

Canada

RISK & COMPLIANCE REPORT

DATE: January 2017

Executive Summary - Canada

Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	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 was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Money laundering activities in Canada are primarily a product of illegal drug trafficking, financial crimes, and fraud, notably capital markets fraud, commercial (trade) fraud, payment card fraud, and mass marketing fraud. The criminal proceeds laundered in Canada derive predominantly from domestic activity controlled by drug trafficking organizations and organized crime. Foreign-generated proceeds of crime also are laundered in Canada.

The money laundering methods used in Canada have remained relatively consistent in recent years. They include smuggling, money service businesses and currency exchanges; casinos; the purchase of real estate; wire transfers; establishment of offshore corporations; use of credit cards, stored value cards, digital currency, and new payment methods; use of nominees; use of foreign bank accounts; and the use of professional services such as lawyers and accountants. The use of professional services is a key money laundering threat.

Canada does not have a significant black market for illicit goods. Cigarettes and counterfeit goods and software are the most commonly smuggled goods in the country. There are indications that trade-based money laundering occurs, and underground financial systems are used within the immigrant community. Some human trafficking organizations engage in money laundering. Bulk cash smuggling is widespread.

Do FINANCIAL INSTITUTIONS engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: No

Criminalization of money laundering:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES **civilly:** YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES **Domestic:** NO

KYC covered entities: 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); money services businesses (MSBs); accountants and accounting firms; lawyers; dealers in precious metals and stones; and notaries in Quebec and British Columbia

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 92,531: April 1, 2014 - March 31, 2015

Number of CTRs received and time frame: 8,445,431: April 1, 2014 - March 31, 2015

STR covered entities: Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown; MSBs; accountants and accounting firms; dealers in precious metals and stones; and notaries in British Columbia and Quebec

money laundering criminal Prosecutions/convictions:

Prosecutions: 228: 2013-14

Convictions: 40: 2013-14

Records exchange mechanism:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Canada is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body.

Enforcement and implementation issues and comments:

In July 2015, Canada published its national inherent risk assessment on ML/TF. The purpose of this report is to better identify, assess, and understand inherent money laundering and terrorist financing risks in Canada.

On July 4, 2015, the Government of Canada pre-published for public consultation amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing

Regulations to strengthen its AML/CFT regime and improve its compliance with international standards. The proposed regulations introduce a number of regulatory amendments that are needed to enact some legislative amendments made in June 2014, as well as other standalone regulatory measures. The package of amendments would: expand the concept of politically exposed persons (PEPs) to include domestic PEPs and heads of international organizations; clarify the type of customer information reporting entities must obtain and keep as part of the customer due diligence process; clarify obligations to assess and document the risks associated with new technologies used by reporting entities; and expand the designated information that the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Canada's financial intelligence unit, can disclose. Final publication for these amendments, scheduled for mid-2016, is required before the PEP provisions come into force. A new Security of Canada Information Sharing Act was adopted in 2015 to facilitate the sharing of information between Canadian government agencies with regards to any activity that undermines the security of Canada, including terrorism.

Canada has a rigorous detection and monitoring process in place to identify money laundering and terrorism financing activities, but additional enhancements to its enforcement and conviction capability would be beneficial. FINTRAC made 1,260 disclosures to law enforcement and other government agencies from April 1, 2014 to March 31, 2015. Of these, 923 disclosures were money laundering related, 228 were terrorism financing or security threat related, and 109 were both money laundering and terrorism financing or security related.

Obstacles to successful enforcement include privacy rules that prevent FINTRAC from freely sharing information with law enforcement; complex investigations that can take understaffed police agencies years to finish; and overworked Crown Prosecutors. Though the legislative framework does not allow law enforcement agencies direct access to FINTRAC's databases, FINTRAC may disclose actionable financial intelligence to assist money laundering, terrorist financing, and security threat investigations.

Canada should continue its work to strengthen its AML/CFT regime and ensure its privacy laws do not excessively prohibit providing information to domestic and foreign law enforcement that might lead to prosecutions and convictions. The government should further enhance its enforcement and conviction capability.

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 2016 (introduction):

In 2015, the Canadian government continued its robust efforts to combat the production, distribution, and consumption of illicit drugs. Canada is a significant supplier of both MDMA (ecstasy) and marijuana to the United States. As part of its National Anti-Drug Strategy, Canada has initiatives underway specifically targeting the trafficking of synthetic drugs, particularly fentanyl. Canada and the United States cooperate extensively in counternarcotics efforts by sharing information and conducting joint operations.

Corruption

The Government of Canada has strong anti-corruption laws and policies and holds its officials, including law enforcement personnel, to a high standard of conduct. The Canadian government pursues malfeasant civil servants and subjects them to prosecution. No senior government officials are known to engage in, encourage, or facilitate illegal activity associated with drug trafficking. Corruption among law enforcement officials is rare.

US State Dept Trafficking in Persons Report 2014 (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. Canadian women and girls are exploited in sex trafficking across the country, and women and girls from Aboriginal communities and minors in the child welfare system are especially vulnerable. NGOs and law enforcement officials note traffickers sometimes use drug dependency to control victims. The Royal Canadian Mounted Police (RCMP) report that roughly half of identified sex trafficking victims worked as exotic dancers or in clubs at the time of their recruitment. Foreign women, primarily from Asia and Eastern Europe, are subjected to sex trafficking in brothels and massage parlors. Law enforcement officials report that local street gangs and transnational criminal organizations are involved in sex trafficking in urban centers. 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 agriculture, construction, food processing plants, restaurants, the hospitality sector, or as domestic servants. Canada is also a source country of tourists who travel abroad to engage in sex acts with children.

The Government of Canada fully complies with the minimum standards for the elimination of trafficking. In 2013, the government achieved its first conviction for domestic servitude, increased the number of convictions achieved under trafficking statutes compared to the previous year, and launched a dedicated anti-trafficking police unit. Canadian authorities continued strong partnerships with civil society to raise awareness of human trafficking; increased coordination between federal, provincial, and territorial authorities; and

demonstrated transparency by issuing their first progress report on the national action plan against trafficking. Few specialized services were available to victims, and the government lacked comprehensive data on trafficking victims identified and assisted during the year.

US State Dept Terrorism Report 2015

Overview: Canada played a significant role in international efforts to detect, disrupt, prevent, and punish acts of terrorism in 2015. 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 major contributions to the Global Counterterrorism Forum (GCTF) and the Global Initiative to Counter Nuclear Terrorism (GICNT), and Canadian diplomacy supported global efforts to prevent and counter violent extremism, and promote the rule of law overseas. Canada implemented UN Security Council Resolutions (UNSCRs) 2178 and 2199; the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida (AQ) sanctions regime; monitored financial flows to counter terrorism financing; and implemented GCTF good practices on foreign terrorist fighters.

Traveling abroad to commit acts of terrorism is a violation of Canadian federal law. Current enforcement measures to prevent this include the denial of passport applications or the revocation of valid passports of Canadian citizens who are suspected of either traveling abroad or aspiring to travel abroad in order to commit acts of terrorism and also the maintenance of a watchlist of individuals (both citizens and non-citizen residents) flagged for potential involvement with extremist organizations.

Canada has made important contributions to the Global Coalition to Counter ISIL in 2015, including the assignment of combat and surveillance aircrafts, an aerial tanker, support personnel to the region, as well as Canadian Special Forces advisers to advise and train the Peshmerga in Iraq. Canada has also provided significant humanitarian assistance to communities impacted by ISIL atrocities, and is a member of the Counter ISIL Finance Group. Although the new government has withdrawn its fighter aircraft from the counter-ISIL combat mission, it will increase its support to the Coalition in other ways. Canadian law enforcement and security services are additionally working to prevent the flow of foreign terrorist fighters to Iraq and Syria.

Legislation, Law Enforcement, and Border Security: Canada's legal system is well-suited to adjudicate counterterrorism cases. The legal framework includes significant penalties for committing terrorist acts, conspiring to commit terrorist acts, financing terrorism, and traveling abroad to engage in terrorism.

- In April, the government passed Bill C-44, Protection of Canada from Terrorists Act, which went into effect on April 23. The bill amends the Canadian Security Intelligence Service Act to enable the Canadian Security Intelligence Service (CSIS) to investigate threats to the security of Canada more effectively; clarify the CSIS mandate; confirm CSIS authority to conduct investigations abroad and to obtain Federal Court warrants to carry out those investigations; protect the identity of CSIS human sources from disclosure; protect the identity of CSIS employees engaging in covert activities; and

expedite implementation of citizenship revocation measures to strip citizenship from dual nationals convicted of terrorist offenses.

- Also in April, the government passed Bill C-32, Victims' Bill of Rights Act, to create statutory rights for victims of crime. These include: the ability to access information about the status of investigations, criminal proceedings, and reviews of offenders subject to the corrections process; the protection of victims from intimidation, retaliation, and identity disclosure; the enablement of victims' participation in the judicial process; and the provision of financial restitution to victims. Bill C-32 went into effect in July.
- In June, the government passed Bill C-51, Anti-terrorism Act, 2015, which amends the criminal code for offenses related to terrorism. The Bill enacts the Security of Canada Information Sharing Act, which authorizes federal government departments and institutions to share personal data of individuals in the context of activities related to national security; enacts the Secure Air Travel Act to establish a no-fly list of persons who may pose a threat to transportation security or who may travel by air for the purpose of committing a terrorism offense; authorizes air carriers to deny boarding to persons so listed; establishes rules for the collection, use and disclosure of information to administer and enforce the list; and provides recourse and appeal procedures for persons denied travel. Bill C-51 authorizes judges to issue peace bonds (orders from a criminal court that require a person to keep the peace and be on good behavior for a period of time), revoke passports, and prohibit personal travel in specified geographic areas in order to disrupt suspected terrorist activity. The bill creates the new offense of knowingly advocating or promoting the commission of terrorism, allows judges to order the seizure or deletion of terrorist propaganda, and provides enhanced protection for witnesses, particularly in the context of security or criminal intelligence. The bill expands CSIS authority to operate outside Canada (subject to judicial warrant) and creates new accountability and reporting requirements. Bill C-51 went into effect in August. The Trudeau government has pledged to modify Bill C-51 – in line with Liberal Party campaign promises and unsuccessful attempts to amend the original bill – that would more precisely define the government's expanded authority and introduce more safeguards against possible abuses of that authority.
- In June, the government also passed Bill S-4, Digital Privacy Act, which establishes rules for how private sector businesses collect, use, and disclose the personal information of clients and permits internet service providers to share subscriber data with third parties and law enforcement.

Canada has advanced law enforcement capabilities. While Canadian law enforcement and homeland security entities share legally available terrorism-related information with the United States and other investigative counterparts in a timely, proactive fashion, the United States continues to engage with Canada on methods to facilitate the sharing of additional information that is not covered by our current agreements. Prosecutors work in close cooperation with specialized law enforcement units that maintain advanced investigative techniques, crisis response capabilities, and border security capacity. Canadian federal law enforcement entities such as the Royal Canadian Mounted Police (RCMP) have clearly demarcated counterterrorism missions and have effective working relationships with their provincial and municipal counterparts as well as with those elements of the Canadian Armed Forces that have counterterrorism roles.

Canada has an extensive border security network and 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 (PNR) information on commercial flights to safeguard its borders. Canada and the United States enjoy extensive 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 are very capable and effectively patrol the country's land and maritime borders.

Significant law enforcement actions against terrorists and terrorist groups are as follows:

- On January 9, police charged Canadian citizens Carlos Larmond and Ashton Larmond with participating in the activity of a terrorist group and conspiracy to participate in terrorist activity. Police also charged Carlos Larmond with planning to leave the country to participate in terrorist activity.
- On January 23, authorities extradited Iraqi-born Canadian citizen Sayfildin (Sayf) Tahir Sharif (also known as Faruq Khalil Muhammad Isa) to the United States after the Canadian Supreme Court declined to hear his appeal. Sharif faces charges of conspiracy to murder Americans abroad, of aiding and abetting the murder of U.S. nationals abroad, and provision of material support to terrorist conduct.
- On February 3, police charged Awso Peshdary with participation in a terrorist group and facilitating terrorist activity by funding the travel of individuals for the purpose of terrorism. Peshdary is the first individual charged in Canada for terrorist recruitment.
- On April 20, police charged Sabrine Djermane and El Mahdi Jamali with building or possessing an explosive substance, facilitating terrorist activity, and attempting to leave the country for the purposes of participating in terrorist activity.
- On May 7, an Edmonton judge ordered that Omar Khadr (a Canadian citizen who pled guilty in 2010 before a United States military tribunal to various offenses, including murder in violation of the law of war and received an eight year sentence) be freed on bail. Khadr was repatriated to Canada from Guantanamo Bay in September 2012. Khadr continued to appeal his U.S. conviction.
- On June 2, a British Columbia court found Canadian citizens John Stewart Nuttall and Amanda Marie Korody guilty of conspiring to explode pressure-cooker explosive devices among crowds on the grounds of the British Columbia Legislature in 2013. Police alleged the pair were self-radicalized and inspired by AQ ideology on the Internet, but acted independently with no support from outside the country. The court stayed registration of the convictions and sentencing pending the outcome of a judicial hearing of a claim of police entrapment and abuse of process. The hearing continued as of December.
- On June 11, police arrested Somali-born Ali Omar Ader upon his arrival in Canada for participation in the hostage-taking and confinement in Somalia of Canadian freelance journalist Amanda Lindhout in 2008.
- On July 13, police charged Jordanian-born Othman Hamdan with six counts of counselling acts of violence on behalf of a terrorist organization. Hamdan arrived in Canada from the United States in 2002 and obtained refugee status.
- In August, the Canada Border Services Agency began proceedings to deport Algerian national Mohamed Harkat after the Supreme Court accepted evidence in 2014 that he was an al-AQ sleeper agent and upheld an immigration security

certificate against him. Harkat remained under supervision in the community, subject to conditions.

- On September 23, an Ontario court sentenced Chiheb Esseghaier, a Tunisian national, and Raed Jaser, a Palestinian national, to life in prison for conspiracy to commit murder and participation in a terrorist group for plotting to derail a VIA Rail passenger train between Toronto and New York City. They received additional sentences for lesser charges and will be eligible for parole after 10 years. Both have stated their intention to appeal the convictions.
- In September, authorities deported Pakistani nationals Jahanzeb Malik and Mohammed Aqeeq Ansari to Pakistan. Both men were permanent residents of Canada, but lost that status when the Immigration and Refugee Board ruled they had engaged in alleged terrorist activity in separate incidents and constituted a danger to public security. Malik allegedly had considered the United States Consulate in Toronto as a potential target.
- In September, the government revoked the citizenship of Zakaria Amar, a dual Canadian/Jordanian citizen serving a life sentence for planning terrorist attacks in Ontario in 2006 as part of the "Toronto 18" group.
- On December 17, a Montreal teenager was found guilty of committing a robbery in association with a terrorist organization and planning to leave Canada to participate in the activities of a terrorist group abroad. The teen had engaged in Twitter conversations with violent extremist sympathizer Martin Coutoure-Rouleau, who fatally rammed a Canadian Armed Forces official in October 2014.
- At various times throughout the year, police charged a number of individuals – including Farah Shirdon, Khadar Khalib, and John Maguire – in absentia with offenses related to participation in terrorism activity outside the country. Also during the year in a series of incidents, police issued peace bonds to individuals they suspected of planning to engage in terrorist activity or intending to leave the country for the purposes of terrorist activity.

Countering the Financing of Terrorism: Canada is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering, and is a supporting nation of the Caribbean Financial Action Task Force. Its financial intelligence unit, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), is a member of the Egmont Group. Canada is also an observer in the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financial Action Task Force of Latin America. Canada has rigorous detection and monitoring processes in place to identify money laundering and terrorism financing activities. FINTRAC is responsible for detecting, preventing and deterring money laundering and the financing of terrorist activities. Canada implements UNSCR 1373 and the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime; criminalizes terrorism financing in accordance with international standards; 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 terrorism financing; and routinely distributes UN sanctions lists to financial institutions.

Countering Violent Extremism: The RCMP National Security Community Outreach program promotes interaction and relationship-building with at-risk communities. The Department of Public Safety's Cross-Cultural Roundtable on Security fosters dialogue on national security issues between the government and community leaders, including diaspora groups. Both of

these initiatives are part of Canada's national Counterterrorism Strategy, which seeks specifically to reduce the risk of individuals succumbing to violent extremism and radicalization. All levels of government – federal, provincial, and municipal – continued to work with non-governmental partners and concerned communities to counter violent extremism through preventative programming and community outreach.

International and Regional Cooperation: Canada prioritizes collaboration with international partners to counter terrorism and regularly seeks opportunities to lead. Canada is a founding member of the GCTF and is active in numerous international fora dealing with counterterrorism, including the OSCE, the UN, the G-7, APEC, ASEAN and the ASEAN Regional Forum, the Commonwealth, the International Civil Aviation Organization, the International Maritime Organization, and the OAS. Canada makes major contributions to the GCTF and the GICNT, while Canadian diplomacy supports global efforts to prevent radicalization to violence, counter violent extremism, and promote the rule of law overseas. As part of the GCTF, Canada co-chairs the Sahel Capacity-Building Working Group with Algeria.

Global Affairs Canada maintains a Counterterrorism Capacity Building Program which provides training, funding, equipment, and technical and legal assistance to partner nations to enable them to prevent and respond to a broad spectrum of terrorist activity. Examples of activities supported by Canadian counterterrorism assistance include: border security; transportation security; legislative, regulatory and legal policy development; human rights training; law enforcement, security, military and intelligence training; chemical/biological/radiological/nuclear and explosives terrorism prevention, mitigation, preparedness, response and recovery; detection and prevention of terrorism financing; cyber security; and the protection of critical infrastructure.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	82
World Governance Indicator – Control of Corruption	94

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. The 1989 US-Canada Free Trade Agreement (FTA) and the 1994 North American Free Trade Agreement (NAFTA) (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, uranium, and electric power. 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 financial sector's tradition of conservative lending practices and strong capitalization. Canada achieved marginal growth in 2010-13 and plans to balance the budget by 2015. 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 Saudi Arabia and Venezuela.

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)

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 52 percent of Canada's total stock of foreign direct investment. U.S. stock of foreign direct investment in Canada reached \$351 billion in 2012, 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 \$637 billion in 2012, an increase of 8.5 percent from 2011.

U.S. foreign direct investment in Canada is subject to the provisions of the Investment Canada Act (ICA), the 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 only blocked investments on 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 Asian-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 telecom 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.

1. Openness To, and Restrictions Upon, Foreign 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 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.

Legal Framework: The Investment Canada Act

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 imposed 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 2014 is \$354 million for WTO Members. (Indirect control acquisitions by WTO Members do not have to be reviewed.) For non-WTO Members, the threshold remains at \$5 million for direct control and \$50 million for indirect control acquisitions. Canada amended the ICA in 2009 to increase the threshold for review to \$1 billion over a four-year period. This increase will take effect once regulations implementing the amendments come into force.

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. The new rules were developed in response to an increase in SOE investment from 2008 to 2011 and an increasing trend for these investors to seek to acquire control of Canadian businesses. Canada added SOE guidelines in 2007 to its net benefit test to ensure that SOEs adhere to North American market principles and Canadian standards of governance and accountability. The new rules supplement Canada's 2007 SOE guidelines.

Canada's 2013 budget bill also included measures to provide the Industry Minister with additional flexibility to extend the timelines for national security reviews. The new timelines will come into force once regulations are finalized. Canada added a national security review to the ICA in 2009 that permits the Industry Minister to review investments that could be "injurious to national security." National security reviews can take up to 130 days to complete under existing timelines.

Canada amended the ICA in June 2012 to allow the Industry Minister 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 Industry Minister believes a non-Canadian investor has failed to comply with a written undertaking.

Canada approved the acquisition of two Canadian energy companies by two Asian SOEs in tandem with the December 2012 SOE investment rule unveiling, but signaled their approval was “the end of a trend.”

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.

Canada’s Industry Minister sought an order in federal court in July 2009 against a U.S. steel producer alleging that the company had failed to fulfill its obligations under the ICA to maintain minimum Canadian employment levels in exchange for permission to acquire a Canadian steel mill. Under the ICA, Canada has authority to levy financial penalties against the producer for breach of these undertakings. Following an unsuccessful appeal by the company, Canada dropped its case in December 2011 in exchange for a company commitment to continue manufacturing steel in Canada until 2015 and a pledge to invest an additional \$50 million in its Canadian facilities.

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, inter alia, 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 Investment Canada Act, the WTO, and the NAFTA. Chapter 11 of the NAFTA ensures that future 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.

Canada and the United States are 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 two governments retain some flexibility in the application of national treatment obligations. They need not extend identical treatment, as long as the treatment is "equivalent."

Services Trade

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 \$64 billion in 2013, while Canada's services exports to the United States totaled nearly \$30 billion. The NAFTA ensures that restrictions on bilateral services trade will not be applied in the future. 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.

Federal Procurement

Canada is a signatory of the WTO Government Procurement Agreement, and has made government procurement market access commitments through NAFTA and the U.S.-Canada Agreement on Government Procurement. The U.S.-Canada Agreement on Government Procurement, which came into effect in February 2010, provides permanent U.S. access to Canadian provincial and territorial procurement contracts in accordance with the WTO Government Procurement Agreement (GPA). The U.S.-Canada Agreement provided Canadian companies with reciprocal access to 37 states subject to the GPA, as well as a limited number of projects under the American Recovery and Reinvestment Act of 2009.

These three agreements provide U.S. businesses with access to most Canadian federal departments and some provincial and municipal entities, but procurement by only ten of Canada's Crown corporations are covered. Federal departments can delegate purchasing authorities to Crown corporations that are not bound by international procurement rules.

In February 2014, Canada announced a new defense procurement strategy designed to give the federal government more flexibility to improve economic outcomes from defense procurement projects. Under the new strategy, Canada's Industrial and Regional Benefits (IRBs) policies will be transformed into Industrial Technological Benefits (ITBs). A core element of the new approach is rated and weighted Value Propositions (VP) for defense and major Canadian Coast Guard procurement projects. Bidders will be asked to put forward their best industrial plan for Canada, as these plans will be scored on the quality of their Value Propositions. Industrial considerations will factor into determining who wins the contract. One component that has not changed is that the ITB must have a value equal to 100 percent of the contract.

Canada has taken measures to address interprovincial trade barriers that can restrict U.S. firms established in one province from bidding on another province's procurement opportunities. The Agreement on Internal Trade (AIT), which came into force in July 1995, provides a framework for dealing with intra-Canada trade in ten specific sectors and establishes a formal process for resolving trade disputes. Over the past two decades, the AIT has been expanded to include improvements in labor mobility, agriculture access, dispute resolution and other areas.

Regional agreements have also emerged to enhance interprovincial trade. The provinces of British Columbia and Alberta signed a Trade, Investment, and Labor Mobility Agreement (TILMA) in 2006 to ensure that any provincial measures will not "operate to impair or restrict trade between or through the territory of the Parties, or investment or labor mobility between the Parties." The Agreement came into force in April 2009. Alberta, British Columbia, and Saskatchewan signed the New West Partnership Trade Agreement (NWPTA) in 2010, which further liberalized trade, investment, and labor mobility between the three provinces. Ontario and Quebec signed a Trade Cooperation Agreement (TCA) in 2009, while Nova Scotia and New Brunswick signed a Partnership Agreement on Regulation and Economy (PARE) the same year. Both agreements aim to enhance interprovincial economic activity through regulatory harmonization and measures to address trade barriers.

The NAFTA includes provisions that enhance the ability of U.S. investors to enforce their rights through international arbitration; prohibit a broad range of performance requirements, including forced technology transfer, and expand coverage of the NAFTA investment chapter to include portfolio and intangible investments, as well as direct investment.

Investment in Cultural Industries

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 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. The Canadian broadcaster submitted a revised application of its acquisition proposal to the CRTC in November 2012.

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. One-half of advertising costs may be deducted in the case of publications with zero to 79 percent original editorial content, and the full cost of advertising may be deducted in the case of publications with advertising may be deducted in the case of publications with 80 percent or more original editorial content.

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. Canada's decision in April 2010 to allow online retailer Amazon to open a Canadian distribution center suggests a willingness to allow foreign investors greater access to cultural industries in exchange for commitments to promote Canadian content.

Investment in the Financial Sector

Canada is open to foreign investment in the banking, insurance, and securities brokerage sectors, but there are barriers to foreign investment in retail banking. 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. Canadian banks have been much more aggressive in entering the U.S. retail banking market because there are no barriers that limit access. 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, which is regarded as a fairly "saturated" market. Several U.S. financial institutions have established branches in Canada, chiefly targeting commercial lending, investment banking, and niche markets such as credit card issuance. A major U.S. bank announced plans to expand its wholesale banking capabilities throughout Canada in November 2012. The bank received regulatory approval

to offer commercial and corporate banking capabilities in Canada in September 2012, leading to the announced expansion. Canada also gave regulatory approval to a Pittsburgh-based U.S. bank in February 2013 to expand its commercial banking services across Canada.

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. Canada raised the 10-percent limit for single, non-NAFTA shareholders to 20 percent in 2001. 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.

Investment in Other Sectors

Commercial Aviation: Canada limits foreign ownership of Canadian air carriers to 25 percent of voting equity. Foreigners may own nonvoting equity subject to the overall requirement that they are not permitted to control a Canadian air carrier. The Canada-EU Aviation Agreement envisions changes to Canadian legislation that will allow up to a 49 percent foreign stake in Canadian airlines. Canada passed an amendment to the Canada Transportation Act in March 2009 that provides the Governor in Council with authority to increase foreign ownership of Canadian airlines to a maximum of 49 percent. This power has not been exercised to date.

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.

Energy: Canada continues to encourage additional foreign investment in its energy sector to develop its vast oil and gas resources.

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 claims the suspension breached NAFTA expropriation and minimum standard of treatment provisions.

A NAFTA tribunal sided with two international energy companies' claim against Canada in May 2012. At issue was whether the province of Newfoundland and Labrador's policy requiring offshore petroleum investors to contribute financially to provincial research and development initiatives violated NAFTA's minimum standard of treatment and performance requirements. The tribunal ruled that the provincial policy breached NAFTA's performance requirements, but not its minimum standard of treatment provisions. In a separate case, an international energy company agreed to pay the government of Newfoundland and Labrador \$150 million dollars in October 2012 for amending its original commitment to construct three modules in the province for the Hebron offshore oil project. The settlement allowed two of the three modules to be constructed in Newfoundland and Labrador with the third to be built out of province.

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 to 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 announced the results of its 700 Mhz spectrum auction February 18, 2014. Canada's three largest telecomm providers acquired the majority of spectrum licenses sold, and the auction did not feature any new foreign buyers.

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

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.

Ontario's efforts to implement a feed in-tariff renewable energy program as part of the Green Energy and Green Economy Act of 2009 has been opposed by U.S. suppliers of equipment and services. Under the program, the Ontario Power Authority provides a guaranteed tariff for energy produced through renewable means (including wind, solar/photovoltaic) on the condition that suppliers use a provincially-mandated percentage of local content (equipment, services, etc.) in their generating activity. U.S. companies

contend that the program's domestic content requirement is a disincentive to purchase from U.S. suppliers. An investor-state claim was filed under NAFTA Chapter 11 against Canada in July 2011 by a Texas-based renewable energy firm, claiming the program violates Canada's obligations under NAFTA to provide investors with fair and equitable treatment.

Japan and the European Union filed requests for consultations with the WTO Dispute Settlement Body regarding the domestic content requirements included in the Green Economy Act. A WTO dispute settlement panel ruled in December 2012 that the Act's domestic content rules violated Canada's obligations under the General Agreement on Tariffs and Trade. Canada appealed the ruling to the WTO Appellate Body. The Appellate Body upheld the WTO panel's prior ruling in a decision issued May 6, 2013. Ontario's Minister of Energy issued a directive to the Ontario Power Authority (OPA) in August 2013, instructing the OPA to reduce domestic content requirements for new FIT programs as an interim step to comply with the WTO's ruling.

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. 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.

Real Estate: Primary responsibility for property law rests with the provinces. Prince Edward Island, Saskatchewan, and Nova Scotia all limit real estate sales to out-of-province parties. Government authorities can expropriate property after paying appropriate compensation.

Privatization: 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 Department of Transport did not impose any limitations in the 1995 privatization of Canadian National Railway, whose majority shareholders are now U.S. persons.

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 have developed initiatives aimed at attracting foreign investment. The Province of Quebec launched its "Plan Nord" (Northern Plan) in May 2011, now called "Le Nord pour tous" (the North for Everyone) under the government that was elected in September 2012. The plan is a 25 year, \$80 billion investment initiative aimed at developing a 1.2 million square-kilometer territory in Northern Quebec. Much of this investment will go toward renewable energy, infrastructure, and natural resource development projects. Quebec's government has instructed its main investment arm, Investissement Quebec, to

attract and partner with foreign investors to develop projects under the initiative. Provincial incentives tend to be more investor-specific and are conditioned on applying the funds to an investment in the granting province. As an example, AdvantageBC operates a provincial incentive program that registers foreign companies in British Columbia's International Business Activity program, and assists them in obtaining a full refund of provincial corporate income tax. Specific sectors and foreign banks are eligible, as are some employees of the registered company.

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. Incentive programs in Canada generally are not oriented toward export promotion. Provincial incentive programs for film production in Canada are available to foreign filmmakers.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	(9 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2014	(6 of 177)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(19 of 189)	http://doingbusiness.org/rankings
Global Innovation Index	2013	(11 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	\$50,970	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

The Canadian dollar is fully convertible. Canada provides some incentives for Canadian investment in developing countries through Canadian International Development Agency (CIDA) programs. Canada's official export credit agency, the Export Development Corporation (EDC), provides political risk insurance to Canadian companies with investments in foreign countries and to lenders who finance transactions pursued by Canadian companies abroad.

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 ones after reaching agreement with the former owners.

4. Dispute Settlement

Canada is a member of the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Canada has made a decision in principle to become a member of the International Center for the Settlement of Investment Disputes (ICSID). However, since the ICSID legal enforcement mechanism requires provincial legislation, the federal government must also obtain agreement from the provinces that they will enforce ICSID decisions. Although most provinces have endorsed the agreement, full agreement is unlikely in the foreseeable future.

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.

5. Performance Requirements and Investment Incentives

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.

6. Right to Private Ownership and Establishment

Investors have full rights to private ownership.

7. Protection of Property Rights

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.

USTR moved Canada from the U.S. Special 301 Report's Priority Watch List to the Watch List in 2013. The move reflects Canada's passage of the Copyright Modernization Act in June 2012. The Act is designed to implement Canada's obligations under the WIPO Internet Treaties and to address the challenges of copyright piracy in the digital age. In March 2013, Canada also introduced the Combating Counterfeit Products Act to strengthen IPR enforcement, which included provisions that would provide ex officio authority to Canadian customs officials to seize pirated and counterfeit goods at the border. The Special 301 Report notes that the United States supports Canada's efforts to address pirated and counterfeit goods, but urged Canada to expand the legislation to also provide authority for its customs officials to take action against goods in-transit.

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 September 2013 after its patent was invalidated on two of its drugs. Another pharmaceutical patent was voided in November 2012 by a Supreme Court decision.

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: David Henry, HenryDA@state.gov

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

8. 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. The RCC will increase regulatory transparency and cooperation between the United States and Canada and eliminate unnecessary regulatory differences and duplication that hinder cross-border trade and investment. The RCC Joint Action Plan sets out 29 initiatives where Canada and the United States will seek greater regulatory alignment. All 29 Work Plans were final by July 2012 and cover sector initiatives such as automotive, agricultural, and consumer product sectors, and

future technologies, including nanotechnology. Agency work plans include a host of regulatory cooperation activities including technical/scientific collaboration, pilot programs, information sharing, mutual recognition, harmonized testing procedures, joint standards, and collaboration on common approaches to regulations.

Canada and the United States announced in December 2012 the first joint review and approval of a veterinary drug as part of an RCC initiative to better align the approval process for these products. The RCC's Marine Transport Working group launched a pilot project in September 2012 for joint Port State Control inspections on a limited number of non-Canadian and non-U.S. flagged vessels entering the Great Lakes St. Lawrence Seaway. The pilot project will look for efficiencies to reduce duplicate inspections and remove impediments to trade. Pilot projects are also underway to better align Canada's standards and reviews of pest control products. Collaborative work to develop aligned regulations and testing procedures under the New Motor Vehicle Safety Standards Working Plan for electric vehicle safety, hydrogen vehicle safety, quiet electric, and hybrid vehicles is underway. Canada and the United States continue to make strides to align their emissions standards for light and heavy vehicles.

Other areas of engagement include efforts to develop a common approach to food safety, developing joint rail safety standards, instituting common policy principles for regulatory oversight of nanotechnology and nanomaterials, 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.

9. 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 in 2012. Canadian banking stability is linked to high capitalization rates that are well above the norms set by the Bank for International Settlements.

The Canadian banking industry includes 22 domestic banks, 25 foreign bank subsidiaries, 23 full-service foreign bank branches and seven foreign bank lending branches operating in Canada. These institutions manage close to \$3.1 trillion in assets. 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 trigger 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.

10. 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 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 nearly \$17 billion in 2013. It is invested in a globally diversified portfolio of public and private equity, fixed income and real assets.

11. Corporate Social Responsibility

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 CSR, the activities of Canadian mining companies abroad remain the subject of critical attention and have prompted calls for the government to move beyond voluntary measures.

12. Political Violence

Political violence occurs in Canada to about the same extent as in the United States. For example, student protests over proposed tuition increases in Quebec led to confrontation between police and protesters in May 2012.

13. 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.

14. Bilateral Investment Agreements

The FTA and 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 obligation based on the same principles found

in the NAFTA. Canada has negotiated FIPAs with countries in Central Europe, Latin America, Africa, and Asia. Canada is actively pursuing FIPA's with ten countries, including India. Canada signed a FIPA with China in September 2012, after nearly two decades of negotiations, but has yet to ratify the agreement. Canada views China as an increasingly important trade and investment partner. Canada concluded FIPA negotiations with Albania, Benin, Cameroon, Cote d'Ivoire, Guinea, Moldova, Nigeria, Serbia, and Zambia in 2013.

15. OPIC and Other Investment Insurance Programs

Because Canada is a developed country, the U.S. Overseas Private Investment Corporation does not operate in Canada.

16. Labor

The federal government and provincial/territorial governments share jurisdiction for labor regulation and standards. Federal employees and those employed in the railroad, airline, and banking sector are covered under the federally administered Canada Labor Code. Employees in most other sectors come under provincial labor codes. As the laws vary somewhat from one jurisdiction to another, it is advisable to contact a federal or provincial labor office for specifics, such as minimum wage and benefit requirements. Canada is slowly recovering from the economic crisis of 2008-2009 which triggered job losses across the country particularly in manufacturing and construction. Canada's unemployment rate stood at 7 percent in January 2014, which is still higher than pre-recession rates of between 6 and 6.5 percent. Newfoundland and Labrador recorded the highest provincial unemployment rate in the country in January 2014 at 12.0 percent, while Saskatchewan recorded the lowest at 4.3 percent.

Canada's labor unions have clashed with the federal government on several occasions in recent years. Eighteen unions and labor organizations announced their intention in December 2013 to take legal action against the Canadian federal government over provisions included in the government's 2013 budget bill (Bill C-4). The unions maintain that Bill C-4 undermines their right to collective bargaining by allowing the federal government to determine which federal workers will be permitted to strike and which collective agreements will be settled through arbitration. Canada passed "back-to-work" legislation in March 2012 and May 2012 to end labor disputes involving a Canadian airline and rail company. Canada justified introducing the legislation on both occasions as a necessary action to protect the Canadian economy.

17. Foreign Trade Zones/Free Ports

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

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

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 Germany respectively.

About 52 percent of Canada's foreign direct investment comes from the United States. At the end of 2012, Canada's stock of U.S. FDI was \$351 billion. 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). Target and Nordstrom are among several U.S. retailers that have announced expansion plans into Canada over the past three years. Canada attracted 2.8 percent of the world's FDI in 2012.

Canadian residents have become increasingly active as worldwide investors, and their net international liabilities have been shrinking over the past decade relative to national income. The United States is the top destination for Canadian direct investment abroad (CDIA). CDIA stocks in the United States rose 7 percent (\$17.1 billion) in 2012 to \$261 billion. The United States' share of CDIA in 2012 was 41 percent.

Other major destinations for Canadian FDI are the United Kingdom, other European Union countries, Brazil, Australia, and Chile.

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data
	Source: Stats Canada				(Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (Billions U.S. Dollars)	2012	\$1,750	2012	\$1,821	International Source: World Bank
Foreign Direct Investment	Host Country Statistical Source: Stats Canada		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (Thousands U.S. Dollars, stock positions)	2012	\$313,968,000	2012	\$351,460,000	International source: U.S. Bureau of Economic Analysis
Host country's FDI in the United States (Thousands U.S. Dollars, stock positions)	2012	\$278,294,000	2012	\$261,133,000	International source: U.S. Bureau of Economic Analysis *by Ultimate Beneficial Owner

Total inbound stock of FDI as % host GDP	2012	35%	2012	36%	International source: OECD Report
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* Note: Canadian sourced data converted to U.S. dollars using 2012 Yearly Average Exchange Rate of 1.040, source: <http://www.irs.gov/Individuals/International-Taxpayers/Yearly-Average-Currency-Exchange-Rates>

TABLE 3: Sources and Destination of FDI

Source: International Monetary Fund (2012 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	636,972	100%	Total Outward	715,053	100%
United States	328,102	52%	United States	290,822	41%
Netherlands	61,744	10%	United Kingdom	87,232	12%
United Kingdom	54,821	9%	Barbados	59,591	8%
Luxembourg	24,761	4%	Cayman Islands	30,316	4%
Switzerland	21,501	3%	Australia	27,025	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 (2012 Figures)

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	867,775	100%	All Countries	683,975	100%	All Countries	183,800	100%
United States	496,117	57%	United States	369,522	54%	United States	126,596	69%

United Kingdom	70,523	8%	United Kingdom	61,573	9%	United Kingdom	8,950	5%
Japan	42,004	5%	Japan	38,290	6%	Australia	5,977	3%
France	26,077	3%	France	21,067	3%	France	5,010	3%
Australia	21,845	3%	Switzerland	17,583	3%	Germany	4,668	3%

* The data is based on partial 2012 data from Canada with final 2012 figures derived by the IMF's Statistical Information Division.

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