

# Government of Canada Consultation on a Public Beneficial Ownership Registry

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APRIL 30, 2020



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# INTRODUCTION

The Chartered Professional Accountants of British Columbia (CPABC) welcomes the opportunity to share its perspective on a public beneficial ownership registry with Innovation, Science and Economic Development Canada and the Department of Finance Canada.

CPABC is the training, governing, and regulatory body for more than 37,000 CPA members and 5,000 CPA candidates and students.

CPABC carries out its primary mission to protect the public by enforcing the highest professional and ethical standards and contributing to the advancement of public policy.

CPAs are recognized internationally for bringing superior financial expertise, strategic thinking, business insight, and leadership to organizations.

Money laundering is a problem across Canada. CPABC strongly supports greater corporate transparency as a means to combat money laundering and other financial crimes. The effects of money laundering, terrorist financing, and tax evasion are widespread and they require strong provincial and national action.

We also believe, however, that we must take a measured approach to mitigate possible negative impacts of greater transparency.

## In implementing the beneficial ownership register, CPABC recommends:

1. Ensuring the registry is as consistent in its requirements as possible with all other registries (provincial/territorial) to minimize the compliance burden;
2. Examining potential safeguards, such as the use of unique identifiers, to protect private information on a public registry; and
3. Creating a registry that relies on technology to make compliance as easy as possible and to ensure that information it contains is as accurate as possible.

***“Almost without fail, anonymous shell companies appear at the center of major cases of corruption, money laundering and tax evasion.”***

Transparency International Secretariat  
*Reliance on Information from Banks hindering Corruption and Money Laundering Investigations*

# PUBLIC BENEFICIAL OWNERSHIP: CANADIAN CONTEXT

Around the world, lessons are being learned as countries implement beneficial ownership registries and best practices are still developing. There is a wide spectrum of options available for level of access granted to the registry.

At one end, individual companies maintain their own registers of beneficial owners and make it available for inspection to law enforcement and other defined authorities (as will be the case in BC on May 1, 2020). At the other end of the spectrum, the government maintains a registry that is open and searchable by the public.

While CPABC values corporate transparency, it also recognizes the need to balance this with privacy. To find that balance, in the short-term a government-maintained registry is desirable, followed by a slow roll out to a publically accessible registry.

A central registry available to government, law enforcement, and other defined authorities would provide access to information necessary to combat money laundering while minimizing the potential risks to personal and corporate privacy.

Once the central registry is established and necessary security and privacy concerns are addressed, the registry may then work towards opening to the public. This tiered approach, we submit, meets the desired law enforcement goals while ensuring greater transparency does not come at the expense of privacy.

## ***Impact on Corporate Operations***

International experience suggest that the cost of a beneficial ownership register and registry compliance depends largely on jurisdictional requirements, business size, and complexity of structure.

For example, the UK Department for Business, Energy and Industrial Strategy (BEIS) completed a detailed post-implementation review in March 2019 where it specifically examined the costs associated with UK companies' use of the People with Significant Control (PSC) Register.<sup>1</sup> While the costs of submission to the PSC Register appear minimal, the costs incurred by companies to comply with the Register were found to vary depending on the company's size and complexity.

In Canada, we submit that unless a consistent approach is taken across the country regarding beneficial ownership information requirements, a patchwork quilt of requirements will emerge. This could lead to a lack of comparability, hurting transparency, and increase business costs for compliance. In order to minimize these impacts, consistency across jurisdictions in Canada should be a high priority. Consistency of terms, definitions, interpretations, and policies is important to the functioning of the anti-money laundering and terrorist financing (AMLTF) regime and any registry or registries.

For those who have to comply, those who have to enforce, and those who have to verify beneficial ownership in the regime, it is very important that consistency be prioritized throughout Canada.

<sup>1</sup> Department for Business, Energy & Industrial Strategy, *Review of the implementation of the PSC Register*, BEIS Research Paper No. 2019/005, March 2019.

***Protection of Personal Information***

The safety of individuals should be a key consideration while developing the registry. There are potential risks in any open public registry for the loss of privacy (personal and business), identity theft, harassment, safety, and security.

An openly public registry inevitably introduces new risks associated with new disclosures. It is important to mitigate those risks where possible.

It is evident that not all those using the register will need full access to the information. Therefore, tiered access would allow for discernment of what information needs to be disclosed to achieve the objectives of the registry.

Further, by erring on the side of individual privacy, it will not negate the possibility of more information being accessible in the future, as the registry may be designed to evolve over time.

Although making certain types of data available to some parties and not others requires presumed additional costs for data security, this cost is warranted to avoid negatively impacting the privacy of individuals.

# FEATURES OF AN EFFECTIVE PUBLIC REGISTRY

## *Privacy and Security*

There are a number of features of an effective public registry that enhance and ensure the safety and security for those listed.

These include, though are not limited to:

### *Unique Identifiers*

The use of unique identifiers may reduce the unique personal information visible to certain users of the registry, thereby reducing risk to a beneficial owner. It is important we carefully consider the degree and type of information that is made available for public access to allow the registry to function and meet its objectives.

For example, if a unique identifier removes the need for any date of birth details, then this may reduce risks for beneficial owners, the registry can function, and its objectives can be met.

One option would be for the register to allocate unique identifiers to individuals at the time of their first registration. The unique identifier would allow the registry to link records where individuals are beneficial owners of more than one company and assist users accessing the data to match records.

We suggest that this unique identifier should be unique to the registry and not a piece of personal data, such as their SIN or passport number.

### *Embracing Technology*

To streamline the compliance process, technology should be embraced to minimize the time and effort of companies to input and update data. The digitalization of information flows between businesses and registries appear to hold great promise.

In addition, the use of drop-down menus and unique identifiers for individuals have been noted by other jurisdictions as assisting with increased accuracy.

For example, the Jersey Financial Services Commission uses Application Programming Interfaces (APIs) to enable reporting companies to export their beneficial ownership information to the central register.<sup>2</sup>

### *Flexible Exemption Policy*

Exemptions should be possible and there should be flexibility as to the need and nature. The risks that beneficial owners and/or their families face may be extremely varied.

Their risks may have nothing to do with a private company, but a beneficial ownership registry can become a new access point to previously undisclosed information, such as principal residence location. Timely consideration by government of exemption applications as they arise will be important.

### *Notification System*

In Norway, they have developed a model where an automatic notification system that would notify an individual when and who consulted their file.<sup>3</sup> The Norwegian model may be difficult given the likely size and complexity of a Canadian registry. However, a system like the one used by the City of Quebec's assessment portal may provide some additional security. To access the City's assessment portal, an individual must identify the reason for which they are making the search request. By adding such a step, it may dissuade possible abuse of the search portal.<sup>4</sup>

<sup>2</sup> Digital Jersey, "Jersey Develops RegTech Solution to Support Fight Against Financial Crime", July 5, 2017. See also: <https://www.jerseyfsc.org/media/3334/ppt-registry-programme-work-presentation-6feb2020.pdf>

<sup>3</sup> The Norwegian Tax Administration (NTA) allows the public to search the tax lists, however, logs are kept of who performs searches in the lists. The NTA determined that by creating a log they are able to limit the amount of information an individual can view and also make available information about who searched who. See: <https://www.skatteetaten.no/en/forms/search-the-tax-lists/>

<sup>4</sup> See: [https://www.ville.quebec.qc.ca/citoyens/taxes\\_evaluation/evaluation\\_fonciere/form\\_demande\\_informations.aspx](https://www.ville.quebec.qc.ca/citoyens/taxes_evaluation/evaluation_fonciere/form_demande_informations.aspx)

### ***Compliance and Enforcement***

The usefulness of the registry for all users is directly correlated with the credibility of the information that it contains. To ensure accuracy, the government will play a significant role in verifying the integrity of the registry's data.

Other jurisdictions where transparency registries already exist, such as the UK, provide insight into what actions and elements would assist in enhancing the credibility of the information on the registry.

These include:

- The use of unique identifiers for each entity and beneficial owner should be part of the registry from the outset;
- Proof of identification is to be obtained;
- Government must both react to information it receives about inaccuracies in the registry and it must also seek them out efficiently using risk analysis and technology; and
- Reporting entities in the regime that must verify beneficial ownership should be able to contribute to its accuracy by reporting discrepancies or inaccuracies.

As noted above, a register is only as useful as the credibility of the information. To ensure compliance and accuracy, enforcement options must be available to the government. We submit that in order to be consistent with the importance of the information and the reasons for creating the registry, the range of sanctions available must serve to deter and penalize where warranted.

Sanctions provisions should provide a range to effectively and appropriately respond to the variety of circumstances which can be anticipated for non-compliance. The range of sanctions available should be flexible enough to be reasonable for situations of incapacitation and honest mistakes, but severe enough to be dissuasive for those with criminal intent.



## CONCLUSION

There is no doubt that money laundering and other financial crimes are a significant problem in Canada. CPABC strongly supports efforts by the provincial, territorial and federal governments to implement new initiatives to combat these dangerous activities.

Further, we believe that efforts to move towards greater transparency are important and necessary. However, these actions must be taken in a balanced way to protect the privacy and safety of Canadians and minimize the administrative impact on corporations.

# ABOUT THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BRITISH COLUMBIA

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