

# Canada

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RISK & COMPLIANCE REPORT

DATE: March 2018

## Executive Summary - Canada

<b>Sanctions:</b>	None
<b>FAFT list of AML Deficient Countries</b>	No
<b>Higher Risk Areas:</b>	US Dept of State Money Laundering Assessment Not on EU White list equivalent jurisdictions

### Major Investment Areas:

#### Agriculture - products:

wheat, barley, oilseed, tobacco, fruits, vegetables; dairy products; fish; forest products

#### Industries:

transportation equipment, chemicals, processed and unprocessed minerals, food products, wood and paper products, fish products, petroleum and natural gas

#### Exports - commodities:

motor vehicles and parts, industrial machinery, aircraft, telecommunications equipment; chemicals, plastics, fertilizers; wood pulp, timber, crude petroleum, natural gas, electricity, aluminum

#### Exports - partners:

US 74.5%, China 4.3%, UK 4.1% (2012)

#### Imports - commodities:

machinery and equipment, motor vehicles and parts, crude oil, chemicals, electricity, durable consumer goods

#### Imports - partners:

US 50.6%, China 11%, Mexico 5.5% (2012)

### Investment Restrictions:

Foreign investment is allowed in all but a few key sectors of the economy, notably "cultural industries" such as film, music and publishing. Investments are also subject to provincial jurisdiction, with restrictions on foreign investment differing by province.

There are no restrictions on the ability of private enterprises to compete with SOEs.

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## Section 1 - Background

A land of vast distances and rich natural resources, Canada became a self-governing dominion in 1867 while retaining ties to the British crown. Economically and technologically, the nation has developed in parallel with the US, its neighbor to the south across the world's longest unfortified border. Canada faces the political challenges of meeting public demands for quality improvements in health care, education, social services, and economic competitiveness, as well as responding to the particular concerns of predominantly francophone Quebec. Canada also aims to develop its diverse energy resources while maintaining its commitment to the environment.



## Section 2 - Anti – Money Laundering / Terrorist Financing

### FATF status

Canada is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

### Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Canada was undertaken by the Financial Action Task Force (FATF) in 2016. According to that Evaluation, Canada was deemed Compliant for 11 and Largely Compliant for 18 of the FATF 40 Recommendations.

### Key Findings from latest Mutual Evaluation (2016)

The Canadian authorities have a good understanding of most of Canada's money laundering and terrorist financing (ML/TF) risks. The 2015 Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada (the NRA) is of good quality. AML/CFT cooperation and coordination are generally good at the policy and operational levels.

All high-risk areas are covered by AML/CFT measures, except legal counsels, legal firms and Quebec notaries. This constitutes a significant loophole in Canada's AML/CFT framework.

Financial intelligence and other relevant information are accessed by Canada's financial intelligence unit, FINTRAC, to some extent and by law enforcement agencies (LEAs) to a greater extent but through a much lengthier process. They are used to some extent to investigate predicate crimes and TF activities, and, to a much more limited extent, to pursue ML.

FINTRAC receives a wide range of information, which it uses adequately, but some factors, in particular the fact that it is not authorized to request additional information from any reporting entity (RE), limit the scope and depth of the analysis that it is authorized to conduct.

Law enforcement results are not commensurate with the ML risk and asset recovery is low.

Canada accords priority to pursuing TF activities. TF-related targeted financial sanctions (TFS) are adequately implemented by financial institutions (FIs) but not by designated non-financial business and professions (DNFBPs). Charities (i.e. registered NPOs) are monitored on a risk basis.

Canada's Iran and Democratic People's Republic of Korea (DPRK) sanction regime is comprehensive, and some success has been achieved in freezing funds of designated

individuals, there is no mechanism to monitor compliance with proliferation financing (PF)-related TFS.

FIs, including the six domestic systemically important banks, have a good understanding of their risks and obligations, and generally apply adequate mitigating measures. The same is not true for DNFBPs. REs have gradually increased their reporting of suspicious transactions, but reporting by DNFBPs other than casinos is very low.

FIs and DNFBPs are generally subject to appropriate risk-sensitive AML/CFT supervision, but supervision of the real estate and dealers in precious metals and stones (DPMS) sectors is not entirely commensurate to the risks in those sectors. A range of supervisory tools are used effectively especially in the financial sector. There is some duplication of effort between FINTRAC and the Office of the Superintendent of Financial Institutions (OSFI) in the supervisory coverage of federally regulated financial institutions (FRFIs) and a need to coordinate resources and expertise more effectively.

Legal persons and arrangements are at a high risk of misuse, and that risk is not mitigated.

Canada generally provides useful mutual legal assistance and extradition. The authorities solicit other countries' assistance to fight TF and, to a somewhat lesser extent, ML. Informal cooperation is generally effective and frequently used.

## **Risks and General Situation**

Canada has a strong framework to fight ML and TF, which relies on a comprehensive set of laws and regulations, as well as a range of competent authorities.

It faces an important domestic and foreign ML threat, and lower TF threat. As acknowledged in the public version of the authorities' 2015 assessment of Canada's inherent ML and TF risks (the NRA), the main domestic sources of proceeds of crime (POC) are fraud, corruption and bribery, counterfeiting and piracy, illicit drug trafficking, tobacco smuggling and trafficking, as well as (to a slightly higher level than assess) tax evasion. Canada's open and stable economy and accessible financial system also make it vulnerable to significant foreign ML threats, especially originating from the neighbouring United States of America (US), but also from other jurisdictions. The main channels to launder the POC appear to be the financial institutions (FIs), in particular the six domestic systemically important banks (D-SIBs) due to their size and exposure, as well as money service businesses (MSBs). While not insignificant, the TF threat to Canada appears lower than the ML threat. A number of TF methods have been used in Canada and have involved both financial and material support to terrorism, including the payment of travel expenses of individuals and the procurement of goods.

## **Extract from 2013 Asia Pacific Group on Money Laundering Yearly Typologies Report: -**

### **Trends:**

Based on a review of cases disclosed by Canada's FIU (FINTRAC), the methods or techniques

used to launder money in Canada have remained relatively consistent over the past four years.

The following, presented in no order of importance, are the main methods or techniques used to carry out money laundering in Canada:

#### Use of International EFTs

In Canada, EFTs are used after the money generated from criminal activities is placed in the financial system, or when terrorist financiers send or receive funds related to terrorism.

Individuals often use EFTs to complicate the money trail or to conceal the funding of terrorism. They may send or receive EFTs in Canada or in foreign countries, offshore locations, and tax haven countries with weaker anti-money laundering laws. Domestic EFTs are also used to move illicit proceeds between various bank accounts in Canada.

Individuals involved in the drug trade normally introduce their illicit funds into the financial system through various methods, including large cash deposits into business accounts, which are often followed by purchases of EFTs. In many fraud cases, illicit funds are already in the financial system and are moved to foreign bank accounts, either in a bank secrecy country or offshore location.

Based on an analysis conducted by Canada's FIU from 2007 to 2011, fraud-related cases involved four times the number of EFTs than drug-related cases, which suggests that the use of EFTs is a common method employed in fraud schemes.

According to the same analysis, many of the jurisdictions where international EFTs in case disclosures were most commonly sent or received had the following characteristics:

- Many sending or receiving jurisdictions had previously or currently been declared deficient in their AML/AFT regimes by the FATF.
- Many were known as offshore financial centres and had strong bank secrecy laws.
- Some were known for their drug supply and smuggling routes.
- Others were popular financial or transshipment hubs in Europe, Asia, and the Middle East.

Countries with strong trade and financial ties with Canada, notably the USA and the UK, were also prevalent.

#### Use of Money Service Bureaus and Currency Exchange Businesses

MSBs and currency exchange businesses continue to play a role in money laundering activities in relation to all predicate offences. Of note, drug traffickers are particularly frequent users of these institutions, in order to conduct US and Canadian dollar cash conversions to assist in illicit



cross-border activities.

Cash purchases of EFTs are also a common technique used by individuals laundering illicit funds through MSBs and currency exchange businesses.

#### Use of Casinos

Individuals use casinos to launder money in Canada and they employ various techniques to do so, including converting smaller denominations of currency to larger ones (known as 'refining'), exchanging currencies and purchasing casino chips. One commonly used technique is for money launderers to purchase casino chips with cash, conduct minimal play, and then redeem the chips for either cash or cheque.

#### Use of Businesses

Businesses that handle a high volume of cash transactions are attractive to launderers of drug proceeds and often include convenience stores, gas stations, bars, restaurants and food-related wholesalers and retailers. These businesses allow for the commingling of illegitimate and legitimate cash funds. In cases of investment fraud, front companies are registered in foreign jurisdictions and the proceeds of fraud are sent to the foreign accounts of these companies.

Based on an analysis conducted by Canada's FIU from 2007 to 2011, 68% of drug-related cases consistently involved at least one business. Examples of businesses and sectors observed in drug-related cases were MSBs, construction, shipping or freight, import or export, travel, real estate, electronics, pharmaceuticals, convenience or grocery stores, food and entertainment, automobiles, hydroponics/indoor gardening, trucking and gas stations.

According to the analysis, fraud cases involved corporate entities more often than in other types of cases, particularly when the fraud involved purported securities. For example, it has been observed that businesses can act as conduits to receive investments from victims that can then be easily transferred to accounts held in offshore banking centres. Other types of fraud, such as debit/credit card fraud, can utilize the services of collusive merchants to perpetrate the fraud.

From 2007 to 2011, 84% of fraud-related cases involved at least one business. Examples of businesses and sectors observed in fraud-related cases are holding companies, financial services companies, investment or securities companies, real estate development, consulting firms, energy sector, precious metals, life insurance, technology (e.g. aviation, computers, etc.), medical supplies, food and entertainment and the auto industry.

#### Bulk Cash Smuggling

This is a prominent method used by criminal organizations to move the proceeds of crime from Canada to foreign destinations, particularly the US, Mexico, and Colombia. Canadian authorities have recently seen a large increase in seizures and investigations resulting from bulk cash smuggling.

It should also be noted that there has been an increase in trade-based and real estate-related money laundering schemes in recent years in Canada.

#### Emerging trend

The new payment methods that have been adopted in recent years (e.g., prepaid cards, internet payment methods) and the innovations that are being further developed and adopted in this space (e.g., mobile banking) are a particular focus.

Evidence suggests, however, that money laundering carried out using new payment methods, such as prepaid cards and internet payments systems, is still small in Canada. For example, Canada's FIU reports that, during the last three years, only 2-5 per cent of cases disclosed to law enforcement and other agencies involved these payment methods.

It is suspected that one or more terrorist groups in Canada are using an international trade-based money laundering scheme to send funds overseas in support of terrorist groups.

[Read Full Report](#)

### US Department of State Money Laundering assessment (INCSR)

**Canada is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.**

#### OVERVIEW

Money laundering activities in Canada involve the proceeds of illegal drug trafficking, fraud, corruption, counterfeiting and piracy, and tobacco smuggling and trafficking, among others. Foreign-generated proceeds of crime are laundered in Canada, and professional, third-party money laundering is a key concern. Transnational organized crime groups and professional money launderers are key threat actors.

Although the legislative framework does not allow law enforcement to have direct access to Canada's FIU databases, financial intelligence is received and disclosed effectively. The government should take steps to increase enforcement and prosecution.

#### VULNERABILITIES AND EXPECTED TYPOLOGIES

Money is laundered via several mediums, including bulk cash smuggling, MSBs/currency exchanges, casinos, real estate, wire transfers, offshore corporations, credit cards, foreign accounts, funnel accounts, hawala networks, and the use of digital currency.

The illicit drug market is the largest criminal market in Canada, while the counterfeit and pirated goods market is substantial and continues to grow rapidly. Transnational organized crime groups represent the most threatening and sophisticated actors in both markets, given their access to professional money launderers and facilitators, and their use of various money laundering methods to shield their illicit activity from detection by authorities.

## KEY AML LAWS AND REGULATIONS

Amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) that strengthen Canada's AML regime and improve compliance came into force in June 2017. These amendments expand the ability of the Financial Transactions and Reports Analysis Centre (FINTRAC), Canada's FIU, to disclose information to police, the Canada Border Services Agency, and provincial securities regulators. They also mandate AML measures for provincially-operated online casinos.

Entities subject to KYC and STR requirements include banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown (certain government agencies); MSBs; accountants and accountancy firms; precious metals and stones dealers; and notaries in Quebec and British Columbia. A second package of regulatory amendments is under development that will close other gaps in Canada's AML regime, such as the lack of AML compliance measures for foreign MSBs and virtual currency dealers.

As of July 2016, the PEP provisions of the PCMLTFA were amended to include domestic persons and heads of international organizations (HIO). The PCMLTFA requires reporting entities to determine whether a client is a foreign PEP, a domestic PEP, an HIO, or an associate or family member of any such person.

Canada published its national AML/CFT risk assessment in July 2015 and is currently updating this assessment. The PCMLTFA requires a Committee of Parliament undertake a review of the administration and implementation of the Act every five years, with the next review expected in 2018.

Canada has records exchange mechanisms with the United States and other governments. Canada has strong AML cooperation with the United States and Mexico through the AML workshops falling under the annual North American Drug Dialogue.

Canada is a member of the FATF and the APG, a FATF-style regional body.

## AML DEFICIENCIES

AML regulation of attorneys was overturned by the Canadian Supreme Court in 2015 as an unconstitutional breach of attorney-client privilege. Trust and company service providers, with the exception of trust companies, are also not subject to preventative measures.

Canada's legislative framework does not allow law enforcement agencies access to FINTRAC's databases; however, when FINTRAC has determined there are reasonable grounds to suspect that information received from reporting entities would be relevant to an investigation or prosecution of a money laundering offense, the FIU is required to make financial intelligence disclosures to appropriate authorities. Information may be sent to multiple authorities if links to parallel investigations are suspected.

## ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Canada has a rigorous detection and monitoring process in place, but should further enhance its enforcement and prosecutorial capabilities. As noted by international experts, when the magnitude of the identified money laundering risks are taken into account,

Canada's money laundering conviction rate appears to be low; over the past five years, only 169 trials on charges of money laundering led to a conviction. In addition to the offense of laundering the proceeds of crime, the possession of proceeds of crime (PPOC) is also a criminal offense. The same penalties apply to both laundering and PPOC convictions involving more than \$5,000. Of PPOC charges brought in 2014 (most recent data available), 17,191 resulted in a conviction on at least one charge.

Canada adopted the Security of Canada Information Sharing Act in 2015 to facilitate information sharing among government agencies regarding activity that undermines national security.

Canada adopted legislation regulating virtual currencies in 2014 that will subject persons and entities to the same reporting requirements as MSBs. The law will not come into force until a second package of regulatory amendments is completed. Digital currency exchanges will have to register with FINTRAC. Financial institutions will be prohibited from establishing and maintaining accounts for virtual currency businesses not registered with FINTRAC.

#### **Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):**

According to the US State Department, Canada conforms with regard to all government legislation required to combat money laundering

#### **EU White list of Equivalent Jurisdictions**

Canada is not currently on the EU White list of Equivalent Jurisdictions

#### **World Governance indicators**

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

#### **Failed States Index**

[To view Failed States Index Ctrl + Click here](#)

#### **Offshore Financial Centre**

Canada is not considered to be an Offshore Financial Centre

### US State Dept Narcotics Report 2017:

#### Introduction

In 2016, the Canadian government continued its efforts to combat the production, distribution, and consumption of illicit drugs. Canada is a supplier of both MDMA (ecstasy) and marijuana to the United States. Other drugs including the synthetic opioid fentanyl also transit Canada before entering the United States. As part of its National Anti-Drug Strategy, Canada has initiatives underway specifically targeting the trafficking of synthetic drugs, including fentanyl, which has been implicated in increasing numbers of overdose deaths. Canada and the United States cooperate extensively in counternarcotics efforts by sharing information and conducting joint operations.

#### Conclusion

The United States cooperates extensively with Canada on bilateral law enforcement matters and acknowledges the strong and consistent anti-drug efforts of Canada's federal government.

The United States will continue to work with Canada to stem the flow of illegal drugs across our shared border, and enhance regulatory frameworks to prevent access to precursor chemicals and lab equipment for criminal use.

### US State Dept Trafficking in Persons Report 2016 (introduction):

Canada is classified a Tier 1 country - is a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards.

Canada is a source, transit, and destination country for men, women, and children subjected to sex trafficking; and a destination country for men and women subjected to forced labor. Women and girls from Aboriginal communities; migrants, including those newly arrived, at-risk youth; runaway youth; and girls in the child welfare system are especially vulnerable. Foreign women, primarily from Asia and Eastern Europe, are subjected to sex trafficking in Canada. Law enforcement officials report some local street gangs and transnational criminal organizations are involved in sex trafficking. Labor trafficking victims include foreign workers from Eastern Europe, Asia, Latin America, and Africa who enter Canada legally, but are subsequently subjected to forced labor in a variety of sectors, including agriculture, construction, food processing plants, restaurants, the hospitality sector, or as domestic servants, including in diplomatic households. Canada is a source country for tourists who travel abroad to engage in sex acts with children. Canadian trafficking victims have been exploited in the United States.

The Government of Canada fully meets the minimum standards for the elimination of trafficking. The Government of Canada continued to operate a national anti-trafficking taskforce to coordinate, monitor, and report on efforts to combat trafficking. Canadian authorities maintained law enforcement and prosecution efforts against sex traffickers and courts delivered longer sentences than in previous years. Awareness of and resources against sex trafficking were considerably greater than those against labor trafficking. Police identified fewer trafficking victims than the previous year; NGOs reported government funding for specialized services was inadequate; the quality, timeliness, and range of such services varied among the provinces. Interagency coordination was also uneven across the provinces and territories, as was national data collection on anti-trafficking efforts.

### US State Dept Terrorism Report 2016

**Overview:** In 2016, Canada played a significant role in international efforts to detect, disrupt, prevent, and punish acts of terrorism. Canada and the United States maintained a close, cooperative counterterrorism partnership, and worked together on key bilateral homeland security programs such as the Beyond the Border initiative and the Cross Border Crime Forum. Canada made important contributions to the Global Counterterrorism Forum (GCTF) and the Global Initiative to Counter Nuclear Terrorism (GICNT), and Canadian diplomacy supported global efforts to prevent radicalization, counter violent extremism, and promote stability and the rule of law. Canada rigorously implemented UN Security Council resolutions (UNSCRs) 2178 (2014) and 2199 (2015), monitored financial flows to counter terrorist financing, and implemented GCTF good practices on foreign terrorist fighters. The main terrorist threats in Canada are from Canada-based violent extremists inspired by terrorist groups such as ISIS and al-Qai'da and their affiliates and adherents.

Canada has made important contributions to the Global Coalition to Defeat ISIS over the past year. Although Ottawa withdrew its six deployed CF-18s from the effort in February, its two Aurora surveillance aircraft and one refueling aircraft remained in theater and Canada has tripled its contribution of Special Operating Forces which have been advising and assisting Kurdish Peshmerga in their efforts to recapture territory from ISIS. Canada has also provided significant humanitarian assistance to ISIS-impacted communities, including by accepting more than 39,000 Syrian refugees over the past year. Canadian law enforcement and security services are working to prevent the flow of foreign terrorist fighters to Iraq and Syria.

**Legislation, Law Enforcement, and Border Security:** Canada's legal framework includes significant penalties for committing terrorist acts, conspiring to commit terrorist acts, financing terrorism, and traveling abroad to engage in terrorism. Canada still faces, however, a significant challenge in prosecuting individuals who have traveled abroad to engage in terrorism, due to the difficulty in proving association with terrorist organizations or having committed specific terrorist acts. Traveling abroad to commit acts of terrorism is a violation of Canadian federal law. Current measures in place enforcing those laws include: peace bonds, which could involve the denial of passport applications or revocation of valid passports of Canadian citizens suspected of traveling abroad or aspiring to travel abroad to commit acts of terrorism; and the maintenance of a watchlist of individuals (both citizens and non-citizen residents) flagged for potential involvement with terrorist organizations.

In 2016, the following legislative activity impacting Canada's counterterrorism efforts included:

- Bill C-6 ("An act to amend the Citizenship Act and to make consequential amendments to another Act") was passed by the House of Commons on June 17, and awaits its second reading in the Senate. The bill was introduced in February to amend the *Citizenship Act* to remove the grounds for the revocation of Canadian citizenship that relate to national security.
- Bill C-22 ("An Act to establish the National Security and Intelligence Committee of Parliamentarians and to make consequential amendments to certain Acts") was in the reporting stage in the House of Commons. In June, the government introduced the bill which seeks to establish the National Security and Intelligence Committee of Parliamentarians and to define its composition and mandate.
- Bill C-23 ("Preclearance Act, 2016") awaits its second reading in the House, where it has been dormant since June 2016. When signed, it would implement the March 2015 Agreement on Land, Rail, Marine, and Air Transport Preclearance and provide U.S. officers with powers to facilitate preclearance with the caveat that the exercise of any such power would be subject to Canadian law.
- Bill C-51 ("Anti-Terrorism Act, 2015") was put out for public comment to fulfill an election campaign promise to amend "objectionable elements," but no action had been taken before the end of 2016.

Canadian government entities shared legally available terrorism-related information with U.S. counterparts in a timely, proactive fashion. Prosecutors worked in close cooperation with specialized law enforcement entities that use accepted investigative, crisis response, and border security techniques. Canadian federal law enforcement entities have clearly demarcated counterterrorism missions and maintain working relationships with their provincial and municipal counterparts as well as with elements of the Canadian Armed Forces.

Canada's border security network uses travel document security technology, terrorist-screening watchlists, biographic and biometric screening capabilities at ports of entry, information sharing between host government entities and other countries, and collection of advance passenger name record information on commercial flights to safeguard its borders. Canada and the United States have established border security collaboration under the auspices of the Beyond the Border initiative as well as within the framework of the Cross Border Crime Forum and other ongoing law enforcement exchanges. Canadian security forces maintain patrols to secure the country's land and maritime borders, with the Border Enforcement Security Task Forces and Integrated Border Enforcement Teams serving as models for effective cross-border law enforcement collaboration and capacity-building agencies. Canada continued to develop a traveler redress policy and process.

Canada conducted numerous law enforcement actions against terrorists and terrorist groups over the past year. The most significant were:

- On March 26, Kevin Omar Mohamed, who was subject to peace bond restrictions, was arrested and charged with carrying a concealed weapon and for possession of a weapon dangerous to public peace. On March 29, he was charged with participating in the activity of a terrorist group over a two-year period. Mohamed was also accused of traveling to

Turkey in April 2014 to join al-Qa'ida's affiliate in Syria, al-Nusrah Front, a listed terrorist entity in Canada.

- On December 5, Tevis Gonyou-McLean, a Muslim convert originally from Ottawa, was charged with allegedly threatening to bomb Ottawa's police headquarters and issuing death threats. He had been arrested in August on RCMP fears he would engage in terrorism. He was not charged at the time, but was placed under a peace bond. He was subsequently rearrested on November 5 for breaching the conditions of the peace bond.

There are some deterrents to more effective Canadian domestic law enforcement and border security, most of which include privacy and disclosure issues. The United States and Canada signed a new Tip-Off US-CAN (TUSCAN) arrangement following Prime Minister Trudeau's March 2016 visit to Washington, but the implementing protocols for the arrangement have not been developed. The development of a TUSCAN governance document continued at year's end.

**Countering the Financing of Terrorism:** Canada is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Canada also has observer or cooperating status in the Caribbean Financial Action Task Force and the Financial Action Task Force of Latin America. Canada's financial intelligence unit, the Financial Transactions and Reports Analysis Centre of Canada, is a member of the Egmont Group of Financial Intelligence Units, and is responsible for detecting, preventing, and deterring money laundering and the financing of terrorist activities. Canada is also an observer in the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures.

Canada has rigorous detection and monitoring processes in place to identify money laundering and terrorist financing activities. Canada implements the UN Security Council (UNSC) ISIL (Da'esh) and al-Qa'ida sanctions regime; criminalizes terrorist financing in accordance with international standards through implementation of UNSCRs 2178 and 2199; freezes and confiscates terrorist assets without delay; monitors and regulates money/value transfer and other remittance services; requires collection of data for wire transfers; obligates non-profits to file suspicious transaction reports and monitors them to prevent either misuse or terrorist financing; and routinely distributes the UNSC ISIL (Da'esh) and al-Qa'ida sanctions list to financial institutions.



## International Sanctions

None applicable

## Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	82
World Governance Indicator – Control of Corruption	95

Corruption does not represent a substantial obstacle to doing business in Canada. The country possesses clear-cut regulations and transparent, reliable courts. Numerous corruption investigations raise concern about corruption, illegal financing and kickbacks in the construction sector and in public procurement. Nevertheless, the government has well-functioning mechanisms in place to investigate and punish corruption and abuse of office. The Criminal Code of Canada is the principal anti-corruption legislation, prohibiting corruption, bribery, influence peddling, extortion and abuse of office. Facilitation payments, gift-giving and foreign bribery are criminalized under the Corruption of Foreign Public Officials Act (CFPOA) and are uncommon in practice. The law's extended jurisdiction permits Canadian courts to prosecute corruption committed by companies and individuals abroad. Canada's anti-corruption legislation is vigorously enforced, and companies and officials guilty of violating Canadian law are being effectively investigated, prosecuted and convicted. **Information provided by GAN Integrity.**

### US State Department

On an international scale, corruption in Canada is low and similar to that found in the United States. In general, the type of due diligence that would be required in the United States to avoid corrupt practices would be appropriate in Canada. Canada is a party to the UN Convention Against Corruption. Canada is a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, as well as the Inter-American Convention Against Corruption.

### Corruption and Government Transparency - Report by Global Security

#### Political Climate

Canada has established effective mechanisms and a strong framework to combat corruption; however, corruption cases involving government officials are still reported, as reported by the US Department of State 2012. According to a May 2013 article by Canada, the Federal Ethics Commissioner is looking into a case where a USD 90,000 payment was made by current Prime Minister Stephen Harper to Senator Mike Duffy to cover some living expenses that had been improperly claimed. Another political case to hit Canada in recent years involves former Prime Minister Brian Mulroney. Mulroney accepted kickbacks from Karlheinz Schreiber, a German-Canadian lobbyist and businessman, in exchange for Air

Canada's purchases of 34 Airbus planes in 1998. Mulroney has stated that he received CAD 225,000, while Schreiber alleges the figure was CAD 300,000. The Oliphant Commission's investigation states that the covert manner of these transactions was designed to conceal their business and financial dealings. The affair also includes the Bear Head Project, a proposal by German arms producer Thyssen Industries to construct a factory to produce military vehicles in exchange for a federal grant.

Respondents in Transparency International's Global Corruption Barometer 2013 perceive political parties to be the most corrupt institution. Twenty-nine per cent believe that corruption has increased in the past two years; however, improvements are recorded in the findings of the report: 74% of citizens consider the government's actions in the fight against corruption to be ineffective in 2010 compared to only 11% in 2013. After coming under severe criticism from the OECD for deficiencies in the Corruption of Foreign Public Officials Act (CFPOA), the OECD now praises Canada for recent amendments made to the Act, which broaden the scope to encompass the prosecution of individuals and companies committing bribery abroad by Canadian courts without having to establish a connection between Canada and the foreign country. The amendments also criminalise facilitation payments and increased the maximum penalty for violating the law. A May 2012 article by Financial Post communicates that the OECD praises the Canadian government for an amendment criminalising bribery committed by all businesses regardless of profit.

According to Freedom House 2013, Canada has vigorously prosecuted corruption cases. Implementation of anti-corruption laws is effective in practice and corruption is generally low within the country as reported by the US Department of State 2013. However, the political scene has not been free from corruption cases and the City of Quebec has been ranked as the most corrupt area in Canada due to the involvement of several municipal officials in a corruption scandal in the construction sector, as reported by a 2012 report published by the International Centre for Criminal Law and Criminal Justice Policy (ICCL).

### **Business and Corruption**

Niko Resources, a Calgary-based oil and gas company, has been prosecuted and convicted of bribing the former Bangladeshi State Minister for Energy and Mineral Resources in 2005. Niko employees gave the Minister a car worth CAD 190,984 and paid for travel and accommodation for a non-business trip. In July 2011, Niko was fined CAD 9.5 million and will be under the court's supervision for the next three years to ensure compliance with the Corruption of Foreign Public Officials Act (CFPOA). Since the amendments introduced to the CFPOA, Griffith Energy International received a record fine of USD 10.27 million from the Canadian government. The company was fined for paying USD 2 million in bribe to a government official in Chad to secure contracts within the country's oil sector, as reported by a 2013 report published by the legal law firm Morison Forester.

According to the US Department of State 2013, the level of corruption is low in Canada. Corruption does not appear to be a major problem for businesses, as illustrated in the Global Competitiveness Report 2013-2014. According to the report, only 1.3% of surveyed executives cite corruption to be the most problematic factor for doing business in Canada. On the other hand, the general public does not seem to have a positive impression of the Canadian private sector's integrity, as surveyed Canadians in Transparency International's Global Corruption Barometer 2013 perceive the private sector to be the second most corrupt institution in Canada, with 48% believing it to be corrupt or extremely corrupt. Companies are

still recommended to develop, implement and strengthen integrity systems and to conduct extensive due diligence when planning to invest or when already doing business in Canada.

According to Ernst & Young's Global Fraud Survey 2012, the vast majority of surveyed Canadian business executives respond that senior management at their company has communicated its commitment to the anti-bribery/anti-corruption (ABAC) policies. However, less than half of the respondents in the same survey report that people have been penalised for violations of these same policies.

## **Regulatory Environment**

Canada's regulatory environment is open to foreign investors, even though Canada is one of the few OECD countries that still has a formal investment review process, according to the US Department of State 2013. Foreign investment is allowed in all but a few key sectors of the economy, notably "cultural industries" such as film, music and publishing. Investments are also subject to provincial jurisdiction, with restrictions on foreign investment differing by province. In the World Economic Forum Global Competitiveness Report 2013-2014, surveyed companies cite inefficient government bureaucracy as the third most problematic factor for doing business in Canada and corruption as the 12th most problematic. However, the World Bank & IFC's Doing Business 2014 reports that the time and procedures required for registering a company are below the OECD average.

The Investment Canada Act (ICA) has liberalised policies on foreign investment. The ICA reviews large acquisitions by non-Canadians and imposes a requirement that these investments be of "net benefit" to Canada. The threshold for investments subject to ICA review for 2012 was CAD 330 million for WTO members and CAD 5 million for non-WTO members. Therefore, the vast majority of small acquisitions need only to notify the Canadian government of their investment. According to the US Department of State 2013, fewer than 10% of foreign acquisitions are subject to ICA review. Recently, however, there have been several high profile cases that have been reviewed. The Canadian government blocked the purchase of a potash producer in Saskatchewan by an Australian-based company in November 2010. The Canadian government claimed the hostile takeover failed to be of "net benefit" to Canada, as is mandated under the ICA. This was only the second time since the ICA came into force in 1985 that the Canadian government has rejected a foreign investment.

Foreign investment in the financial sector is governed by the Finance Department. The Telecommunications Act limits foreign ownership of transmission facilities, while the Broadcast Act governs foreign investment in radio and television broadcasting. Canada a member of the New York Convention of 1958 and is in the process of becoming a member of the International Center for the Settlement of Investment Disputes (ICSID); however, membership is unlikely in the immediate future, according to the US Department of State 2013. The Heritage Foundation 2013 reports that the court system in Canada is independent and transparent. Access the Lexadin World Law Guide for a collection of legislation in Canada.

### Section 3 - Economy

As a high-tech industrial society in the trillion-dollar class, Canada resembles the US in its market-oriented economic system, pattern of production, and high living standards. Since World War II, the impressive growth of the manufacturing, mining, and service sectors has transformed the nation from a largely rural economy into one primarily industrial and urban. In addition, the country's petroleum sector is rapidly expanding, because Alberta's oil sands significantly boosted Canada's proven oil reserves. Canada now ranks third in the world in proved oil reserves behind Venezuela and Saudi Arabia and is the world's fifth-largest oil producer.

The 1989 US-Canada Free Trade Agreement and the 1994 North American Free Trade Agreement (which includes Mexico) touched off a dramatic increase in trade and economic integration with the US, its principal trading partner. Canada enjoys a substantial trade surplus with the US, which absorbs about three-fourths of Canadian merchandise exports each year. Canada is the US's largest foreign supplier of energy, including oil, gas, and electric power, and a top source of US uranium imports.

Given its abundant natural resources, highly skilled labor force, and modern capital plant, Canada enjoyed solid economic growth from 1993 through 2007. Buffeted by the global economic crisis, the economy dropped into a sharp recession in the final months of 2008, and Ottawa posted its first fiscal deficit in 2009 after 12 years of surplus. Canada's major banks, however, emerged from the financial crisis of 2008-09 among the strongest in the world, owing to the early intervention by the Bank of Canada and the financial sector's tradition of conservative lending practices and strong capitalization. Canada achieved marginal growth in 2010-15, despite the recent drop in oil prices.

#### **Agriculture - products:**

wheat, barley, oilseed, tobacco, fruits, vegetables; dairy products; fish; forest products

#### **Industries:**

transportation equipment, chemicals, processed and unprocessed minerals, food products, wood and paper products, fish products, petroleum, natural gas

#### **Exports - commodities:**

motor vehicles and parts, industrial machinery, aircraft, telecommunications equipment; chemicals, plastics, fertilizers; wood pulp, timber, crude petroleum, natural gas, electricity, aluminum

#### **Exports - partners:**

US 76.7% (2015)

#### **Imports - commodities:**

machinery and equipment, motor vehicles and parts, crude oil, chemicals, electricity, durable consumer goods

#### **Imports - partners:**

US 53.1%, China 12.2%, Mexico 5.8% (2015)

## Banking

Under the Bank Act, the federal government is responsible for the regulation of banks in Canada. However, given the diverse nature of the banks' activities, some of their subsidiary activities – such as trustee services and securities dealing – are provincially regulated.

FINTRAC is responsible for ensuring compliance with AML/CFT requirements by banks and the Office of the Superintendent of Financial Institutions (OSFI) is the federal agency responsible for supervising banks in Canada. The Bank of Canada, Canada's central bank, works with other agencies and market participants to promote the safe and efficient operation of the financial system's key elements.

Canada has the highest number of ATMs per capita in the world and benefits from the highest penetration levels of electronic channels such as debit cards, Internet banking and telephone banking.

## Stock Exchange

The Canadian securities industry plays a key role in Canada's financial services sector. The securities industry is made up of integrated, institutional and retail firms. Integrated firms offer products and services that cover all aspects of the industry for both the institutional and retail markets. Their functions include raising debt and equity capital for companies, helping governments raise capital to fund their operations and serving retail investors. Institutional firms provide services to large corporate clients such as pension funds, insurance companies, mutual fund organizations, banks and trust companies. Retail firms, which include full-service firms and discount brokers, offer a wide range of products and services to retail investors. Some 90 000 Canadians are licensed or registered as dealers and advisers participants.

There are a large number of firms in Canada that are involved in the securities industry. Generally speaking, the firms can be broken down into four categories: investment dealers firms that can sell all types of securities, mutual fund dealers firms that can only sell mutual fund products, investment counsel and portfolio management firms that provide investment advice and counselling, and restricted dealers/limited market dealers that can only sell restricted types of securities.

The number of firms participating in the Canadian securities industry has risen consistently throughout the last two decades. In the investment dealers firms category, the market is dominated by retail firms, followed by institutional firms and integrated firms.

Regulation. In Canada, securities regulation is an area of provincial responsibility. FINTRAC is responsible for ensuring compliance with AML/CFT requirements for all securities dealers. Provincial and territorial securities regulatory authorities are members of Canadian Securities Administrators (CSA), an umbrella organization of the 13 regulators that serves as a forum for coordinating and harmonizing the regulation of Canadian capital markets. Securities regulators also delegate certain aspects of securities

regulation to self-regulatory organizations, including the Investment Dealers Association of Canada, Market Regulation Services, Inc. and the Mutual Fund Dealers Association of Canada.

### Executive Summary

Canada and the United States have one of the largest and most comprehensive investment relationships in the world. U.S. investors are attracted to Canada's strong economic fundamentals, its proximity to the U.S. market, its highly skilled work force, and abundant resources. The United States accounts for over 49 percent of Canada's total stock of foreign direct investment (FDI). U.S. stock of foreign direct investment in Canada reached \$386 billion in 2014, the most recent year available; while Canada's foreign direct investment stock in the United States totaled more than \$261 billion. The stock of global foreign direct investment in Canada stood at \$631 billion at the end of 2014, a decrease of 3% from 2013.

U.S. foreign direct investment in Canada is subject to the provisions of the Investment Canada Act (ICA), the World Trade Organization (WTO), and the 1994 North American Free Trade Agreement (NAFTA). Chapter 11 of NAFTA contains provisions such as "national treatment" designed to protect cross-border investors and facilitate the settlement of investment disputes. NAFTA does not exempt American investors from review under the ICA, which has guided foreign investment policy in Canada since its implementation in 1985. The ICA provides for review of large acquisitions by non-Canadian investors and includes the requirement that these investments be of "net benefit" to Canada. Fewer than 10 percent of foreign acquisitions are subject to ICA review, and the Canadian government has blocked investments on only three occasions.

Canada announced in December 2012 that future acquisitions of Canadian oil sands businesses by a state-owned enterprise (SOE) will only be of net benefit to Canada in "exceptional circumstances" as part of the government's new SOE guidelines. Canada's 2013 Budget Implementation Bill brought into force other previously announced SOE measures including a separate monetary review threshold for SOE investments and a broader and clarified definition of an SOE. The rules were developed in response to a substantial increase in SOE investment in Canada since 2008, and followed Canada's approval of two Chinese-SOE acquisitions of Canadian oil sands businesses.

Although foreign investment is a key component of Canada's economic development, restrictions remain in key sectors. Under the *Telecommunications Act*, Canada maintains a 46.7 percent limit on foreign ownership of voting shares for a Canadian telecomm services provider. Canada amended the *Telecommunications Act* in June 2012 to exempt foreign carriers with less than 10 percent market share from ownership restrictions in an attempt to increase competition in the sector. Canada limits foreign ownership of Canadian air carriers to 25 percent of voting equity. Investment in cultural industries also carries restrictions, including a provision under the ICA that foreign investment in book publishing and distribution must be compatible with Canada's national cultural policies and be of net benefit to Canada. Canada is open to investment in the financial sector, but barriers remain in retail banking.



Table 1

Measure	Year	Rank/Value	Website Address
TI Corruption Perceptions index	2015	(9 of 167)	<a href="http://www.transparency.org/cpi2015/">http://www.transparency.org/cpi2015/</a>
World Bank's Doing Business Report "Ease of Doing Business"	2015	(14 of 189)	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>
Global Innovation Index	2015	(16 of 143)	<a href="https://www.globalinnovationindex.org/content/page/data-analysis/">https://www.globalinnovationindex.org/content/page/data-analysis/</a>
Host country's FDI in the United States (\$M USD, stock positions)	2014	\$386,121	<a href="#">U.S. Bureau of Economic Analysis</a>
World Bank GNI per capita	2014	\$51,630	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## 1. Openness To, and Restrictions Upon, Foreign Investment

### Attitude toward Foreign Direct Investment

With few exceptions, Canada offers full national treatment to foreign investors within the context of a developed open market economy operating with democratic principles and institutions. Canada reviews investments under the Investment Canada Act (ICA). Foreign investment is prohibited or restricted in several sectors of the economy. The United States and Canada agree on important foreign investment principles, including right of establishment and national treatment.

The United States has long been Canada's primary source for foreign investment, and Canada is the fourth largest source of foreign direct investment in the United States after the United Kingdom, Japan, and the Netherlands.

About 49 percent of Canada's foreign direct investment comes from the United States. At the end of 2014, the most recent year available, Canada's stock of U.S. FDI was \$386 billion, slightly down from \$390 billion in 2013. U.S. investors with large direct investments in Canada include major automakers (GM, Ford, Chrysler), integrated energy, chemical and mineral producers (e.g., ExxonMobil, ChevronTexaco, ConocoPhillips), financial services firms (e.g., Citibank), and retailers (e.g., Wal-Mart). U.S. retailers have had mixed results in Canada with Nordstrom and Whole Foods showing positive results from their expansion into the Canadian market and Best Buy closing its Future Shop outlets and Target closing all of their 133 stores in Canada in early 2015. According to the UN Conference on Trade and Development, Canada attracted 4.3 percent of the world's FDI in 2014.

Canadian residents have become increasingly active as worldwide investors. The United States is the top destination for Canadian Direct Investment Abroad (CDIA). CDIA stocks in the United States rose about 11 percent (\$26 billion) in 2014 to \$261 billion. The United States' share of CDIA in 2014 was 42 percent.

Other major destinations for Canadian FDI are the United Kingdom, Barbados, Cayman Islands, and other European Union countries.

#### Other Investment Policy Reviews

Canada has not conducted an Investment Policy Review through OECD, WTO, or UNCTAD in the past three years.

#### Laws/Regulations on Foreign Direct Investment

Foreign investment policy in Canada has been guided by the Investment Canada Act (ICA) since 1985. The ICA liberalized policy on foreign investment by recognizing that investment is central to economic growth and key to technological advancement. The ICA provides for review of large acquisitions by non-Canadians and imposes a requirement that these investments be of "net benefit" to Canada. For the vast majority of small acquisitions and the establishment of new businesses, foreign investors need only notify the Canadian government of their investment. Fewer than 10 percent of foreign acquisitions are subject to ICA review. The threshold for investments subject to ICA review for 2016 is C\$600 million for WTO Members. (Indirect control acquisitions by WTO Members do not have to be reviewed.) New regulations that come into effect on April 24, 2017 will implement revised review thresholds for WTO investors, other than SOEs, and will increase the review threshold to C\$800 million, and ultimately to C\$1 billion in 2019. Thereafter the review amount will be subject to indexation. Additionally, the time periods for the security review process will be increased from 130 days to 200 days. For non-WTO Members, the threshold remains at \$5 million for direct control and \$50 million for indirect control acquisitions.

In 2015, Canada amended its National Security Review of Investment Regulations to provide the government with the flexibility to extend time periods for the review of investments that could be injurious to national security.

Canada announced new SOE guidelines in December 2012, which included the statement that future SOE bids to acquire control of a Canadian oil-sands business will only be approved on an "exceptional basis." Canada altered the definition of an SOE in its 2013 Budget Implementation Bill to an entity or individual that is *influenced directly or indirectly* by a foreign government. The Bill also established a separate threshold review for SOE acquisitions of control, and allows Canada's Industry Minister to review minority SOE investments for the first time. SOE investments from WTO member countries over \$375 million are subject to review.

Investment in specific sectors is covered by special legislation. Foreign investment in the financial sector is administered by the Finance Department. Investment in any activity related to Canada's cultural heritage or national identity is administered by the Heritage Department. Foreign ownership of Canadian telecommunications firms is governed by the Telecommunications Act, while the Broadcast Act governs foreign investment in radio and television broadcasting.

Investment in Canada is also subject to provincial jurisdiction. Restrictions on foreign investment differ by province, but are largely confined to the purchase of land and to provincially-regulated financial services. Provincial government policies relating to culture, language, labor relations or the environment, can be a factor for foreign investors.

U.S. foreign direct investment in Canada is subject to provisions of the ICA, the WTO, and the NAFTA. Chapter 11 of the NAFTA ensures that regulation of U.S. investors in Canada and Canadian investors in the United States results in treatment no different than that extended to domestic investors within each country, i.e., "national treatment." Both governments are free to regulate the ongoing operation of business enterprises in their respective jurisdictions provided that the governments accord national treatment to both U.S. and Canadian investors.

Existing U.S. and Canadian laws, policies, and practices were "grandfathered" under the NAFTA except where specific changes were required. The "grandfathering" froze various exceptions to national treatment provided in Canadian and U.S. law, such as foreign ownership restrictions in the communications and transportation industries. Canada retains the right to review the acquisition of firms in Canada by U.S. investors at the levels applicable to other WTO members and has required changes before approving some investments.

Under the NAFTA, Canada is free to tax foreign-owned companies on a different basis from domestic firms, provided this does not result in arbitrary or unjustifiable discrimination. The governments can also exempt the sale of Crown (government-owned) corporations from any national treatment obligations. The Canadian government retains some flexibility in the application of national treatment obligations and need not extend identical treatment, as long as the treatment is "equivalent."

Canada-U.S. trade in services is largely free of restrictions and has doubled over the past decade. U.S. services exports to Canada totaled more than \$57 billion in 2015, while Canada's services exports to the United States totaled over \$30 billion. The NAFTA ensured that restrictions on bilateral services trade would not be applied following the agreement. Preexisting restrictions, such as those in the financial sector, were not eliminated by the NAFTA. The NAFTA services agreement is primarily a code of principles that establishes national treatment, right of establishment, right of commercial presence, and transparency for a number of service sectors specifically enumerated in annexes to the NAFTA. The NAFTA also commits both governments to expand the list of covered service sectors, except for the financial services covered by NAFTA Chapter 14.

### *Business Registration*

Innovation, Science, and Economic Development Canada (formerly Industry Canada) works with Global Affairs Canada (formerly Department of Foreign Affairs, Trade, and Development) to encourage foreign companies to invest in Canada and to promote an open, rules-based global investment regime. The Canadian Trade Commissioner Service has a comprehensive website "Invest in Canada" with the needed information for starting and registering a business in Canada. It can be found at the following website: <http://www.international.gc.ca/investors-investisseurs/index.aspx?lang=eng>. The process is complete, and while the website is available in several languages, navigation can be complex. It scores 7 out of 10 on the Global Enterprise Registration scale. In addition to Federal registration, businesses may also be required to register with the provincial, territorial, municipal and revenue agencies (<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/bn-ne/bro->

[ide/menu-eng.html](#)) Canada ranks third on the World Bank's Doing Business Scale. For more general information on the Canadian business climate, see:

<http://iab.worldbank.org>

<http://ger.co/how-it-works/information-portals>.

<http://www.doingbusiness.org/data/exploretopics/starting-a-business>

Canada defines business enterprises as follows:

Type	Number of Employees
Micro	1-4 employees
Small	5-99 employees
Medium	100-499 employees
Large	500 + employees

#### *Industrial Promotion*

The Canadian Trade Commissioner Service manages the Advanced Manufacturing Fund (AMF) and the Industrial Research Assistance Program (IRAP). The AMF promotes continued growth of Ontario's advanced manufacturing sector by supporting efforts to develop cutting-edge technologies and large-scale activities that will improve processes and increase productivity, establish clusters or global supply chains and collaborate with private sector, and research and post-secondary institutions. The IRAP program assists firms to develop, adopt and adapt technologies and incorporate them into competitive products and services to be commercialized in the global marketplace. IRAP provides advisory services and funding to help SMEs undertake innovation projects.

#### Limits on Foreign Control and Right to Private Ownership and Establishment

*Commercial Aviation:* Canada limits foreign ownership of Canadian air carriers to 25 percent. In addition, foreign interests may not control a Canadian air carrier. One Canadian airline has put a special procedure in place for foreign share transfers which reclassifies its stock as variable voting shares. This allows non-Canadians to own more than 25% of the equity while reducing foreign voting rights and allowing the airline to remain Canadian with at least 75% of its voting interests owned and controlled by Canadians. The Canada-EU Aviation Agreement, signed in December 2009, envisions changes to Canadian legislation that will allow up to a 49 percent foreign stake in Canadian airlines, but they have yet to take place. A government review of the Canada Transport Act released in February 2015 recommended that foreign ownership limits for commercial airlines be increased to 49 percent to foster competition. Canada also passed an amendment to the Canada Transportation Act in March 2009 that provides the Governor in Council (appointed by the Governor General) with authority to increase foreign ownership of Canadian airlines to a maximum of 49 percent. The current government has not taken action on the recommendations of the review panel and the Governor in Council has not exercised his power to raise ownership limits to date.

*Electric Power Generation and Distribution:* Regulatory reform in electricity continues in Canada in expectation that increased competition will lower costs of electricity supply. Province-owned power firms are interested in gaining greater access to the U.S. power market. Since power markets fall under the jurisdiction of the Canadian provinces, they are at the forefront of the reform effort. Several Canadian provinces have introduced initiatives to encourage the development and implementation of renewable sources of electricity.

A wind power company owned by a New York-based investment group filed a NAFTA Chapter 11 a notice of arbitration against Canada in January 2013 in response to Ontario's February 2011 moratorium on all new offshore wind projects. (*Windstream Energy LLC v. Government of Canada*) The company maintains that the moratorium breached Canada's obligations under NAFTA to protect U.S. investors from expropriation without compensation and violates NAFTA's minimum standard of treatment provision.

A list of current NAFTA Chapter 11 Arbitrations is below:

- [CEN Biotech Inc. v. Government of Canada](#)
- [Eli Lilly and Company v. Government of Canada](#)
- [Lone Pine Resources Inc. v. Government of Canada](#)
- [Windstream Energy LLC v. Government of Canada](#)
- [Clayton/Bilcon v. Government of Canada](#)
- [Mercer International Inc. v. Government of Canada](#)
- [Mesa Power Group LLC v. Government of Canada](#)
- [Mobil Investments Inc. and Murphy Oil Corporation v. Government of Canada](#)
- [Murphy Oil Corporation vs Government of Canada](#)
- [Mobil Investments Canada Inc. vs Government of Canada](#)

Note: See <http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/disp-diff/gov.aspx?lang=eng> for more information.

*Energy:* Canada continues to encourage additional foreign investment in its energy sector to develop its vast oil and gas resources. (See paragraph 9 for more information on SOE's in the energy sector.)

Canada has faced several investment disputes involving energy in recent years. An American oil and gas company filed a notice of arbitration under NAFTA Chapter 11 in September 2013, following the Government of Quebec's announced suspension of oil and gas exploration beneath the Saint Lawrence River in June 2011. The American company filed an additional Memorial in April 2015 stating that Quebec's provincial legislation effectively destroyed the economic potential of its investment and deprived it of the ability to real any economic benefit from the investment. Further, the company claims the suspension breached NAFTA expropriation and minimum standard of treatment provisions. (*Lone Pine Resources Inc. v. Government of Canada*)

*Fishing:* Foreigners can own up to 49 percent of companies that hold Canadian commercial fishing licenses.

*Financial Services:* Chapter 14 of the NAFTA deals specifically with the financial services sector, and eliminates discriminatory asset and capital restrictions on U.S. bank subsidiaries in Canada. The NAFTA also exempts U.S. firms and investors from the federal "10/25" rule so that they will be treated the same as Canadian firms. The "10/25" rule prevents any non-NAFTA, nonresident entity from acquiring more than ten percent of the shares (and all such entities collectively from acquiring more than 25 percent of the shares) of a federally regulated, Canadian-controlled financial institution. The limit for single, non-NAFTA shareholders is 20 percent. Several provinces, however, including Ontario and Quebec, have similar "10/25" rules for provincially chartered trust and insurance companies that were not waived under the NAFTA.

The requirement that bank ownership be "widely held" with no more than 25 percent of its shares owned by a single shareholder is said to prevent ownership concentration without discriminating against foreign investors; however, Canadian influence is still exerted through certain requirements of the Bank Act:

- the head office of a bank must be located in Canada;
- shareholders' meetings are required to be held in Canada;
- two-thirds of the directors must be resident Canadians;
- the chief executive officer of the bank must ordinarily be resident in Canada;
- important corporate and transactional documents must be kept in Canada;
- certain administrative changes require ministerial approval.

*General Aviation:* No non-Canadian (other than permanent residents) may register a general aviation aircraft for commercial or personal use in Canada.

*Mining:* Generally foreigners cannot be majority owners of uranium mines. On March 17th, 2015 the NAFTA tribunal found Canada liable for having breached its obligations under Articles 1105 and 1102 to Bilcon of Delaware, the parent company of Bilcon of Nova Scotia, for rejecting a project in part because it didn't meet "community core values." The company argued it was treated unfairly when it was forced to go before a federal-provincial environmental review panel that ultimately recommended rejecting the company's planned basalt quarry and marine terminal development project in White Point (near Digby Nova Scotia). On June 16, 2015, Canada filed a notice of application in the Federal Court of Canada for the set aside of the Tribunal's award. Arbitration has moved on to the damages phase where Bilcon is seeking damages of as much as C\$300 million.

*Real Estate:* Primary responsibility for property law rests with the provinces. Prince Edward Island and Saskatchewan put limitations on real estate sales to out-of-province parties. Government authorities can expropriate property after paying appropriate compensation.

*Telecommunications:* Under provisions of Canada's Telecommunications Act, foreign ownership of transmission facilities is limited to 20 percent direct ownership and 33 percent through a holding company, for an effective limit of 46.7 percent total foreign ownership.

Canada also requires that at least 80 percent of the members of the board of directors of facilities-based telecommunications service suppliers be Canadian citizens.

Canada amended the Telecommunications Act in June 2012 to rescind foreign ownership restrictions on carriers with less than 10 percent share of the total Canadian telecommunications market. Foreign-owned carriers are permitted to continue operating if their market share grows beyond 10 percent provided the increase does not result from the acquisition or merger with another Canadian carrier. The policy change was part of the Canadian government's strategy to facilitate more competition in the telecom sector. Canada's three largest telecomm providers acquired the majority of spectrum licenses sold at its 700 MHz spectrum auction in February 2014, and the auction did not feature any new foreign buyers. In March 2015, Canada announced results of an AWS-3 spectrum auction in which 60 percent of the spectrum was set aside for new entrants. No foreign companies received spectrum in this auction. Canada held a 2500MHz spectrum auction on April 14, 2015 with Canadian companies winning all of the licenses offered.

Canada defines cultural industries to include: the publication, distribution or sale of books, magazines, periodicals or newspapers, other than the sole activity of printing or typesetting; the production, distribution, sale or exhibition of film or video recording, or audio or video music recordings; the publication, distribution or sale of music in print or machine-readable form; and any radio, television and cable television broadcasting undertakings and any satellite programming and broadcast network services.

The Investment Canada Act requires that foreign investment in the book publishing and distribution sector be compatible with Canadian national cultural policies and be of "net benefit" to Canada. Takeovers of Canadian-owned and controlled distribution businesses are not allowed. The establishment of new film distribution companies in Canada is permitted only for importation and distribution of proprietary products. Direct and indirect takeovers of foreign distribution businesses operating in Canada are permitted only if the investor undertakes to reinvest a portion of its Canadian earnings in Canada.

The Broadcasting Act sets out the policy objectives of enriching and strengthening the cultural, political, social, and economic fabric of Canada. The Canadian Radio-television and Telecommunications Commission (CRTC) administers broadcasting policy. When a Canadian broadcast service is licensed in a format competitive with that of an authorized non-Canadian service, the commission can drop the non-Canadian service if a new Canadian applicant requests it to do so. Licenses will not be granted or renewed to firms that do not have at least 80 percent Canadian control, represented both by shareholding and by representation on the firms' board of directors.

The CRTC denied a major Canadian broadcaster's bid to acquire a leading Canadian media company in October 2012. The CRTC maintained that it did not believe the transaction would provide significant benefits to the Canadian broadcasting system and said the deal raised competitiveness concerns.

Canada allows up to 100 percent foreign equity in an enterprise to publish, distribute and sell periodicals but all foreign investments in this industry are subject to review by the Minister for Canadian Heritage, and investments may not occur through acquisition of a Canadian-owned enterprise. No more than 18 percent of the total advertising space in foreign periodicals exported to Canada may be aimed primarily at the Canadian market. Canadian advertisers may place advertisements in foreign-owned periodicals, and may

claim a tax deduction for the advertising costs, including in cases where the periodical is a Canadian issue of foreign-owned periodical.

This regime is the result of a 1999 U.S.-Canada agreement, which balanced U.S. publishers' desire for access to the Canadian market against Canada's desire to ensure that Canadian advertising expenditures support the production of Canadian editorial content.

#### Privatization Program

Federal and provincial privatizations are considered on a case-by-case basis, and there are no overall limitations with regard to foreign ownership. As an example, the federal Ministry of Transport did not impose any limitations in the 1995 privatization of Canadian National Railway, whose majority shareholders are now U.S. persons.

#### Screening of FDI

Canada amended the ICA in June 2012 to allow the Innovation, Science and Economic Development Minister (formerly Industry Canada) to publically disclose why an investment proposal failed to satisfy the net benefit test, so long as disclosure will not harm the Canadian business or investor. Another amendment allows the Industry Minister to accept security of payment from an investor when a court finds the investor to be in breach of its ICA undertakings. Canada also introduced guidelines that provide foreign investors with the option of a formal mediation process to resolve disputes when the Innovation, Science and Economic Development Minister believes a non-Canadian investor has failed to comply with a written undertaking.

Canada has only turned down investment offers three times since the ICA came into force 25 years ago. Canada blocked a Cairo-based investment and management company's proposed \$520 million acquisition of Manitoba Telecom Services' Allstream Division under the national security provisions of the ICA in October 2013. The Canadian government did not elaborate on the reasons behind its decision. Canada blocked a proposed \$38.6 billion purchase of a potash producer in Saskatchewan by an Australian-based company in November 2010, claiming the hostile takeover failed to be of "net benefit" to Canada under the ICA. The third instance occurred in April 2008 when Canada denied the sale of Canadian communications company MacDonald Dettwiler's satellite operations to an American buyer over security concerns.

Canada reviewed several other high-profile investment cases in recent years. The announced merger of Canada's largest stock exchange and a major London-based stock exchange in February 2011 sparked an ICA review. The deal failed to draw sufficient support from the Canadian stock exchange's shareholders and the deal was dropped before the ICA review process was completed. A rival bid for the Canadian stock exchange by a consortium of major Canadian banks, pension plans, and financial firms, was a significant factor in the merger's eventual failure.

#### Competition Law

The Bureau of Competition Policy and the Competition Tribunal, a quasi-judicial body, enforce Canada's antitrust legislation.



## **2. Conversion and Transfer Policies**

### Foreign Exchange

The Bank of Canada is the nation's central bank. Its principal role is "to promote the economic and financial welfare of Canada," as defined in the Bank of Canada Act. The Bank's four main areas of responsibility are monetary policy, promoting a safe, sound and efficient financial system, issuing and distributing currency, and being the fiscal agent for Canada.

### *Remittance Policies*

The Canadian dollar is fully convertible. Canada provides some incentives for Canadian investment in developing countries through programs offered by Global Affairs Canada.

## **3. Expropriation and Compensation**

Canadian federal and provincial laws recognize both the right of the government to expropriate private property for a public purpose, and the obligation to pay compensation. The federal government has not nationalized any foreign firm since the nationalization of Axis property during World War II. Both the federal and provincial governments have assumed control of private firms, usually financially distressed, after reaching agreement with the former owners.

## **4. Dispute Settlement**

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

### Bankruptcy

Bankruptcy in Canada is governed by the Bankruptcy and Insolvency Act (BIA) and is not criminalized. Creditors must deliver claims to the trustee and the trustee must examine every proof of claim. The trustee may disallow, in whole or in part, any claim of right to a priority under the BIA or security. Generally, the test of proving the claim before the trustee in bankruptcy is very low and a claim is proved unless it is too "remote and speculative." Provision is also made for dealing with cross-border insolvencies and the recognition of foreign proceedings. Canada is ranked number 16 for ease of "resolving insolvency" by the World Bank.

### Investment Disputes

Canada accepts binding arbitration of investment disputes to which it is a party only when it has specifically agreed to do so through a bilateral or multilateral agreement, such as a Foreign Investment Protection Agreement (see below). The provisions of Chapter 11 of the NAFTA guide the resolution of investment disputes between NAFTA persons and the NAFTA member governments. The NAFTA encourages parties to settle disputes through consultation or negotiation. It also establishes special arbitration procedures for investment disputes separate from the NAFTA's general dispute settlement provisions. Under the NAFTA, a narrow range of disputes dealing with government monopolies and expropriation between an investor from a NAFTA country and a NAFTA government may be settled, at the investor's option, by binding international arbitration. An investor who seeks binding arbitration in a dispute with a NAFTA party gives up his right to seek redress through the court system of the NAFTA party, except for proceedings seeking nonmonetary damages.

## International Arbitration

The 1989 Canada-United States Free Trade Agreement (CUFTA) and 1994 North America Free Trade Agreement (NAFTA) recognize that a hospitable and secure investment climate is necessary to achieve the full benefits of reduced barriers to trade in goods and services. The agreements establish a framework of investment principles sensitive to U.S., Canadian, and Mexican interests while assuring that investment flows freely and investors are treated in a fair and equitable manner. The NAFTA provides higher review thresholds for U.S. investment in Canada than for other foreign investors, but the agreement does not exempt all American investment from review nor does it override specific foreign investment prohibitions, notably in "cultural industries" (e.g., publishing, film, music). The NAFTA investor-state dispute settlement mechanism creates the right to binding arbitration in specific situations.

### *ICSID Convention and New York Convention*

Canada ratified the International Centre for Settlement of Investment Disputes (ICSID) Convention on December 1, 2013 and is a signatory to the 1958 New York Convention, ratified on 12 May 1986. Canada signed the United Nations Convention on Transparency in Treaty-based Investor-State Arbitration (known as the Mauritius Convention on Transparency) in March 2015.

### Duration of Dispute Resolution – Local Courts

In Canada, arbitration is regulated by statute. Every province and territory has its own separate arbitration legislation. At the federal level, commercial arbitration is governed by the Commercial Arbitration Act (CAA), which came into force on August 10, 1986. The CAA is a short statute which serves principally to introduce the Commercial Arbitration Code, which is a Schedule to the CAA and which provides a basic procedural framework for commercial arbitration. It applies to all commercial arbitrations where at least one of the parties is a federal department or Crown corporation or in relation to admiralty or maritime law issues where the place of arbitration is Canada.

Arbitration is voluntary, private, informal, confidential, and binding. The rules of procedure are established by the adoption of existing rules, by a negotiated arbitration agreement between the parties, or by the parties and the arbitrator. All federal arbitration under the Commercial Arbitration Act is binding. The parties also determine the timeframe for the arbitration, allowing them to bypass delays inherent in litigation.

## **5. Performance Requirements and Investment Incentives**

### WTO/TRIMS

Canada has been a WTO member since January 1, 1995. Canada has not notified any measures as being inconsistent with WTO Trade Related Investment Measures (TRIMs) requirements.

### Investment Incentives

Federal and provincial governments in Canada offer a wide array of investment incentives that municipalities are generally prohibited from doing. None of the federal incentives are specifically aimed at promoting or discouraging foreign investment in Canada. The incentives are designed to advance broader policy goals, such as boosting research and

development or promoting regional economies. The funds are available to any qualified Canadian or foreign investor who agrees to use the monies for the stated purpose. For example, Export Development Canada can support inbound investment under certain specific conditions (e.g., investment must be export-focused; export contracts must be in hand or companies have a track record; there is a world or regional product mandate for the product to be produced).

Several provinces offer an array of incentive programs and services aimed at attracting foreign investment that lower corporate taxes and incentivize research and development. The Province of Quebec officially re-launched its “Plan Nord” (Northern Plan) in April 2015, a 20-year sustainable development investment initiative that is intended to harness the economic, mineral, energy, and tourism potential of Quebec’s northern territory. Quebec’s government created the “Société du Plan Nord” (Northern Plan Company) to attract investors and work with local communities to implement the plan. Thus far, Plan Nord has helped finance mining projects in northern Quebec and began building the necessary infrastructure to link remote mines with ports. The provincial government is actively seeking other foreign investors who desire to take advantage of these opportunities. Quebec holds an annual meeting of mining industry stakeholders, known as “Quebec Mines,” every year in November where it is possible to get more information about potential claims and the mining investment climate as a whole. According to the Fraser Institute, a Canadian public policy think tank, Quebec is ranked as the number 8 jurisdiction worldwide for mining investments.

Quebec also seeks to attract foreign investment through its Maritime Strategy. The province has designated 16 ports where maritime industrial zones will be developed or improved. The provincial government has pledged to invest C\$300 million annually for the next five years and intends to pursue this strategy until 2030. The plan aims to develop the St. Lawrence valley region and coastal Quebec by supporting shipyards, modernizing maritime tourism, and protecting the environment. The Maritime Strategy is closely linked to the Plan Nord.

Provincial incentives tend to be more investor-specific and are conditioned on applying the funds to an investment in the granting province. For example, Ontario’s Jobs and Prosperity Fund provides \$2.5 billion over 10 years to enhance productivity, bolster innovation and grow Ontario’s exports. To qualify, companies must have substantive operations (generally 3 years) and at least C\$10 million in eligible project costs. Alberta offers companies a 10% refundable provincial tax credit worth up to \$400,000 annually for scientific research and experimental development encouraging research and development in Alberta as well as Alberta Innovation Vouchers worth C\$15,000 to C\$50,000 to help small early-stage technology and knowledge-driven businesses in Alberta get their ideas and products to market faster. Newfoundland and Labrador provide vouchers worth 75% of eligible project costs up to C\$15,000 for R&D, performance testing, field trials, and other projects.

Provincial incentives may also be restricted to firms established in the province or that agree to establish a facility in the province. Government officials at both the federal and provincial levels expect investors who receive investment incentives to use them for the agreed purpose, but no enforcement mechanism exists.

Incentives for investment in cultural industries, at both the federal and provincial level, are generally available only to Canadian-controlled firms. Incentives may take the form of grants, loans, loan guarantees, venture capital, or tax credits. Provincial incentive programs for film production in Canada are available to foreign filmmakers.

## *Research and Development*

Canada supports private-sector innovation through the federal Scientific Research and Experimental Development (SR&ED) program and related provincial tax incentives, targeted supports to the auto and aerospace sectors, and various support programs for innovation in small- and medium-sized businesses. Canada has some of the lowest R&D costs for companies in the G-7. Individual provinces also provide incentives for companies to relocate their R&D efforts. The Canadian Centre for Clean Coal/Carbon and Mineral Processing Technologies in Alberta is a research and education center that supports sustainable and responsible energy and mineral development. Manitoba is home to a biomedical technology cluster that develops innovative medical devices. Ontario is the third-largest food-manufacturing region in North America and is home to one of the top five photonics clusters in the world that also encompasses healthcare, energy (solid-state lighting and solar energy), and numerous sensor applications. Quebec has strong aerospace, technology, and healthcare clusters; as well as a long history of creative industries like video game development and multimedia processing.

## Performance Requirements

The NAFTA prohibits the United States or Canada from imposing export or domestic content performance requirements, and Canada does not explicitly negotiate performance requirements with foreign investors. For investments subject to review, however, the investor's intentions regarding employment, resource processing, domestic content, exports, and technology development or transfer can be examined by the Canadian government. Investment reviews often lead to negotiation of a package of specific "undertakings," such as agreement to promote Canadian products.

## Data Storage

The Canadian federal government is in the process of consolidating information technology services across 63 Canadian federal government email systems under a single platform. The request for proposals for this project invokes national security as a basis for prohibiting the contracted company from allowing data to go outside of Canada. This policy could preclude some new technologies such as "cloud" computing providers from participating in the procurement process. The public sector represents approximately one-third of the Canadian economy, and is a major consumer of U.S. services.

Privacy rules in two Canadian provinces, British Columbia, and Nova Scotia mandate that personal information in the custody of a public body must be stored and accessed only in Canada unless one of a few limited exceptions applies. These laws prevent public bodies such as primary and secondary schools, universities, hospitals, government-owned utilities, and public agencies from using non-Canadian hosting services.

The Canada Revenue Agency stipulates that tax records must be kept at a filer's place of business or residence in Canada. Current regulations were written over 30 years ago and do not take into account current technical realities concerning data storage.

## 6. Protection of Property Rights

### Real Property

Foreign investors have full and fair access to Canada's legal system, with private property rights limited only by the rights of governments to establish monopolies and to expropriate for public purposes. Investors from NAFTA countries have mechanisms available to them for dispute resolution regarding property expropriation by the Government of Canada. The recording system for mortgages and liens is reliable. Canada is ranked number 42 for 2016 in the World Bank's "Ease of Registering Property" rankings. About 89% of Canada's land area is Crown Land owned by federal (41 percent) or provincial (48 percent) governments; the remaining 11 percent is privately owned.

A 2014 Supreme Court decision recognized the existence of aboriginal title on land in British Columbia, which has ramifications for aboriginal land claims across Canada. While stopping short of giving aboriginals a veto on projects, the decision gives them increased influence on the economic development of any land with a colorable (potentially invalid) aboriginal title claim.

### Intellectual Property Rights

Canada remained on USTR's Watch List in 2015. Canada amended its Copyright Act to extend protection for sound recordings to 70 years from the date of the recording and made adjustments to its Patent Medicine regulations to allow for fixed-dose patent registration. Canada implemented notice and notice procedures for internet service providers and, as part of 2015 anti-Counterfeiting legislation, began accepting requests from rights holders to register with the Canadian Border Services Agency (CBSA). In June 2015 Canada introduced but did not pass legislation to accede to the Marrakesh treaty for access to copyright materials for the visually impaired. Canada signed, but has not yet implemented, the Trans-Pacific Partnership trade agreement that will require changes to copyright IP policies. There are ongoing concerns over Canadian courts' strict utility standards that have been used to overturn patents, and broad discretion allowed Canada's Health Ministry to release confidential business information. Industry is concerned with uneven application of new notice and notice regulations requiring ISPs to notify (and address) sites of trademark or copyright infringements. While Canada is working to prevent retail counterfeit goods coming into Canada by encouraging banks to shut down counterfeit retailers' merchant accounts, Canada continues to exclude shipments of goods in-transit to the U.S. from counterfeit inspection.

The Combatting Counterfeit Goods Act came into effect January 1, 2015 and amended the Copyright Act, the Trade-marks Act, and the Customs Act, to give the CBSA and rights-holders new tools to stop counterfeit goods into and out of Canada. As of January 1, 2015 Canadian customs officers have ex officio authority to target and detain counterfeit goods for up to 20 days. Rights holders may formally request CBSA assistance by filing a Request for Assistance (RFA). RFAs are valid for two years and may be renewed.

The Canadian government does not regularly report on seizures of counterfeit goods. However, the RCMP publishes periodic totals for counterfeit goods seizures. The last report on Feb 20, 2013 noted that "the total retail value of seizures of counterfeit and pirated goods has increased from over \$24 million in 2010 to over \$38 million in 2012." Provided counterfeit goods are not needed to be held as evidence by the government for criminal proceedings,

rights holders are responsible for storage, handling, and destruction of counterfeit goods. If a court proceeding finds the counterfeit goods claim to be invalid, the rights holder is also responsible for any damages sustained by the owner of the goods due to continued detention. Counterfeit goods are not prevalent, but are present in Canada.

The United States has expressed strong concerns about the availability of rights of appeal in Canada's administrative process for reviewing the regulatory approval of pharmaceutical products, and has also expressed concerns regarding the heightened utility requirements for patents that Canadian courts have been adopting recently. One U.S. pharmaceutical company filed a Notice of Intent under NAFTA Chapter 11 in June 2013 after its patent was invalidated on two of its drugs. In September 2013 the company filed a Notice of Arbitration Memorial and a hearing is scheduled for June 2016.

#### *Resources for Rights Holders*

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact:

Ali Jalili

Director, Economic Affairs

613-688-5227

[jalilia@state.gov](mailto:jalilia@state.gov)

Local lawyers list: <http://canada.usembassy.gov/consulates/ottawa/ottawa-attorneys.html>

## **7. Transparency of the Regulatory System**

The transparency of Canada's regulatory system is similar to that of the United States. Proposed legislation is subject to parliamentary debate and public hearings, and regulations are issued in draft form for public comment prior to implementation. While federal and/or provincial licenses or permits may be needed to engage in economic activities, regulation of these activities is generally for statistical or tax compliance reasons. The Bureau of Competition Policy and the Competition Tribunal, a quasi-judicial body, enforce Canada's antitrust legislation.

Canada and the United States announced the creation of the Canada-U.S. Regulatory Cooperation Council (RCC) on February 4, 2011. This regulatory cooperation does not encompass all regulatory activities within all agencies. Rather, the RCC is focused on areas where benefits can be realized by regulated parties, consumers, and/or regulators without sacrificing outcomes such as protecting public health, safety and the environment. The initial RCC Joint Action Plan set out 29 initiatives where Canada and the United States sought greater regulatory alignment. On May 28, 2015, the United States and Canada released Regulatory Partnership Statements and Work Plans that, collectively, outline major objectives for bilateral cooperation over the next three to five years in specific areas of regulatory activity. The U.S. Department of Agriculture and the Canadian Food Inspection Agency are working together on changes and updates to their slaughter and processed meat inspection policies and procedures in an effort to achieve closer alignment between inspection system requirements and eliminate unnecessary or duplicative requirements. They will also work together to identify areas of mutual interest and collaboration based on the best available science and technological advances in our respective meat inspection systems and

modernization approaches. On plant health, the Canadian Food Inspection Agency and U.S. Department of Agriculture's Animal and Plant Health Inspection Service are collaborating to facilitate safe bilateral trade and protect Canada and the United States from risks posed by plants and plant products arriving from third countries. This will include aligning phytosanitary import requirements and allow countries to utilize information from phytosanitary inspections conducted by one country to the other.

Other areas of engagement include efforts to develop a common approach to marine safety and security; energy efficiency standards and labeling; natural gas transportation; locomotive, vehicle, and engine emissions; chemicals management; crop protection products (pesticides); food safety; pharmaceutical and biological products; aquaculture; connected (self-driven) vehicles; dangerous goods transportation; developing joint rail, aviation, and motor vehicle safety standards; fostering greater symmetry and access with respect to agriculture production, increasing fairness and effectiveness of agricultural trade, and aligning marine transportation security requirements to facilitate more secure and efficient cross-border trade.

## **8. Efficient Capital Markets and Portfolio Investment**

Canada's capital markets are open, accessible, and without onerous regulatory requirements. Foreign investors are able to get credit in the local market. The World Economic Forum ranked Canada's banking system as the "most sound" in the world for the eighth year in a row in 2015. Canadian banking stability is linked to high capitalization rates that are well above the norms set by the Bank for International Settlements.

### **Money and Banking System, Hostile Takeovers**

Canada is open to foreign investment in the banking, insurance, and securities brokerage sectors, but there are barriers to foreign investment in retail banking (see below). Foreign financial firms interested in investing submit their applications to the Office of the Superintendent of Financial Institutions (OSFI) for approval by the Finance Minister. U.S. firms are present in all three sectors, but play secondary roles. U.S. and other foreign banks have long been able to establish banking subsidiaries in Canada, but no U.S. banks have retail banking operations in Canada. Several U.S. financial institutions have established branches in Canada, chiefly targeting commercial lending, investment banking, and niche markets such as credit card issuance.

The Bank of Canada is the nation's central bank. Its principal role is "to promote the economic and financial welfare of Canada," as defined in the Bank of Canada Act. The Bank's four main areas of responsibility are monetary policy, promoting a safe, sound and efficient financial system, issuing and distributing currency, and being the fiscal agent for Canada.

The Canadian banking industry is dominated by six major domestic banks, but includes a total of 28 domestic banks, 24 foreign bank subsidiaries, 27 full-service foreign bank branches and three foreign bank lending branches operating in Canada. The six largest banks account for approximately 90% of total assets among Canada's federally regulated deposit taking institutions. These institutions manage close to \$4 trillion in assets. The remaining 10% of Canadian banks' assets are held by smaller banks with niche focuses such as mortgage lending or credit cards. Many large international banks have a presence in Canada through a subsidiary, representative office or branch of the parent bank.

In Canada, the regulation of defensive tactics against hostile takeovers is handled by provincial securities regulators rather than the courts. Provincial authorities refer to the Canadian Securities Administrators' National Policy 62-202 regarding takeovers that seeks to encourage open and unrestricted auctions to maximize target company shareholder value and choice between competing alternatives. The nationality of the bidding entity is not considered by the provincial securities regulators but triggers a federal review under the Investment Canada Act.

While cross-shareholding arrangements are permitted in Canada, the extent of foreign investment and cross-border merger and acquisition activity suggests that they do not pose any practical barriers.

Ontario Securities Commission recently extended the set time for a targeted company to answer a take-over proposal/offer.

## **9. Competition from State-Owned Enterprises**

Canada has more than 40 state-owned enterprises (SOEs) at the federal level, with the majority of assets held by three federal crown corporations: Export Development Canada; Farm Credit Canada; and Business Development Bank of Canada. Canada also has over 100 SOEs at the provincial level that contribute to a variety of sectors including, finance; power, electricity, and utilities; and transportation. The Treasury Board Secretariat provides an annual report to Parliament regarding the governance and performance of Canada's federal crown corporations and other corporate interests.

There are no restrictions on the ability of private enterprises to compete with SOEs. The functions of most Canadian crown corporations have limited appeal to the private sector, e.g. the Canadian Space Agency. The activities of some SOEs such as VIA Rail and Canada Post do overlap with private enterprise. As such, they are subject to the rules of the Competition Act to prevent abuse of dominance and other anti-competitive practices. Foreign investors are also able to challenge SOEs under the NAFTA and WTO.

Canada is party to the Government Procurement Agreement (GPA) within the framework of the World Trade Organization (WTO). SOEs are not addressed in the agreement.

### OECD Guidelines on Corporate Governance of SOEs

In Canada, SOEs must submit corporate plans, which set broad objectives to be achieved covering a period from 3 to 5 years. These corporate plans include the information contained in the Statement of Corporate Intent (SCI) and are designed as accountability mechanisms in the relationship between the SOE boards and the ownership entities. They are also required to provide progress against these plans.

### Sovereign Wealth Funds

Canada does not have a sovereign wealth fund but the province of Alberta has the Heritage Savings Trust Fund established through province's share of petroleum royalties. The fund's value was \$18.2 billion on December 31, 2015. It is invested in a globally diversified portfolio of public and private equity, fixed income and real assets. The fund follows the voluntary code of good practices "Santiago Principles" and participates in the IMF-hosted International Working Group of SWFs. Over 50% of the Heritage Fund is currently held in equity



investments, 16% of which are Canadian equities. The fund is currently heavily invested in the U.S. dollar with more than \$4 million in reserves.

## **10. Responsible Business Conduct (RBC)**

Canada encourages Canadian companies to observe the OECD Guidelines for Multinational Enterprises in their operations abroad and provides a National Contact Point for dealing with issues that arise in relation to Canadian companies. Despite the increased level of official attention paid to RBC, the activities of Canadian mining companies abroad remain the subject of some critical attention and have prompted calls for the government to move beyond voluntary measures.

Canada's National Contact Point for the OECD Guidelines for Multinational Enterprises  
International Trade Portfolio Division  
Foreign Affairs, Trade and Development Canada  
125 Sussex Drive  
Ottawa, Ontario K1A 0G2

Tel: (1-343) 203-2341

Fax: (1-613) 944-1574

Email: [ncp.pcn@international.gc.ca](mailto:ncp.pcn@international.gc.ca)

Web: [www.ncp.gc.ca](http://www.ncp.gc.ca) / [www.pcn.gc.ca](http://www.pcn.gc.ca)

## **11. Political Violence**

Political violence occurs in Canada to about the same extent as in the United States. For example, student and civil servant protests over proposed austerity measures in the Quebec budget led to generally peaceful confrontations between police and protesters throughout 2015.

## **12. Corruption**

On an international scale, corruption in Canada is low and similar to that found in the United States. In general, the type of due diligence that would be required in the United States to avoid corrupt practices would be appropriate in Canada. Canada is a party to the UN Convention Against Corruption. Canada is a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, as well as the Inter-American Convention Against Corruption.

Canada's Criminal Code prohibits corruption, bribery, influence peddling, extortion and abuse of office. The 1998 Corruption of Foreign Public Officials Act prohibits individuals and businesses from bribing foreign-government officials to obtain influence and prohibits destruction or falsification of books and records to conceal corrupt payments. The law's extended jurisdiction permits Canadian courts to prosecute corruption committed by companies and individuals abroad. Canada's anti-corruption legislation is vigorously enforced, and companies and officials guilty of violating Canadian law are being effectively investigated, prosecuted and convicted of corruption-related crimes. In March 2014, Public Works and Government Services Canada revised its Integrity Framework for government procurement to ban companies or their foreign affiliates for 10 years from winning government contracts if they have been convicted of corruption. In August 2015, the Canadian government revised the Framework to allow suppliers to apply to have their ineligibility reduced to five years where the causes of conduct are addressed and no longer

penalized a supplier for the actions of an affiliate in which they had no involvement. Canadian firms operating abroad must declare whether they or an affiliate are under charge or have been convicted under Canada's anti-corruption laws during the past five years in order to receive help from the Trade Commissioner Service. U.S. firms have not identified corruption as an obstacle to foreign direct investment in Canada.

*UN Anticorruption Convention, OECD Convention on Combatting Bribery*

Canada signed the UN Anti-corruption Convention 21 May 2004 and ratified it on 2 Oct 2007.

The OECD Anti-Bribery Convention went into force in Canada on 15 February 1999.

*Resources to Report Corruption*

Mary Dawson

Conflict of Interest and Ethics Commissioner (for appointed and elected officials, House of Commons)

Office of the Conflict of Interest and Ethics Commissioner

Parliament of Canada

66 Slater Street, 22nd Floor

Ottawa, Ontario

(mailing address)

Office of the Conflict of Interest and Ethics Commissioner

Parliament of Canada

Centre Block, P.O. Box 16

Ottawa, Ontario

K1A 0A6

### **13. Bilateral Investment Agreements**

#### **Bilateral Taxation Treaties**

The CUSFTA and the NAFTA guide investment relations between Canada and the United States. Investment relations with other states are governed by Foreign Investment Protection Agreements (FIPAs). These are bilateral treaties that promote and protect foreign investment through a system of legally binding rights and obligations based on the same principles found in the NAFTA. Canada has 30 FIPAs in force with countries in Central Europe, Latin America, Africa, and Asia. Canada is actively pursuing FIPAs with ten countries including India, Pakistan, and Kosovo. Canada views China as an increasingly important trade and investment partner and ratified a FIPA with them in September 2014. Canada signed a FIPA with Hong Kong in February 2016 and with Burkina Faso and Guinea in 2015. On February 4, 2016 Canada signed the Trans-Pacific Partnership trade agreement which provides for commitments in investment liberalization for several TPP partners for the first time. Canada continues its review of the TPP prior to ratification. On February 29, 2016 Canada and the EU completed their legal review of the Comprehensive Economic and Trade Agreement (CETA). The final text included changes to the investment chapter that significantly modified the investment dispute settlement mechanism by creating a permanent 15-person tribunal to hear disputes. The permanent dispute body differs from Canada's previous trade agreements, including NAFTA.

#### 14. Foreign Trade Zones/Free Ports/Trade Facilitation

Under the NAFTA, Canada operates as a free trade zone for products made in the United States. U.S. made goods enter Canada duty free.

#### 15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Data*		USG or International Data		USG or International Source of Data: BEA, IMF, Eurostat, UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (Billions U.S. Dollars)	2014	\$1,717	2014	\$1,600	<u>International Source: OECD</u>
Foreign Direct Investment	Host Country Data*		USG or International Data		USG or International Source of Data: BEA, IMF, Eurostat, UNCTAD, Other
	Year	Amount	Year	Amount	
U.S. FDI in partner country (Thousands U.S. Dollars, stock positions)	2014	\$304,613,000	2014	\$386,121,000	International source: <u>U.S. Bureau of Economic Analysis</u>
Host country's FDI in the United States (Thousands U.S. Dollars, stock positions)	2014	\$314,186,000	2014	\$261,247,000	International source: <u>U.S. Bureau of Economic Analysis</u> by Ultimate Beneficial Owner
Total inbound stock of FDI as % host GDP	2014	37%	2014	32%	World Bank

\* Source: Statistics Canada

Table 3: Sources and Destination of FDI

Source: [International Monetary Fund \(2014 Figures\)](#)

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	631,316	100%	Total Outward	714,555	100%
United States	311,554	49%	United States	301,720	42%
Netherlands	59,624	9%	Barbados	61,372	9%
Luxembourg	46,216	7%	United Kingdom	59,292	8%
United Kingdom	41,613	7%	Cayman Islands	31,553	4%
Switzerland	23,862	4%	Luxembourg	28,843	4%

"0" reflects amounts rounded to +/- USD 500,000.

Results are consistent with host country data.

Table 4: Sources of Portfolio Investment

Source: [International Monetary Fund \(2014 Figures\)](#)

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	1,185,959	100%	All Countries	941,973	100%	All Countries	243,987	100%
United States	718,402	61%	United States	561,575	60%	United States	156,826	64%
United Kingdom	89,088	4%	United Kingdom	66,742	7%	United Kingdom	22,346	9%
Japan	49,615	4%	Japan	48,283	5%	Germany	11,461	5%
France	32,950	3%	France	26,683	3%	Australia	10,348	4%
Australia	24,001	2%	Switzerland	23,399	2%	France	6,267	3%

## Section 5 - Government

### Chiefs of State and Cabinet Members:

For the current list of Chiefs of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

### Legal system:

common law system except in Quebec where civil law based on the French civil code prevails

### International organization participation:

ADB (nonregional member), AfDB (nonregional member), APEC, Arctic Council, ARF, ASEAN (dialogue partner), Australia Group, BIS, C, CD, CDB, CE (observer), EAPC, EBRD, EITI (implementing country), FAO, FATF, G-20, G-7, G-8, G-10, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IEA, IFAD, IFC, IFRC, IGAD (partners), IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, MINUSTAH, MONUSCO, NAFTA, NATO, NEA, NSG, OAS, OECD, OIF, OPCW, OSCE, Paris Club, PCA, PIF (partner), UN, UNAMID, UNCTAD, UNESCO, UNFICYP, UNHCR, UNMISS, UNRWA, UNTSO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO, ZC












## Section 6 - Tax

### Exchange control

Canada imposes no currency or exchange controls.

### Treaty and non-treaty withholding tax rates

Canada has signed **119 agreements (96 DTC and 23 TIEA agreements)** providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Algeria	DTC	28 Feb 1999	26 Dec 2000	Unreviewed	No	
Anguilla	TIEA	28 Oct 2010	12 Oct 2011	Yes	Yes	
Argentina	DTC	29 Apr 1993	30 Dec 1994	Yes	No	
Armenia	DTC	29 Jun 2004	24 Jan 2006	Unreviewed	No	
Aruba	TIEA	20 Oct 2011	1 Jun 2012	Yes	Yes	
Australia	DTC	21 May 1980	29 Apr 1981	Yes	No	
Austria	DTC	9 Dec 1976	17 Feb 1981	No	No	
Austria	DTC Protocol	9 Mar 2012	not yet in force	Yes	Yes	
Azerbaijan	DTC	7 Sep 2004	14 Feb 2006	Unreviewed	No	
Bahamas, The	TIEA	17 Jun 2010	16 Nov 2011	Yes	Yes	
Bahrain	TIEA	4 Jun 2013	not yet in force	Unreviewed	Yes	
Bangladesh	DTC	15 Feb 1982	18 Jan 1985	Unreviewed	No	
Barbados	DTC	22 Jan 1980	22 Dec 1980	No	No	
Barbados	DTC Protocol	8 Nov 2011	not yet in force	Yes	Yes	
Belgium	DTC	23 May 2002	6 Oct 2004	Yes	No	
Bermuda	TIEA	14 Jun 2010	1 Jul 2011	Yes	Yes	
Brazil	DTC	4 Jun 1984	23 Dec 1985	Yes	No	
Brunei Darussalam	TIEA	9 May 2013	not yet in force	Unreviewed	Yes	
Bulgaria	DTC	3 Mar 1999	25 Oct 2001	Unreviewed	No	
Cameroon	DTC	26 May 1982	16 Jun 1988	Unreviewed	No	
Cayman Islands	TIEA	24 Jun 2010	1 Jun 2011	Yes	Yes	
Chile	DTC	21 Jan 1998	28 Oct 1999	Yes	No	
China	DTC	12 May 1986	29 Dec 1986	Yes	No	
Colombia	DTC	21 Nov 2008	12 Jun 2012	Unreviewed	Yes	
Costa Rica	TIEA	11 Aug 2011	14 Aug 2012	Yes	Yes	
Croatia	DTC	9 Dec 1997	23 Nov 1999	Unreviewed	No	
Curaçao	TIEA	29 Aug 2009	1 Jan 2011	Yes	Yes	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Cyprus	DTC	2 May 1984	3 Sep 1985	Yes	No	
Czech Republic	DTC	25 May 2001	28 May 2002	Yes	No	
Côte d'Ivoire	DTC	16 Jun 1983	19 Dec 1985	Unreviewed	No	
Denmark	DTC	17 Sep 1997	2 Mar 1998	Yes	No	
Dominica	TIEA	29 Jun 2010	10 Jan 2012	No	Yes	
Dominican Republic	DTC	6 Aug 1976	23 Sep 1977	Unreviewed	No	
Ecuador	DTC	28 Jun 2001	20 Dec 2001	Unreviewed	No	
Egypt	DTC	30 May 1983	2 Oct 1984	Unreviewed	No	
Estonia	DTC	2 Jun 1995	28 Dec 1995	Yes	No	
Finland	DTC	20 Jul 2006	17 Jan 2007	Yes	Yes	
France	DTC	2 May 1975	29 Jul 1976	Yes	No	
France	DTC Protocol	2 Feb 2010	not yet in force	Yes	Yes	
Gabon	DTC	14 Nov 2002	22 Dec 2008	Unreviewed	No	
Germany	DTC	19 Apr 2001	28 May 2002	Yes	No	
Greece	DTC	29 Jun 2009	16 Dec 2010	Yes	Yes	
Guernsey	TIEA	19 Jan 2011	18 Jan 2012	Yes	Yes	
Guyana	DTC	15 Oct 1985	4 May 1987	Unreviewed	No	
Hong Kong, China	DTC	11 Nov 2012	29 Oct 2013	Yes	Yes	
Hungary	DTC	15 Apr 1992	1 Oct 1994	Yes	No	
Iceland	DTC	19 Jun 1997	30 Jan 1998	Yes	No	
India	DTC	11 Jan 1996	6 May 1997	Yes	No	
Indonesia	DTC	16 Jan 1979	23 Dec 1980	Yes	No	
Ireland	DTC	8 Oct 2003	12 Apr 2005	Yes	No	
Isle of Man	TIEA	17 Jan 2011	19 Dec 2011	Yes	Yes	
Israel	DTC	21 Jul 1975	27 Jul 1976	Yes	No	
Italy	DTC	3 Jun 2002	25 Nov 2011	Yes	No	
Jamaica	DTC	30 Mar 1978	2 Apr 1981	No	No	
Japan	DTC	7 May 1986	14 Nov 1987	Yes	No	
Jersey	TIEA	12 Jan 2011	19 Dec 2011	Yes	Yes	
Jordan	DTC	6 Sep 1999	24 Dec 2000	Unreviewed	No	
Kazakhstan	DTC	25 Sep 1996	30 Mar 1998	Unreviewed	No	
Kenya	DTC	27 Apr 1983	8 Jan 1987	Unreviewed	No	
Korea, Republic of	DTC	5 Sep 2006	18 Dec 2006	Yes	Yes	
Kuwait	DTC	28 Jan 2002	26 Aug 2003	Unreviewed	No	
Kyrgyzstan	DTC	4 Jun 1998	4 Dec 2000	Unreviewed	No	
Latvia	DTC	26 Apr 1995	12 Dec 1995	Unreviewed	No	
Lebanon	DTC	29 Dec 1998	not yet in force	No	No	
Liechtenstein	TIEA	31 Jan 2013	not yet in force	Yes	Yes	
Lithuania	DTC	29 Aug 1996	12 Dec 1997	Yes	No	
Luxembourg	DTC	10 Sep 1999	10 Oct 2000	No	No	
Luxembourg	DTC Protocol	8 May 2012	not yet in force	Yes	Yes	
Malaysia	DTC	16 Oct 1976	18 Dec 1980	No	No	
Malta	DTC	25 Jul 1986	20 May 1987	Yes	No	
Mexico	DTC	12 Sep 2006	12 Apr 2007	Yes	Yes	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Moldova, Republic of	DTC	4 Jul 2002	13 Dec 2002	Unreviewed	No	
Mongolia	DTC	27 May 2002	20 Dec 2002	Unreviewed	No	
Morocco	DTC	22 Dec 1975	9 Nov 1978	Unreviewed	No	
Namibia	DTC	25 Mar 2010	not yet in force	Unreviewed	Yes	
Netherlands	DTC	27 May 1986	21 Aug 1987	Yes	No	
New Zealand	DTC	31 May 1980	29 May 1981	Yes	No	
New Zealand	DTC	3 May 2012	not yet in force	Yes	Yes	
Nigeria	DTC	4 Aug 1992	16 Nov 1999	Unreviewed	No	
Norway	DTC	12 Jul 2002	19 Dec 2002	Yes	No	
Oman	DTC	30 Jun 2004	27 Apr 2005	Unreviewed	No	
Pakistan	DTC	24 Feb 1976	15 Dec 1977	Unreviewed	No	
Panama	TIEA	17 Mar 2013	not yet in force	Unreviewed	Yes	
Papua New Guinea	DTC	16 Oct 1987	21 Dec 1989	Unreviewed	No	
Peru	DTC	20 Jul 2001	17 Feb 2003	Unreviewed	No	
Philippines	DTC	11 Mar 1976	21 Dec 1977	Yes	No	
Poland	DTC	14 May 2012	not yet in force	Yes	Yes	
Poland	DTC	4 May 1987	30 Nov 1989	Yes	No	
Portugal	DTC	14 Jun 1999	24 Oct 2001	Yes	No	
Romania	DTC	8 Apr 2004	31 Dec 2004	Unreviewed	No	
Russian Federation	DTC	5 Oct 1995	5 May 1997	Yes	No	
Saint Kitts and Nevis	TIEA	14 Jun 2010	21 Nov 2011	Yes	Yes	
Saint Lucia	TIEA	18 Jun 2010	20 Jul 2012	Yes	Yes	
Saint Vincent and the Grenadines	TIEA	22 Jun 2010	4 Oct 2011	Yes	Yes	
San Marino	TIEA	27 Oct 2010	20 Oct 2011	Yes	Yes	
Senegal	DTC	2 Aug 2001	7 Oct 2003	Unreviewed	No	
Serbia	DTC	27 Apr 2012	not yet in force	Unreviewed	Yes	
Singapore	DTC	6 Mar 1976	23 Sep 1977	Yes	Yes	
Sint Maarten	TIEA	29 Aug 2009	1 Jan 2011	Yes	Yes	
Slovakia	DTC	22 May 2001	20 Dec 2001	Yes	No	
Slovenia	DTC	15 Sep 2000	12 Aug 2002	Yes	No	
South Africa	DTC	27 Nov 1995	30 Apr 1997	Yes	No	
Spain	DTC	23 Nov 1976	26 Dec 1980	Yes	No	
Sri Lanka	DTC	29 Jun 1982	9 Jun 1986	Unreviewed	No	
Sweden	DTC	27 Aug 1996	23 Dec 1997	Yes	No	
Switzerland	DTC	5 May 1997	21 Apr 1998	Yes	Yes	
Tanzania	DTC	15 Dec 1995	29 Aug 1997	Unreviewed	No	
Thailand	DTC	11 Apr 1984	16 Jul 1985	Unreviewed	No	
Trinidad and Tobago	DTC	11 Sep 1995	8 Feb 1996	No	No	
Tunisia	DTC	10 Feb 1982	4 Dec 1984	Unreviewed	No	
Turkey	DTC	14 Jul 2009	4 May 2011	Yes	Yes	
Turks and Caicos Islands	TIEA	22 Jun 2010	1 Dec 2011	Yes	Yes	
Ukraine	DTC	4 Mar 1996	29 Apr 1997	Unreviewed	No	



Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
United Arab Emirates	DTC	9 Jun 2002	7 Jan 2004	Yes	No	
United Kingdom	DTC	8 Sep 1978	17 Dec 1980	Yes	Yes	
United States	DTC	26 Sep 1980	16 Aug 1984	Yes	Yes	
Uruguay	TIEA	5 Feb 2013	not yet in force	Yes	Yes	
Uzbekistan	DTC	17 Jun 1999	14 Sep 2000	Unreviewed	No	
Venezuela	DTC	10 Jul 2001	5 May 2004	Unreviewed	No	
Viet nam	DTC	14 Nov 1997	16 Dec 1998	Unreviewed	No	
Virgin Islands, British	TIEA	21 May 2013	not yet in force	Yes	Yes	
Zambia	DTC	16 Feb 1984	28 Dec 1989	Unreviewed	No	
Zimbabwe	DTC	16 Apr 1992	15 Dec 1994	Unreviewed	No	

## Methodology and Sources

### Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

### Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
<a href="#">FATF List of Countries identified with strategic AML deficiencies</a>	Not Listed	AML Deficient but Committed	High Risk
<a href="#">Compliance with FATF 40 + 9 recommendations</a>	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
<a href="#">US Dept of State Money Laundering assessment (INCSR)</a>	Monitored	Concern	Primary Concern
<a href="#">INCSR - Weakness in Government Legislation</a>	<2	2-4	5-20
<a href="#">US Sec of State supporter of / Safe Haven for International Terrorism</a>	No	Safe Haven for Terrorism	State Supporter of Terrorism
<a href="#">EU White list equivalent jurisdictions</a>	Yes		No
<a href="#">International Sanctions UN Sanctions / US Sanctions / EU Sanctions</a>	None	Arab League / Other	UN , EU or US
<a href="#">Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network</a>	>69%	35 – 69%	<35%
<a href="#">World government Indicators (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Failed States Index (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Offshore Finance Centre</a>	No		Yes

### **Section 3 - Economy**

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

### **Section 4 - Foreign Investment**

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

### **Section 5 - Government**

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

### **Section 6 - Tax**

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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