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Chair: The Honourable Wayne Easter



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• (1100)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We will call this meeting to order.

Welcome to meeting number 43 of the House of Commons Standing Committee on Finance. Pursuant to Standing Order 108(2) and the committee's motion adopted on Tuesday, April 27, the committee is meeting to study the subject matter of Bill C-30, an act to implement certain provisions of the budget tabled in Parliament on April 19, 2021 and other measures.

Today's meeting is taking place in a hybrid format, pursuant to the House Order of January 25, 2021. Therefore, members are attending in person in the room and remotely using the Zoom application. The proceedings will be made available via the House of Commons website. The website will show the person speaking rather than the entirety of the committee. We ask folks not to take photographs of the screen, or screenshots.

With that, in this panel we are dealing with part 4, divisions 1, 2, 3, 4, 8 and 9.

We have eight officials from the Department of Finance: Jean-François Girard, senior director, financial stability and capital markets; Julie Trepanier, director, payments policy, financial systems division; Nicolas Moreau, director general, funds management division; Kathleen Wrye, acting director, pensions policy, financial systems division; Erin O'Brien, director general, financial services division; Manuel Dussault, senior director, financial institutions division; Richard Bilodeau, director general, financial institutions division; and Neil Mackinnon, senior adviser, financial crimes governance and operations.

To the witnesses, thank you very much for coming. We appreciate your efforts in this new and somewhat complicated era that we find ourselves in.

We will start with part 4—

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): On a point of order, Chair, before you begin, I wonder if you could just give the committee a bit of an outline of how you see the rest of the week unfolding. Has there been any thought given to the grouping of witnesses in the days to come? Don't take long; I just thought maybe right from the outset you could help us plan our week.

• (1105)

The Chair: Okay. As I think everyone knows, today it's the Finance officials going through all the various divisions that we didn't

get through in the budget implementation bill. Tomorrow it's two sessions, with two panels each session. The first is from 11 a.m. to 12:30 p.m.—that's 12:30 p.m. to 2 p.m. you guys' time—and then there's the session in the afternoon. I don't have that in front of me.

It's all witnesses from the public, taken from the witnesses who were proposed by the various parties. They are not according to themes. It just became too complicated to do that. They're general witnesses of interest to the parties. They're also ones who may have asked if they could appear. There will be roughly 12 witnesses in a three-hour session. It will be 24 witnesses tomorrow, 24 on Thursday and 12 on Friday. Then we have the meeting on Tuesday as well.

Jamie Fox, who I think was on Ed Fast's list, is the fisheries minister here. I spoke with him this morning. I'd like to have a separate hour for a minister, but given the number of witnesses we have, he's okay if we mix him in with another panel on Friday or Tuesday.

That's basically where we're at. I think it would be better to do it with themes, but given the time frame, it seems impossible to do that.

Mr. Pat Kelly: Thank you, Wayne. I understand.

The Chair: We will start with part 4, division 1, “Stability and Efficiency of the Financial Sector”, on changes to the Canada Deposit Insurance Corporation Act.

I'm not sure who's up from the department, but just state your name and go ahead.

For the committee's information, instead of our regular slots and questions, we will take questions as they arise, as we did for part 1 of the BIA.

Who's on? You'll have to yell, because I can't see all of you on my screen at the moment.

Ms. Julie Trepanier (Director, Payments Policy, Financial Systems Division, Financial Sector Policy Branch, Department of Finance): Chair, it's Julie Trepanier. I'm the director of payments policy. I'm joined by Jean-François Girard, senior director. I believe he had some difficulties connecting, so I don't know if he's on.

The Chair: Julie, we'll go with you. If you want us to delay part 4, division 1 for a bit to see if he comes on, we can.

Ms. Julie Trepanier: Maybe that's a good idea. Thank you, Chair.

The Chair: Maybe he's needed for the next one too.

We'll go to division 2 of part 4, on changes to the Bank of Canada Act.

Mr. Nicolas Moreau (Director General, Funds Management Division, Financial Sector Policy Branch, Department of Finance): Mr. Chair, I'm Nicolas Moreau from the Department of Finance. I'm the director general of the funds management division. I'll take care of division 2 with my colleague Kathleen Wrye from the pensions section.

I'll provide you with a brief overview of the changes that we're requiring here, and I'll be happy to take your questions after.

[*Translation*]

I will speak in French as there are interpreters.

Sections 140 to 150 of division 2 of part 4 deal with the modernization of the unclaimed amounts program and seeks to bring legislative changes to increase the efficiency of the program and also allow Canadians to recover amounts that they had lost or forgotten.

Unclaimed amounts are assets that were deposited in accounts with federally regulated financial institutions that are inactive for 10 years. After 10 years of inactivity, the assets are transferred to the Bank of Canada, which holds all unclaimed assets that were initially deposited with federally regulated banks and trust or loan companies.

The new clause proposes legislative amendments to improve and expand the unclaimed amounts program. Division 2 of part 4 of Bill C-30 contains amendments to the Bank of Canada Act giving the Bank of Canada the explicit authorization to publish information online about unclaimed assets.

The Pension Benefits Standard Act, 1985 would also be changed in order to provide a legislative framework for federally regulated pension plans. This framework would, under certain conditions, allow balances of unclaimed pensions to be transferred to a designated entity who could request that the balance be paid out.

Lastly, the Bank Act and the Trust Company Act would also be amended in order to expand the definition of unclaimed assets, which would henceforth include foreign currency deposits and assets, and would obligate financial institutions to inform the account holders via electronic means, such as by email, as well as by post, and to contact the Bank of Canada to provide more information, including the date of birth and the social insurance number of the account holder, which would make claim validation easier.

This brings me to the end of my description of division 2 of part 4 of Bill C-30.

• (1110)

[*English*]

The Chair: Thank you, Mr. Moreau.

Mr. Falk.

Mr. Ted Falk (Provencher, CPC): I'm wondering if the officials can explain to the committee how much of an effort is made to find the rightful owners of inactive accounts. What degree of effort is made? Also, what dollar amount are we typically looking at on an annual basis?

Mr. Nicolas Moreau: What efforts are being made? There are two parts here. There's the first part, in which the money is sitting in a financial institution. Within the first 10 years, the financial institution is required to send a reminder to the individual via mail at years 2, 5, 9 and 10. If the owner of that unclaimed fund is not responding, then the money will be transferred to the Bank of Canada.

When it's in the Bank of Canada, the bank has a list, currently published on its website, that will provide the names and the amounts that have not been claimed yet. In terms of the amount that we have, overall the bank right now has about \$2.2 million sitting in unclaimed accounts. On an annual basis, a bit less than \$1 million is transferred to the receiver general's account.

You need to understand that when an unclaimed account balance is less than \$1,000, the bank is required to hold this account for a period of 30 years before transferring the account to the receiver general. If it's more than \$1,000, the bank needs to hold this account for a period of 100 years.

Mr. Ted Falk: Thank you.

The Chair: I don't think it's likely that the person who originally deposited it is going to claim it after 100 years.

Ms. Jansen.

Mrs. Tamara Jansen (Cloverdale—Langley City, CPC): What is the process if someone comes after 11 or 12 years? Maybe they've been out doing missionary work in the Amazon or something like that, and you couldn't contact them. Can they get that money back?

Mr. Nicolas Moreau: They can. Basically, there's a process with the Bank of Canada. They need to validate that they are the owner of this account. They need to provide the information that the Bank of Canada will ask for.

That said, it takes a lot of time to make that validation, because the Bank of Canada doesn't have the social insurance number. They also don't have the date of birth of this individual. They need to rely on past transactions in the account. They need to rely also on this individual validating the last time they made a transaction in this account. It takes a lot of time to make the link between the owner and the person who is claiming this account.

The changes to the law that we're requesting in Bill C-30 would really expedite everything. They would force the financial institution to communicate the social insurance number to the Bank of Canada, as well as other information that will really help to make this transfer in the future.

• (1115)

The Chair: Are there any other questions on division 2?

Okay, then we will go to division 3, changes to the Budget Implementation Act to exclude certain businesses from the application of a provision of the Bank Act.

Erin O'Brien, you're on.

Ms. Erin O'Brien (Director General, Financial Services Division, Financial Sector Policy Branch, Department of Finance): Thank you so much, Mr. Chair.

Good morning, everybody.

My name is Erin O'Brien. I'm the director general of the financial services division at the Department of Finance. I'm happy to talk to you about this small technical amendment.

The Government of Canada introduced amendments to the Bank Act back in 2018 to further advance consumers' rights and interests when dealing with their banks. The new financial consumer protection framework, which is not yet in force, is intended to protect retail consumers, including individuals in small and medium-sized businesses. Retail consumers typically lack the resources and sophistication to negotiate with banks on an equal footing. This technical amendment to the Bank Act would clarify that the statutory right to cancel a contract with the bank applies only to retail consumers, who are individuals in small and medium-sized businesses. It specifically excludes large businesses.

I'm happy to take your questions.

The Chair: Are there any questions for Ms. O'Brien?

Mr. Fast and then Mr. Falk.

Go ahead, Ed.

Hon. Ed Fast (Abbotsford, CPC): Ms. O'Brien, can you clarify the definition of "large businesses"? Those are ones that have authorized credit of more than \$1 million, more than 500 employees, and annual revenues of more than \$50 million. Is that correct?

Ms. Erin O'Brien: That's correct. That's the definition that currently exists in the Bank Act.

Hon. Ed Fast: Okay, and all three conditions have to be present for that to be considered a large corporation.

Ms. Erin O'Brien: That's right.

Mr. Ted Falk: That was my question, too.

Thanks, Mr. Chair.

The Chair: That was your question. He stole your question, and he's your colleague.

Mr. Ted Falk: Yes. I can't believe it.

The Chair: Thank you very much, Ms. O'Brien.

We'll go to part 4, division 4, changes to the sunset provisions of the Trust and Loan Companies Act, the Bank Act and the Insurance Companies Act.

Who's on that one?

Mr. Manuel Dussault (Senior Director, Framework Policy, Financial Institutions Division, Financial Sector Policy Branch, Department of Finance): Good morning. It's Manuel Dussault here, senior director at Finance Canada.

Let me present an overview, and I'm happy to take questions.

This division would amend the Bank Act, the Insurance Companies Act and the Trust and Loan Companies Act to extend the current sunset provisions by two years to June 30, 2025.

Canada's federal financial institution statutes currently include sunset provisions that prohibit federally regulated financial institutions from carrying on business after June 21, 2023. These sunset provisions are an important feature of Canada's financial sector framework. By mandating the renewal of the legislation every five years, the sunset provisions provide an opportunity for the government and Parliament to regularly consider the framework to ensure that the financial institution statutes remain up to date, are technically sound, and respond to changes and emergent trends in the financial sector.

Extending the current sunset dates by two years to 2025 will enable full consideration of the impacts of the pandemic on the financial sector as part of the next legislative review.

Thank you.

The Chair: The reason is COVID, I suppose.

Mr. Manuel Dussault: Yes.

The Chair: Are there any questions from anyone? We're all okay on division 4.

The next one we will turn to is division 9, I believe, and we'll come back to division 1.

I might mention.... I'm just going through my list of all the divisions we're dealing with today, and division 5 is not mentioned in any, so Mr. Clerk, I guess we'll need someone as a witness on division 5 at some point.

Now we're on division 9 of part 4, changes to the Pension Benefits Standards Act, 1985.

• (1120)

Ms. Kathleen Wrye (Acting Director, Pensions Policy, Financial Crimes and Security Division, Financial Sector Policy Branch, Department of Finance): Thank you, Mr. Chair.

My name is Kathleen Wrye. I'm the acting director of the pensions policy team at Finance Canada.

This division proposes legislative amendments as part of the establishment of a revised framework for multi-employer negotiated contribution pension plans. Negotiated contribution plans are a type of defined benefit plan in which contributions are fixed by an agreement, and employers are required to contribute only the amount set out in the agreement.

The proposed amendments to the Pension Benefits Standards Act are part of this revised framework. They would establish new safeguards, uphold benefit security for these plans through requirements for them to establish and maintain governance and funding policies, and grant new regulation-making powers to the Governor in Council with respect to those requirements and with respect to amendments to negotiated contribution plans.

I'm happy to take any questions.

The Chair: Mr. Falk.

Mr. Ted Falk: With regard to that question—it's a CPP question—when an individual works for multiple employers or has multiple T4s coming in, on a person's personal income tax return, the overcontribution because of multiple T4s is refunded to the employee.

Is there any consideration given to also reimbursing employers on a pro rata share basis for their contributions, because you're getting sometimes double, triple or quadruple the CPP contributions from various employers?

Ms. Kathleen Wrye: Unfortunately, that's not my area of expertise, so I'm not able to respond to it.

The Chair: Could we get somebody to send us a little note to answer that question? What happens with the overcontribution on the employer's side, when it's overpaid?

Are there any further questions on division 9? If not, we'll go back to division 8.

On division 8, which would enact the retail payment activities act, who's up?

Ms. O'Brien, go ahead.

Ms. Erin O'Brien: Hello, Mr. Chair, it's me again.

I'm here with some of my colleagues. I'd like to acknowledge Richard Bilodeau, director general of the financial institutions division; Manuel Dussault, whom you met a few moments ago, senior director of frameworks policy; and Julie Trepanier, senior director of payments policy.

I'll provide just a short introduction, and then we'd be happy to take your questions.

The government is committed to maintaining a well-functioning financial sector that serves Canadians' needs and ensures public confidence in the integrity of retail payments. The retail payments sector enables millions of Canadians to send and receive money on a daily basis and plays a key role in promoting economic activity.

The current COVID-19 crisis has accelerated the adoption of digital payments and has highlighted the need to keep them safe and reliable. The proposed retail payment activities act implements a new retail payments oversight framework that would promote

growth, innovation and competition in digital payment services, while making these services safer and more secure for consumers and businesses.

The proposed legislation includes requirements for payment service providers that are not regulated financial institutions, such as card networks, payments processors, money remitters or e-wallets, to safeguard end-users' funds against losses and to mitigate risks associated with operational failures that could disrupt their service. The Bank of Canada would regulate payment service providers' compliance with the framework and maintain a registry of regulated payment service providers.

The proposed legislation also includes national security safeguards, modelled on the framework that applies to federally regulated financial institutions, to enable the government to identify and respond to national security-related risks.

The government has consulted broadly on the development of the framework and has engaged with a wide range of stakeholders, including provincial and territorial officials, who have expressed broad support for the objectives of the proposed framework.

The framework recognizes that the federal government and provincial and territorial governments have complementary objectives and powers in this area. The federal government looks forward to maintaining strong collaboration in support of provincial and territorial governments as we move forward with the implementation of the framework.

While the proposed legislation sets out the main elements of the framework, regulations and guidance will be required before it can be brought into force.

Thank you. I look forward to your questions.

The Chair: Thank you, Ms. O'Brien.

We have many questions on this one. We'll start with Gabriel Ste-Marie, then go to Annie Koutrakis and then to Peter Julian.

Gabriel.

• (1125)

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Chair.

I have three questions, would you prefer that I ask one now and the others later?

[*English*]

The Chair: It's up to you. I'd say one at a time, Gabriel. I think we have ample time for this panel.

Go ahead.

[*Translation*]

Mr. Gabriel Ste-Marie: That's fine.

I would like to welcome and thank all the public servants here with us today.

Thank you for your presentation, Ms. O'Brien. My first question is for you.

If I understood correctly, in the consultation document of 2017, the intention was to protect consumers against non-authorized use or errors, except in cases of fraud. In Bill C-30, this idea is rather vaguely expressed in sections 17, 18 and 19, under the concept of "Operational Risk Management and Incident Response", where they are talking about the provider's risk management framework, which must comply with regulations.

Am I to understand that the protection will be set out in regulations? If so, why wasn't it included in the act?

[English]

Ms. Erin O'Brien: Yes, the legislation right now outlines the framework at a very general level. The intention is that it would address operational risks posed by payment service providers, but the specific details with respect to how the operational provisions would work need to be outlined in regulations. Those will be forthcoming. Our intention is to consult both stakeholders and provincial and territorial colleagues as we develop those regulations.

[Translation]

Mr. Gabriel Ste-Marie: Thank you.

I come to my second question.

Will this coverage ensure that the consumer enjoys as much protection as he would have had he made a traditional payment through a bank?

I have my doubts.

[English]

Ms. Erin O'Brien: I would say that in general, the principle is to ensure that financial consumers have the same level of protection whether or not they're issuing a payment through a regulated financial institution or a payment service provider. That's certainly the overall intention.

[Translation]

Mr. Gabriel Ste-Marie: If I understand your answer correctly, the intention is to offer the same degree of protection as that of a traditional payment made through a bank.

My third question is the following. Payments made from one individual to another, or between a business and an individual, and so on, fall squarely under Quebec's civil code. In your presentation, you said that the act stipulates that there must be communication with the provinces.

How can you guarantee that the bill will not infringe the civil code of Quebec which has been in use for centuries?

[English]

Ms. Erin O'Brien: Initially our intention is to articulate protections around safeguarding end-user funds and operational risk management. Market conduct would be addressed at a later point in time.

I can assure you that we have undertaken significant consultations with all of the provinces and territories, but in particular with Quebec, which recognizes that this is an area of complementary powers and authority and objectives. We have addressed a number of concerns that the Quebec government raised in the consultations to ensure that we are respecting its perspective and jurisdiction in this area.

Notably, we have excluded provincially regulated institutions from the scope of this framework. In addition, we have included a recognition mechanism whereby, should any province or territory develop an approach that is significantly similar to the protections that would be provided under the RPAA, those would be recognized and addressed outside of the framework if necessary.

We feel that we've balanced the shared jurisdiction in this area.

● (1130)

[Translation]

Mr. Gabriel Ste-Marie: Thank you.

[English]

The Chair: We can come back to you if need be, Gabriel.

We will be turning to Annie Koutrakis and then Peter Julian.

Ms. Koutrakis.

Ms. Annie Koutrakis (Vimy, Lib.): Thank you, Mr. Chair.

My colleague Monsieur Ste-Marie covered with his last question most of my question.

Ms. O'Brien, I would be interested to know if you could elaborate a little further on the process of the consultation. What is the actual process when you're consulting with provinces and territories? I'm specifically interested in the province of Quebec.

Ms. Erin O'Brien: This legislation has been a long time in coming. It is a complex area. We've been working on it for a number of years. We issued a public consultation paper. In fact, there were two: the first one was back in 2015. There was a second public consultation paper in 2017, after which we considered comments received and adjusted our approach accordingly.

In addition to the public consultations, we have consulted explicitly with the provinces and the territories, not only in terms of our broad policy approach, but in terms of sharing the draft legislation with them as well.

You asked specifically, though, about our outreach with our colleagues in Quebec. We have a long, strong relationship with our counterparts at the Quebec Ministry of Finance. We've had several discussions with them over the years. We have shared the draft legislation with them for their comments and, as I mentioned in my response to the previous question, altered our approach to deal with two substantive concerns they had: notably, that we exclude provincially regulated institutions from the scope of the legislation, and that we include a recognition mechanism should any province or territory decide one day that they are going to stand up a similar oversight framework. In that way, we've addressed their two concerns. We remain in close contact with them, and have committed to continue that spirit of collaboration as we move forward in terms of developing the regulations and necessary guidance that will be required to stand up this legislation.

The Chair: Annie, do you have anything further?

Okay, we'll turn to Mr. Julian and then Mr. Kelly.

Peter.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thanks to our witnesses for being here today. We appreciate your service during this pandemic.

I want to come back to the issue that hit so many small businesses in my riding and right across the country: the issue of payment fees as part of retail payments. Small businesses are just being relentlessly gouged. There has been a move for some kind of voluntary capping of these fees.

Within the scope of the legislation, or within what the finance ministry is looking at in terms of regulation, is any due consideration being given to capping those fees? Small businesses often end up, through retail payments, with huge percentages of their sales actually going to the big credit card companies rather than to their bottom line when they're trying to get community businesses going.

• (1135)

Ms. Erin O'Brien: With respect to the RPAA, there's nothing in this legislation that would give the government authority to address fees. However, there is a separate budget commitment that the government made within budget 2021, whereby it will negotiate lower fees with the credit card networks. It wants to ensure that small and medium-sized businesses enjoy the benefit of that fee reduction and, as well, that any fee reduction would not adversely affect the value of loyalty points associated with credit cards. That does fall under my area of responsibility, but it is not part of the RPAA legislation.

Mr. Peter Julian: Where do you see that in terms of timelines? Small businesses are really struggling, as we all know. A lot of them in my riding and across the country have closed their doors. There's no other way to put it, with the gouging that is taking place with credit card companies that are taking 10% of the sales, sometimes higher. It makes the small business folks really struggle for the bottom line, both to establish themselves and also to maintain themselves.

Where do you see the timelines in terms of those discussions and negotiations? What is the deadline that the government has set on that?

Ms. Erin O'Brien: As stated in the 2021 budget, the government intends to come forward with next steps in time for the fall economic statement. We will be conducting consultations and will be studying this issue over the spring and early fall, and will come forward with a plan in time for the fall economic statement.

Mr. Peter Julian: Thanks for answering my question.

The Chair: We will go to Mr. Kelly, followed by Mr. Fast.

Pat.

Mr. Pat Kelly: Thank you. My questions are right in the same vein as Mr. Julian's.

If I heard what you said correctly, that there's a plan to have a plan in the fall economic statement, that's as far as the government has gone in fulfilling the promise of reducing credit card merchant fees and their cost to small businesses.

Ms. Erin O'Brien: The government intends to outline the plan in the fall economic statement. That's correct.

Mr. Pat Kelly: Okay. It's a plan, as opposed to tabling legislation that would implement the commitment it made in the budget.

Ms. Erin O'Brien: We're giving due consideration to the critical paths and will be consulting in the near term. We will outline the plan in the fall statement.

Mr. Pat Kelly: I have another point, then, on this. You made reference in your remarks on division 8 to increasing competition in this area, which is really because the key to better consumer experiences is choice. How will this increase competition in this area? The regulations you're contemplating, or the objectives of the regulations you're contemplating, may well be sound and necessary, but not likely to increase competition. When you add regulation to compel businesses to all conduct themselves with the same processes and procedures, you're not increasing competition and you're not likely.... I'm hoping to see something that will help out our small businesses, who pay the brunt of transaction costs in retail.

I'll let you just maybe address competition and what you mean by increasing competition.

• (1140)

Ms. Erin O'Brien: Maybe I'd start just by saying the payments sector—the ecosystem and the foundation of how that works—is based on trust. Right now, payment service providers in Canada, as I mentioned—card networks, digital wallets and others—are not subject to a regulatory framework. That can create a sense of uncertainty.

We've heard from payment service providers that that lack of certainty can affect business investment in terms of their sector. A number of payment service providers, which we call PSPs, welcome being brought under a regulatory framework, as it helps to increase that sense of trust, as well as partnerships and investment opportunities with the private sector, and even with the regulated sector—partnering with banks, for instance.

I'd also like to mention that this legislation is a necessary foundation block upon which the intention would be to open membership and access to Canada's core clearing and settlement infrastructure, which is operated through Payments Canada. Right now, it is only the regulated financial institutions that have access to that infrastructure. Payment service providers have to get access to those systems through the financial institutions, but the intention would be to broaden membership within Payments Canada, so payment service providers could connect directly to these core clearing and settlement systems. In that way there would be tremendous opportunity for greater innovation, developing new services and products, and competition.

The Chair: Is that it, Pat? Then we will go to Mr. Fast, followed by Ms. Jansen.

Mr. Pat Kelly: Thank you.

Hon. Ed Fast: Ms. O'Brien, in your presentation, you used the term “safeguarding” in reference to the payment process. Is the federal government actually, in any way, stepping in as an insurer of transactions, especially in the case of a catastrophic failure of a payment service provider?

Ms. Erin O'Brien: That's a great question. I guess the short answer is no, but let me give you some context.

Currently there are no comprehensive rules that apply to payment service providers to safeguard end-user funds. Safeguarding will protect consumers' and businesses' funds against financial loss in the event that a payment service provider were to fail.

What the legislative requirement includes is a requirement by a payment service provider to hold user funds, their clients' funds, in a trust account, or they would have to obtain an insurance product or guarantee of some sort that would cover the end-users' funds, should the payment service provider fail or reach insolvency.

The other requirement is that payment service providers would have to hold client funds separate from their own operating funds. In this way, it would provide greater consumer protection and access to funds, should the payment service provider fail.

• (1145)

Hon. Ed Fast: It's not a matter of the government insuring these payments, but it's a matter of putting in place very strict security requirements so that the resources are always there to satisfy the payment obligations. Is that correct?

Ms. Erin O'Brien: That's right.

Hon. Ed Fast: All right. Thank you.

The Chair: Thank you both.

Ms. Jansen, you may wrap it up.

Mrs. Tamara Jansen: When you mention these payment services, are you talking about PayPal?

Ms. Erin O'Brien: Yes, PayPal is an example. They would be one of many payment service providers operating in the country: PayPal, Apple Pay, Google Pay and card networks. There are several. In our best estimate, we believe there are approximately 1,500 payment service providers operating in Canada.

Mrs. Tamara Jansen: Are there regulations like this in any other country? Do they exist, and if so, where?

Ms. Erin O'Brien: They exist in most other jurisdictions, notably the G7. In fact, Canada is notable in terms of having an absence of a regulatory framework in this area.

Mrs. Tamara Jansen: How about Bitcoin?

Ms. Erin O'Brien: The framework would provide us with flexibility to address cryptocurrencies that are used for retail payments. At the moment, however, there aren't a lot of cryptocurrencies that are used for retail payments. For instance, people aren't using Bitcoin to buy their coffee at Starbucks. Should they be used in a retail context, this legislation would give us authority.

Mrs. Tamara Jansen: It would appear, then, that you're trying to regulate things that people actually have confidence in already. I know with PayPal and things like that, Google Pay and so forth, I haven't heard of anybody being concerned that they were going to lose money on that.

Ms. Erin O'Brien: This should provide greater assurance that when a Canadian is using these services for daily purposes, their funds will safely leave their account and make it into the account of the merchant using it. It will provide greater assurance—

Mrs. Tamara Jansen: Will it also provide higher costs, then, for Canadians who have been using what has worked very well?

Ms. Erin O'Brien: Will it provide higher costs? There will be a cost to implement the framework, and then I would assume that payment service providers would in some way pass that on to clients using their services.

Mrs. Tamara Jansen: Okay. It's just shocking to me, because I think in general most Canadians have been very satisfied with things like PayPal, Google Pay, Apple Pay and so forth.

Ms. Erin O'Brien: I think that's fair, but to date, nothing has gone wrong. In the instance that unfortunately something were to go wrong, there would be no protections in place.

This framework would ensure, for instance, that you would have access to the funds you have on account at PayPal or at another firm. I don't want to pick on a particular payment service provider, but—

Mrs. Tamara Jansen: Sorry. I'll ask one more time. You're saying clients would have access, even though it's not insured, because you're going to make PayPal organize a Canadian bank account that holds in trust the funds that Canadians are using on PayPal.

• (1150)

Ms. Erin O'Brien: That's right. The payment service provider would have to hold the funds in trust or arrange an insurance product on the account or a guarantee.

In addition, it would prohibit payment service providers from commingling their corporate funds, their operating funds, with the funds of their clients. They have to be held separately.

Mrs. Tamara Jansen: In regard to this trust that you're asking them, Google Pay and Apple Pay, to create here in Canada, is there any other country that's asking that of them in the G7?

Ms. Erin O'Brien: I believe we're being consistent with approaches taken in other jurisdictions.

The Chair: Okay, there's never a problem until there's a problem, and then it's the government's fault. In any event, we require lawyers to hold trust accounts, too.

We'll turn, then, to division 5, which was missing from the agenda. I understand this group is willing to deal with division 5, and then we'll come back to division 1.

I believe Mr. Girard is on the line, not on video. He doesn't have to be on video. We'll let him go ahead with voice.

Who's on division 5?

Mr. Jean-François Girard (Senior Director, Financial Stability and Capital Markets Division, Financial Sector Policy Branch, Department of Finance): It's Jean-François Girard here. I'm glad to see you. Hopefully you can see me. I see myself now on the screen, which is the result of a tremendous effort by the support staff. Congratulations on having high-quality support.

Division 5 is very simple. It sets \$119.5 million as the appropriation set out in the Canadian Securities Regulation Regime Transition Office Act, which represents an increase of \$12 million. These payments can be made to the Canadian Securities Transition Office. That's division 5.

The Chair: Are there any questions on division 5, which relates to the Canadian Securities Regulation Regime Transition Office Act?

There are no questions on that; it's straightforward.

We'll come back to division 1.

Mr. Girard, I believe you are addressing that as well. It's about changes to the Canada Deposit Insurance Corporation Act.

Mr. Jean-François Girard: Yes. I will cover, in division 1, clauses 126 to 139. [*Technical difficulty—Editor*] for the stability of Canada's financial system by improving the legislative framework that applies to a federally regulated deposit-taking institution or financial market infrastructure in the unlikely event that they were to fail. We also have other amendments that relate to the supervision of payment systems. These amendments are fairly technical and represent a continuation and improvement of the existing framework, rather than new policy.

I'll start with clause 126. The resolution provisions of the Canada Deposit Insurance Corporation Act, or the CDIC Act, provide the power to impose a stay, also known as a suspension of proceedings,

to suspend the rights of certain creditors and other counterparties in order to facilitate the resolution of the institution and preserve value. We have amendments that would modify the scope of these stay provisions in certain circumstances. In particular, they support the application of stays and bail-in debt once a resolution has been initiated, exclude sovereign entities and central banks from the state provisions of the act, and provide that CDIC member institutions must include a confirmation of the application of stay provisions in the act in prescribed eligible financial contracts, which are a class of contracts that includes derivatives.

The next clause would modify the provision that authorizes CDIC to take control of a failed member institution. Clause 127 would facilitate the sale by extending the time limit to complete a sale to 12 months from the current limit of 60 days.

Clauses 128 to 132, 134 and 135 would amend the Canada Deposit Insurance Corporation Act and the Payment Clearing and Settlement Act to modify the compensation provisions of these acts, which provide that creditors would not be in a worse-off position by the actions of a resolution authority than under liquidation. More specifically, it clarifies the appeals mechanism available to creditors when a failure has occurred and they request a review of a decision made by CDIC or the Bank of Canada on the compensation to which they are entitled in resolution.

Clauses 133, 136 and 137 would amend the Payment Clearing and Settlement Act to clarify the Bank of Canada's authority to oversee payment exchanges as clearing and settlement systems.

Finally, clauses 138 and 139 would amend the provisions of the CDIC Act that are not yet in force to provide CDIC with a targeted expansion of its authorities to make certain payments of insured trust deposits when there are errors or omissions on the record of the failed member institution.

This concludes my remarks on division 1.

• (1155)

The Chair: Mr. Falk.

Mr. Ted Falk: Earlier, in our previous discussion, Mr. Fast asked a question about whether the government would be assuming liability for payment services. You're making changes here under the Canada Deposit Insurance Corporation, specifically towards the Payment Clearing and Settlement Act. Are you going to be insuring these payment services through the Canada Deposit Insurance Corporation?

Mr. Jean-François Girard: No, that is not part of these amendments.

We have a number of amendments. One is on the compensation provision. This really deals with failure of the financial market infrastructure. There are certain powers for the Bank of Canada to take action in such cases. There's a compensation regime that exists now, and we're clarifying the appeals mechanism for it.

The other one relates to the supervision of payment systems. Ms. O'Brien or Julie Trepanier might be in a better position to explain to you exactly what the scope of these provisions is.

The Chair: Ms. Trepanier. Go ahead, Julie.

Ms. Julie Trepanier: Thank you, Chair.

Under the Payment Clearing and Settlement Act, the Bank of Canada has responsibility for overseeing clearing and settlement systems. These are the core payment infrastructure that banks, for example, use to settle payments among themselves. Under the act, the Governor of the Bank of Canada can designate a payment system if it poses a systemic risk or a risk to Canadian payment systems.

As these systems evolve, the various functions of exchange, clearing and settlement are becoming different functions. These amendments to the Payment Clearing and Settlement Act will clarify the Bank of Canada's authority to designate payment exchanges in order to oversee the risks. There are, however, no additional exceptions in terms of compensation as part of these amendments.

Mr. Ted Falk: None of these amendments is expanding the coverage of insurance towards the payment service industry; is that so?

Ms. Julie Trepanier: That's right.

Mr. Ted Falk: Very good. Thank you.

The Chair: Are there any other questions on division 1?

All right. Are there any questions on any of the divisions we covered on this panel: divisions 1, 2, 3, 4, 5, 8 or 9?

If there are no questions, shall we allow the panellists to depart, get off this Zoom call and go to the next one?

All right. Thank you very much, first for what you do, and then for answering the committee's questions today. We know these are very different times: you can't walk down the corridor and rub shoulders with your colleague when you're trying to sort things out, and that's not easy.

With that, we thank you very much.

We will suspend to allow the clerk time to bring in the next panel. We really don't start for about half an hour, but if people could come back online in 20 minutes, we'll be ready to go.

Thank you very much, folks, again.

• (1155) _____ (Pause) _____

• (1230)

The Chair: We are reconvening. We'll call the meeting to order.

We're resuming meeting number 43 of the Standing Committee on Finance on the subject matter of Bill C-30, an act to implement certain provisions of the budget tabled in Parliament on April 19, 2021 and other measures.

We've a number of officials from the Department of Finance with us, and we'll be dealing with them in this section on part 4, divisions 6, 7, 11, 12, 13, 15, 16 and 20.

All the officials who are here are with the Department of Finance, and there are quite a number of them. I'll not go through a list of names at this early stage, but I will ask officials, when you start your presentation, if you'd state your name and your position. I believe it would be easier that way.

We will start with division 6 of part 4, changes to the Justice for Victims of Corrupt Foreign Officials Act, better known as the Sergei Magnitsky Law.

Who's taking that one on?

Mr. Brown, do I see you smiling? Go ahead. Welcome. Introduce yourself, Justin.

Mr. Justin Brown (Acting Director General, Financial Crimes Governance and Operations, Financial Systems Division, Financial Sector Policy Branch, Department of Finance): My name is Justin Brown, and I am the senior director of the financial crimes policy team at the Department of Finance. I have some colleagues from Global Affairs Canada and also the Department of Finance here with me as well.

Is it the preference for officials to provide a brief overview, or—

The Chair: Yes, that's what we'd prefer. Just give us a brief overview, and then we'll go to rounds of questions from there.

Mr. Justin Brown: The government has committed to a comprehensive approach to combatting money laundering and terrorist financing, and imposing financial sanctions. This promotes the integrity of the financial system and the safety and security of Canadians.

As part of this work, the government continually works to strengthen and modernize the legislative framework, for example, to respond to technological changes and evolving threats, and to take into account administrative burdens.

Part 4, division 6, proposes legislative amendments to the Justice for Victims of Corrupt Foreign Officials Act, or the Sergei Magnitsky Law, to reduce the reporting burden for financial institutions by removing the monthly nil reporting requirement for financial institutions to confirm that they were not in possession of assets associated with sanctioned entities or individuals, and requiring the financial institutions to disclose, without delay, and once every three months after that, if they determine that they are in possession of assets associated with sanctioned entities or individuals.

I'll pause there. Thank you.

The Chair: Thank you very much.

Do any members have any questions at this stage?

Justin, I just have one.

We heard at the original briefing as well about reducing the reporting burden, and I understand that. It's a burden on the smaller institutions for sure, but has there been any analysis done on the potential impact that may have in terms of catching those who are involved in this kind of crime more quickly or whatever? The finance committee did—it must be four or five years ago now—a very extensive study on money laundering. We held hearings in Britain, the United States and elsewhere, and came up with a unanimous report, a very good report. I know some of these changes came out of that report.

What are your thoughts on that? What kind of analysis has been done to ensure that it won't weaken the system we already have in place?

Mr. Justin Brown: We would not expect any weakening of the system. Reporting entities would still be required to disclose without delay the existence of any property in their possession or control that is subject to sanctions. The proposed change simply removes the nil reporting requirement, which is viewed as an unnecessary administrative burden for reporting entities.

• (1235)

The Chair: Thank you.

Mr. Falk.

Mr. Ted Falk: I would agree with the change. I think it's a good change. My question would be, would they still be required to submit an annual declaration of compliance?

Mr. Justin Brown: Perhaps I'll turn that question to my colleague from Global Affairs Canada, Neelu.

Ms. Neelu Shanker (Deputy Director, Operations, Sanctions Policy and Operations Coordination Division, Department of Foreign Affairs, Trade and Development): Currently, as my colleague Justin Brown has said, the amendment to the Justice for Victims of Corrupt Foreign Officials Act is really a change that would first remove the requirement to report when financial entities have no property in their possession or control.

It also changes the frequency of this reporting from once every month to once every three months. That is currently the requirement set out in the act, so this would change only that specific monthly reporting requirement that's currently set out under section 7(1).

Mr. Ted Falk: I think it makes sense.

The Chair: Are there no other questions on division 6?

Division 7 is on the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

Mr. Brown, go ahead.

Mr. Justin Brown: Further to what I said earlier, part 4, division 7 proposes amendments to the Proceeds of Crime and Terrorist Financing Act.

These amendments—there's a short list—would expand the requirements of the act to cover businesses engaged in the transportation of currency or certain monetary instruments, more or less the armoured car services sector. They would strengthen criminal penalties under the act and the registration requirements for money service businesses. They would enhance the operational effectiveness of the anti-money laundering and anti-terrorist financing regulator, the Financial Transactions and Reports Analysis Centre of Canada, or FINTRAC, by enabling a cost-recovery model for its compliance activities, clarifying its authority to follow up with reporting entities to obtain information, and expanding the information that FINTRAC can disclose to law enforcement agencies and other disclosure institutes.

Finally, the proposed amendments would include technical amendments such as clarifying the definitions of politically exposed domestic persons and heads of international organizations.

Thank you.

The Chair: Thank you, Mr. Brown.

We'll start with Mr. Julian and then go to Ms. Dzerowicz.

Peter.

Mr. Peter Julian: Thanks, Mr. Chair.

Thank you, witnesses, for coming forward today, and thank you for your dedication during this pandemic and your service to our country. It's deeply appreciated.

I want to get more details on the cost-recovery model with FINTRAC. This is something that the finance committee has spent a lot of time on, so I'm interested in hearing more of the details.

Mr. Justin Brown: Sure. The proposed legislative changes would essentially be enabling provisions, so they would allow FINTRAC to impose a cost-recovery model on reporting entities for their compliance activities.

Mr. Peter Julian: I'm sorry. I appreciate what you're saying, but how does that work in practice?

Mr. Justin Brown: The details of that would be prescribed in regulations. The proposed legislative amendments don't contain the details of the methodology for cost recovery. However, broadly speaking, the regulated entities that are supervised by FINTRAC and that are subject to those compliance activities would become the ones that are responsible for paying for those compliance activities, following a methodology that would be set out in regulation.

Mr. Peter Julian: Would you be able to share with us what the finance ministry is actually proposing in that regard? Obviously, the legislation has been set up with a framework and a view to put the regulations on top of that. Unfortunately that doesn't really give us enough detail.

What are the entities that are foreseen to be paying the cost recovery? To what extent, when we're talking about these activities, are we talking about partial cost recovery or full cost recovery? What is the model that led to the legislation being put forward? The regulation, I am sure, has already been considered to fit into and to fit on top of the legislative proposals. If you could share with us more of the details, I think that would be helpful. If those details are not forthcoming, what is the consultative model?

We just had a discussion in the first panel around where the ministry is going in terms of merchant fees that small businesses are paying, so we now know what the timelines are and what the consultative process is. If you're not able to share with us the details on the proposal because it hasn't been elaborated yet, could you share with us what the process would be?

• (1240)

Mr. Justin Brown: Sure. I'll provide a little more detail.

It would be businesses and professions regulated under the anti-money-laundering legislation, so there's a list. It would include financial institutions such as banks and credit unions. It would include the casino sector, certain actors in the real estate sector, and dealers in precious metals. There are entities that are regulated under that act and specified under that act.

For the model, we looked to other international jurisdictions. We also looked at other regulators within Canada, specifically the Office of the Superintendent of Financial Institutions. FINTRAC recently assumed sole responsibility for the supervision of federally regulated financial institutions for anti-money-laundering purposes from OSFI, and OSFI covered these costs through its own cost recovery mechanism, which is similar to what is being proposed here. For OSFI, there's an enabling clause in legislation, and the details of that cost recovery model are laid out in regulations. I think the Financial Consumer Agency of Canada is another regulator in the federal financial sector space that has a similar approach.

In terms of consultations, following the passage of this legislation, the Department of Finance, with colleagues at FINTRAC, intends to consult with regulated entities on the overarching proposed scope of the regulations, so they'll be given an opportunity to see what the methodology would look like. We would have the opportunity to receive their feedback, and following that, like all regulations, it would go through the Canada Gazette process, so there would be a further publication of the draft regulations and an opportunity for stakeholders to comment once more.

Mr. Peter Julian: Thank you.

The Chair: We'll go to Ms. Dzerowicz, Mr. Fast, Ms. Jansen and then Mr. Ste-Marie.

Julie.

Ms. Julie Dzerowicz (Davenport, Lib.): Thanks so much, Mr. Chair. I too want to thank all of our presenters for being here today.

Thanks for your service to our country.

The summary of division 7, at paragraph (c), talks about amending the definitions of designated information "to include certain in-

formation associated with virtual currency transactions". Does that include non-fungible tokens?

Mr. Justin Brown: I'll ask my colleague Gabriel Ngo to jump in on that. He's the virtual assets expert here at the Department of Finance.

Mr. Gabriel Ngo (Senior Advisor, Financial Crimes Governance and Operations, Financial Systems Division, Financial Sector Policy Branch, Department of Finance): I'll try to live up to that introduction, Justin.

Canada's regulations were actually amended in 2019 to cover virtual currencies, and virtual currencies would be covered in a function-based manner, such as if they were used to transfer value, or if they were used to exchange from fiat to virtual currency or vice versa, or even from virtual currency to virtual currency.

NFTs, as they stand, could trigger obligations under the proceeds of crime legislation, just because of how they're going to be used. That's not a direct answer, but regulations are meant to be function-based, so that if ever NFTs were to be used in a financial transaction, or if they were to be used to exchange value, at that point there would be some triggering activities under that.

• (1245)

Ms. Julie Dzerowicz: Mr. Chair, just so that I understand properly, I want to ask, are you saying that if they are used for these transactions, the definition would then include non-fungible tokens? They're used for these types of transactions.

Mr. Gabriel Ngo: I'll just follow up by saying again that the regulations don't use the term "non-fungible token" or the terms "cryptocurrency", or "Bitcoin". They are used to explain that it's a token or a type of virtual currency that's used for payment and investment purposes. This means that if ever an NFT were used for those purposes, it would be triggering AML and ATF, or anti-money-laundering and anti-terrorist-financing, regulation obligations. It's thus meant to be future-proof and is meant to be function-based.

The answer, then, is that it depends if NFTs were to be used in that fashion moving forward.

Thank you.

The Chair: Mr. Fast is next, and then Ms. Jansen.

Hon. Ed Fast: Chair, I have two questions. The first one has to do with criminal penalties.

Division 7 strengthens criminal penalties in the Proceeds of Crime and Terrorist Financing Act to align with previous amendments to the Criminal Code.

Could you just refresh our memories as to what those new comfort penalties might be?

Mr. Justin Brown: The maximum criminal penalties on summary convictions for all offences under the act would be increased from six months to two years less a day of imprisonment. In addition, the two-step penalty structure for offences related to non-compliance with suspicious transaction reporting would be amended to eliminate the lesser penalty for a first-time offence.

Looking at the monetary penalties, this change was made to establish consistency with the structure of monetary penalties under the act. For a summary offence, and to ensure that the maximum available penalty is consistently half that of the monetary penalties for its indictable counterpart for the same offence, the current fines for a summary offence range from \$50,000 to \$500,000. The proposed changes would increase the monetary penalty to a maximum fine of \$250,000, and to \$1 million for more serious offences, such as violations of reporting requirements.

I would add that even though these penalties have increased, it would ultimately remain at the discretion of the judiciary to determine the appropriate penalty.

Hon. Ed Fast: There are, then, no mandatory minimums here.

Mr. Justin Brown: I do not believe there are any.... Well, there are ranges provided, but—

Hon. Ed Fast: Ranges are not mandatory minimums.

Mr. Justin Brown: Right. The judiciary would retain its discretion—

Hon. Ed Fast: Full discretion.

Mr. Justin Brown: —to determine the appropriate penalty.

Hon. Ed Fast: Okay.

My second question is related to Ms. Dzerowicz's question; that is, the definition of "politically exposed domestic person". On at least three occasions, clause 161 redefines or amends the definition of "politically exposed domestic person".

Can you tell me what problem this is intended to address?

Mr. Justin Brown: Broadly, in the space of anti-money-laundering legislation, it's recognized that politically exposed persons are in positions that are vulnerable to attempts to commit money laundering and related offences, including corruption and bribery. That's why Canada's legislation requires reporting entities to identify when their clients are politically exposed persons and to conduct enhanced due diligence on high-risk politically exposed persons.

In this case, the proposed amendments to the definition of politically exposed persons are to specifically include positions equivalent to a mayor. These would help clarify the definition and achieve the overall public policy objective of including public officials of leading organizations with control or influence over large amounts of public funds due to the nature of their position.

• (1250)

Hon. Ed Fast: Thank you. That's helpful.

The Chair: Thank you both.

We'll go to Ms. Jansen, followed by Mr. Ste-Marie.

Tamara.

Mrs. Tamara Jansen: Thank you.

You're making these changes, yet under the persons who are being regulated, you're not adding lawyers. It's my understanding that it's a real issue that lawyers are using client privilege to keep some of that stuff under wraps.

Can you talk about how this will help that?

Mr. Justin Brown: As you mentioned, this does not add any regulation of lawyers. In the view of the Department of Finance officials, the legal profession remains a high risk for money laundering, and we are continuing to work with the legal profession and specifically the Federation of Law Societies of Canada. We have an ongoing working group with them to explore ways to enhance the anti-money-laundering and anti-terrorist-financing supervision of the legal profession.

Mrs. Tamara Jansen: What sorts of options are you looking at? There has to be something.

Mr. Justin Brown: We're exploring all of the options. I'm not in a position to say which options are on or off the table, but I can give a couple of examples.

A notable example is that we've been having a lot of discussions recently with the Federation of Law Societies of Canada on their model rules. They have model rules that deal with things such as practices that law societies should implement with respect to anti-money-laundering supervision. They're looking to update those model rules. We've been having conversations about how those could best align with the federal anti-money-laundering framework.

We've also had ongoing discussions with them in terms of information sharing with federal authorities, notably the Royal Canadian Mounted Police, and how we can improve information sharing between the legal profession and federal authorities with a role in anti-money-laundering supervision.

The Chair: Thanks, Tamara.

Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Chair.

Hello, Mr. Brown. Good day to you all.

Do you and your team believe that this division will have some sort of impact on real estate prices in Canada?

Today, the *Toronto Star* published an opinion piece by Mr. Wong. According to Mr. Wong, foreign investors can have an impact on the real estate market. What's more, he is suggesting that some foreign capital is actually linked to proceeds of crime or money laundering.

Do you and your team believe that this division will have an impact on the residential housing market in Canada?

Mr. Justin Brown: Thank you.

The proposed amendments are pretty precise and targeted. Some studies are showing that there is indeed a link between crime and real estate prices. The changes will strengthen and update certain parts of the act. This could prove useful, but I would not say that there is a direct link with these amendments.

Mr. Gabriel Ste-Marie: Thank you for your answer, and thank you for giving it in French.

[English]

The Chair: Are there any other questions from members?

I have just one. It is on the cost recovery aspect. What protection is there for institutions so that the cost recovery doesn't get out of control?

By having it in regulation, cost recovery can be increased with the stroke of a pen. It doesn't really have to appear before Parliament—just in the Gazette. I've had a lot of experience with cost recovery in the farm sector, and sometimes it gets out of control.

What's the protection against overburdened cost recovery as an institution staffs up in its own interests?

• (1255)

Mr. Justin Brown: At first instance, as previously said, we fully intend to consult with the implicated businesses and professions on the model. We'll be able to take on board their feedback on the methodology. The regulations should provide quite a good sense of how those costs will be calculated and will provide a great deal of transparency to those businesses and professions. In addition to our informal consultations, there will be the formal Gazette consultation process. Again, that would be public. They'd have an opportunity to comment through the normal government regulation-making processes.

Assuming these amendments get passed and assuming the regulations come into force as well, following that, FINTRAC intends to have ongoing outreach with regulated entities on the issue of cost recovery. We've had discussions with OSFI, who have similar outreach on a regular basis, to go over projected changes to their costs, for example, and explain where those costs would be going. We expect a great deal of transparency and interaction with those sectors.

Last, FINTRAC is subject to corporate reporting. It reports to Parliament via the Minister of Finance. FINTRAC's intended changes to compliance costs would be laid out in its annual reporting. That would provide further transparency to the public. If any reporting entities had any concerns, in addition to being able to voice them with FINTRAC, they would be able to voice them with the Minister of Finance, who would be reviewing that annual reporting before it went to Parliament.

The Chair: Thank you for that.

I would just say that in terms of taking on feedback, sometimes people really have to hear, on these costs, what it means on the ground versus what it means in Ottawa. I mean, we have to do it, I know, but....

Ms. Jansen.

Mrs. Tamara Jansen: Thanks.

If these pass, what are the added costs, and how does that compare with cost recovery?

Mr. Justin Brown: We don't have a specific fixed cost, but our internal analysis at this point suggests that the compliance cost would be around \$30 million at FINTRAC. At this point, that's the estimated amount that would be recovered from industry.

The Chair: Thank you, all. I believe that completes division 7.

With no further questions, we'll turn to division 11, entitled "Federal-Provincial Fiscal Arrangements Act (Fiscal Stabilization Payments)".

Who's on deck here?

Ms. Suzanne Kennedy (Acting Director General, Federal-Provincial Relations Division, Federal-Provincial Relations and Policy Branch, Department of Finance): Thanks. That would be me.

I'm Suzanne Kennedy, acting director general of the federal-provincial relations division at the Department of Finance.

Division 11 amends the Federal-Provincial Fiscal Arrangements Act to implement the modernization of the fiscal stabilization program that was announced in the fall economic statement. By way of background, the program provides financial assistance to provinces that are facing significant declines in their revenues, resulting from extraordinary economic downturns. The program provides financial help to any province faced with a year-over-year decline of more than 5% in its non-resource revenues, or more than 50% in its resources revenues, with adjustments for interactions between the two. Payments are currently capped at \$60 per person for a given fiscal year.

This enactment raises the maximum from \$60 per capita to \$166 per capita for 2018-19, and indexes the cap to grow thereafter in line with total Canadian economic growth per person. It also specifies that the cap cannot decline. The higher cap will apply to claims for 2019-20 and onward. It works out to a cap of about \$170 per person in 2019-20 and 2020-21, as was announced in the fall economic statement.

In addition, it makes technical changes to the calculation of fiscal stabilization payments. These technical changes would apply to claims for 2021-22 and onward. Briefly, the enactment amends the act to measure a province's personal and corporate income tax revenues based on assessments completed over the following calendar year rather than the tax year to which the assessments apply. It also sets an earlier deadline for provinces to apply for payments. Together, these changes would enable claims to be finalized roughly one year earlier, as was announced in the fall economic statement.

The enactment also amends the program to include revenues from transferred tax points in revenues eligible for stabilization, and eliminates an inconsistency in the program's treatment of declines between 0% and 5% in resource and non-resource revenues.

I'll stop there.

● (1300)

The Chair: Thank you very much, Ms. Kennedy.

I have on my list Mr. Kelly, Mr. Fast and Mr. Julian.

Pat.

Mr. Pat Kelly: Thank you.

This will implement what was announced in the fall economic statement, the increase from \$60 to \$170, but is it correct, then, that at \$170 per capita this means less than a billion dollars in fiscal sustainability money back to Alberta, a province that has continued to pay out many billions of dollars? We heard at the finance committee that it's about \$4,000 per person.

Are these numbers roughly correct?

Ms. Suzanne Kennedy: I can say that the maximum for Alberta would be raised to about \$750 million for 2020-21, and then the maximum amount is indexed to growth in GDP per capita from there on.

Mr. Pat Kelly: Given that this is a measure to help mitigate volatility in provincial drops in revenue, which would necessitate a province to continue to pay into the equalization system based on long-term averages despite sudden catastrophic drops in revenue, why have a cap at all? I'm sorry; that is a political question and better put to the minister, but there was a recommendation in our dissenting report to just do away with the cap altogether. A cap harms the ability to address the purpose of the funds.

Can you give us some explanation of the thinking behind continuing to have a cap?

Ms. Suzanne Kennedy: I can't speak to the decision by the government, but I can say that considerations around the cap would include the exposure of the federal government. If there's no cap, then there's no cap on the exposure to any drop in revenues.

Mr. Pat Kelly: There's no cap the other way, though. This is where you capture the fairness of the overall system. However, these are political questions, so I'll leave that for now.

I want to make sure that we're clear about this, that raising the limit to \$170, so \$750-odd million for Alberta, is really not much.

Ms. Suzanne Kennedy: Perhaps I should add that provinces do not pay into the fiscal stabilization program, or into equalization, for that matter.

Mr. Pat Kelly: I have no further questions, Wayne.

The Chair: Mr. Fast.

Hon. Ed Fast: Actually, Pat just asked the questions that interested me.

The only question I'll ask is about some money that was paid to Alberta and Saskatchewan, and I believe Newfoundland and Labrador. I think Alberta received about a billion dollars.

I'm assuming that this additional fiscal stabilization payment to Alberta would be incremental to that \$1 billion, correct?

● (1305)

Ms. Suzanne Kennedy: The higher cap would apply to claims for 2019-20 and onward. Thus far there have been no claims made.

Hon. Ed Fast: There are no retroactive claims available to be made. Is that correct?

Ms. Suzanne Kennedy: That is correct.

Hon. Ed Fast: Why is that?

Ms. Suzanne Kennedy: The cap is being applied right now. The government has taken other actions to assist oil-producing provinces.

The Chair: Are you okay with that, Ed?

Hon. Ed Fast: I think so, for now.

The Chair: Okay.

We turn to Gabriel Ste-Marie.

[Translation]

Mr. Gabriel Ste-Marie: Thank you for your presentation.

I have two questions.

Firstly, you stated that the government was taking other measures to support the provinces. Can you tell us what they are?

Ms. Suzanne Kennedy: Of course.

The government has earmarked funding to help oil-producing provinces. The government has announced support in the form of \$1 billion for Alberta, \$400 million for Saskatchewan and \$320 million for Newfoundland and Labrador. It also announced a fully repayable loan of \$200 million made to the Orphan Well Association of Alberta, to help with decommissioning orphan and inactive oil and gas wells.

On top of this, the government is supporting conventional and offshore gas and oil companies through the emission reduction fund.

Mr. Gabriel Ste-Marie: Okay, thank you.

My other question, which is my main one, is this.

Do you have the formula that was used to calculate stabilization payments? If so, can you please forward it to us?

Ms. Suzanne Kennedy: Yes, it is included in the Act.

We can, of course, forward it to the committee.

Mr. Gabriel Ste-Marie: Thank you so much.

[*English*]

The Chair: Thank you, both.

Ms. Kennedy, you can send that to the clerk of the committee, and he'll distribute it.

Go ahead, Ms. Jansen.

Mrs. Tamara Jansen: Ms. Kennedy mentioned that provinces don't put money into the fiscal stabilization program. I'm just wondering where that money comes from.

Ms. Suzanne Kennedy: It's general revenue of the federal government.

Mrs. Tamara Jansen: Right, so it would be from taxes.

Ms. Suzanne Kennedy: That's correct.

Mrs. Tamara Jansen: I just wanted to make sure. I was wondering, where does it come from if it doesn't come from taxes?

The Chair: Okay. I think we're clear on that one. Are there any further questions for Ms. Kennedy on division 11?

Go ahead, Ms. Dzerowicz.

Ms. Julie Dzerowicz: This is just a quick question, Mr. Chair.

Thank you, Ms. Kennedy, for your excellent presentation and for your patience in answering all our questions. I have a quick question for you on the increase. I know you mentioned 2020-21 and 2021-22. Is it ongoing, or is it just for those specific years? I just want to make sure that the increase to \$170 is ongoing moving forward.

Ms. Suzanne Kennedy: Yes, it's ongoing. It will be indexed to growth in GDP per capita in the future, with a provision that it cannot decline.

Ms. Julie Dzerowicz: Thank you.

The Chair: That will complete questions on division 11.

We'll turn to division 12, which is entitled "Federal-Provincial Fiscal Arrangements Act (Additional Health Payments)".

Welcome back, Suzanne.

Ms. Suzanne Kennedy: Division 12 proposes to amend the Federal-Provincial Fiscal Arrangements Act to authorize a \$4-billion payment to the provinces and territories through the Canada health transfer, allocated on an equal per capita basis. It is a one-time payment intended to support clearing health care system backlogs caused by the pandemic.

The Chair: The payments to each province are listed in your binders.

I have Mr. Julian up first. We have Mr. Julian followed by Ms. Jansen.

• (1310)

Mr. Peter Julian: Thank you very much, Mr. Chair.

It's a one-time payment, but we know that there is chronic underfunding in health care. We've seen that since years ago, when the funding formula basically did not meet the full health care needs of what we're seeing right across the country.

My question is, how do we ensure that the \$4-billion, one-time payment becomes an annual payment?

Ms. Suzanne Kennedy: The Prime Minister has committed to discussions with the provinces on that. First ministers have instructed officials at the federal, provincial and territorial levels to have discussions about that, about what is required for health care funding, and where we are with that.

This is a one-time payment, due to the pandemic, while those discussions are ongoing.

Mr. Peter Julian: Thank you for that.

I'll ask the same question I asked previously, which is, what is the timeline for that? At what point does the ministry see additional funding being regularized on an annualized basis? Is there a deadline, as we've seen with some of the other proposals that were outlined in the fall economic statement? Are there clear criteria about what the process will be over the next few months?

Ms. Suzanne Kennedy: There has been no announcement to that effect, so it's not a question I can answer.

Mr. Peter Julian: Thank you.

The Chair: We'll go to Ms. Jansen.

Mrs. Tamara Jansen: I'm just wondering how government will ensure that accountability measures are in place. What sorts of strings are attached to ensure that money is used and is actually clearing backlogs?

Ms. Suzanne Kennedy: It is similar to the Canada health transfer in that it's largely unconditional, but provinces and territories need to respect the principles of the Canada Health Act. It would be subject to the same.

Mrs. Tamara Jansen: Is there no real measurement that says something like you have to reduce your backlog by 50% in order to qualify for the funds? There are no strings attached, basically.

Ms. Suzanne Kennedy: Correct. There are no reporting requirements of that sort.

The Chair: Ted Falk.

Mr. Ted Falk: Thank you, Mr. Chair.

Thank you, Suzanne, for your commentary. Similar to Ms. Jansen's question, I'm wondering if the federal government is keeping track of the monies that have been forwarded to the provinces for COVID-19 subsidies.

Are we keeping track of the amount of money that provinces are actually spending on projects or for areas we've designated funding for? Do we keep a log on that? What's happening?

Ms. Suzanne Kennedy: To the extent that there are requirements, they are being tracked. There are some elements that do not have conditions to track. I'm afraid I don't have the details on that.

Mr. Ted Falk: Okay. My understanding is that provinces.... I know that there have been hundreds of billions of dollars sent to the provinces in the last 14 months because of COVID-19. As just one example, my understanding is that one bucket of money was given to the provinces to support the aviation industry for scheduled aviation services to northern and indigenous communities. I know that not all the provinces spent the allocated amount that was given to them by the federal government.

There have been hundreds of program funding announcements made to the provinces. What percentage of that money have the provinces actually been spending for what they're supposed to, and what have they not?

Ms. Suzanne Kennedy: I'm sorry. I can only speak to the measures that are in Bill C-30 today.

Mr. Ted Falk: This is kind of related to that, because we're being asked to approve measures and we don't even know if the provinces are spending the money that they're committed to spending for other programs they've been receiving it for.

Ms. Jansen's question articulated as well that with the money they're going to receive for these health transfers, there's no accountability for this money that's being given to all the provinces.

• (1315)

The Chair: Ted, I think that's more a question for the minister. It might be a good Wednesday question for the Prime Minister: Where's the accountability? I don't think Ms. Kennedy can answer.

Mr. Ted Falk: Thanks, Mr. Chair.

The Chair: Are there any further questions?

That sums it up on division 12.

We're turning to division 13, which is Canada's COVID-19 immunization plan. On money spent there in each of the provinces, the same question likely applies here, Ted.

Who's on this one? Is it you again, Ms. Kennedy?

Mr. Omar Rajabali (Director General, Social Policy Division, Federal-Provincial Relations and Policy Branch, Department of Finance): It will actually be me.

The Chair: Introduce yourself first there, Omar, if you could.

Mr. Omar Rajabali: Absolutely.

My name is Omar Rajabali. I'm the acting director general of social policy within the Department of Finance. I'm here to provide an overview of the part entitled "Canada's COVID-19 Immunization Plan". This is division 13, clause 198.

This measure establishes an appropriations authority payment of up to \$1 billion out of the consolidated revenue fund by the Minister of Finance to provinces and territories in support of Canada's COVID immunization plan. Payments are to be allocated to provinces and territories on a per capita basis and can be used for a variety of vaccine-related costs.

The payment will be made in 2021-22. The statutory payment authority will ensure that funding is available to support provinces and territories in this last step to vaccinate Canadians.

I'll pause there.

The Chair: Who has questions on this round? We'll start with Mr. Falk, and then Mr. Fast.

Mr. Ted Falk: Thanks, Mr. Chair.

Again, it's a similar question. Can we get finance officials to provide this committee with a list of all the project funding from the last 14 months related to COVID that has been forwarded to the provinces—the amount of money that's spent and the amount of money that the provinces have not spent for designated program funding?

Can we ask them to do that? That's not a political question. It's just to provide us with information.

Mr. Omar Rajabali: I can answer questions only on section 198. I can't actually provide a commitment on the part of other areas. I'd be happy to answer questions on section 198.

The Chair: I think on that one, Ted, it may be a question that we want to ask either the minister or others. It is certainly a legitimate question: Where has the money been spent?

These officials are here on certain sections on the BIA and wouldn't have the ability to respond fully to that, but I think that's a question we need to raise.

We have Mr. Fast, followed by Ms. Dzerowicz and then Ms. Jansen.

Hon. Ed Fast: Mr. Chair, I would be glad to have you raise that issue in question period with your Prime Minister.

I have a question related to Ms. Jansen's and Mr. Falk's. There's a total of \$1 billion being spent here to assist in ramping up immunizations across Canada, but this \$1 billion is not part of the Canada health transfer. Is that correct?

Mr. Omar Rajabali: That's correct.

Hon. Ed Fast: All right. The provinces, then, don't have the same opportunity to complain that they shouldn't be instructed on how to spend this, because it's not part of the health transfer and it's not part of the social transfer. This is a separate transfer from the federal government, and one would expect that there would be significant accountability for how this money is spent, and reporting back to Parliament on how \$1 billion of taxpayers' money is being spent across the country.

Would you agree with me?

Mr. Omar Rajabali: I can't comment on what my personal opinion is, but what I can say, with respect to the specific appropriation authority, is that there is the expectation to report to the citizens. However, there is no reporting back to the Government of Canada.

Hon. Ed Fast: Why is that? Is that something the government deliberately did, or did provinces request that there not be a reporting requirement?

Mr. Omar Rajabali: This is the government's decision. I can't say why it took that specific decision.

Hon. Ed Fast: This was not driven by the civil servants, then. This was a decision taken by the government itself. Is that correct?

Mr. Omar Rajabali: All decisions that are taken on this are decisions by the government.

Hon. Ed Fast: They're taken by the government. Okay, then that's something we will have to take up with the Prime Minister. Accountability for \$1 billion is, I would imagine, something all of us would support.

• (1320)

The Chair: Now we are turning to Ms. Dzerowicz and then Ms. Jansen.

Ms. Julie Dzerowicz: Thank you so much, Mr. Chair.

Thank you for your presentation on division 13.

Can you give us examples of what would be included under Canada's COVID-19 immunization plan? What would be expected? Is it to buy the vials? Is it for the contact tracing? Can you give us an idea of what might be included as part of this \$1 billion of spending?

Mr. Omar Rajabali: Absolutely. The intention is not for the procurement of the vial side, because I think that's being done by the government separately. This component is for the provinces' and territories' rollout of the vaccine campaign. Things that could be included—of course it's dependent on the unique circumstances of each P and T—are mass vaccination clinics at large venues, training for workers at vaccine clinics, health human resources and reporting on vaccination rights.

Ms. Julie Dzerowicz: I have a follow-up question on that. I'm assuming that it's distributed in a per capita fashion to the provinces and territories as well.

Mr. Omar Rajabali: That's correct. It's a per capita allocation, and the specific amounts are actually in the bill.

The Chair: Thank you, Ms. Dzerowicz.

We will go to Ms. Jansen, followed by Mr. Ste-Marie.

Mrs. Tamara Jansen: I'm just wondering how you came up with a per capita number. That's my first question. What did you put in the estimate of how much you would need per person?

Mr. Omar Rajabali: It's the decision by the government to provide the \$1 billion, divided on a per person basis, that gets us to that per capita number that's in the legislation.

Mrs. Tamara Jansen: Nobody, then, was looking at what the possible costs were and working it backwards. They were saying, here's a billion bucks, so just divvy it up among everybody, and then they can spend it.

I'm sorry, but that's the oddest way of doing things. The government, therefore, told you: You have a billion bucks; split it up per capita and let the provinces figure it out.

Okay.

The Chair: I might mention, Omar, as well, that there was a floor for the smaller provinces and territories, and then it was per capita. Is that correct?

Mr. Omar Rajabali: There is no floor for the smaller provinces or territories in the \$1 billion being provided to them. It is a straight per capita distribution for each of the provinces and territories.

The Chair: Okay. Where's the per capita...? Where does the floor one come in? I know there's a program with a floor as well.

Oh, that was on the ventilation for schools. I'm sorry.

Mr. Omar Rajabali: I can't speak to another section, sir.

The Chair: I know which one it was; it has come to my mind now.

Mr. Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you for your presentation.

I agree with Ms. Jansen. I think the government would do well to not only distribute the money for immunization or health care by calculating costs per capita, but also by taking into account the aging population when it comes to health care funding in general. We know that the majority of health care costs can be attributed to caring for seniors. This method of calculating costs would be more appropriate for distributing health care funds.

Has your departmental team calculated immunization costs?

Are you able to tell us what percentage of the immunization campaign was covered by this billion dollars and the previous amounts?

[*English*]

Mr. Omar Rajabali: I can't give the percentage that's actually covered. All I can talk about is the section here, in terms of the payment, the PTs.

[*Translation*]

Mr. Gabriel Ste-Marie: If the government chose the amount of \$1 billion, was it because it is a nice even number, or did it determine that the amount would cover 20% or 50% of costs, for example? I am coming back to the point that was raised earlier by my colleagues.

If I'm understanding what you said correctly, the department does not have this information. The decision to spend \$1 billion was a political one.

[English]

Mr. Omar Rajabali: I do not have that information, no.

[Translation]

Mr. Gabriel Ste-Marie: Okay. Thank you.

Otherwise, in terms of immunization costs, as you stated, this billion dollars does not cover the vaccine doses.

Could you please give us the cost per dose for each type of vaccine purchased?

• (1325)

[English]

Mr. Omar Rajabali: I cannot speak to the cost per dose. I cannot speak to the procurement side. That is something that's led by the Public Health Agency of Canada and Public Service Procurement Canada, not us.

[Translation]

Mr. Gabriel Ste-Marie: That's fine. Thank you.

[English]

The Chair: All right. That was a good attempt, Gabriel.

Thank you very much, Omar.

We'll turn, then, to division 15, which is the "Hibernia Dividend Backed Annuity Agreement".

Mr. Millar, you're on. Just introduce yourself and tell us what your position is, Samuel.

Mr. Samuel Millar (Director General, Corporate Finance, Natural Resources and Environment, Economic Development and Corporate Finance, Department of Finance): Thank you very much. My name is Sam Millar. I'm the director general in the Department of Finance who covers environment, natural resource and corporate finance matters.

I'm here to speak today about part 4, division 15 of the bill. This division covers proposed measures that would allow the government to fully implement the agreement with the Province of Newfoundland and Labrador related to the Hibernia dividend-backed annuity agreement. This is an agreement that the two governments signed in April 2019. The proposed measures in the bill would provide clearer statutory authority for the Minister of Finance to make the required payments to the Province of Newfoundland and Labrador from the consolidated revenue fund.

Just as background, the 2019 agreement provides that Canada will make annual defined payments to the Province of Newfoundland and Labrador over a period of 38 years, ending in 2056. The purpose of the agreement is to maintain and enhance the province's right, under the 1985 Atlantic Accord, to be the principal beneficiary of the oil and gas resources in the offshore area near the province.

Thank you.

The Chair: All right. Does anyone have questions on this one?

The amount of money is outlined in your documents. It's a little over \$3 billion.

Mr. Falk.

Mr. Ted Falk: Thanks, Mr. Chair.

That is a lot of money, but it's over 38 years, so I appreciate that.

Has the calculation been done on that amount of money to find out whether it is actually fair compensation for royalties related to the oil and gas sector?

Mr. Samuel Millar: The amount for the payments is tied to the expected dividends that Canada would receive from its part ownership in the Hibernia project. It's tied to the equity share in the Hibernia project, rather than to an amount that would be collected from royalties through the production of oil and gas.

Mr. Ted Falk: Would that be consistent with industry elsewhere?

Mr. Samuel Millar: I'm not entirely sure I can answer the question as posed. The amount is tied to the specific equity share in this project and to the dividends that were expected from it over that period of time.

Mr. Ted Falk: Do we have good reason to believe that those dividends will be there?

Mr. Samuel Millar: We do.

Mr. Ted Falk: Okay. Thanks, Samuel.

The Chair: Ms. Jansen.

Mrs. Tamara Jansen: This is \$3 billion over 38 years. Especially with the kind of inflation we're seeing now, do we think that setting today's dollars for 38 years from now is going to be adequate? Is there some sort of equation put into this to consider that sort of thing?

Mr. Samuel Millar: The agreement, which is a public document, has provisions for a true-up.

The Chair: Does that answer your question, Tamara? It does have provisions for a true-up.

Hearing no further questions for Mr. Millar on division 16, we'll go to the last division for this panel, division 20, which is on the Canada–United States–Mexico Agreement Implementation Act.

I believe this one is for Ms. Cantin. Has she just come on?

• (1330)

[Translation]

Ms. Marie-Hélène Cantin (Senior Economist, International Trade Policy Division, International Trade and Finance, Department of Finance): Hello. I am Marie-Hélène Cantin and I am a senior economist with the international trade policy division of the Department of Finance.

The amendments contained in division 20 are technical and administrative clarifications to support Canada's long-standing approach in the selection of candidates for rosters, panels and committees for disputes concerning antidumping and countervailing duties lodged under NAFTA, the North American Free Trade Agreement, or CUSMA, the Canada–United States–Mexico Agreement.

Chapter 19 of NAFTA provided for a dispute resolution mechanism for antidumping and countervailing duties that was used to replace domestic judicial reviews. Chapter 10 of CUSMA leaves this mechanism intact, which was a key objective for Canada in the negotiations. Chapter 19 of NAFTA provides that the responsibility for choosing candidates for rosters, panels and committees is shared between the Minister of International Trade and the Minister of Finance.

This shared responsibility was in keeping with the fact that the Minister of Finance is responsible for the antidumping and countervailing duties regime in Canada according to the Special Import Measures Act, as well as the fact that the Minister of International Trade is responsible for defending Canadian interests in American or Mexican investigations into dumping and subsidies.

Bill C-30 proposes changes to the Canada—United States—Mexico Agreement Implementation Act to reestablish the requirement of obtaining the consent of the Minister of Finance when the Minister of International Trade selects candidates for rosters, panels and committees as per the terms of Chapter 10 of CUSMA.

My colleagues from Global Affairs Canada, John Layton and Raahool Watchmaker, are here with me and ready to answer your questions.

[English]

The Chair: Thank you, Ms. Cantin.

We will go to Mr. Fast.

Hon. Ed Fast: Marie-Hélène, did you say you have the minister there with you?

The Chair: She said “a colleague”.

Ms. Marie-Hélène Cantin: I have colleagues from Global Affairs Canada with me.

Hon. Ed Fast: Then I misheard. I have a question, but I'd love to have the minister here to answer that question.

As you know, the United States has been very reluctant to appoint panellists to the rosters of the World Trade Organization, which has effectively emasculated that organization.

Have we run into the same challenge with NAFTA, and now CUSMA?

[Translation]

Ms. Marie-Hélène Cantin: Recently, there have been some delays in setting up the panels, especially those that were going to work on resolving softwood lumber disputes. Setting up the panels always takes a while, because the governments involved have to evaluate the availability of members who are on the roster as well as any disclosures of a conflict of interest. Each government has the right to use up to four vetos on candidates nominated by another country, which also generates its fair share of delays.

Nonetheless, as is the case for any tribunal, the parties involved in the dispute continue to file their legal documents within the prescribed timelines. Once the panels are set up, they simply have to organize sittings, analyze information and make a decision. That part happens rather quickly.

The changes proposed in Bill C-30 will not directly impact the time needed by public servants to nominate candidates for Canada. We find that the delays that have happened over the past few years were regrettable. That said, we hope that there will be a return to a more efficient way of organizing panels as per the terms of CUSMA.

[English]

The Chair: If that is it, Ed, we will turn to Mr. Ste-Marie.

[Translation]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Ms. Cantin, thank you for your presentation, which was very clear.

I would simply like to draw the committee members' attention to a small error in the French version of the huge 600-page document on Bill C-30. The question and answer part on this division is in English, but it should be in French.

I was wondering if the persons responsible could make the necessary change.

• (1335)

Ms. Marie-Hélène Cantin: I can assure you that the French version exists.

Mr. Gabriel Ste-Marie: Thank you.

[English]

The Chair: That is a valid point, Gabriel.

Are there any other questions on division 20?

Are there any other questions that come to mind on any of these divisions that the witnesses are here for: divisions 6, 7, 11, 12, 13, 15, 16 and 20?

Ms. Kennedy, do you want in?

Ms. Suzanne Kennedy: I just want to say that I also lost my connection, so I did not speak to division 16 and I am available if you want me.

The Chair: I don't think there were any questions on it.

Does anybody have any questions on division 16, which is on the Nova Scotia and Newfoundland and Labrador Additional Fiscal Equalization Offset Payments Act?

[Translation]

Mr. Gabriel Ste-Marie: Yes, I would like to ask a question.

[English]

The Chair: Gabriel has a question.

Mr. Ste-Marie.

[Translation]

Mr. Gabriel Ste-Marie: Would it be possible to provide us with the formulae that are used for the calculation? If so, I would be most grateful.

Earlier, I did not thank you for answering in French. I would like to do so now.

Thank you.

Ms. Suzanne Kennedy: We can, of course, provide the committee with the formulae used to make this calculation.

[English]

The Chair: Mr. Fraser.

Mr. Sean Fraser (Central Nova, Lib.): Thank you, Chair.

Ms. Kennedy, I think the formula may not necessarily apply for the piece with Nova Scotia.

Can you confirm whether that's just adjusting the payout to the Province of Nova Scotia, in accordance with the arbitration that took place around the Sable offset transportation costs, and simply puts the royalty where it would have been had the results of the arbitration come through in the initial commercial transaction?

Ms. Suzanne Kennedy: That is true that it is to compensate for the timing of the arbitration payment. The way that is achieved is by extending the formula until 2022-23. In the bill, the amount for the first year is just hard coded, but it's still resulting from the application of that formula.

The Chair: Did you give the explanation on division 16 previously, Ms. Kennedy? Maybe I skipped over it.

Ms. Suzanne Kennedy: No, I didn't. I'm afraid I lost my connection before that.

The Chair: Do you want to give us the explanation now, on division 16, so we have that in the record? Then I'll go to Ms. Jansen, who has a question.

Ms. Suzanne Kennedy: Sure. I'll start with some background. The 2005 Canada-Nova Scotia arrangement on offshore revenues provided time-limited protection to Nova Scotia to offset the negative impact of offshore revenues on its equalization payments. This arrangement expired on March 31, 2020.

In 2018, Nova Scotia received a one-time settlement after an arbitration process concerning how transportation costs were treated in the Sable offshore energy project royalty calculations. The settlement recognized that transportation costs claimed had been too high and thus past royalties paid were too low. As the equalization program operates with a two-year data lag and a three-year moving average, the one-time settlement payment will reduce the province's equalization payments from 2020-21 to 2022-23. Had these royalties been paid out initially rather than retroactively, their impact on Nova Scotia's equalization payments would have largely been offset under the 2005 arrangement on offshore revenues.

Division 16 amends the Nova Scotia and Newfoundland and Labrador Additional Fiscal Equalization Offset Payments Act to extend the Minister of Finance's authority to make additional fiscal equalization offset payments to Nova Scotia until 2022-23. This would ensure that Nova Scotia is not penalized by the timing of a recalculation of past royalties, as discussed earlier.

• (1340)

The Chair: Thank you, Ms. Kennedy.

Now I have three questioners on the list: Ms. Jansen, Mr. Falk and Mr. Fast.

Ms. Jansen.

Mrs. Tamara Jansen: I'm just wondering if you could give me a Coles Notes version, a kind of "Hibernia for dummies", because I don't think I quite understand. Did the contract go bad? Is that what you're saying? Is that why this is being done?

Ms. Suzanne Kennedy: No. They had an arbitration process that essentially said they should have been paid more royalties earlier, and they received a lump sum payment in 2018. They did not receive the full protection for those royalty amounts under the 2005 offshore revenue arrangement that they otherwise would have.

The Chair: Thank you.

Mr. Falk.

Mr. Ted Falk: Thank you, Mr. Chair.

This is more of a general question. You asked for general questions before, and that's when I put my hand up. We have a lot of directors general or acting directors general in this meeting, and there seems to be, with a lot of the spending, a lack of reporting and accountability from the provinces with regard to the distribution of the funds they're receiving from the federal government.

My question is this, and I'd like each one of them to answer specifically: Is this due to a decision made by themselves, or have they received a direction from the minister to not require the reporting and accountability?

I think it's a fair question, Mr. Chair.

The Chair: I'll open it up if somebody wants to take a stab at it, but I think it is more a question for a minister.

Is anybody taking up the challenge?

I don't see anybody.

Mr. Ted Falk: Nobody wants to throw the minister under the bus.

The Chair: You'll have a good question for question period.

Mr. Fast.

Hon. Ed Fast: Thank you.

I want to go back to specifically to the offset payment program for Nova Scotia. I don't know if our officials can answer this. Maybe Mr. Fraser can.

Have the offshore oil and gas revenues for Nova Scotia come to an end? Has Nova Scotia exhausted those? What's the status? Do we still expect there to be a revenue stream coming in the future? I understood that we were coming to the end of that program.

The Chair: Mr. Fraser will be back. He's getting a new headset.

Hon. Ed Fast: It looks like this will be a serious answer now.

The Chair: This is the finance committee, Sean, not the House. You don't need a jacket on here. Look at Ed; his tie is loose.

Mr. Sean Fraser: Well, it's out of respect for my good friend, Mr. Fast.

The revenues from the project that was the subject of the arbitration are coming to an end. There was a dispute, not about the project falling apart but about the amount of royalties that ought to have been paid under it. My understanding of the legislative change is that it essentially puts Nova Scotia in the same place it would have been had the company been paying the royalties in accordance with what the arbitrator found they should have been paying rather than what they in fact were paying.

Hon. Ed Fast: Yes. That was my understanding as well, Mr. Chair.

The Chair: All right.

Mr. Sean Fraser: Did I put on my jacket for this?

Voices: Oh, oh!

The Chair: Okay, folks, let's get back to the whole panel on all those divisions.

Is there anything more that anybody wants to add?

To all the officials who are here, thank you for your presentations. Thanks again for what you do in these very difficult times. We appreciate the briefing on each of the divisions and your answering our questions.

With that, I will adjourn this meeting. We will see everyone at the next meeting, which is 2:30 p.m. Ottawa time, I believe, and 3:30 p.m. here.

The meeting is adjourned.

Thank you, all.

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