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Chair

Mr. James Rajotte

Standing Committee on Finance

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● (0850)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is meeting number 74 of the Standing Committee on Finance. We are resuming our study on terrorist financing in Canada and abroad.

● (0855)

First of all, we have with us from the Royal Canadian Mounted Police the director of Financial Crime, Mr. Stéphane Bonin.

[*Translation*]

Welcome to the committee.

[*English*]

From the Canadian Security Intelligence Service, we have the assistant director of intelligence, Mr. Michael Peirce. Welcome to you as well, sir.

From the Canada Revenue Agency, we have the assistant commissioner, Mr. Rick Stewart, and the director general, Ms. Cathy Hawara. Welcome back to the committee; it's good to see you two again.

We will start with the RCMP for your presentation and we'll go down the list.

Superintendent Stéphane Bonin (Director, Financial Crime, Royal Canadian Mounted Police): Good morning, Mr. Chair and members of the committee.

I am Superintendent Stéphane Bonin, director of financial crime with the RCMP federal policing criminal operation.

[*Translation*]

Thank you for the opportunity to come speak to you today on the issue of terrorism financing, and more specifically, the Royal Canadian Mounted Police's response to address this threat.

[*English*]

Since the attacks of October 22, the threat of terrorism has been the focus of renewed debate and attention. Those attacks highlighted how the threat is changing in Canada, shifting from sophisticated foreign-supported plots to the unpredictable actions of individuals radicalized to violence aiming to travel abroad to conduct terrorist activities or engage in domestic attacks here at home.

This new threat presents a significant challenge to law enforcement, as there are few common paths to radicalization to violence, and often little to no warning of their pending move to acts of

terrorism; hence, we face a threat where law enforcement has limited information, or little to no time to intervene to prevent terrorist activity. That is why the RCMP has mobilized every capacity at our disposal to address this threat, including reassigning over 600 additional officers to the RCMP-led integrated national security enforcement teams, and implementing an unprecedented level of interdepartmental cooperation through the national security joint operation centre.

However, our investigations are not limited to those committing violence, but also focus on those who are facilitating or financing these actions. The threat of terrorism goes beyond the undertaking of the actual attacks, and not everyone involved in terrorist organizations directly perpetrates violence. Terrorists, regardless of the scope of their efforts, depend on financial and material support to operate. Disrupting this activity directly impacts on an individual's ability to conduct acts of terrorism.

In Canada and around the world, individuals or groups raise funds for terrorist groups at home and abroad through the use of traditional criminal activity such as extortion, fraud, or theft, or under the guise of offering assistance to those in need through illegitimate charities. However, the scope and nature of terrorism financing is shifting along with the threat environment.

While the large-scale financing operations by terrorist organizations remain a persistent threat, we are also seeing new small-scale terrorist financing activity in light of the high-risk traveller phenomenon. These individuals are self-financing, including raising money themselves to travel abroad, or in some cases to gather inexpensive materials for domestic attacks.

[*Translation*]

That is why investigating and disrupting terrorism financing activities in Canada is a key component of the RCMP's overall response to the threat of terrorism. Our goals are to prevent and disrupt terrorist activity using every tool at our disposal, from laying terrorism-related charges or using other provisions under the Criminal Code of Canada to disrupt the activity and proceed with successful prosecutions.

We also work in partnership with our counterparts across the Government of Canada, including the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), the Canadian Security and Intelligence Service (CSIS) and the Canada Revenue Agency (CRA) to achieve our goals.

[*English*]

This close collaboration also leads to effective ways of disrupting terrorism financing using a whole-of-government approach. For instance, in 2014 the Government of Canada successfully listed the International Relief Fund for the Afflicted and Needy, IRFAN Canada, as a terrorist entity. This is an organization which had transferred approximately \$14.6 million worth of resources to various organizations with links to Hamas. Listing IRFAN prevented their financing activities from continuing and provided the RCMP with the ability to seize and retain property associated with this organization.

This is a clear example of the various arms of government working together as partners to disrupt terrorism financing in Canada. Terrorist financing does not occur in isolation from illegal international financial activity like the worldwide illicit transfer of funds. We recognize this and we are leveraging all this financial integrity expertise and tools to address this formidable threat.

We are also working with our international partners to identify and spot terrorism so we can work together to ensure we adapt to emerging terrorism financing trends. Unfortunately, there is no sign of the current terrorist threat abating. As we address this threat, we must remember that providing financial support or facilitating the travel of individuals who have the intention of committing terrorist activities is a crime. It remains a significant priority for the RCMP and all partners across the Government of Canada.

We will continue to actively investigate terrorism financing with a goal of disrupting their wider terrorism support activities to make it more difficult for radicalized individuals to travel abroad or to commit acts of terror at home or abroad.

[*Translation*]

I am pleased to answer any questions the members of the committee may have.

Thank you.

The Chair: Thank you very much for your presentation.

[*English*]

Next we'll hear from Mr. Peirce, please.

Mr. Michael Peirce (Assistant Director Intelligence, Canadian Security Intelligence Service): Good morning, Mr. Chair and members of the committee.

I'm pleased to be here today to discuss the financing of terrorism and CSIS's role as a partner in Canada's efforts to counter financing of terrorism.

[*Translation*]

I would like to begin today by giving members a brief overview of the mandate of the Canadian Security Intelligence Service. As members will know, everything CSIS does is rooted in its mandate, which is clearly articulated in the CSIS Act. Through our national security mandate, we are authorized to collect and analyze information on threats to the security of Canada, which, for the purpose of our investigations, are defined in the act and, of course, include terrorism. This investigative function is complemented by

our mandate to advise government; the information we collect is only useful to the extent that it is assessed and shared.

[*English*]

Certainly, in today's world of instant transactions and online banking, financial intelligence continues to be an important component of our investigation. Piecing together the financial trail of those engaged in threat related activity is an essential element in protecting Canada and Canadians.

The service leverages financial intelligence as part of its all-source collection to inform national security investigations from a variety of partners and has a unit dedicated to financial intelligence. This unit is specifically mandated to assist our operational branches with the interpretation and analysis of financial intelligence lawfully collected in the conduct of our investigations.

Financial intelligence can be useful in generating investigative leads, surfacing suspicious activity carried out by those under investigation, or contributing to the overall analysis of threat related activity. CSIS also works closely with government partners who disclose information relevant to the service's investigations. Our most important partner in this regard is FINTRAC, which is authorized to proactively provide intelligence to CSIS if it is determined that it could be relevant to a service investigation of a threat to national security.

[*Translation*]

Being able to follow the money is a vital component to intelligence operations and CSIS benefits from this level of information sharing. That said, unlike FINTRAC specifically investigating terrorist financing, we are interested in terrorist financing as a tool that facilitates terrorist activities.

[*English*]

In addition to our investigative functions, the CSIS Act authorizes CSIS to advise government of threats to Canada. One important tool in this regard is the production of intelligence assessments and reports, which are disseminated to our partners across the Government of Canada. These assessments enhance the government's situational awareness and understanding of threats in foreign policy discussions, support decision makers responsible for administering and enforcing Canadian law, and identify emerging issues and trends in the global threat landscape.

Of note, this information may be shared with our anti-terrorist financing partners, including FINTRAC, the Canadian Border Services Agency, the Canada Revenue Agency, and the RCMP to further their own investigations and pursue possible enforcement measures where appropriate.

CSIS, on the other hand, has no mandate to enforce the laws concerning financing and terrorism. We have well established mechanisms though to share operational information and to deconflict with our partners.

•(0900)

[*Translation*]

Terrorist groups raise funds in a variety of ways; they move money using a variety of financial sectors, take advantage of increasingly complex and sophisticated global financial systems, including online financial systems, and receive funds from individual donors.

[*English*]

ISIL, for example, funds its operations through a variety of activities in Syria and Iraq, such as selling black market oil, taking over banks, extortion, kidnapping, taxing economic activity in their areas of control, and smuggling. ISIL also receives funds from individual donors. These diverse fundraising methods and complex financing networks pose particular challenges when investigating terrorist financing and enforcing related laws.

[*Translation*]

Government agencies, including CSIS, must be able to keep up with this dynamic environment to ensure that Canadian interests and safety are protected.

[*English*]

I thank the honourable members for their time today.

We'll endeavour to provide answers to any questions that you may have.

The Chair: Thank you very much for your presentation.

We'll now hear from the CRA, please.

Mr. Rick Stewart (Assistant Commissioner, Legislative Policy and Regulatory Affairs Branch, Canada Revenue Agency): Good morning, Mr. Chair, and committee members.

Thank you all for the invitation to appear before you today.

We're here to discuss the CRA's role in combatting terrorist financing as part of the government's anti-money laundering and anti-terrorist financing regime. As a member of the regime the CRA's responsibilities in this area are threefold.

[*Translation*]

First, as the federal regulator of charities, the CRA protects the charity registration system from terrorist abuse. Second, it participates in the sharing of information with regime partners, as authorized by legislation, in support of the detection and suppression of terrorist financing activities at the domestic level. And third, it assists Canada in meeting its international commitments related to countering terrorist financing.

I will address each role in more detail.

The Charities Directorate is responsible for ensuring that over 86,000 registered charities meet the legislative requirements for obtaining and maintaining charitable registration. This ensures that the benefits of charitable registration are made available only to organizations that operate exclusively for charitable purposes and that charitable funds and services reach intended, legitimate beneficiaries. The Charities Directorate does this through a balanced program of education, service, and responsible enforcement.

[*English*]

The risk of terrorist exploitation of the non-profit and charitable sector has been recognized by the international community since the late 1990s. Since that time, the CRA has taken steps to protect the charity registration system in Canada from being abused by individuals or groups with links to terrorists. With the passage of the Anti-terrorism Act in 2001, the CRA became a partner in the regime.

The charities directorate formally established the review and analysis division in 2003 to deliver CRA's mandate and responsibilities under the Anti-terrorism Act. Unlike the charities directorate's general functions, which are aimed at protecting the Canadian tax base, the review and analysis division focuses specifically on protecting the integrity of the charity registration system against the threat of terrorism. This is an administrative role that does not involve criminal investigations.

The review and analysis division's operational activities can be divided into four areas: applications, leads, audits and monitoring, and information sharing.

First, the division reviews all applications for registration as a charity to determine the presence and level of terrorist financing risk. Approximately one percent of applications are deemed to be of high risk and undergo a detailed review by the division. Depending on the findings of the detailed review, the CRA may deny registration.

•(0905)

[*Translation*]

Second, the division also receives and processes leads related to the national security of Canada. These come from a variety of external sources, including the media, classified intelligence, and the public. In addition, leads are developed internally through our review of interrelated files and annual reporting by charities.

Third, the division audits registered charities based on the potential risk of terrorist financing abuse that is posed to the charitable sector and Canadian society as a whole. This is done through the implementation of a risk-based approach.

In conducting this work, the division must work to ensure that its assessment of risk does not disrupt or discourage legitimate charitable activities. The complexity involved in maintaining this balance requires a team of subject matter experts with a range of experience in national security issues, terrorist financing, geopolitics, and charity law.

And fourth, information sharing is vital to the division's operations and occurs across all of its functions. The CRA, through the Review and Analysis Division, has the authority, under current legislation, to share certain information related to charities, with the RCMP, CSIS and FINTRAC when it is relevant to their respective national security mandates. In turn, information from national security partners is used in assessing the level of risk posed by applicant or registered charities.

[*English*]

Due to the global nature of terrorist financing, the CRA's efforts at home can have significant impacts internationally. The division's knowledge and expertise on protecting the charity registration system from terrorist abuse have allowed Canada to emerge as a leader in this particular area within the international community.

As a regime member, the CRA plays a role in fulfilling Canada's international commitments to fight terrorist financing. This is done, among other things, through compliance with international standards set by the Financial Action Task Force, FATF. While Finance Canada coordinates Canada's relationship with the FATF, it relies on other government departments and agencies as subject matter experts to participate in FATF meetings and projects. Most notably, the CRA co-led a FATF typologies project, which involved analyzing case studies from a number of countries to identify vulnerability and risk within the non-profit and charitable sector. The resulting report, entitled "Risk of Terrorist Abuse in Non-Profit Organizations", was published in June 2014. The CRA is currently co-leading a review of the FATF best practices paper on combatting the abuse of non-profit organizations, which will aid countries in responding more effectively to terrorist financing abuse in the charitable sector. In Canada's case, the CRA will use the best practices paper to enhance the measures already taken to educate charities about the risks associated with terrorist financing.

In addition, since January 2011, the CRA has participated as a subject matter expert in an international capacity-building initiative

under the auspices of the United Nations Counter-Terrorism Committee Executive Directorate. The initiative, the first segment of which was sponsored by the Department of Foreign Affairs, Trade and Development, is aimed at raising awareness around the world of the risks of terrorist abuse to the non-profit and charitable sector, and strengthening compliance with the FATF's recommendations in this area.

In conclusion, the CRA contributes to the government's efforts to combat terrorist financing by protecting the charity registration system in Canada from the abuse of terrorist financing. It prevents organizations with links to terrorism from being registered, and it revokes the registration of those that are, preventing them from abusing and taking advantage of Canada's generous tax incentives.

The CRA's ability to undertake these activities has been facilitated by its partnership in Canada's anti-terrorism financing regime.

[*Translation*]

We would be pleased to answer any questions the members of the committee may have.

Thank you.

[*English*]

The Chair: Merci.

Thank you very much for your presentation.

[*Proceedings continue in camera*]

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