

Government's Economic Statement 2007

On October 30, Finance Minister Jim Flaherty announced the Government's 2007 Economic Statement. As expected, the document included large scale tax reductions for businesses and individuals in the amount of \$60 billion over the next five years. Highlights of the Economic Statement include:

- The goods and services tax (GST) will be cut by a further 1 percentage point as of January 1, 2008, reducing the GST to 5 per cent.
- The federal debt will be reduced by \$10 billion this year. This will bring total debt reduction since 2005–06 to over \$37 billion. The target for reducing the debt-to-GDP ratio to below 25 per cent will be achieved by 2011–12.
- After taking into account the tax and debt reductions proposed in this Statement, the projected surplus is \$1.6 billion this year and \$1.4 billion next year.

Of possible interest to credit unions is the announcement that the reduction in the tax rate to 11% for small business, currently scheduled to be reduced in 2009, will be accelerated to January 1, 2008.

The proposals contained in the Economic Statement were passed in a ways and means motion in the House of Commons on October 31.

Canadian Central Meets with Minister of Finance

On October 22, Garth Manness, 1st Vice Chair of Canadian Central's Board of Directors, Howard Bogach, 2nd Vice Chair of Canadian Central's Board of Directors and David Phillips, Canadian Central's President and CEO met with Minister of Finance Jim Flaherty on Parliament Hill. The meeting was intended as a private pre-budget discussion with the Minister but many other issues were discussed during the meeting.

Subjects discussed at the meeting were (i) the current state of credit markets in Canada, (ii) bank mergers, (iii)

Competition Bureau fees for merger review, (iv) ATM fees, (v) anti-money laundering legislation, and (vi) the economic implications of the higher Canadian dollar. The meeting provided an opportunity for Canadian Central to present its views to the Minister on these matters.

Bill C-12, Bankruptcy and Insolvency Legislation re-Introduced in Parliament

On October 29, the Government introduced Bill C-12, An Act to amend the Bankruptcy and Insolvency Act, the Companies' Creditors Arrangement Act, the Wage Earner Protection Program Act and chapter 47 of the Statutes of Canada, 2005 in Parliament. Bill C-12 is, for the most part, similar to Bill C-55, An Act to establish the Wage Earner Protection Program Act, to amend the Bankruptcy and Insolvency Act and the Companies' Creditors Arrangement Act and to make consequential amendments to other Act.



Bill C-55 received Royal Assent on November 25, 2005 just before the dissolution of the previous Liberal government with the understanding that the Bill would be subject to review by the Senate Banking, Trade and Commerce (SBTC) Committee before it came into force. Bill C-12 contains amendments seeking to address some technical shortcomings of Bill C-55 including amendments to the Wage Earner Protection Program Act. Other provisions that amend the bankruptcy and insolvency measures are related to the powers of receivers, personal liabilities of insolvency professionals, transfer at undervalue provisions and student loans.

Through unanimous consent of the House of Commons, Bill C-12 was immediately referred to the SBTC Committee for review. The Bill is now at the same stage as when it died with the prorogation of the last session of Parliament. (Note: when the Bill died it was numbered Bill C-62).

Canadian Central will be reviewing Bill C-12 with a view to providing the SBTC Committee with an analysis of the potential impact of the legislation on the credit union system.

The Bill can be obtained at:

http://www2.parl.gc.ca/content/hoc/Bills/392/Government/C-12/C-12_3/C-12_3.PDF

FINTRAC Releases Annual Report

On October 25, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) released its 2006-2007 Annual Report. The report details FINTRAC's activities for the period from April 1, 2006 to March 31, 2007 and FINTRAC's priorities for the near future.

The report highlights the fact that the number of case disclosures made by FINTRAC to law enforcement and security authorities rose by 15% over last year's figures to 193. The total value of such disclosures totaled nearly \$10 billion. However, what the report does not adequately highlight is that the 15% increase in disclosures has been accompanied by an approximately 18% increase in transaction reports to FINTRAC from reporting entities (i.e. 17.5 million transaction reports made in 2006-2007 versus 14.9 million in 2005-2006). The report is also silent on the number prosecutions launched or convictions obtained as a result of these disclosures or disclosures in previous years.

Of the 193 disclosures in 2006-2007, 152 were related to suspected money laundering, 33 for suspected threats to Canada (e.g. terrorism) and 8 related to both.

In contrast to previous years the report notes that fraud-related predicate offences were more prevalent in the 2006-07 disclosures as opposed to previous years when drug related offences were more common. The most common transactions observed in the 2006-07 disclosures consisted of Electronic Fund Transfers usually conducted through deposit taking institutions.

The report also notes that 20% of the terrorist related financing cases involved the activities of non-profit organizations.

The report notes that areas of emerging concern include the growing use of internet payment methods (especially as informal remittance systems) and white label ATMs that can be self-loaded with illicit funds. These two areas of concern were also noted by representatives of the Financial Action Task Force (FATF) when Canadian Central met with FATF officials earlier this year. A copy of FINTRAC's 2007 Annual Report can be obtained at:

<http://www.fintrac.gc.ca/publications/ar/2007/menu-eng.asp>

Personal Information Protection and Electronic Documents Act (PIPEDA) Update

The Federal Government has formally responded to the May 2007 report of the House of Commons Standing Committee on Access to Information, Privacy and Ethics in regard to the *Personal Information Protection and Electronic Documents Act* (PIPEDA). The Committee's report was largely supportive of PIPEDA as it is currently drafted and indicated that radical changes to the legislation are not warranted. That said, the Common's Committee report contained 25 recommendations that aimed to strengthen PIPEDA by amending the legislation or supplementing it with further regulations and/or guidelines.

The Federal Government's response to the Committee report expresses agreement with the Committee's view that PIPEDA is only in need of "fine tuning". This view is largely in line with the views expressed by Canadian Central in its submissions to the both the Office of the Privacy Commissioner and the House of Commons Standing Committee on Access to Information, Privacy and Ethics.

Highlights of the government's response to the Committee include the following six points:

1. The government's response agrees with the House Committee's recommendation that an amended

FALL AGENDA

Ag Sub-Committee Mtg
Canadian Central Office
(Ottawa) November 8

**Legislative Affairs
Committee Meeting**
Fairmont Château
Laurier (Ottawa)
November 20

Parliamentary Reception
Commonwealth Room,
Parliament Hill (Ottawa)
November 20

**Finance Committee
Pre-Budget Appearance,**
Parliament Hill (Ottawa)
TBA

definition of “business contact information” is required and should include business e-mail and fax numbers. Furthermore, the government has signaled that the revised definition will be drafted broadly enough to account for continuing changes in communication technologies.

2. The government’s response indicates that in the future it will consider alternatives to the current process of designating investigative bodies. In doing so the Federal Government will examine the approaches taken by Alberta and British Columbia in the definition of “investigation” in their privacy legislation.
3. The governments response signals that PIPEDA will be modified to allow organizations to collect, use and disclose personal information as necessary for the conduct of business transactions such as mergers and acquisitions. In doing so the government will draw on Alberta and British Columbia privacy legislation as potential models.
4. The government’s response indicates that the Privacy Commissioner will not be granted order-making powers at this time. Rather, the Commissioner will be given additional time to make full use of the enforcement powers available to the Office of the Privacy Commissioner.
5. The government’s response indicates that the Privacy Commissioner shall be given greater powers to co-operate with other authorities responsible for the protection of personal information both in Canada and abroad. These expanded powers will include an enhanced ability to share information with other counterparts yet with some constraints on how that information can be used.
6. The government’s response indicates that there should be a legislative requirement for the notification of data breaches. However, this “duty to notify” will be dependent upon notification “triggers” or “thresholds”. Research, analysis and further stakeholder consultation will be required to arrive at a workable and efficient “duty to notify” framework.

In terms of next steps, the government will proceed with further work and consultation in several important areas before legislative and policy proposals are presented for parliamentary consideration.

These consultations will involve the broad public, other government departments and agencies as well as provincial and territorial governments. Finally, the government’s response indicates that these legislative and policy proposals will be presented to Parliament in the “near future”.

The Ottawa Update is published by the Government Relations
Department of Credit Union Central of Canada.

For editorial inquiries or
suggestions, please contact:

Hugh Scott
Hugh.scott@coopscanada.coop
(ext. 218)

For general inquiries or
suggestions, please contact:

Debbie Steeves
debbie.steeves@coopscanada.coop
(ext. 230)

Credit Union Central of Canada

275 Bank Street, Suite 400, Ottawa, ON K2P 2L6

Tel: 613.238.6747 Fax: 613.238.7283

www.cucentral.ca