did not have an indication?

8 A (LL) We did not have any indication that there
9 were any issues with respect to the reporting
10 other than maybe that article that was drawn up
11 by CPA Canada in 2015. From my understanding
12 there hasn't been recent information that was --
13 that's been brought to anyone's attention with
14 respect to challenges.

15 Q Right. Except for we previously reviewed the
16 survey that was conducted by CPABC in which that
17 was one of the common points communicated by
18 respondents to CPABC, isn't that right, that
19 there was a challenge with understanding the
20 complex legislation?

21 A (LL) Well, they said the legislation was
22 complex. I'm not sure they specifically stated
23 they were having challenges with understanding
24 the legislation, but again I would have to go
25 back to the very detailed comments that were in

1 there to get there to obviously conclude.
2 Certainly we -- wherever those areas that we
3 can, and this goes to many areas even with
4 respect to beyond AML, but certainly now with
5 AML as being a focus, we are looking to those
6 areas where we can enhance our resources and
7 support, and if it is around understanding the
8 requirements of the legislation or simplifying
9 it for them, summarizing it for them, these are
10 areas that we can explore into doing.

11 Q And so what did you take, then? If not feedback
12 on challenges with the legislation, what did you
13 take from your members saying then that the
14 legislation is complex?

15 A (LL) So often for -- and you know, as you can
16 appreciate and certainly within even our areas
17 of standards, some of what we do gets very
18 complex and technical and it's very long, so if
19 we can in some ways summarize areas for them and
20 then point them in the right places, this is
21 developing that additional supporting material
22 that can accompany the more detailed
23 requirements that help break it down for our
24 members.

25 Q So at the very least even if you wouldn't

1 characterize it as challenges you would at least
2 agree that there is a need for guidance or
3 clarity or some sort of help from CPABC on this
4 front. Is that what's being communicated by its
5 members?

6 A (LL) We do endeavour to provide support and
7 guidance, and as I'm sure CPA Canada will be
8 speaking to tomorrow, the guide is a big element
9 in terms of supporting our members and a big
10 initiative, but there are various ways in which
11 we endeavour to support our members through
12 their understanding in various areas, and that
13 is done through courses, articles, as well as
14 various resources, guides, or as we obtain
15 greater feedback we start to look into what we
16 can do. The website is a good example of
17 something that was put together as a spot for
18 members to just go to and see all the resources
19 and the materials in one place.

20 Q Thank you. And looking at page 2 here. We're
21 on page 2 now, so that's perfect. I'm looking
22 at the -- sorry, I know that this is a bit
23 painful -- the third sentence there of the first
24 paragraph on page 2. It begins with "it was
25 considered." I'll read that for you, Ms. Liu.

1 "It was considered whether we should be
2 asking our practitioners whether they have
3 an AML process in place to ensure
4 suspicious transactions are appropriately
5 reported, and whether we should review
6 their processes. The Committee felt that
7 ensuring this compliance as part of our
8 practice review program would be getting
9 into the management and internal processes
10 of a firm, whereas our inspections have
11 always focused on handbook standards."

12 Do you see the quote I just read there?

13 A (LL) I do.

14 Q And so do I take from this quote that currently
15 CPABC does not ask its members whether they have
16 anti-money laundering policies or processes in
17 place?

18 A (LL) We do not as part of our practice review
19 program.

20 Q And so currently CPABC doesn't review those
21 processes either to determine whether they're
22 adequate?

23 A (LL) No, we do not.

24 Q And I'm hoping you can help me understand this
25 last sentence, explain it for the Commissioner.

1 "The Committee felt that ensuring this
2 compliance as part of our practice review
3 program would be getting into the
4 management and internal processes of a
5 firm, whereas our inspections have always
6 focused on Handbook standards."

7 And what I'm looking for you to clarify here is
8 exactly what that means, why CPABC's practice
9 reviews don't get into the management and
10 internal processes of a firm and what that means
11 in this context.

12 A (LL) Yeah, our practice review program has --
13 the mandate of the practice review program is to
14 ensure the firm's compliance with professional
15 standards and the focus of that has been on
16 those engagements that they are releasing to the
17 public. And, you know, this goes back to the
18 focus on CPABC, one of the core mandates of
19 CPABC is ensuring the protection of the public
20 and the usage of these engagements that the
21 public might be placing with the reliance on
22 from our members. Various areas of internal
23 management of a firm are not looked at
24 specifically within the program. I mean, our
25 members are governed by our roles and our roles

1 of professional conduct and various other bylaws
2 that we do expect them to comply with. We do
3 expect them to comply with their AML obligations
4 or FINTRAC reporting obligations as well as many
5 other obligations. And I guess at this point it
6 would be worth noting that, I mean, we go
7 through extensive training right from the point
8 in which we are students in our education
9 program on ethics and professional behaviour and
10 professional skepticism and so forth that guide
11 us through what we do within whether we are an
12 industry or in public practice, and these
13 requirements or expectations don't go away. So
14 there's not everything that we look at within
15 the practice review program that continues to
16 directly focus on a firm or firm's management,
17 call it whether it be with AML legislation or
18 their employment obligations or WCB obligations
19 and so forth. There's many aspects of
20 management that a firm -- that we expect our
21 firms to deal with and deal with appropriately.
22 And the program simply can't cover everything.
23 So it focuses on those areas that the public is
24 expecting us to ensure as they're placing
25 reliance on financial statements, as well as say

1 the tax returns that are being prepared by their
2 firm.

3 Q And so, Ms. Liu, I take it from this document in
4 front of us and your answer there that CPABC
5 sees compliance with federal AML legislation as
6 part of the internal management and processes of
7 an accounting firm even if it's one of its
8 members. Is that accurate?

9 A (LL) That would be correct. It is one of --
10 obviously the FINTRAC reporting requirements are
11 something that they are expected to comply with
12 as they do fall under the legislation.

13 Q And, Ms. Liu, the memo goes on to read -- and
14 we're at the same paragraph here on page 2.

15 Madam Registrar, thank you for leaving it
16 where it is.

17 And the last sentence of that first
18 paragraph reads:

19 "Furthermore, compliance with AML
20 legislation/regulations is overseen by
21 FINTRAC and firms are subject to FINTRAC
22 compliance reviews, so CPABC may not want
23 to overstep our authority."

24 Do you see that?

25 A (LL) I do.

1 Q And what gave rise to the concern that CPABC
2 would be overstepping its authority, I guess, as
3 it relates to FINTRAC?

4 A (LL) Well, ultimately I guess the requirements
5 for our firms are those based on the
6 requirements of the legislation and they are the
7 FINTRAC requirements and FINTRAC has the
8 authority in this area to perform their
9 compliance reviews and do what their legislated
10 authority is to do under this regime. We do
11 not -- generally that was the consideration we
12 were making here is that why would -- is that
13 aspect of performing regulation in an area that
14 simply isn't ours to regulate.

15 Q And what discussions has -- if you're aware or,
16 Mr. Tanaka, if you're aware, if any, what
17 discussions has CPA had with FINTRAC about this?
18 Do you know?

19 A (LL) I am not aware of any discussions that
20 we -- I certainly haven't been involved in any
21 discussions with FINTRAC. As probably you'll
22 hear tomorrow really the -- you know, CPA Canada
23 plays a key role in this national initiative for
24 us in terms of the reporting regime and the
25 requirements, the AML requirements, and has done

1 so from the early days. So there are various
2 initiatives that take place more nationally as
3 it covers the whole profession.

4 (ET) Mr. Davis, I'm not aware personally of
5 discussions, but on this point, I mean, we --
6 you know, to regulate, CPABC, we do not have
7 infinite resources, so, you know, in terms of
8 regulation, as I read this paragraph and as I
9 listen to the conversation, you know, it would
10 seem resource inefficient to duplicate a process
11 that FINTRAC has the mandate to and the
12 authority to oversee.

13 Q Thank you, Mr. Tanaka. And I'll direct this
14 question to both of you since you both engaged
15 and whoever or if both you want to respond
16 that's fine. I expect that the Commissioner is
17 going to hear evidence later this week from a
18 member of the BC Financial Services Authority,
19 and what I expect that he will testify to the
20 Commissioner is that the BCFSA works in tandem
21 with FINTRAC, and as part of that the BCFSA will
22 consider anti-money laundering compliance as
23 part of its bigger prudential risk sandbox, not
24 subsuming the role of FINTRAC but doing that
25 within its regulatory framework. Do you know if

1 that sort of idea is under consideration at all
2 by CPABC?

3 A (ET) Well, I mean, our mandate's -- we're driven
4 by the mandate that's within our *CPA Act*. If
5 the government saw fit to expand or change our
6 mandate, then we would work within our mandate
7 and do what we needed to do. I think you
8 asked -- I'm not personally, I personally don't
9 have knowledge of discussions about broadening
10 our mandate to subsume AML regulation.

11 Q And, Mr. Tanaka, one of the points that I was
12 going to ask that I think you've already
13 mentioned is what sort of capacity -- let's say
14 there were a change in mandate or that there
15 were additional responsibilities on CPABC's
16 regulator in this respect. Would CPABC
17 currently have capacity to perform that sort of
18 function? And I appreciate you can probably
19 only speak for your specific groups, although
20 I'd ask that you maybe both answer this question
21 if possible.

22 A (ET) Yeah, I mean, it would depend on the scope
23 of what we're talking about and the scope of the
24 mandate or expanded mandate. I mean, we
25 currently have the adequate resources to

1 regulate effectively within our mandate now. If
2 we're being asked to take on something new, you
3 know, every aspect of regulation has a resource
4 cost and, you know, we would have to assess it.
5 But depending on the scope we would likely need
6 more resources. And it's difficult to say
7 specifically without knowing the scope we're
8 talking about, but I would say expanding our
9 mandate we would need additional resources to
10 perform that.

11 Q And is that resources in terms of bodies or is
12 that resources in terms of computers,
13 technology? I appreciate you likely haven't
14 given an extreme amount of thought to it to a
15 hypothetical mandate, but what sorts of
16 resources would CPABC need to do that?

17 A (ET) Well, again depending on the scope we're
18 talking about, we may need human resources in
19 terms of the special expertise or background
20 knowledge. Depending on what's involved, we may
21 need additional technology resources if there's
22 an additional database required or requirements.
23 It depends. But of course to do either of
24 those, more HR resources or more technical
25 resources, it would require more money, and so

1 we would have to come up with the financial
2 means to support it.

3 Q Thank you. Ms. Liu, do you have anything to
4 comment from the public practice side?

5 A (LL) I would maybe add that we are -- as an
6 organization we are self-funded. We are funded
7 by our members as well as, you know, there is
8 this aspect of our professional development that
9 we also do. But we don't receive any external
10 funding from government or otherwise, so any
11 cost would have to be considered by -- it would
12 be an impact on our membership potentially as
13 well as the corresponding impact back in the
14 public to compensate the members in terms of the
15 services. There is that knock-on effect to the
16 public of the cost of the services that they're
17 having to pay for. Certainly within the
18 program, my -- if I was to consider the practice
19 review program, the expertise that exists
20 certainly is not in the area of forensics, that
21 we are -- the team that we have in place
22 conducting practice reviews, they are very
23 knowledgeable in terms of the assurance
24 standards and the accounting standards and
25 whatnot and that has been their focus. So the

1 skill set of the individuals that would be
2 needed would have to be contemplated to be able
3 to consider what type of scope when we get into
4 looking at actual if it were trying to actually
5 perform more of a forensic type investigation
6 possibly.

7 Q Is it fair to say, Ms. Liu, that from a staffing
8 and training perspective that that would
9 constitute a fairly significant shift in the way
10 that your team is currently structured and
11 trained? It sounds like you're describing, you
12 know, a pretty significant change in terms of
13 training and the work they might do.

14 A (LL) Yeah, I think probably what should be
15 considered is what is being asked. So, you
16 know, with any type of expansion in terms of
17 what we might do within the program we have to
18 consider the ability of our staff and our teams
19 that are doing it. Our team is very competent
20 in what they look at. There's specific training
21 and ongoing development that's required for them
22 to maintain their current roles, and depending
23 on what is asked there may be that need to
24 either determine whether the existing team would
25 be able to handle that level of knowledge,

1 whether that training would be there, or whether
2 it would be a different skill set of individual
3 that you would want to hire. So again without
4 knowing what type of expansion is contemplated,
5 it is hard to say whether the existing staffing
6 or complement of resources would be able to
7 support it, but any expansion of the program
8 would invariably be an increase in costs for the
9 program. We -- the program is, like I say,
10 funded by the practitioners.

11 Q Thank you. Ms. Liu, that's helpful. I'd like
12 to turn now to ask you both finally, my final
13 area of questioning is going to be about CPABC's
14 relationships with other anti-money laundering
15 regime stakeholders, and I'll defer to the two
16 of you to decide who's best suited to
17 answer these questions. But what can you tell
18 the Commissioner about how CPA Canada and CPABC
19 work together with respect to anti-money
20 laundering?

21 A (ET) Sorry, specifically related to anti-money
22 laundering?

23 Q Yes, correct, Mr. Tanaka.

24 A (ET) Well, as I mentioned, CPABC is a member of
25 CPA Canada, and so whether it's participating on

1 various national committees -- you listed some
2 at the beginning of our discussion today --
3 there's a lot of engagement between CPABC and
4 CPA Canada. You know, for example for me you
5 covered that, you know, I sit on a couple of
6 national committees related to my area. So, you
7 know, if it's related to the code of
8 professional conduct, for example, there's a lot
9 of work, coordination, collaboration between the
10 provinces and CPA Canada. So, you know, with
11 respect to AML specifically, I'm not directly
12 involved in most of the discussions, so I can't
13 speak knowledgeably about that to answer your
14 question. But in keeping with collaboration and
15 the close working relationship in all the other
16 areas, regulatory, for example, AML would be an
17 area also where there's close collaboration.

18 Q Ms. Liu, do you have any more firsthand insight
19 into that line of communication?

20 A (LL) I do not.

21 Q And then what about, Ms. Liu, maybe you can
22 speak about the degree to which CPABC might
23 interact with other accounting -- provincial
24 accounting regulators, for example, with respect
25 to rule of harmonization?

1 provincial regulators and I appreciate if you
2 can't answer, but to your knowledge do any of
3 the other provincial accounting regulators take
4 on a different whether it be less or more of a
5 role than does CPABC with respect to money
6 laundering?

7 A (LL) So maybe, Ted, I can speak to some -- one
8 element. In term of the practice inspection
9 certainly the other programs across the country
10 similarly do not look at AML as part of our
11 programs. We do have a harmonized inspection
12 program across the country.

13 Q Thank you. And, Mr. Tanaka, I don't know if you
14 have anything to add to that?

15 A (ET) Just, I mean, as I said, our codes of
16 professional conduct are largely harmonized, so
17 essentially the rules that I spoke to earlier
18 would be similar in other provinces, so they
19 would have similar mandates to BC.

20 Q Thank you. And on the information sharing, the
21 relationships note, to what extent has CPABC
22 entered into information sharing agreements or
23 memoranda of understanding with any of the other
24 anti-money laundering regime stakeholders? And
25 I'll just give you two examples, FINTRAC and the

1 RCMP.

2 A (ET) Sorry, are you asking about MOUs or --

3 Q Yes, MOUs. I mean, I'm wondering -- I figured
4 it would be better to ask generally rather than
5 specific. To what degree does CPABC have any
6 sort of agreements or memorandum of
7 understanding with any other anti-money
8 laundering regime stakeholders?

9 A (ET) Well, with respect to the RCMP they have a
10 group, I think the acronym's CIFA, C-I-F-A.
11 It's the Counter Illicit Finance Alliance
12 BC group. And so CPABC participates in that
13 group. We're an associate partner of that
14 group. So that's one example of our engagement
15 with other outside bodies.

16 Q To your understanding, Mr. Tanaka, are any of
17 those arrangements put into writing in the form
18 of a memoranda of understanding or any sort of
19 official agreement, or is it kind of informal --
20 not informal but membership as you've described?

21 A (ET) I'm not aware of an MOU per se. I
22 understand that our participation as an
23 associate member has been confirmed in writing.
24 I'm not involved in that so I can't say whether
25 that in writing is considered an MOU or not, but

1 it is confirmed in writing, our participation in
2 CIFA.

3 Q And, Ms. Liu, would you have anything to add to
4 that question -- that answer?

5 A (LL) Again, so similar to Ted I'm not intimately
6 aware of whether there is anything. I believe
7 we don't have an MOU, though.

8 MR. DAVIS: Okay. Thank you. And thank you,
9 Mr. Tanaka and Ms. Liu, for answering my
10 questions today. Mr. Commissioner, those are my
11 questions for these witnesses.

12 THE COMMISSIONER: Thank you, Mr. Davis. I'm now
13 calling Mr. Roche-Davis on behalf of
14 Transparency International Coalition who has
15 been allocated 15 minutes.

16 MR. RAUCH-DAVIS: Thank you, Mr. Commissioner.

17 Mr. Tanaka and Ms. Liu, can you hear me okay?

18 THE WITNESS: (LL) I can.

19 THE WITNESS: (ET) Yes.

20 MR. RAUCH-DAVIS: Okay. Thank you. I think, Ms.
21 Liu, first my questions are directed at
22 yourself.

23 **EXAMINATION BY MR. RAUCH-DAVIS:**

24 Q Under the *Proceeds of Crime (Money Laundering)*
25 and *Terrorist Financing Act* on June 30th, 2021,

1 of this year accountants will be required to
2 confirm the beneficial ownership of their
3 clients. Are you aware of that?

4 A (LL) I am not. When you say accountants are
5 required to confirm the beneficial ownership of
6 their clients ...

7 Q Yes.

8 A (LL) I -- that's -- I'm not aware.

9 Q Okay. So you're not aware that under FINTRAC
10 they'll have to ...

11 THE COMMISSIONER: Mr. Rauch-Davis, I think you have
12 frozen on us. I am not sure if you're able to
13 hear me. Ms. Matters, I wonder if -- are you
14 able to communicate with Mr. Rauch-Davis?

15 TECHNICAL SUPPORT: Yes, I am, Mr. Commissioner.
16 However, we need to stand down because his
17 connection has dropped.

18 THE COMMISSIONER: Thank you. We'll stand down for
19 five minutes.

20 THE REGISTRAR: The hearing is stood down for
21 five minutes until 12:22 p.m. Please mute your
22 mic and turn off your video. Thank you.

23 **(WITNESSES STOOD DOWN)**

24 **(PROCEEDINGS ADJOURNED AT 12:17 P.M.)**

25 **(PROCEEDINGS RECONVENED AT 12:22 P.M.)**

1 THE REGISTRAR: The hearing is now resumed,
2 Mr. Commissioner.

3 THE COMMISSIONER: Thank you, Madam Registrar.

4 **EDWARD TANAKA, a witness**
5 **for the commission,**
6 **recalled.**

7 **LISA LIU, a witness for**
8 **the commission,**
9 **recalled.**

10 MR. RAUCH-DAVIS: Thank you, Mr. Commissioner and
11 panelists and the witnesses. I apologize for
12 our unstable internet connection.

13 **EXAMINATION BY MR. RAUCH-DAVIS (continuing):**

14 Q So, Ms. Liu, I think in your evidence this
15 morning you mentioned that the CPABC is taking
16 steps to ensure that accountants do not
17 facilitate money laundering activities, and you
18 mentioned things like support and education and
19 continuing to provide information to their
20 members. Is there anything else or could you
21 possibly expand on that, on what other proactive
22 steps are being taken by CPABC to ensure that
23 accountants aren't involved in money laundering?

24 A (LL) Sorry. I think your connection, you cut
25 out a bit during that, so if you don't mind just

1 repeating that.

2 Q Sure. Can you hear me okay, Ms. Liu?

3 A (LL) I can. I think you just froze a little bit
4 again, but ...

5 Q I apologize. I'll try and make do with what I
6 have. I'm just wondering what -- and I think
7 you elaborated on this this morning -- or I
8 think you touched on it, but I'd like you to
9 elaborate on what steps CPABC takes to ensure
10 that accountants do not facilitate money
11 laundering activities.

12 A (LL) Yeah, I think from the perspective of our
13 general membership certainly as well as speaking
14 in terms of public practice more, we certainly
15 do attempt to provide as much information as we
16 can to assist our members in understanding their
17 obligations under the FINTRAC reporting
18 requirements. But what is important when you
19 say ensuring our members are not engaged in
20 money laundering, we have a very strong code of
21 professional conduct that, you know, I like to
22 say we all live by 24/7 and that is what guides
23 us in terms of not engaging in any illegal
24 activities or inappropriate activities.

25 Q Now, wouldn't you agree that the central role of

1 the accountant is to minimize tax exposure for
2 their clients?

3 A (LL) When you say the central role of an
4 accountant, our members provide a broad range of
5 services. Accounting or tax services are some
6 services that some of our members provide. Not
7 all of our members provide tax services. It's
8 important to understand actually there's a great
9 number of our membership that only provides
10 assurance services, for example, and doesn't do
11 anything with respect to tax.

12 Q For those that do, that's -- obviously it's to
13 limit the tax exposure for their clients,
14 corporate and personal clients; right?

15 A (LL) Certainly our members that provide tax
16 services much of them provide compliance
17 services, so they're working and filing taxes
18 within the tax act and they're expected to
19 comply with those requirements within the tax
20 act when they're filing or assisting their
21 clients in terms of whether it is preparation or
22 advice with respect to tax.

23 Q And part of that involves setting up trusts and
24 corporate structures to minimize the tax
25 exposure for clients; right?

1 A (LL) Well, our -- I think as indicated in our
2 actual response to Mr. McGuire's report, our
3 members are not -- setting up of trusts and
4 corporate entities would be considered to be the
5 practice of law and our members should not be
6 setting up trusts or corporate entities for
7 their clients.

8 Q Right. Not setting up -- perhaps my wording was
9 poor. But maintaining, advising clients to set
10 up or working in conjunction with legal
11 professionals to set up trusts and corporate
12 structures, isn't that fair?

13 A (LL) It is possible that our members, some of
14 our members might provide advice in respect to
15 setting up of trusts or corporate structures
16 from a tax planning perspective. Again, this is
17 all meant to be done within the -- all expected
18 to be done within the requirements of the *Income*
19 *Tax Act* and the legislation.

20 Q And are you aware that tax evasion is a
21 predicate offence to money laundering under the
22 *Criminal Code*?

23 A (LL) I'm not intimately familiar with the
24 *Criminal Code* or the tax legislation myself
25 because I don't -- I've never practised -- I

1 don't practise in tax.

2 Q I think I'm veering into questions that might be
3 better addressed to Mr. Tanaka.

4 A (LL) Sure.

5 Q So if he wants to chime in on that.

6 A (ET) Sorry, is your question am I aware that tax
7 evasion is illegal? Is that your question?

8 Q My question is are you aware that tax evasion is
9 a predicate offence to money laundering, the
10 offence of money laundering, under the *Criminal*
11 *Code*?

12 A (ET) I don't personally know that. I know that
13 tax evasion is illegal.

14 Q Okay. Mr. Tanaka, wouldn't you agree that
15 creating an offshore corporation in a tax haven
16 is a common way or a common structure to
17 minimize exposure to Canadian taxes, provincial
18 taxes?

19 A (ET) I can't comment on that. That's not my
20 area of expertise or knowledge.

21 Q Are you aware if it happens at all in BC or
22 Canada?

23 A (ET) At all generally? I can only speak for
24 professional accountants in BC. Unregulated
25 accountants, we have very little contact with

1 unregulated accountants, and I have no idea what
2 they do.

3 Q Are you aware if regulated accountants in BC set
4 up offshore tax havens as a way of minimizing
5 tax exposure?

6 A (ET) I don't know that. The area I'm involved
7 in is professional conduct and I'm not aware of
8 any case that we've had or complaint that we've
9 had that involves what you're referring to.

10 Q There's been no case in BC that involved an
11 offshore or a company offshoring management fees
12 or anything like that?

13 A (ET) For a CPA, regarding a CPA, not that I'm
14 aware of.

15 Q Nothing involving any of the big four tax firms?

16 A (ET) Well, again, my area, my team's role is
17 professional conduct, so we're not out there
18 looking into firms and their offices. We're
19 dealing with enforcing the standards of the code
20 and the bylaws and determining whether there's
21 unprofessional conduct or incompetency or -- so
22 I can't answer your question because I don't
23 know.

24 Q Isn't one aspect of the code to ensure that
25 members do not do anything to degrade the

1 profession or bring the profession into
2 disrepute? Something along those lines? I'm
3 paraphrasing here.

4 A (ET) Well, that's accurate. It's rule 201.
5 It's reputation of the profession, which is
6 also, you know, relates to professional
7 behaviour.

8 Q Right. And so if an accountant was setting up
9 an offshore company to avoid or evade taxes,
10 wouldn't that trigger that section of the CPA
11 code?

12 A (ET) It depends. I mean, it depends on the
13 facts. I mean, you have linked two things.
14 Setting up an offshore structure isn't
15 necessarily offside or illegal. You linked it
16 to then a conclusion that it's somehow, you
17 know, money laundering. It would depend on the
18 facts of the circumstance that came to our
19 attention.

20 Q What if the CPA set up a structure -- or not set
21 up because I understand from the evidence today
22 that you aren't involved in setting up a
23 structure, but facilitated a structure that sent
24 management fees to Seychelles, the Cayman
25 Islands? Would the accountant under the CPA

1 guidelines be required to ensure that those
2 management fees were properly incurred as in
3 that management services were provided for those
4 fees?

5 A (ET) Again, it's difficult for me to say. It
6 depends on the extent of their engagement, their
7 involvement.

8 MR. RAUCH-DAVIS: Okay. Thank you. Those are my
9 questions.

10 THE COMMISSIONER: Thank you, Mr. Rauch-Davis. Now,
11 Mr. Soltan on behalf of the Chartered
12 Professional Accountants of BC re-examination of
13 Mr. Tanaka.

14 MR. SOLTAN: Thank you, Mr. Commissioner.

15 **EXAMINATION BY MR. SOLTAN:**

16 Q Good afternoon, Mr. Tanaka.

17 A (ET) Hello.

18 Q I just wanted to clarify one aspect of your
19 qualifications. My friend covered the fact that
20 you had previously practised law in
21 British Columbia. But are you a member of the
22 bar of British Columbia?

23 A (ET) Yes. I have been since 1991.

24 Q Thank you. Mr. Commissioner, I now want to show
25 the witness a document that was circulated by

1 CPABC on January 7th of 2021 which was a comment
2 in response to Mr. McGuire's report, and I
3 wonder if Madam Registrar could put that on the
4 screen.

5 Mr. Tanaka, are you familiar with this
6 document?

7 A (ET) Yes.

8 Q Would you be prepared to adopt the responses
9 that have been made by CPABC in this document as
10 your own evidence?

11 A (ET) Yes, I would.

12 MR. SOLTAN: May that be marked as the next exhibit,
13 please.

14 THE COMMISSIONER: 402.

15 THE REGISTRAR: Mr. Commissioner, it's 403.

16 THE COMMISSIONER: I'm sorry, 403.

17 **EXHIBIT 403: CPABC Review of McGuire Report on**
18 **Accountants - Jan 7, 2021**

19 MR. SOLTAN:

20 Q And I now want to direct your attention to
21 exhibit 394, footnote 18. It's on page 24,
22 Madam Registrar. If I could ask you to read
23 that, Mr. Tanaka, footnote 18.

24 A (ET) Okay.

25 Q I understood Mr. McGuire's evidence to imply

1 that the fraud case referenced in this footnote
2 may have involved money laundering. Are you
3 able to comment on that?

4 A (ET) Yes. Well, I mean, looking at this list in
5 the footnote it's really an inventory of the
6 topics of cases that have been published on our
7 website and, you know, without understanding
8 what he was specifically or what case he was
9 specifically referring to, it's difficult to
10 know what he means. But, you know, fraud, like
11 it says "fraud against employer/firm." Well,
12 there could be fraud that's not necessarily
13 money laundering. For example, we had a case
14 where, and this is probably the case he's
15 referring to. We had a case where a member
16 committed fraud against their employer. They
17 falsified their own vacation records to get more
18 vacation pay. That had no indication of
19 involving money laundering activity, yet, you
20 know, it is fraud. It's important to note,
21 actually, that that member is no longer a member
22 of CPABC.

23 Q Thank you. In Ms. Liu's evidence she referenced
24 the core mandate of CPABC as being the
25 protection of the public. Where does this come

1 from?

2 A (ET) Well, it's interesting. It's not actually
3 spelled out in those words in our legislation.
4 It's an inherent -- it's actually been
5 recognized by the courts as the transcendent
6 purpose of CPABC, and we regulate in that
7 fashion, that is our paramount object or mandate
8 is protection of the public.

9 Q Is that limited to the area that you're in, that
10 mandate?

11 A (ET) Sorry. You're a little bit echoey. Is
12 that limited to ...

13 Q Is that mandate or that transcendent purpose, to
14 use your words, is that limited to the area that
15 you are involved in overseeing?

16 A (ET) No, it's for the whole organization.

17 MR. SOLTAN: Thank you, Mr. Commissioner. Those are
18 my questions.

19 THE COMMISSIONER: Thank you, Mr. Soltan. And now,
20 Mr. Herbert on behalf of the Chartered
21 Professional Accountants of BC, re-examination
22 of Ms. Liu.

23 MR. HERBERT: Thank you very much, Mr. Commissioner.
24 I'm using a common microphone with Mr. Soltan.
25 Is the Commissioner able to hear me?

1 THE COMMISSIONER: I can hear you.

2 MR. HERBERT: Very good.

3 THE COMMISSIONER: I cannot see you, however.

4 MR. HERBERT: Perhaps ...

5 MR. DAVIS: Mr. Commissioner, I'm able to see

6 Mr. Herbert on my end.

7 THE COMMISSIONER: Okay.

8 MR. HERBERT: Allan, if you turn off your microphone,

9 I'll turn on mine.

10 THE COMMISSIONER: I'm unable to hear you now.

11 MR. DAVIS: Mr. Commissioner, if I might, I believe

12 the reason you're not seeing Mr. Herbert is

13 because his sound is coming through Mr. Soltan's

14 speaker. So if you're able you might want to

15 right click on Mr. Herbert's picture, pin it to

16 your computer so you see it at all times, and

17 then it doesn't matter through what computer the

18 sound is coming from.

19 THE COMMISSIONER: I've got it. Thank you.

20 MR. DAVIS: Thank you.

21 MR. HERBERT: Thank you. May I proceed?

22 THE COMMISSIONER: Yes, please do.

23 MR. HERBERT: Thank you very much, Mr. Commissioner.

24 **EXAMINATION BY MR. HERBERT:**

25 Q Ms. Liu, I'm going to ask you first about

1 briefly to -- if I could ask Madam Registrar to
2 please pull up again exhibit 403.

3 Ms. Liu, this document was just entered into
4 evidence and as CPABC's response to
5 Mr. McGuire's report. Are you also familiar
6 with the content of this document?

7 A (LL) I am.

8 Q And you reviewed it?

9 A (LL) I have.

10 Q Do you adopt CPABC's responses as your own
11 evidence?

12 A (LL) Yes, I do.

13 MR. HERBERT: Thank you. That document can be
14 removed.

15 Q I have a few brief questions for you. First of
16 all, Ms. Liu, are you please able to clarify the
17 difference between public practice services that
18 are subject to licensing requirements and the
19 extent of CPABC's regulatory authority over the
20 full range of services provided by members?

21 A (LL) Sure. As I believe indicated in our
22 overview document or the overview document, the
23 services in which we licence or register firms
24 for are noted within our bylaws and include
25 audits, reviews, compilation. Those are the

1 services that are considered the professional
2 accounting services as well as other regulated
3 services which are again also licenceable. And
4 those encompass tax as well as other related --
5 other services such as forensics and some other
6 engagements as well.

7 So the difference being that those services
8 are licenceable by our members and they require
9 professional liability insurance as well as that
10 may be subject to the practice review program.
11 As opposed to, I guess, in terms of services
12 that are the oversight, the extent of our
13 oversight, though, certainly does encompass all
14 services that our members might engage in. Our
15 oversight and regulation is certainly not
16 limited to just those services which are
17 considered licenceable.

18 Q Thank you. And with respect to CPABC's code of
19 professional conduct, can you clarify are there
20 some provisions of the code that apply
21 specifically to audit and assurance services?

22 A (LL) Certainly what comes off the top of my head
23 is rule 204, which is the areas of independence.
24 Those are areas that rule 204 specifically
25 references into the performance of auditor

1 review engagements and the requirement for
2 independence in those types of engagements.
3 Rule 401 governs firm names, for example, and
4 there might be other rules that are also
5 directly applicable.

6 Q And apart from the rules that apply specifically
7 to audit and assurance, would the other
8 provisions apply generally to all members and
9 firms regardless of what services they're
10 performing?

11 A (LL) Absolutely. All of our rules apply to all
12 of our members, and as I mentioned earlier, it
13 is really who we are, CPA's 24/7, and those
14 rules we're expected to comply with always.

15 Q Ms. Liu, during your earlier testimony my friend
16 Mr. Davis was asking you about various current
17 course descriptions which were contained in
18 exhibit number 399. Do you recall that?

19 A (LL) I do.

20 Q And I believe either you or Mr. Tanaka mentioned
21 that there was another list of courses?

22 A (LL) That is right. I believe it's as an
23 appendix as part of our overview document.

24 MR. HERBERT: Can I ask, please, that Madam Registrar
25 pull up exhibit 391, the accounting sector

1 overview report and appendix F. And if you
2 could please turn to the next page.

3 Q Ms. Liu, is this the list that you were
4 referring to?

5 A (LL) That is.

6 Q And this list of courses, it appears to go back
7 to 2017; is that correct?

8 A (LL) That is correct.

9 Q And does it cover any courses that were provided
10 by CPABC or by CPA Canada before 2017?

11 A (LL) No, it does not. I believe this list was
12 comprised of simply the courses that were
13 provided in the last three years.

14 Q Thank you.

15 Madam Registrar, that document can be
16 removed.

17 I just have a few more questions for you
18 with respect to anti-money laundering compliance
19 and practice reviews, which was also a subject
20 of questioning by Mr. Davis.

21 Ms. Liu, could you provide just some
22 additional general background about the practice
23 review program. Who is it that conducts the
24 practice reviews on behalf of CPABC?

25 A (LL) The practice reviews are conducted by

1 either our staff practice review officers or our
2 associate directors, or our 12 contract practice
3 review officers, all of which are CPAs. On
4 occasion our director of practice review may be
5 involved as well in some of the practice
6 reviews.

7 Q And apart from the fact that they're all CPAs,
8 the staff and contractors who are conducting
9 practice reviews, what, if any, other training
10 do they have?

11 A (LL) They are all -- upon onboarding or bringing
12 on a new reviewer, we do conduct extensive
13 training around how we conduct practice reviews,
14 so how we assess firms in terms of their
15 compliance with professional standards as well
16 as how we evaluate them and what type of
17 remedial consequences may be recommended in the
18 case where they are not meeting standards or not
19 applying all the standards of the profession.
20 Certainly when we hire our inspection
21 inspectors, practice review officers, they come
22 with a great deal of technical knowledge around
23 these standards, so the assurance standards as
24 well as the accounting standards. So that is --
25 there is certainly ongoing training and that

1 needs to be taken in order to ensure they are
2 able to maintain that level of technical
3 knowledge because our accounting standards are
4 constantly changing and evolving.

5 Q Thank you. And when you refer to accounting
6 standards, what standards are firms and members
7 evaluated against in practice reviews?

8 A (LL) They are the CPA Canada handbook standards.
9 So when I speak of accounting standards
10 specifically, they will be, for example, what
11 you would consider to be IFRS, so International
12 Financial Reporting Standards, accounting
13 standards for private enterprises, not for
14 profit standards, but of course there's also the
15 standards around accounting or assurance. So
16 performing an audit engagement. So they are
17 called our Canadian auditing standards or the
18 standards around review engagements.

19 Q Do those standards include the expectation for
20 an audit engagement to ask whether clients
21 comply with all laws and regulations?

22 A (LL) There is, both for audit and review
23 engagements.

24 Q And so in that context may -- I think you
25 mentioned earlier that audit -- that practice

1 reviews are not generally concerned with AML
2 compliance. However, could AML compliance
3 issues arise in the context of a client's
4 compliance with all laws and regulations?

5 A It certainly could.

6 Q And then just a few more questions. To be
7 clear, the practice review program would not
8 give CPABC any authority to conduct practice
9 reviews of unregulated accountants or their
10 firms; is that correct?

11 A (LL) That is correct.

12 Q And so if there were any concerns about
13 potential involvement of unregulated accountants
14 and money laundering, would you agree that that
15 might be addressed by FINTRAC if FINTRAC's
16 governing legislation were amended?

17 A (LL) I would agree with that.

18 Q But regardless of any amendments that could be
19 made to FINTRAC's legislation you would agree
20 with me that CPABC would have no authority
21 through its own practice review process to
22 address any potential concerns with unregulated
23 accountants?

24 A (LL) That is correct. We only regulate our own
25 members.

1 MR. HERBERT: Thank you. Those are my questions.

2 THE COMMISSIONER: Thank you, Mr. Herbert.

3 Mr. Soltan, I will treat you as a partner of

4 Mr. Herbert's for purposes of re-examination.

5 I'll skip to Mr. Rauch-Davis. Do you have any

6 re-examination?

7 MR. RAUCH-DAVIS: Nothing further, thank you

8 Mr. Commissioner.

9 THE COMMISSIONER: Mr. Davis?

10 MR. DAVIS: Nothing arising, thank you

11 Mr. Commissioner.

12 THE COMMISSIONER: Thank you, Ms. Liu and Mr. Tanaka.

13 Very appreciative of the time you've taken to

14 introduce the commission to the British Columbia

15 chartered professional accountants. It's been a

16 very interesting journey into your governance of

17 that profession. So I am grateful for the time

18 you've taken with us. We will now adjourn I

19 think until tomorrow morning at 9:30, Mr. Davis.

20 MR. DAVIS: That's right, Mr. Commissioner.

21 THE COMMISSIONER: Thank you.

22 THE REGISTRAR: The hearing is adjourned until

23 January 13, 2021 at 9:30 a.m.

24 **(WITNESSES STOOD DOWN)**

25 **(PROCEEDINGS ADJOURNED AT 12:50 P.M. TO JANUARY 13, 2021)**