



**Opening Statement by Nicolas Burbidge,
Senior Director, Compliance Division,
Office of the Superintendent of Financial Institutions (OSFI)**

to the

House of Commons Standing Committee on Finance

in relation to

**Consideration of Bill C-25, An Act to amend the *Proceeds of Crime
(Money Laundering) and Terrorist Financing Act* and the *Income Tax
Act* and to make a consequential amendment to another Act**

**Ottawa, Ontario
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Office of the Superintendent of Financial Institutions Canada (OSFI)
House of Commons Standing Committee on Finance, Ottawa, Ontario
November 02, 2006

Mr. Chairman, members of the Committee:

I would like to thank you for this opportunity for the Office of the Superintendent of Financial Institutions (OSFI) to provide information as part of your consideration of Bill C-25.

I am the head of the group at OSFI responsible for our anti-money laundering and anti-terrorist financing (AML/ATF) program.

OSFI does not have a legislated role with respect to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. However, OSFI, like other major financial regulators around the world, is a member of the Basel Committee on Banking Supervision, as well as a member of the International Association of Insurance Supervisors. We subscribe to these bodies' core principles of supervision, which require OSFI to be able to determine whether banks and federally regulated life insurers have adequate "know-your-customer" policies and procedures in place, including high ethical and professional standards for entry that prevent financial institutions being used by criminal elements.

As you know the Financial Action Task Force (FATF) sets international AML/ATF standards and uses a peer review system to evaluate implementation in member countries. OSFI has participated in the FATF review process, and we therefore know the importance that will be attached to the contents of Bill C-25 in Canada's evaluation next year. A good review will be important to reinforce the perception that Canada is a safe place for financial transactions and investments. Strong AML/ATF programs are an important component of a safe and sound financial system. We therefore strongly support the passage of Bill C-25.

I want to emphasize that OSFI works very closely with FINTRAC on a day-to-day basis. OSFI has been assessing financial institutions' AML/ATF programs since 2002. In 2004 an amendment to the *Public Safety Act* permitted us to share the results of our work with FINTRAC. By assessing our federally regulated institutions on FINTRAC's behalf, we bring our long-standing experience as a financial regulator to this important area of risk management, thus allowing FINTRAC to focus its resources in other sectors, and avoiding unnecessary duplication and overlap. We also work closely with the Department of Finance and other key government departments on AML/ATF policy development and implementation, including consultation on Bill C-25.

Bill C-25 raises the bar significantly on AML/ATF standards in Canada. It will require increased effort and resources by the financial sector to implement. However, Canada's banks and other federally regulated financial institutions are already allocating significant dollar and people resources to the fight against money laundering and terrorist financing.

Most of the financial institutions we have assessed have assigned a very high level of importance to getting AML/ATF implementation right. A few institutions have needed more specific guidance in some areas. OSFI has been proactive in providing this guidance, both by intervention at individual institutions and also by undertaking an extensive program of outreach to the financial sector on AML/ATF issues. Although the higher standards set in Bill C-25 do come at a cost, we believe that the alternative would cost Canadians much more in the long run.

In closing, the passage of Bill C-25 will result in Canada being viewed internationally as having a strong anti-money laundering and anti-terrorist regime.

I would be pleased to respond to any questions the Committee may have.