

## **CVEA – Canadian Vehicle Exporter’s Association**

1. **WHO WE ARE** - The Canadian Vehicle Exporter’s Association is comprised of individual Canadian companies involved in the export of passenger motor vehicles from Canada to various destinations around the world. The members of the CVEA are longstanding Canadian companies who maintain positive working relationships with various officials from the banking, government, and law enforcement sectors.
2. **OUR MANDATE** - The CVEA promotes the open and fair trade of motor vehicles for export from Canada, while advocating and collaborating with industry partners and government agencies for proper market controls to protect the interests of all Canadians.
3. **OUR GOALS** - The CVEA was established in order to foster an open and productive dialogue between the various parties who are involved with the Canadian motor vehicle trade industry, both directly and indirectly.
4. During the point-to-point supply and export of a motor vehicle from Canada, the industry encompasses a wide range of entities, including but not limited to: registered dealer salespeople, franchised dealerships, vehicle distributors, various national banks, freight forwarders, Canada Revenue Agency, Port Authorities, Canada Border Services Agency, local police forces, the Insurance Bureau of Canada, and the various vehicle export companies themselves.
5. The CVEA is mandated to provide expert advice to the various parties involved in the motor vehicle trade in order to secure the interests of the Canadian government, small Canadian businesses, and all Canadian taxpayers alike.

### **The CVEA Frame of Reference**

6. Most member companies of the CVEA have been involved in the parallel trade of motor vehicles for many decades. All CVEA members are registered Canadian companies. As the vast majority of sales of member companies are new vehicles, we place emphasis upon that market as a knowledge base. Our members have experience dealing with various local police agencies within Canada, Canada Revenue Agency, the CBSA, as well as international agencies such as the US Customs Border Protection (USCBP).
7. We make this submission and recommendations with a focus upon money laundering and other financial crimes as they relate to motor vehicles in Canada generally and to the vehicle export market more specifically.
8. We make this submission and recommendations with the understanding that knowledge and “effective information sharing is one of the cornerstones of a well-functioning AML/CFT framework”<sup>1</sup>, as stated by the Financial Action Task Force (FATF) in 2017.

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<sup>1</sup> <https://www.fatf-gafi.org/media/fatf/documents/recommendations/Private-Sector-Information-Sharing.pdf>

## Vehicle Export in Practice

9. "Vehicle exporting is a legal business and 90 percent of companies doing that are most likely legitimate."<sup>2</sup> – Dr Peter German speech of September 24, 2019, ABC Solutions Inc. AML Conference, Hotel Grand Pacific, Victoria British Columbia.
10. The CVEA is unaware of any Canadian law which makes the exportation of a motor vehicle a crime.
11. The Canada Border Services Agency administers and oversees the export of goods, including vehicles. To that end, the CBSA lays out on their website the requirements which must be met to export a vehicle.<sup>3</sup>
12. The CVEA is unaware of any US law which makes the exportation of a new motor vehicle within twelve months of acquisition a crime under its laws.
13. US Customs and Border Protection administer and oversee the export of goods, including vehicles. To that end, USCBP lays out on their website the requirements which must be met to export a vehicle.<sup>4</sup> There is no requirement that a vehicle be twelve months old prior to export.

## FATF and Trade Based Money Laundering

14. In 2006, the Financial Action Task Force (FATF) released its first report on trade-based money laundering.<sup>5</sup> This report was intended to highlight the fact that TBML had received very little attention from the FATF or in general research.
15. In a 2012 follow-up paper, the FATF stated "any strategy to prevent and combat TBML needs to be based on dismantling TBML structures while allowing genuine trade to occur unfettered."<sup>6</sup>
16. This is an extremely important point to take note of. As will be discussed below, attempts to brand an entire industry as problematic can have severe and un-intended consequences as it relates to genuine trade and potentially as a source of information in regard to tracking potential money laundering.

## Parallel Trade of Motor Vehicles – The 5 W's (Why, What, Where, Who, When)

17. **Why** – The reasons why companies and individuals purchase vehicles from various countries around the world vary, however they can generally be placed into 3 categories: models not available through official channels, short supply of models, or financial savings from other markets.
18. **What** - By far the most common of these reasons for purchasing a vehicle internationally would be wishing to own a vehicle not available in your market. If you are a truck enthusiast living in Germany, your options are very limited to a select few small sized trucks. Instead, you may prefer to purchase a

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<sup>2</sup> [http://moneylaundering.ca/public/events/mlincanada/2019/MLinCanada19\\_brochure.pdf](http://moneylaundering.ca/public/events/mlincanada/2019/MLinCanada19_brochure.pdf)

<sup>3</sup> <https://www.cbsa-asfc.gc.ca/publications/dm-md/d20/d20-1-1-eng.html>

<sup>4</sup> <https://www.cbp.gov/trade/basic-import-export/export-docs/motor-vehicle>

<sup>5</sup> <http://www.fatf-gafi.org/media/fatf/documents/reports/Trade%20Based%20Money%20Laundering.pdf>

<sup>6</sup> [http://www.fatf-gafi.org/media/fatf/documents/reports/Trade\\_Based\\_ML\\_APGReport.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/Trade_Based_ML_APGReport.pdf)

larger more powerful Ford F150; it is functional and fulfills your enthusiasm of owning an American made vehicle. If you are part of the rising middle class in China with an expanding family, you may wish to purchase a new vehicle that is functional, reliable, and maybe a little different than your neighbors; an AWD Toyota Sienna may be the model for you.

19. **Who and Where** – Much of the parallel trade of vehicles follows a B2B (business to business) model. There are dealers around the world who have specialized niche local markets selling North American vehicles. They specialize in both the knowledge of the vehicles they sell as well as the proper methods to bring those vehicles into compliance within their own countries. In general, these overseas dealers purchase their vehicles from established export companies throughout Canada, the US and Mexico. It would be one of these specialized local dealers that the German truck enthusiast or Chinese van buyer would ultimately go to for the purchase of their vehicle.
20. **When** – Though some CVEA members have been involved in vehicle trade since the early 1980's, vehicle export has certainly been taking place as long as there is a demand for a product. It is possible that it may date back as far as 1888 when Carl Benz and Gottlieb Daimler began exporting their automobiles into foreign markets. In fact, though "initially, the products were sold directly from the factory, it did not take long for sales agencies – some run by the manufacturers, others by private commercial agents – to be established both in Germany and abroad."<sup>7</sup>
21. Though the majority of parallel trade of new vehicles arises from the above lack of official distribution, there are instances where trade is driven by financial circumstances. We will further expand on this below in the discussion of currency exchange rates and differential market pricing.

### **Dirty Money – Part 2: Turning the Tide - An Independent Review of Money Laundering in B.C. Real Estate, Luxury Vehicle Sales & Horse Racing (The German Report Part 2)**

22. On March 31, 2019, Dr. German released Dirty Money Part 2.<sup>8</sup> As the CVEA is comprised of independent companies involved in the export of motor vehicles, our knowledge and focus will deal primarily with Chapter 3-4 – The Gray Market of Export Vehicles.

### **Completing Chapter 3-4: Filling the Holes and Providing Context**

23. Dr. German spends a good deal of time speaking about the rise of exports, in particular to China, and coming from British Columbia. Filling in holes and providing further context to Dr. German's research will assist in understanding this area of international trade and Canada's current place in that market.

### **A Global Context**

24. As previously discussed, international vehicle trade has been taking place across the globe for many decades. Every country has their own regulations on how to import and bring into conformity a vehicle into their specific market. This process is known as homologation. This process must be followed regardless of if you are a manufacturer, import company, or a private individual.

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<sup>7</sup> <https://media.daimler.com/marsMediaSite/en/instance/ko/125-years-ago-Automobiles-exported-for-the-first-time.xhtml?oid=9916549#:~:text=07.&text=Exports%20of%20automobiles%20began%20in,for%20a%20global%20success%20story>

<sup>8</sup> [https://icclr.org/wp-content/uploads/2019/06/Dirty\\_Money\\_Report\\_Part\\_2.pdf?x94276](https://icclr.org/wp-content/uploads/2019/06/Dirty_Money_Report_Part_2.pdf?x94276)

25. In 2015, the US Department of Commerce released a report, The Compilation of Foreign Motor Vehicle Import Requirements, “designed to provide motor vehicle exporters with market data and worldwide automotive import restrictions for the major automotive markets around the world.”<sup>9</sup> Though not a complete overview, this report outlines that the vehicle import procedure to countries around the world is a regulated process.
26. This homologation import process can involve making physical changes to the vehicle for local market regulations (such as changing turn signal colours), as well as paying local import duties and taxes of varying degrees.

### **Why China**

27. Though vehicle export has been taking place to countries around the world for many decades, the German Report places a heavy emphasis on the Chinese market.
28. On a relative scale, prior to 2014, China did not have a large vehicle import footprint. In conjunction with very high taxes and duties, the local homologation standard, known as the 3C or China Compulsory Certificate, was very expensive and difficult to obtain. Vehicles being sold in China would cost the Chinese citizen far more than a citizen buying the same vehicle in another country.
29. However, as stated in a Forbes article from 2016, the taxes alone did not explain the extreme high vehicle values. Rather, a “large part of the rest comes from the ‘China Premium’, where automakers charge higher prices in China because they know the eager Chinese buyers are more than willing to spend their cash on an exclusive car, especially if they can get it fast.”<sup>10</sup>
30. In 2014 the Chinese government was looking into profiteering by the vehicle manufacturers<sup>11</sup> and was “investigating into monopoly practices.”<sup>12</sup> By 2015, China was launching “a pilot program on parallel imports of cars, which allows dealers to purchase cars directly from abroad. The program ... will allow cars to be imported without getting authorization from carmakers and thus promise lower prices for Chinese buyers.”<sup>13 14</sup>
31. To further promote the parallel market, China has generally been cutting import duties on passenger vehicles over time.<sup>15</sup>
32. This historical background provides the proper context; that there is an increase into China because the Chinese government realized that the manufacturers were profiteering and therefore created a new system to allow the open import of vehicles from other markets, thus offering consumers a larger choice of products.

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<sup>9</sup> <https://legacy.trade.gov/td/otm/assets/auto/TBR2015Final.pdf>

<sup>10</sup> <https://www.forbes.com/sites/tychodefeijter/2016/05/16/five-things-you-need-to-know-about-the-chinese-car-market/?sh=2f3253883025>

<sup>11</sup> Ibid

<sup>12</sup> <https://www.wsj.com/articles/heard-on-the-street-car-makers-in-china-lack-pricing-luxury-1406530222>

<sup>13</sup> [http://www.chinadaily.com.cn/business/motoring/2015-01/08/content\\_19268518.htm](http://www.chinadaily.com.cn/business/motoring/2015-01/08/content_19268518.htm)

<sup>14</sup> [http://www.newsgd.com/news/2015-04/18/content\\_122498494.htm](http://www.newsgd.com/news/2015-04/18/content_122498494.htm)

<sup>15</sup> <https://fortune.com/2018/05/22/china-import-duty-passenger-cars-cut-trump/>

## Why British Columbia

33. Dr. German states that based on B.C. Ministry of Finance data, “the grey market export of vehicles in B.C. is a significant and rapidly growing problem. There has been an explosion in the number of grey market vehicles exported to China since 2013, growing from less than 100 vehicles in 2013 to over 4,400 vehicles in 2018.”<sup>16</sup>
34. We know from the historical context that foreign market forces were already building demand for internationally sourced vehicles. However, a much larger force was at work, not just for British Columbia, but for all of Canada; namely, international exchange rate economics.
35. If we look at Dr. German’s time frame, on January 1, 2013 the USD/CDN \$ rate stood at .9942. On December 31, 2018 the rate stood at 1.3620. This is nearly a 37% increase. The Canadian dollar had become extremely weak on global terms.
36. Exchange rates have similarly affected vehicle trade between Canada and the US over various ebbs in flows. In 2001 during a weak Canadian dollar phase a “record number of new and used motor vehicles were exported from Canada to the United States ... by leasing and rental companies and independent dealers. 200,074 Canadian exports went through the Registered Importer program.”<sup>17</sup>
37. By 2009 the Canadian dollar had strengthened a great deal and US vehicles were being imported into Canada. Import volumes reached nearly 113,000 units in 2009. “People are buying cars from the United States for two reasons ... they want to save money because prices are lower in the U.S. and they want hard-to-find colours or options that just aren’t available in Canada.”<sup>18</sup> It was estimated that over 600,000 US vehicles were imported into Canada in a four-year time period.<sup>19</sup>
38. As such, seen in historical context, the explosion in vehicle exports Dr. German cites is simply a matter of economics driven by international exchange rates.

## US Authorities Target Export – The Rest of the Story

39. In his report, Dr. German attempts to tie money laundering through exporting of vehicles as an example of TBML. In this effort Dr. German brings up reference to past actions initiated by the US Government against vehicle exporters. Dr. German cites a NY Times article entitled *U.S. Targets Buyers of China-Bound Luxury Cars* authored by Matthew Goldstein which is dated February 11<sup>th</sup>, 2014.<sup>20</sup>
40. Unfortunately, Dr. German and his team failed to cite two follow-up articles in the NY Times, by the same author, dated less than 2 months later: April 1, 2014; *Prosecutors Ease Crackdown on Buyers of*

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<sup>16</sup> [https://icclr.org/wp-content/uploads/2019/06/Dirty\\_Money\\_Report\\_Part\\_2.pdf?x94276](https://icclr.org/wp-content/uploads/2019/06/Dirty_Money_Report_Part_2.pdf?x94276)

<sup>17</sup> [https://www.just-auto.com/news/remarketing-shipments-from-canada-to-us-reach-new-high\\_id75263.aspx](https://www.just-auto.com/news/remarketing-shipments-from-canada-to-us-reach-new-high_id75263.aspx)

<sup>18</sup> <https://www.autoevolution.com/news/canda-imports-100000-cars-from-the-us-in-2009-14346.html>

<sup>19</sup> Ibid

<sup>20</sup> <https://dealbook.nytimes.com/2014/02/11/u-s-targets-buyers-of-china-bound-luxury-cars/>

*China-Bound Luxury Cars*<sup>21</sup>, and April 3, 2014; *U.S. Ordered to Return Assets Held in Crackdown of Luxury Cars Exported to China*.<sup>22</sup>

41. In this case, “A judge in Ohio issued a ruling on Monday that ordered the federal government to return money and cars it seized in September from a Los Angeles-based automotive export business.”<sup>23</sup> “Judge Sandra S. Beckwith of the Federal District Court for the Southern District of Ohio said that prosecutors had failed to produce sufficient evidence of wrongdoing by the car export company to justify the asset freeze.”<sup>24</sup>
42. By early 2017, a New York jury sided against the US Government in one of the last outstanding cases, ordering the government to return seized vehicles and funds once again.<sup>25</sup>
43. What had begun as an investigation into stolen vehicles, identity theft and failing to disclose proper shipping data, turned into a massive cross-country civil forfeiture case. However, the government did not just go after the criminals. Rather, the authorities cast a large net over the entire industry, sweeping up criminals and legitimate businesses at the same time.
44. This should be a firm re-affirmation of the findings of the FATF stated above regarding the need to balance the dismantling TBML structures while allowing genuine trade to occur unfettered.

#### **Source of Funds and Vehicle Tracing**

45. Dr. German indicates concern in little being known about the persons and companies involved, the source of funds of purchasers, and their methods of payments.
46. Legitimate Canadian vehicle exporters bank within the major financial institutions within Canada. These banks are aware of the business. These banks are already regulated under the PCMLTFA. These banks handle both inbound and outbound payments of various forms in accordance with their regulations and obligations.
47. During application for refunds of HST/GST and PST, an exporter must provide all of the vehicle and corresponding shipping information to the Canada Revenue Agency and applicable provincial governments in order to be eligible for the refund.
48. Since 1944 Export Development Canada has “facilitated more than \$1.5 trillion in export and foreign investment by Canadian companies.”<sup>26</sup> EDC has long been a financial assistance provider for vehicle exporters. They provide not only funding but also a global reach for due diligence on knowing who the international partners are.

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<sup>21</sup> [https://www.nytimes.com/2015/04/02/business/dealbook/prosecutors-ease-crackdown-onbuyers-of-china-bound-luxury-cars.html?mwrsm=Email&\\_r=0](https://www.nytimes.com/2015/04/02/business/dealbook/prosecutors-ease-crackdown-onbuyers-of-china-bound-luxury-cars.html?mwrsm=Email&_r=0)

<sup>22</sup> <https://dealbook.nytimes.com/2014/04/03/u-s-ordered-to-return-assets-seized-in-crackdown-on-exported-cars/>

<sup>23</sup> Ibid

<sup>24</sup> Ibid

<sup>25</sup> <https://www.commercialappeal.com/story/news/courts/2017/02/26/new-york-jury-sides-memphis-couple-car-export-case/98368914/>

<sup>26</sup> <https://www.edc.ca/en/about-us.html>

49. The CBSA has just recently changed to a fully online shipping reporting system, the Canadian Export Reporting System (CERS). For every export out of a Canadian port, this system tracks the exporter, the overseas consignee, the local service provider, the VIN, the vessel and container information, as well as the vehicle details and values.
50. In an open and legitimate flow of goods there is a wealth of knowledge and financial information being provided to a number of Canadian authorities.

#### **CRA - Zero Rated Goods, HST/GST, Agency and BC PST**

51. The Canada Revenue Agency lays out exported goods as zero-rated goods, and as such not subject to HST/GST.<sup>27</sup>
52. In the course of business, GST/HST paid on a zero-rated good may be claimed back as an input tax credit.
53. The use of agency in the acquisition of goods does not invalidate a return of the GST/HST. Rather, the CRA explicitly allows for agency as part of the process in GST/HST refunds. As a principal of agency, the CRA correctly does not require pre-disclosure on the use of goods.<sup>28</sup>
54. British Columbia recently updated the Provincial Sales Tax Act.<sup>29</sup> This removed a previous provision section for a PST refund under section 124, Resold Motor Vehicles. Note, this change would appear to be taken directly from Schedule “A” Gray Market Option. We discuss below the other Schedule “A” recommendations.
55. In Budget and Fiscal Plan 2021/22 – 2023/24, dated April 20, 2021, the BC government lays out their rationale for such an action:

“Effective on a date to be set by regulation, the provincial sales tax refund for motor vehicles purchased in B.C. and resold within seven days will be eliminated. Concurrently, persons who purchase vehicles in B.C. will be deemed to have purchased the vehicles for their own use, and not for resale, unless they represent otherwise to the seller at the time of purchase.

Provincial sales tax is not payable on goods purchased solely for resale. Under the current rules, a person who intends to resell a vehicle could claim a provincial sales tax exemption by informing the seller of the vehicle of their intentions. However, many motor vehicle dealers will not sell vehicles to resellers. For this reason, “grey market” purchasers who intend to resell vehicles do not state their intentions, pay the provincial sales tax and apply to the government for a refund. The changes announced in Budget 2021 maintain the longstanding provincial sales tax treatment of resale inventory but close the provincial sales tax refund process to the type of “grey market” activity described in Peter German’s money laundering report.

The Ministry of Finance does not collect, or have readily available, data on the gender, class, sexuality, race, ethnicity, religion, age or ability status of provincial sales tax refund applicants.

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<sup>27</sup> <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/4-5-2/exports-tangible-personal-property.html>

<sup>28</sup> <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/p-182r/agency.html>

<sup>29</sup> [https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/12035\\_00\\_multi#part6](https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/12035_00_multi#part6)

Therefore, the distributional effects of these measures to curtail provincial sales tax refunds associated with “grey market” vehicle transactions are not known.”

56. The new BC law does not seem congruent with either current federal standards nor as a means of reducing money laundering. Rather, this goes to the heart of what the FATF warned of, not allowing genuine trade to occur unfettered. In recommendations below we will discuss the unintended consequences this may have as it pertains to the effort to curtail money laundering. Suffice to say a large wealth of knowledge and financial information is going to be lost.

### **CVEA Recommendations**

57. The CVEA makes the following recommendations as a means to combat money laundering and other financial crimes which may impact Canadians.

58. **PCMLTFA** – Automobile dealers in Canada **SHOULD** fall under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act as a regulated industry.

59. Automobile dealers, including exporters, deal in high value products which the FATF has described as being vulnerable to money laundering. Though the extra burden and cost of being a reporting entity would most certainly be borne by the dealers, falling under the Act may not only give them enhanced internal security, but it would also bring Canada closer to its obligations under international standards.

60. It should be noted that in America vehicle dealers fall under various regulations in their need to report cash transactions and suspicious transactions arising from obligations established within The Patriot Act.<sup>30 31</sup>

61. **Remove Physical Cash from Vehicle Transactions.** Today in Canada there can be little rationale for anyone to use physical currency when purchasing a vehicle. If a client cannot go to their financial institution, deposit their cash within that institution, then obtain certified funds, then a vehicle dealer, currently unregulated by the PCMLTFA, should also not be accepting that cash.

62. We note in Dr. German’s report that some dealers felt obliged to accept bags full of cash or lose a customer. This should never be an excuse to accept cash. However, outside of dealers becoming a reporting entity, British Columbia could investigate the possibility of having the Vehicle Sales Authority of BC to either give a ‘no physical cash directive’ and/or a ‘declaration of source of funds directive’ to their dealers. Other provinces with similar authorities to the VSA could also look to implement similar policies.

63. **Properly Fund and Staff the CBSA** – As stated by Dr. German in his report, the CBSA at Canadian ports are grossly underfunded and understaffed. Compared to our US neighbors at USCBP, Canada leaves a massive gap for criminals to transport illicit good. It is not conceivable or reasonable to expect a handful of officers to monitor and trace every inbound and outbound shipment from Canada. The Federal Government should immediately increase funding to the CBSA in order to boost their staffing.

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<sup>30</sup> <https://www.fincen.gov/sites/default/files/shared/stockampamlvs.pdf>

<sup>31</sup> <http://www.niada.com/PDFs/Publications/USAPatriotAct.pdf>

64. **A National Database of Exported VIN's** should be created with certain goals and with certain caveats. The goal of this database would be for **information sharing solely between government agencies**. Vehicles are distinctive in that each one has its own unique identifying number. Having a national and current export database available to Canadian authorities may significantly assist in tracking, tracing and prosecuting many types of financial crime, including money laundering. Examples could include:
- a. Any VIN which appears a second time within the export database should immediately be investigated by the proper federal authorities.
  - b. Any refund of GST/HST/PST from the Federal or any Provincial government should be dependent on proof of export for each unique VIN. If there would be a claim for a duplicate VIN, the appropriate tax authorities should investigate that.
  - c. Any VIN from the export database which subsequently appears in another federal or provincial system, such as a Ministry of Transport should be investigated by the appropriate authorities within that jurisdiction.
65. **A National Vehicle Lien Database Should Be Created.** A vehicle which has not been paid in full cannot and should not be shipped permanently outside of Canada. The current lien registration in Canada is set up on a per province basis making it difficult to determine a lien status across provincial boundaries. In order for agents at the CBSA to be able to conduct thorough investigations of suspect shipments, they must have the most recent and accurate information at their fingertips on a moment's notice.
66. Further, the current lien system can be slow to propagate information to their databases, this can be upwards of two weeks. It is unknown if this delay is due to the actions of the lien holders, or delayed uptake by the various provincial lien providers, however a more National system may be able to speed up that process.
67. During a conversation with USCBP, an officer showed frustration with both the slow times of the lien program as well as the Canadian Police Information Centre (CPIC) website. USCBP search these sites as part of their system when clearing Canadian vehicles for export from US ports. However, they are later contacted by Canadian authorities who ask why the USCBP allowed vehicles to ship, even though they were only loaded to these sites after the clearance process had been completed.
68. A lien database should not be a tool for private corporations to co-opt Canadian officials into potential civil matters. This was the case a few years ago when vehicle manufacturers were putting \$1-\$100 liens on fully paid vehicles in order to have CBSA agents flag shipments on their behalf. As has been discussed, CBSA is already extremely burdened in terms of their resources. Having CBSA track down proof of ownership for vehicles which were fully paid was an incredible misuse of CBSA resources and reckless as it drew valuable time away from CBSA officers.
69. **GST/HST/PST Refunds.** As discussed above, GST/HST/PST refunds are, and can continue to be, a large source of financial knowledge in respect to money laundering and financial crime investigations. BC, the provinces, and the Federal Government should continue following the established federal guidelines. They should require proof of payment, proof of ownership, and proof of export. In cases of Agency purchasing, that proof must also be provided to draw the link to the exporter.

70. If concerns of PST refunds are premised over the use of illicit funds, then denying PST refunds does not remove that problem. A money launderer will still purchase a vehicle for cash in BC. They will still export the vehicle out of Canada, either properly through CBSA, or more likely via some other illegal channel. If they do not claim their PST back, then their cost of laundering is the relatively low amount of the PST paid.
71. In fact, Dr. German’s concluding statement of Chapter 3-4 Schedule aim re-affirms the point succinctly: “Despite the foregoing (PST) proposals, the grey market may still continue to flourish, as a loss of the PST may not have a sufficiently deleterious impact on luxury car shipments. For this reason, we re-emphasize that the key is transparency and ensuring that the export market is not a convenient means by which organized crime can launder its ill-gotten gains.”<sup>32</sup>
72. Rather, a functional PST refund system operating in conjunction with other federal and provincial authorities adds more knowledge to the transactions which can then be used where further investigation is required.
73. If concerns of PST refunds are centered around administrative costs, BC could look to a fee-based system as proposed by Dr. German. The system should not be punitive in nature, rather the fee should be a true reflection of the work required by the BC PST staff. In this manner, the province of British Columbia and the BC PST staff are still appropriately compensated, and information is still being collected which can be used where needed by authorities.
74. **Enhance Public/Private Partnerships.** In 2020, ACAMS published a detailed report on this matter, The Building Blocks of an Effective Public-Private Partnership.<sup>33</sup> This report should be read by anyone involved in AML strategies at any public or private level.
75. The conclusion of the ACAMS reports could not be more well stated as a goal:
- “Defending the global financial system against money launderers and terrorist financiers requires continued nurturing of the P/P partnership value chain. All stakeholders in the value chain will recognize that while the flow of information can always be improved, the objective of all parties is ultimately the same—to detect, interrupt and reduce the number of illicit actors who attempt to gain access to the global financial system. Strengthening P/P partnerships through this two-phased approach is an effective mechanism to achieve this objective. When all parties to the information-sharing process understand each other’s perspective and are adaptable, accountable and trusting of each side’s perspective, the most effective results will be achieved.”*

## Highlights and Conclusions

76. Effective information sharing is one of the cornerstones of a well-functioning AML/CFT framework”<sup>34</sup> - FATF

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<sup>32</sup> [https://icclr.org/wp-content/uploads/2019/06/Dirty\\_Money\\_Report\\_Part\\_2.pdf?x94276](https://icclr.org/wp-content/uploads/2019/06/Dirty_Money_Report_Part_2.pdf?x94276)

<sup>33</sup> <https://www.acamstoday.org/the-building-blocks-of-an-effective-public-private-partnership/>

<sup>34</sup> <https://www.fatf-gafi.org/media/fatf/documents/recommendations/Private-Sector-Information-Sharing.pdf>

77. "Vehicle exporting is a legal business and 90 percent of companies doing that are most likely legitimate."<sup>35</sup> – Dr Peter German
78. "Any strategy to prevent and combat TBML needs to be based on dismantling TBML structures while allowing genuine trade to occur unfettered."<sup>36</sup> - FATF
79. Canadian vehicle exporters provide a wealth of financial and customer information to various Canadian Authorities in the course of their business.
80. Legitimate vehicle exporters use all the federal and provincial resources available to them to run their businesses. They ensure vehicles are paid in full, they share client information with their banks, they share client information with EDC, they file CBSA shipping documentation, they file documentation with provincial and federal governments for tax refunds, they file taxes with both levels of government on the corporate and personal side.
81. The CVEA is in full agreement with Dr. German that the vehicle export market will continue to flourish and a re-emphasis that the key is transparency.
82. "When all parties to the information-sharing process understand each other's perspective and are adaptable, accountable and trusting of each side's perspective, the most effective results will be achieved." – ACAMS Building Blocks conclusion.

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<sup>35</sup> [http://moneylaundering.ca/public/events/mlincanada/2019/MLinCanada19\\_brochure.pdf](http://moneylaundering.ca/public/events/mlincanada/2019/MLinCanada19_brochure.pdf)

<sup>36</sup> [http://www.fatf-gafi.org/media/fatf/documents/reports/Trade\\_Based\\_ML\\_APGReport.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/Trade_Based_ML_APGReport.pdf)