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housing bubbles
and lost taxes—
why Canada
needs to crack
down on money
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Money laundering expert Peter German



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HAVE YOUR SAY

Money laundering and corruption are eroding trust in institutions on a global scale. What can CPAs do to combat this?



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ALL TOGETHER NOW

A tangled patchwork of policies is preventing Canada from winning the fight against financial crime. It's time for unity. **BY JOY THOMAS**

Canada is finally coming to terms with dirty money. Over the past two years, a series of revelatory investigations and reports has helped us begin to understand the breadth and severity of money laundering in this country—and what we need to do to fix it. It's increasingly clear that incremental, uncoordinated policy tweaks won't do the trick. No province or industry can go it alone. What we need is an all-hands-on-deck solution—a coordinated approach that unites all the key players to stop the flow of dirty money once and for all.

While the COVID-19 pandemic and its aftermath will rightly colour Canadian policy decisions in the immediate future, our government must not forget about fighting corruption, fraud and financial crime. To restore Canada's reputation as a trustworthy nation, governments, regulators and the private sector will need to forge strategic partnerships and crack down on more than just the act of money laundering itself. We will

also need to bring transparency to our financial system, protect those willing to report criminal activity, and earmark resources to investigate and prosecute the people behind it.

Traditionally, governments have targeted financial institutions in their efforts to fight money laundering and

WE NEED AN ALL-HANDS-ON-DECK SOLUTION—A COORDINATED APPROACH TO STOP THE FLOW OF DIRTY MONEY

terrorist financing. But in recent years, Canadian bodies governing the legal, real estate and investment professions are all contributing to the battle, introducing new rules intended to curb money laundering. The accounting profession could also play a critical partnership role in both ensuring public trust and reporting suspicious activities to senior executives, boards and regulators. Our ethical codes and public-interest mandate represent an important bulwark against these

criminal activities, and already include various reporting requirements.

The Canadian government awaits the next international assessment of our anti-money laundering framework. As those discussions pick up momentum, we need to keep some core principles and approaches in mind. Chief among them is the importance of adopting a risk-based framework that maximizes the effectiveness of any anti-money laundering regulatory regime without overburdening the system with administrative complexity. The Financial Action Task Force, the international standard-setter for anti-money laundering efforts, recently published a guidance document on a risk-based approach for the accounting profession. The core idea is for stakeholders in the financial system and capital markets, including accountants, to identify the areas with the highest degree of risk and focus resources and mitigation approaches accordingly. Canada's anti-money laundering framework should build upon a risk-based approach and include several core elements:

Corporate transparency: CPA

Canada strongly supports the goal of transparency, including the establishment of beneficial ownership registries. We recommend that, up front, policy-makers set out the regulatory burdens, privacy implications and risks of such

increased transparency. Indeed, for a registry to be useful and efficient, it requires consistency in information (as required by law), not an array of different rules. "The trust crisis" (page 22) provides the latest details on Canada's efforts to develop registries of beneficial ownership.

Whistleblower protection: CPA

Canada believes the country would benefit from a national framework for whistleblowing that includes secure channels for whistleblowers to report

PHOTOGRAPH BY MATT BARNES; HAIR AND MAKEUP BY CLAUDINE BALTARZAR/PLUTINO GROUP; SHOT AT BISHA HOTEL, TORONTO

potential misconduct without fear of reprisal or recrimination. Currently, Canada has a patchwork of protections provided by various pieces of federal, provincial and territorial legislation, meaning that individuals, professionals and organizations may not know whether they are covered or where to turn for protection. Any integrated plan aimed at uncovering wrongdoing, promoting integrity, and stopping money laundering and terrorist financing will need mechanisms that effectively protect whistleblowers and securely handle resulting disclosures. “Gimme shelter” (page 32) makes clear that enhancing such protections is long overdue.

Organizational compliance:

An effective plan to tackle money laundering and terrorist financing will also require the development of new, national standards that lay out expectations for organizational integrity and compliance programs. “The best defence” (page 19) shows what accounting firms are doing to help their clients meet compliance frameworks.

Enforcement: The final element in this collaborative national approach is the development of an enhanced, transparent and streamlined law enforcement system. Canada’s enforcement record leaves much to be desired: The country has had few successful money laundering investigations and prosecutions. According to a 2018 report by Transparency International, there are significant inadequacies in our legal framework and enforcement system. In “Mr. Clean” (page 26), money laundering expert Peter German argues that, while the federal government has increased funding for enforcement initiatives, more is required.

Canada has long talked about these problems. It is time for action. We need an infrastructure that combats money laundering, empowers and protects whistleblowers, and promotes transparency and accountability across the financial system. If we succeed, Canada will no longer be seen as a laggard in this regard, but as a beacon in the global effort to restore trust. ♦

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THE BIG BUILDUP

Peter Gilgan amassed a fortune building houses across North America. What's he going to do with it? **BY JASON KIRBY**

On a clear February day, Peter Gilgan's luxury penthouse on the 55th floor of the Four Seasons in Toronto's chic Yorkville neighbourhood provides a fitting perch to take in the urban and suburban landscape that he's done so much to shape. In 1978, the former accountant's firm, Mattamy Homes, built its first two homes in Burlington, Ont. Today, the company is the largest private homebuilder in North America, having constructed more than 100,000 homes across Ontario, Alberta and several U.S. states.

Along the way, Gilgan—who has an estimated net worth of US\$4 billion, according to *Forbes*—has emerged as one of Canada's most generous philanthropists. In June 2019, he donated \$100 million to Toronto's Hospital for Sick Children, which will go toward building a new patient care tower—one of many such gifts he's made. Last year also brought another milestone for the father of eight: Gilgan, 69, reorganized Mattamy (named after the oldest of his eight children, Matt and Amy) to create a new parent company, Mattamy Asset Management (MAM), of which he will be chairman and CEO. MAM will hold the Canadian and American homebuilding businesses as standalone companies, as well as invest in a wide range of asset classes, private equity and new ventures. Gilgan spoke with *Pivot* about the state of Canada's housing market, MAM's early investments and the meditative joy of long-distance cycling.

Before you started building homes, you were a professional accountant. How did that prepare you for what was to come?

I was very fortunate to work with small- to medium-sized clients. I was sort of a confidant to a number of them. I got to learn from other people's mistakes and successes. I got to see different management styles, ranging from management by bumbling, to management by fear, to management by inspiration. I had a million-dollar education that did not cost me a dime.

What is your management style?

Management by inspiration. We talk convincingly and with deep conviction about what a valid and just thing it is we're doing, and hopefully people are inspired by that and carry the ball down the field.

You need a team you can trust to do that. What's been your approach to finding the right people?

In our Toronto-based business, I'll bet the average employee's tenure is north of 20 years. My commitment is: I'm not giving people jobs, I'm giving them careers. The big difference, especially in this industry, is when the economy turns, as it inevitably does, we do not turn. We keep going. So, most years, our employees work for the company, but some years the company works for them. That's something you have to plan for.







“I WANT TO BRING TO THE TABLE SOMETHING BESIDES JUST A CHEQUE. IT’S IMPORTANT TO HAVE THE FOLLOW-UP.”

In Toronto, average home prices are now climbing again at double-digit rates. Is that sustainable?

A moderate level of inflation in real estate prices is very good and very healthy. It’s been a huge contributing factor to building this country over the last century, to inspiring people to own their own homes and working that little bit harder to achieve that. I’d like to see it remain like that.

What changes have you seen in how Canadians view home ownership?

I don’t see a significant diminution in people’s desire to own, but I do see diminution in the ability to afford to own. I also think what owning a home looks like for a significant portion of young people

today is different than prior generations, in terms of an urban lifestyle. It used to just be a way to get into the market and not a first choice.

Is there an affordability crisis in certain Canadian housing markets?

There’s an availability crisis that leads to an affordability crisis. There are two issues. The amount of time it takes to get anything approved is two to three or more times as long as it was 30 years ago. That’s exacerbated by the dearth of land inside approved areas of development, which has led to a stunning shortage of land that can be brought on stream in our lifetime. And so house prices have outpaced wages. We’ve been living in a period of phenomenally low interest rates, so in terms of monthly payments, it hasn’t been as onerous. But if we were in an eight or 10 per cent mortgage environment, things would look very different.

What led you to decide to launch Mattamy Asset Management?

They say don’t put all your eggs in one basket. I’ve been doing homebuilding all my life, but when you look to the future, the prudent thing to do is to have some diversification. And I want to make it clear that we’re not shrinking our homebuilding business. People keep interpreting it that way.

What has MAM invested in?

You’ve been quite tight-lipped so far.

It’s really early days. We have a wonderful committee of folks who run the more passive investment side of things. A small percentage has been allocated to blue-chip type stuff. Some of it’s in very entrepreneurial ventures, which, given my background, is where I’m more involved. Some is investing in startups, including companies we’re starting.

Over the years, you’ve given more than \$260 million to various causes, many in the healthcare sector. You’ve said you don’t want your philanthropy to be about just putting your name on things—that you wanted to find something more grassroots. Have you?

Yes, we have. We’re working with the WE organization to build a college in Kenya. It’s under construction right now. We’re financing two of its eight faculties—civil engineering, as well as business and IT—and one of my ambitions is to get some of my friends and colleagues, very successful

PHOTOGRAPH BY JAKE SHERMAN

businesspeople and wonderful engineers, to become guest lecturers at the college. I love the idea of being able to bring to the table something besides just a cheque. You've got to have the cheque, but you've got to have the follow-up.

Would you ever consider doing what Bill Gates and Warren Buffett have done and pledge to give away the bulk of your fortune to philanthropy?

It's great for them. I'm not in that league. My net worth would be a rounding error for those two guys. But I like the legacy game and hopefully it's wealth that lasts and grows for many generations and is used for good things: to increase the amount of philanthropy we do, but also to create lots of employment in this country. You can't create employment without capital.

Prior to the Ontario election, you and other large developers gave money to the controversial group Ontario Proud, which was dedicated to defeating Kathleen Wynne's Liberals. What were your intentions?

I am deeply concerned about housing. Of course, that's how we make money, but I believe it's also a really noble profession that contributes to the health and well-being of society. The real focus to me was about availability and affordability, and we felt this group could be a voice for that. Obviously, you can't control what others are going to do and say, and we didn't share their views on other issues. The reaction of our stakeholders made us rethink that, and while I'll never stop talking about the issue, we made a decision that this type of contribution was one and done.

You're an avid cyclist. You've ridden across Canada for charity. What's your favourite thing about being on your bike?

Oh, where do we start? There's the cardio and muscular fitness. The camaraderie that comes with riding with good friends. There's also no better way to see the land. Sometimes it just clears the mind. I've had some phenomenally meditative moments when I'm riding on some old country road somewhere in Italy or God knows where, and I'll just get lost in myself for an hour and come out of it with crystal clear insights. ♦

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ALONE, TOGETHER

How the coronavirus has disrupted business as usual

BY LUC RINALDI AND LARA ZARUM

The coronavirus put our planet on pause. In March, virtually everything—from stores and bars to schools and borders—closed and humanity hunkered down. Though necessary to save countless lives, our collective solitude decimated entire industries, wiped out staggering amounts of wealth and left millions without work. Governments cut interest rates and committed trillions of dollars to help both individuals and businesses weather the storm, but it's still uncertain when—or if—the world will return to business as usual.

Yet the COVID-19 pandemic has also revealed a deep well of human resilience and ingenuity. Up against the most merciless disruptor in modern history, we have stepped up, not given up. Good Samaritans have sewn face masks and fetched groceries for quarantined loved ones and strangers, while numerous business leaders have temporarily forfeited their salaries to pay their employees. Certain businesses—such as telecoms, video chat platforms, e-commerce sites and food-delivery apps—have gone into overdrive to accommodate our new normal, and others have found ways to adapt: entire offices worked from home, schools shifted their classes online, touring musicians

played for webcams instead of auditoriums.

Canada's

\$107B

emergency aid package includes worker and childcare benefits, as well as \$55 billion in tax deferrals to help businesses

The crisis has changed not only how many companies do things, but what they do. Canada Goose is producing scrubs and hospital gowns in addition to luxury parkas, while LVMH, which owns Louis Vuitton, is using its

perfume factories to pump out hand sanitizer. Even rivals are setting aside their differences for the greater good: Competing auto parts manufacturers Magna and Linamar, for example, are teaming up to make desperately needed ventilators. Across the country, thousands more companies are doing their part to help keep Canadians healthy and happy. Even in isolation, we have found ways to come together. ♦



1



2



What does COVID-19 mean for CPAs? Find essential tax, audit and reporting information at cpacanada.ca/covid19resources.



3



4

1 | March 15

Pope Francis delivers his Sunday blessing to an empty St. Peter's Square.

2 | February 1

An Apple employee sits inside a closed Beijing showroom. Apple closed its stores worldwide to help prevent the spread of the coronavirus, but reopened its Chinese locations in March, encouraged by a lack of new cases in the country.

3 | March 30

An Amazon worker at the company's Staten Island, N.Y., warehouse holds up a sign during a strike. The workers walked off the job and demanded the facility be shut down and cleaned after a coworker tested positive for COVID-19.

4 | March 5

A trader on the floor of the New York Stock Exchange watches with dread as markets plummet. In March, U.S. stocks experienced their biggest percentage drop since Black Monday in 1987.

5 | March 17

The beaches remained open—and packed—in Clearwater, Fla., during spring break. On April 1, Governor Ron DeSantis ordered Floridians to stay home for 30 days.



5

1 | March 3

Toronto Transit Commission employees disinfect “touch points” on a subway. By mid-March, weekly ridership on the city’s subways, buses and streetcars was down 60 per cent, representing a revenue loss of \$14 million.



2 | March 14

A mask-clad family takes a selfie in front of the City of Arts and Sciences in Valencia, Spain, one day after Prime Minister Pedro Sánchez declared a state of emergency.

3 | March 13

Two men perform on a balcony in Turin, Italy. Unable to tour, many professional musicians streamed concerts online instead.



4 | March 17

Newly laid-off workers line up to access unemployment benefits in Las Vegas, Nevada is at risk of losing more jobs than any other American state due to the COVID-19 crisis’s particularly devastating effects on the tourism and hospitality sectors.

5 | March 2

An employee at a garment factory in China’s Shandong province works to bolster the country’s supply of face masks.

6 | March 25

A Bauer employee sports one of the medical-grade face shields that the hockey equipment manufacturer began making when the NHL suspended its season.



4



5

2,130,000

Employment insurance claims submitted to the federal government in the last two weeks of March, about the same number of claims made in the entire 2018-2019 fiscal year.



6



1 | March 18
A Spirit of York employee bottles hand sanitizer. The Toronto distillery began producing the in-demand disinfectant instead of vodka and gin.



2 | March 17
CTV News reporter Nick Moore finds a creative way to practise “social distancing,” attaching his microphone to a hockey stick to interview a pharmacist in Halifax.



3 | March 12
Stephen Colbert delivers his *Late Show* monologue to an empty studio. The speech was recorded as a rehearsal, but it went so well that the show aired it that night.



4 | March 13
Sasha Banks (standing) faces off against Alexa Bliss during an eerily quiet episode of the WWE’s *SmackDown*. The wrestling organization moved its travelling shows to an Orlando, Fla., training complex and began filming in a crowd-free studio.



5 | March 17
Chef Francisco Anton pokes his head out of a makeshift takeout window at his Brooklyn, N.Y., tapas restaurant, La Napa. Anton installed the window shortly after New York City Mayor Bill de Blasio ordered bars, restaurants and schools shut in mid-March.

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FRANCIS
FONG

It is a foregone conclusion that the COVID-19 crisis will drive Canada and the global economy into recession. What isn't clear, however, is what this will mean for Canadian businesses and society, because this recession will be like no other we've seen. This is a policy-driven

recession, the outlook of which evolves daily as governments grapple with how to flatten the infection curve—from instituting self-isolation policies and closing borders to mandatory quarantines and business shutdowns.

Canadians are understandably worried about how this situation will evolve and what it means for the economy. But that question is as much one of public health as it is economics. The depth and duration of this recession will be a direct function of how long Canadians are forced to stay home.

If public health efforts are successful, the pandemic will be short-lived, we will return to normalcy imminently and the economic impact may be isolated to the time in which activity collapsed. However, the longer shutdowns and layoffs persist, the more we risk triggering other vulnerabilities we were monitoring before COVID-19 emerged.

A prolonged shutdown could lead to widespread problems in the mortgage market. Borrowers may be unable to make payments, which could snowball into a housing shock or a disorderly unwinding in the vulnerable corporate-debt sector. Any of these risks unfolding could permanently destroy a portion of Canada's economic capacity and limit our ability to bounce back from this crisis, similar to how capacity was destroyed in highly affected countries like the U.S. or the U.K. in 2009.

Notionally, Canada has programs meant to help during recessions—Employment Insurance (EI), for example. However, far more individuals and businesses are being impacted by these shutdowns than would normally be the case. New tools are

thus needed to extend support to those that our normal automatic stabilizers do not reach.

For those who don't typically qualify for EI—such as the self-employed, part-time workers or the precariously employed—the government announced the Canada Emergency Response Benefit, which provides income support in amounts roughly equivalent to EI. Combine that with the increase to the GST/HST tax credit, the Canada Child Benefit, student loan deferrals and mortgage payment deferrals, and you get a group of measures designed to help as many affected workers as possible stay afloat.

Then there's the more complicated group of measures aimed at helping the business sector do the same. The 75 per cent wage subsidy for qualifying businesses has so far made the biggest headlines. The direct support will go a long way in protecting some jobs and businesses that would have otherwise been lost. But it is far from the only measure. In fact, it might not even be the most important. Wages and salaries are often a business's biggest expense, but a wage subsidy alone doesn't help a business that also has a multitude of other financial obligations, from real estate and other fixed expenditures to inventory and debt-carrying costs.

This is why we are seeing interest-free loans and loan guarantees from the federal government, as well as a new program that will allow government to purchase equity stakes in companies, similar to the Troubled Asset Relief Program that the U.S. Treasury instituted in 2008.

THIS IS AN UNPRECEDENTED EVENT THAT WE ARE FIGHTING WITH UNTESTED POLICY TOOLS

In addition, we've seen some of the most dramatic interest rate cuts and liquidity injections in history from the Bank of Canada. In just 23 days, the Bank cut interest rates by 150 basis points to effectively zero, instituted a new quantitative easing program, and injected support into interbank lending, money markets and mortgage finance markets to the tune of hundreds of billions of dollars. Even during the height of the 2008-2009 financial crisis, the Bank did not need to do this because the stability of Canada's financial system alone was sufficient to weather the storm. Considering current stress levels, the Bank of Canada is expecting to go to such lengths before there is even any data on how bad things have gotten.

And on top of those actions, we've also seen Canada's bank regulator slash banks' counter-

cyclical capital buffers to spur additional lending, while the Canada Mortgage and Housing Corporation reinstated the Insured Mortgage Purchase Program, a 2008-era initiative aimed at supporting mortgage lending.

The point of these programs is to address the broader issue that, in times of crisis, businesses need support in managing cash flow when there is none. The fact that there are so many programs recognizes that the business sector's needs vary wildly. To truly protect Canada's economic capacity, we need to be providing as much coverage as possible to ensure businesses stay afloat.

So will this all work to minimize the recession? Honestly, we can't know at this point. This is an unprecedented event that we are fighting with new, untested policy tools. Whether or not governments are going far enough is as uncertain as how long we'll all be self-isolating.

At the same time, the earnestness and dedication in the response across all levels of government, and the way Canadians have come together, is equally unprecedented. Perhaps that is the most comforting notion out of all of this: that in the face of the worst pandemic of our lifetimes, we are seeing the best in ourselves emerge as well. ♦

Francis Fong is chief economist at CPA Canada.

CYBERSECURITY

BIG PHISH

Thousands of businesses suffer cyber attacks every day. Is your company ready?



DAVID MALAMED

In late January 2020, court filings in the United Kingdom revealed that an unnamed Canadian insurance company had been victimized by a ransomware attack the previous October. Approximately a thousand of its desktop computers and 20 servers had been infected.

The hackers, who infiltrated the company's IT system and installed malware called BitPaymer, demanded a US\$1.2-million ransom be paid in Bitcoin, the most prominent cryptocurrency, to unlock the hijacked files.

Fortunately for the insurance company, it had purchased cyber insurance coverage from a

U.K.-based reinsurer, which negotiated a \$950,000 payment to the hackers, although it took 10 days to resolve the matter. The reinsurer then initiated a lawsuit to recover the money against the unknown attackers and Bitfinex, the cryptocurrency exchange, which was holding most of the ransom payment in a digital wallet.

The U.K.'s High Court froze the 96 Bitcoins in question and ordered Bitfinex, which is based in Hong Kong but registered in the British Virgin Islands, to reveal the identity of the hackers. It is unknown at this time if Bitfinex complied.

RANSOMWARE IS THE FASTEST GROWING FORM OF CYBERCRIME. BY 2021, EXPERTS PREDICT A NEW ATTACK EVERY 11 SECONDS.

The ruling had another significance: In English law, it solidified the status of cryptocurrencies and crypto assets as a form of property, which opens the door for proprietary injunctions.

Although a notable victory, the ongoing legal case hardly puts a dent in the seemingly endless onslaught of ransomware attacks around the world. The FBI, which has recently renewed a warning to businesses, governments and other institutions that ransomware attacks are on the rise, reported in 2017 that, "On average, more than 4,000 ransomware attacks have occurred daily since Jan. 1, 2016. This is a 300 per cent increase over the approximately 1,000 attacks per day seen in 2015."

In October 2019, *Cybercrime Magazine* predicted a dire escalation in the problem. "Ransomware is expected to attack a business every 11 seconds by the end of 2021," editor-in-chief Steve Morgan wrote. The magazine's parent company, Cybersecurity Ventures, estimated that, "global ransomware damage costs will reach US\$20 billion by 2021—57 times more than in 2015. This makes ransomware the fastest growing type of cybercrime."

Considering the frequency of attempted incursions—and the cost not only of the ransom but, more critically, of the disruption to an entity's ability to conduct business—many companies and institutions remain ill-prepared to defend themselves. Given the example of the Canadian company that had its ransomware loss covered by insurance, obtaining coverage might seem like a logical step. However, several issues need to be considered.

One is the cost of a policy, which is rising and typically has a large deductible; another is the irony

that, by having coverage, an organization might be making itself a more attractive target. Fleming Shi, CTO and founding engineer of the American digital security firm Barracuda Networks, says that attackers are looking for targets who have insurance because they view them as easier to extort a payment from. He thinks insurance has contributed to a rise in the amount of money hackers are demanding, from an average of US\$4,000 per attack in the U.S. in 2018 to approximately US\$41,000 by the end of 2019.

Whatever decision an organization takes regarding insurance, it is imperative that it makes ransomware protection a top priority. That means preparing a risk profile, perhaps with the assistance of so-called “white-hat hackers” (security experts who will assess how easy or difficult it is for intruders to gain access to an organization’s system, either by trying to penetrate its defences or through tabletop exercises).

A dedicated cybersecurity team should be put in place that includes not just internal personnel but external experts as well. Hackers become endlessly more sophisticated in their methods, and in-house experts are often too busy to keep up with the latest developments. Relying solely on the CIO, for example, to keep abreast of new offensive and defensive techniques may not be the best decision.

It might also be prudent to find out where to obtain Bitcoin, or some of the other several thousand cryptocurrencies (the top 10 control about 85 per cent of the market). If an attack is successful, and the victim decides to pay the ransom, time is of the essence. The longer the system is inaccessible, the greater the potential harm or damage.

But the most important form of defence, more than likely, is the least expensive and easiest to conduct: educating employees. Many hackers gain access to a company’s computer system through a simple phishing email. A survey by the German portal Statista identified spam and phishing emails as “the leading causes of ransomware infections.”

Ransomware attacks are likely to increase in the near future. Although there are no guaranteed actions to insure against such harmful intrusions, organizations can mitigate or prevent potential losses by conducting proactive procedures. Preparing for a clandestine intrusion has become an unfortunate reality of today’s digital universe. ♦

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Ransomware attackers in the U.S. demanded an average of **\$41K** from victims by the end of 2019

THE TRUST CRISIS

THE BEST DEFENCE

Experts estimate that nearly \$47 billion was laundered through Canada in 2018. How can accountants help stop the flow of dirty money?



GUNDI JEFFREY

In 2011, Peter Dent, a long-time partner at Deloitte, discovered an employee for one of his clients, a manufacturing firm, was up to no good. It turned out the company’s finance manager was committing fraud. He was the beneficial owner of several businesses on his firm’s list of approved vendors, and he had signed off on payments to them for fictitious goods and services. “What he did after those funds arrived into his company’s bank accounts to make them appear legitimate is the act of money laundering,” says Dent, the director of operations for Deloitte’s financial advisory practice in B.C. “The filing of corporate tax returns, the creation of fraudulent financial statements, et cetera, was all part of his scheme to make the earning of those illicit funds appear legitimate.”

Dent is just one of the many CPAs fighting money laundering in Canada. The crime aims to conceal the true source of illicit wealth, “cleaning” the proceeds of crime by giving them a legitimate origin or moving them through enough channels of the financial system that it is all but impossible to trace where they originated. Though globalization and digitization are allowing Canada’s businesses to enter new markets, win new clients and expand like never before, these forces also contribute to the flow of dirty money, posing a risk to those same companies. “We are evolving in our fight against money laundering, but the economy and the bad guys are evolving faster,” says Greg Draper, FCPA, a Calgary-based partner and forensic services team member with MNP.

Fortunately, services provided by professional accountants like Draper and Dent can be a bulwark against these risks. To help their clients avoid getting caught up in such schemes, accounting firms develop anti-money laundering compliance programs that identify and report suspicious activity. They also provide independent effectiveness reviews of those programs. “We’re also being asked to do more due diligence work in this area,”



PHOTOGRAPH BY ALAMY

says Draper, “so that our clients can bring on board new business suppliers, distributors and customers with confidence.”

Traditionally, organizations tackled the risk of money laundering as a matter of compliance, but Dent says they also have to focus on the criminal activity that generated the funds being laundered. If they don’t, they may inadvertently undermine their own risk-mitigation strategies. “An organization can be ‘checking all the boxes’ in its compliance framework and meeting the anti-money laundering regulatory requirements,” says Dent, “but still be at risk of being an inadvertent conduit for money laundering.”

There are ways for accountants to abort crimes before they occur. Draper advises that “any transaction that adds effort and cost without obvious economic benefit is a red flag.” A simple example is moving money from account A to account B to account C, instead of just A to C. Using third parties to conduct transactions, or transacting through shell companies—particularly in high-risk jurisdictions—are warning signs that the beneficial owner is trying

to conceal their identity. It may also be a hint if a client is reluctant to provide identification documentation or if transaction prices are significantly above or below market prices.

Other red flags include unusual ATM activity: deposits made in the middle of the night, multiple deposits at different ATMs by the same individual. Or, for those working in a finance department, the use of vendors or suppliers that are not consistent with the nature of the business—for example, a real estate company using an auto body repair shop for recurring mortgage financing. The trick, Dent adds, “is detecting the non-obvious relationships between these individuals and/or corporate entities.” He says that public source data (including corporate registries, litigation records, social media, news reports and so on), amalgamated with institutional data, can help identify these non-obvious relationships.

Emerging industries such as cannabis and cryptocurrencies also bring new compliance and investigative challenges. Draper notes that, in the cannabis industry, what is legal in Canada may not be in other countries, “making it difficult to assess whether funds are the proceeds of crime or simply business revenues.” Meanwhile, cryptocurrencies such as Bitcoin—conceived as an alternative to the regulated financial system—have been used frequently to finance criminal activities. “There are definitely unique money laundering risks to both sectors,” says Draper. “The legitimate players

“WE ARE EVOLVING IN OUR FIGHT AGAINST MONEY LAUNDERING, BUT THE ECONOMY AND THE BAD GUYS ARE EVOLVING FASTER”

are working hard to demonstrate an effective compliance regime that their investors, bankers and regulators expect.”

Dent applauds B.C.’s efforts to crack down on money laundering, including the creation of a beneficial ownership registry and the Land Owner Transparency Act. “The rest of Canada is beginning to feel the pressure,” he says. “The proceeds from illicit funds will continue to find their way into the provinces that don’t follow B.C.’s lead.” ♦

Gundi Jeffrey is the managing editor of Think-TWENTY20, a digital magazine that provides insights into how current and future trends are transforming the accounting profession worldwide. For more information, visit thinktwenty20.com.

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The Trust Crisis

BY PETER SHAWN TAYLOR

Corruption and financial crime are tarnishing even the world's most reputable democracies. What will it take to repair Canada's image?

Canada is suffering from a serious “trust gap.” Transparency International’s 2019 Corruption Perception Index, released in January 2020, no longer considers Canada one of the top 10 “cleanest” countries in the world. “Canada fell from ninth to 12th,” says Transparency International Canada executive director James Cohen grimly. “It is an unusually large drop, and part of an overall decline since 2012.” The index is compiled from 13 varied data sources measuring business practices, regulations, expert opinion and surveys on the prevalence of corruption and corporate malfeasance worldwide. As a result of these latest findings, Canada is now listed as a “country to watch,” alongside Saudi Arabia and Angola.

Keeping this sort of company likely conflicts with most Canadians’ view of their own country as a snow-white paragon of propriety. And while Canada has a long way to go before it reaches Angolan levels of tolerance for corrupt behaviour, Cohen cites the SNC-Lavalin affair and

rampant money laundering in British Columbia's casino and real estate sectors as key reasons for Canada's recent fall from grace. "There is a perception out there that governments and institutions don't listen to the public and that the system is rigged against them," says Cohen. "That leaves the average person feeling powerless, and we need to overcome that trust gap."

Canada is not alone among developed countries suffering a reputational blow. In recent years, both Australia and the United Kingdom have also seen their Corruption Perception Index rankings fall as a result of financial concerns—a series of banking inquiries in Australia and an auditing crisis in the U.K. Meanwhile, major firms in Iceland and Sweden have been implicated in international bribery scandals, and the largest bank in Denmark has been tied to money laundering operations emanating from Russia and Estonia. No country appears immune to this sort of bad behaviour, and these revelations are doing significant damage to public confidence in institutions and government regulators.

To grasp the scale of this growing sense of dissatisfaction, consider another survey from the global communications consultancy Edelman. The firm's 2020 Trust Barometer, also released this past January, found a majority of respondents across all developed countries no longer believe they'll be better off in five years; a stunning 56 per cent think capitalism is doing more harm than good. (Canada was one of only five countries in which a majority still support capitalism.) This rising sense of despair curiously coexisted with a rather healthy global economy, long before the COVID-19 pandemic rattled markets. Once, economic growth was sufficient to nurture faith in the future. Today, growing populist anger and a steady supply of crises have eroded that faith and threaten to undermine democracy across the globe. "We are living in a trust paradox," reads a statement from Edelman. "The battle for trust will be fought on the field of ethical behaviour."

This global malaise has been a long time coming. And we've seen plenty of efforts at correcting course over the years to no apparent effect. The United Nations Convention Against Corruption, which came into force in 2005, claims

to be a comprehensive, "legally binding" corruption-fighting tool, yet its signatories cover nearly every egregious case cited in Transparency International's latest report. The same goes for the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, which dates back to 1999. Such efforts have clearly had little impact on stemming bad behaviour and financial crimes. Real, tangible progress in fixing the trust gap will not be found in more plenary sessions or high-minded rhetoric, but through granular, detail-focused efforts carried out on a country-by-country basis. And it's here that accountants have a big role

to play, says José R. Hernandez, a Canadian CPA, PhD and principal in the Zurich-based risk consultancy firm Ortus Strategies. "The trust gap is one of the most important subjects facing the accounting profession and democratic institutions," he says. "Accountants are an integral part of business and markets, serving as important gatekeepers to prevent corruption, bribery and money laundering. And we have a leadership role to perform."

Fixing what ails Canada requires that we first recognize how we got into this situation. "Canada's resource-rich and stable economy, as well as our open and perhaps naïve culture, have made our country a haven for bad actors," says Hernandez. "Dirty money has to find a home somewhere, and a country such as Canada with so

many desirable assets is going to attract that sort of activity." White-collar crime erodes trust and causes substantial damage, as the B.C. money laundering scandals make plain.

In 2008 and again in 2014, the Financial Action Task Force, a little-known but influential international standards-setting body, called out Canada for "a significant set of deficiencies" regarding our ability to determine the true owners of private corporations—what is called beneficial ownership transparency. This is a key factor in cracking down on financial criminal activity and corruption. A 2016 evaluation report again cited the ability of firms to operate in relative anonymity as a major weakness in our defence against money launderers. But it wasn't until the B.C. money laundering and SNC-Lavalin scandals of the past several years that regulators and politicians began organizing a fulsome response. "There is a heightened sense of urgency in Canada now," says Hernandez, who is CPA Canada's representative on the federal government's Advisory Committee on Money Laundering and Terrorist Financing. "We may be falling behind other developed nations. Some of these laws probably should have been passed five years ago."

The process of repairing Canada's reputation began in earnest with the 2018 federal budget, which included amendments requiring most federally incorporated private companies to maintain an accurate register of all "individuals with significant control"—for example, someone with an interest of 25 per cent

It may be years before Canada's reputation is restored, but we are finally making the necessary changes

or more of the shares of the company. In tandem with these changes were new anti-money laundering rules issued by the Ottawa-based Financial Transactions and Reports Analysis Centre (FINTRAC), along with a suite of related reforms from other oversight and regulatory bodies. The Federation of Law Societies of Canada, for example, last year created a model set of anti-money laundering rules to be implemented by provincial law bodies, including strict client-verification procedures and a ban on lawyers accepting cash payments of more than \$7,500. The Investment Industry Regulatory Organization of Canada (IIROC) has similarly established new rules for its members on cash deposits and client risk assessments, which take effect in June 2020. When everything is up and running, Canada will have a more robust and modern system for tracking who moves what money where.

The most significant aspect of this new regulatory regime would be the creation of a registry, or registries, of beneficial ownership. Other components include tighter rules for “money services businesses” engaged in moving funds around the world, and a broader definition of what forms of money must be tracked, including digital currencies, prepaid cards and e-transfers. There are also new rules requiring the reporting of numerous small, suspicious cash transactions as if they were a single transaction.

The changes mean “Canada is mirroring global standards,” observes Daniel Leslie, a lawyer with Norton Rose Fulbright and an expert on anti-money laundering and financial services. But, he points out, we are doing so in a uniquely Canadian way. As with many other aspects of Canadian federalism, creating a new national initiative for anti-money laundering is neither simple nor easy. Most corporate registration is a provincial matter, and the creation of a Canada-wide registry of beneficial ownership requires more than just changing a few federal rules. “It is now the responsibility of the provinces and territories to introduce those requirements,” says Leslie. It’s up to each individual jurisdiction to ensure its own registry integrates seamlessly with those of all other provinces and territories—a process that will inevitably involve complications. Of particular interest to the accounting profession, Leslie adds, due diligence expectations are now embedded in all stages and aspects of these anti-money laundering rules.

While creating a functional registry is crucial to repairing Canada’s international reputation, the actual form and role of this registry also remains uncertain. Leslie expects it to be a closed system, with information about significant owners of a corporation available only to financial regulators, police and businesses with a relevant interest in the firm, such as creditors.

Cohen, of Transparency International Canada, instead advocates for a publicly accessible registry that anyone can use. He envisions a registry that includes legal name, corporate address and birth month and year—or, better yet, a system of unique national identification numbers that would allow key individuals to be tracked without invading anyone’s privacy. Cohen believes giving access to the public will allow more eyes to review the system and deter those who would abuse the corporate registry. “If Canada is open to global money, we need to be open to global scrutiny as well,” he says. “We think it will help prevent illicit finances from getting in.”



Canada’s new regulatory regime requires **digital currencies**, **prepaid cards** and **e-transfers** to be tracked

Such a broadly accessible registry would also offer important advantages for accountants doing their due diligence, notes Hernandez. It would be easier to spot bad actors, thus improving the reputation of the entire business community. “Crime and dirty money hate transparency. But transparency does not come for free: We need to give up some privacy, build adequate infrastructure and educate ourselves to do business with better safeguards,” he says. “Businesses need to know who is behind the money in the organizations they deal with. You don’t want to be involved with dirty money, but finding that out requires a lot of research, time and money.”

However, even a fully public system has drawbacks. Carol Bellringer, an FCPA and the former auditor general of Manitoba and B.C., believes there will be complications in building and maintaining such a massive, publicly available registry across multiple jurisdictions. “You have to weigh the costs and benefits,” she says. While she acknowledges the appeal of making so much information public, “it’s not always practical.”

This tension between balancing privacy with disclosure is similarly reflected in Prime Minister Justin Trudeau’s 2019 mandate letter to Navdeep Bains, an

CRACKDOWN

A snapshot of the global campaign against corruption and financial crime



CANADA

This past February, B.C. Supreme Court judge Austin Cullen launched the Commission of Inquiry into Money Laundering in British Columbia. The Cullen Commission will examine the effect of money laundering on casinos, horse racing, real estate, luxury goods, cryptocurrency and many other sectors. A forthcoming report will make recommendations on how to improve the province’s reputation through better regulation and enforcement.



BRITAIN

Following the collapse of infrastructure giant Carillion amid auditing oversights, the British government appointed Sir Donald Brydon to investigate the “quality and effectiveness of audit.” His 2019 report calls for audit to be redefined as a way “to establish and maintain deserved confidence in a company” and recommends the creation of a new corporate auditing profession with its own governing principles, qualifications and standards.

FCPA and the minister of innovation, science and industry. In it, Trudeau calls for “a national approach to beneficial ownership so that law enforcement . . . have the tools to crack down on financial crime in real estate while respecting Canadians’ privacy rights.” A national consultation process took place earlier this year, but there is no timeline for when a registry will be up and running.

Even if Canada nails down how its beneficial ownership registry will work, a registry alone will not rectify Canada’s sagging reputation on corruption and transparency. More effort needs to be put into enforcing current laws, both to ensure bad actors are put away and to deter others, according to Toronto CPA Jennifer Fiddian-Green, a former member of the RCMP’s financial crimes unit who is now a partner and lead of Grant Thornton’s forensic investigations practice. “We need to have more consequences for this sort of illegal activity,” she states, observing that proceeds-of-crime charges are often bargaining chips that get negotiated away because they’re considered less consequential than other criminal charges. Canada’s relaxed attitude toward prosecuting white-collar crime was another major criticism made by the Financial Action Task Force. “We need to change that story.”

To bolster its own enforcement story, FINTRAC now publicly discloses all money laundering penalties. And the Criminal Code has been updated to make it easier to prosecute anyone engaged in money laundering activities by adding “recklessness” to the definition. “This is a vast improvement,” says lawyer Leslie. “Previously, in order to criminalize money laundering, you had to prove knowledge and intention. Now it is sufficient to show a person was merely aware there was a risk the funds were derived from criminal

activity, and continued to participate” in a “reckless” way.

It may be years before Canada’s international reputation is fully restored, but Canada is finally making the changes necessary to repair its trust gap and return to the highest global standards for fighting money laundering and corruption. Amid all these repairs, accountants are ideally suited to ensure the new regime functions properly. “As a profession, we are experts in all the areas these new rules touch on,” says Bellringer. “We establish internal controls, make sure they’re working and then verify that information. It will be up to us to make it work.”

Fiddian-Green goes further in sketching out an opportunity for accountants to play a major role in ensuring Canada is safe from money laundering activity. “Accountants need to go beyond debits and credits and make sure we really know who our clients are, what services they need and how they’re going to use them, because clients potentially carry risk for accountants,” she says. In this way, accountants can become Canada’s first line of defence by helping clients to avoid getting entangled in dirty money and to spot new sources of dirty money as it tries to enter Canada. “No one wants to let illegal activity in the country,” she says. “Accountants need to do more.” ♦



AUSTRALIA

Following widespread outrage over domestic banking practices—including bribery, falsifying documents and charging fees to dead clients—Australia created a Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Last year, the commission’s final report demanded sweeping changes to business and remuneration models across the mortgage, insurance, fund management and financial advice sectors, and chastised regulators for being too close to bank management. The government has promised to implement all recommendations.



ESTONIA

It has been called “the biggest scandal in Europe”: Between 2007 and 2015, an estimated US\$230 billion in dirty money, much of it from Russia, flowed through a single Danske Bank branch in Tallinn, Estonia. At one point, the tiny office accounted for nearly 10 per cent of Danske Bank’s total annual profit, all without attracting proper scrutiny from regulators or the bank’s headquarters in Denmark. The case has led to numerous criminal investigations, and authorities around the world are expected to issue fines. Last year, the bank was permanently expelled from Estonia.



MALAYSIA

Between 2009 and 2015, an estimated US\$4.5 billion was looted from the sovereign wealth fund 1Malaysia Development Berhad (1MDB) through deliberately complex and deceptive financial transactions and the misuse of American law firm trust accounts. Much of this money was spent on luxury real estate and private art collections. Financier Jho Low, a Malaysian government advisor, is accused of money laundering and bribery by the FBI and remains a fugitive. Goldman Sachs, which raised US\$6.5 billion in bonds for 1MDB, is also under investigation for bribery.



SWEDEN

Earlier this year, Swedish telecom giant Ericsson agreed to pay a fine of more than US\$1 billion to U.S. authorities after admitting it paid bribes in China, Vietnam, Indonesia, Kuwait and Djibouti to win contracts. This is the second largest fine ever imposed under U.S. anti-bribery legislation, and dwarfs the US\$62 million in total bribes paid out. While firms can have their fine reduced if they cooperate with authorities, Ericsson received only a partial reduction because it failed to disclose all relevant materials, was late in providing key documents and did not adequately discipline certain employees.



Mr. Clean

Inside Peter German's mission to stop the flow of dirty money

**BY ADRIENNE TANNER
PHOTOGRAPH BY TROY MOTH**

A man in a dark jacket approaches the cash cage at a B.C. casino, carrying a red cloth shopping bag. Flanked by security guards, he slides the bag across the counter, and a casino employee dumps out its contents: stacks of \$20 bills bundled in elastic bands, just like in the mob movies. The cashier lines them up in even rows and begins to count. The sum, in excess of \$250,000, will be exchanged for chips and later cashed out in the form of larger-denomination bills and cheques. This is how dirty money becomes clean.

Video footage of this transaction—just one of countless such exchanges that have taken place over the past decade—provided a visual punch to the release of “Dirty Money,” an explosive report on money laundering in B.C. casinos. At a June 2018 press conference in Vancouver, the report’s author, lawyer and former RCMP deputy commissioner Peter German, stood by as the security camera feed rolled. The source of the money, he told reporters, was the drug trade—mostly proceeds from opioid sales controlled by organized crime. “You’ll notice the elastic bands around the wads of twenties,” he said. “That is not how the banks issue cash.”

“Dirty Money,” along with a subsequent report that German released in March 2019, sent shock waves through Canada’s political, legal, business and law-enforcement circles.

German's findings drove home just how deeply money laundering has permeated not only B.C.'s gambling industry—an estimated \$100 million in dirty money has passed through the province's casinos—but also other industries where large sums of cash are still commonly accepted. German estimated that a staggering \$5 billion was laundered in B.C. real estate in 2018 alone, which reportedly caused the average cost of a Metro Vancouver home to rise by five per cent. The auto industry is also infected: In one of the reports, German details how a money launderer walked into a car dealership with \$200,000 in cash and purchased a luxury vehicle; when the bank later asked dealership staff about the provenance of the money, they said it was from a car sale. No further questions were asked.

German's most alarming finding is that all this financial crime has gone largely unpunished. Even though, for instance, B.C. casinos log suspicious transactions, enforcement stemming from those logs has been practically nil. In a statement, former RCMP assistant commissioner Kevin Hackett called the report's findings a "snapshot in time" and said that they didn't reflect every money laundering case. He wrote that eight of the RCMP's 40 "prioritized projects" in B.C. involve money laundering, and that the force is also assisting a number of national and international money laundering investigations.

Nonetheless, money laundering remains rampant because it is impossibly complex, costly to fight and receives little public attention, probably because the exchange of bills seems like a victimless crime. It isn't, German insists. Laundering deprives governments of tax revenue and enables corruption, as it cleans the proceeds of bribery, embezzlement, illicit drug sales and other financial crimes. Dirty money has a steep human cost, too. "Thousands of families have lost sons or daughters due to opioids, fentanyl, heroin, cocaine," says German. "That's why this is important."

In May 2019, with German's reports in hand, the B.C. government announced it would launch the Cullen Commission, a public inquiry into the province's money laundering problem that will have more legal authority than German did to compel witness testimony and gather evidence. The wide-ranging commission will analyze several B.C. sectors, including law and accounting, which are self-regulated at the provincial level. Currently, accountants and accounting firms have reporting obligations under federal anti-money laundering and terrorist financing legislation. The commission's broad-ranging terms of reference indicate that it is to make recommendations that it considers "necessary and advisable" in respect to the regulation of the professional services sector, which includes law and accounting. Opening statements began in February, and the main hearings will begin in September.

But a provincial inquiry can only go so far, because money laundering isn't restricted to any one province. Wherever there is organized crime, there is dirty money that needs to be



A money launderer walked into a car dealership with **\$200,000** in cash and bought a luxury vehicle. No questions were asked.

"All the things that make Canada a wonderful place to live also make it desirable for organized crime"

cleaned. A follow-up report on money laundering in real estate led by Simon Fraser University professor Maureen Maloney estimates that \$47 billion was laundered through Canada in 2018. In 2015, Canada's money laundering problems were estimated to be the worst in Alberta, which topped the chart at \$10.2 billion, followed by Ontario at an estimated \$8.2 billion. German says no one knows the true total.

"All the things that make Canada a wonderful place to live also make it desirable for organized crime: large ports and airports, modern banking and communication, large ethnic diasporas, easy land access to the U.S.," says German. "Plus, we have established organized crime networks, relatively mild criminal sanctions, a forgiving justice system and difficulty investigating and prosecuting financial crime." Art Vertlieb, a B.C. lawyer who has known German for years, says it's essential that governments across Canada tackle the problem. "Wherever you have corruption, it can erode the social, legal and economic fabric of the country," he says. "It's like a cancer."

In the wake of "Dirty Money," the 2019 federal budget allocated \$200 million over five years to anti-money laundering measures, including a task force and extra RCMP funding. Still, German argues that more is needed. In the past, pressure from the international community has compelled the Canadian government to make necessary legislative changes and dedicate the proper resources to eradicate money laundering. "Unfortunately, that's what it may take again," he says. "I put it down to political and bureaucratic will. We have a pretty comfortable lifestyle and tend to turn a blind eye." But thanks to German, money laundering is no longer a problem that Canadians can ignore.

Canada's foremost money laundering expert stands with the ramrod-straight posture of a Mountie, but there's no stereotypical cop stiffness in his speech. Instead, he has a warm, self-deprecating demeanour. At 68, he divides his time between practising law, consulting on financial crime and criminal justice, acting as president of the International Centre for Criminal Law Reform at the University of British Columbia, and spending time with his family—



VIDEO COURTESY OF THE GOVERNMENT OF BRITISH COLUMBIA

he and his wife, another retired Mountie, have two adult daughters. He wrote *Proceeds of Crime and Money Laundering*, Canada's leading textbook on the topic, in 1998, and updates it six times a year.

German was born in Vancouver in 1952 and grew up with two goals: become an RCMP officer and become a lawyer. Most people would have jettisoned one dream for the other; German achieved

Above: Stills of a B.C. casino cash cage, where roughly \$250,000 in dirty money was converted into chips

both. As a young beat cop, he was stationed in tiny rough-and-tumble communities in Atlantic Canada. He took a break from police life to complete a law degree and work as a lawyer in Prince George, B.C., but he returned to the RCMP in 1986, resuming his ascent to deputy commissioner, the second-highest position in the force. Along the way, he earned five university degrees, including a PhD in law, most of them as an active Mountie. His friends and colleagues describe him as curious, ambitious and tireless. "He's notorious for not sleeping," says John Dickson, a fellow lawyer and former RCMP officer. "You'd get emails from Peter at all hours of the night. He's one of those guys who will sleep four or five hours, if that. Otherwise, he's working."

Former colleagues say German's even-handedness and superb investigative instincts have allowed him to stickhandle some of Canada's most high-profile and politically sensitive inquiries with almost no allegations of bias. In the early 1990s, he led the investigation into "Bingogate," a scam that funnelled the proceeds from charitable bingo games and lotteries into the B.C. NDP coffers; the ensuing scandal brought down the NDP government of the day. (The irony that German now works for another NDP government in B.C. is not lost on him. "I'm not a political animal," he says.) Six years later, he was asked to assemble a new team to assume conduct of the Airbus investigation after the original case—examining allegations that senior Progressive Conservative staffers profited from kickbacks from the sale of Airbus jets to Air Canada—ended in disaster. A key player in the scandal, Karlheinz Schreiber, was later arrested, deported to Germany and charged with fraud, bribery and tax evasion.

B.C. Attorney General David Eby considered German's reputation for impartiality a plus when selecting him to write "Dirty Money." "If I brought someone in who had even a hint of being in the bag for the NDP, the findings wouldn't be credible," he says. German's work is beyond reproach, says Ernie Malone, a retired RCMP chief superintendent and accountant who worked alongside German in Vancouver. "If there's one word that stands out with Peter, it's integrity."

German's "Dirty Money" report outlines just how complex modern money laundering schemes have become. The document describes in detail the "Vancouver model," a term coined by John Langdale, a professor at Macquarie University in Australia. The model is meant to circumvent Chinese currency restrictions, which limit the amount of money that can be removed from China. The process begins when a Chinese resident transfers money, obtained either legally or illegally, to an underground banker in China. The resident then flies to Vancouver, where they meet the banker's accomplice, who presents them with their cash in Canadian currency, predominantly \$20 bills sourced from drug sales. Finally, the resident buys chips at a casino, gambles and cashes out, leaving with higher-denomination bills or a cheque. Everyone involved gets what they want: The resident removes money from China, Canadian criminals clean their cash and the underground bankers take a cut.

Stopping schemes like these is incredibly challenging and expensive, says German, partly because of the legal and

accounting expertise needed to tackle them, but also due to their transnational nature. Adding to the difficulty are Canada's "clunky" money laundering laws, which make it a challenge to meet the bar for a criminal prosecution, says CPA Jerome Malysh, a former RCMP sergeant and forensic accountant who assisted with the "Dirty Money" report. In the U.S., every industry is required to report cash receipts over \$10,000. Canada, meanwhile, has a hodgepodge system of reporting requirements. Securities laws are provincially controlled and inconsistent. In most provinces, registered ownership—which can differ from beneficial ownership—is the focus, making it challenging to identify who owns what, be it real estate or corporations. (Following German's reports last year, B.C. established the country's first beneficial ownership registry.) "Casinos, banks and credit unions report," says German. "But the auto sector, boats, auction houses, private mortgage companies, real estate appraisers—none of them report." When one loophole closes, organized criminals move to another. For instance, B.C. has introduced new anti-money laundering legislation, but the number of suspicious cash investigations in Ontario doubled in 2018, according to Global News. German describes it as playing a game of whack-a-mole.

Still, all the reporting requirements in the world won't help if there is no enforcement. The RCMP invested heavily in fighting commercial crime in the wake of the Enron scandal in the early 2000s, when German was the top officer in charge

Below: Peter German (left) and B.C. Attorney General David Eby released the first "Dirty Money" report in June 2018 at a press conference in Vancouver

of financial crime. But in recent years, the force has shifted resources away from financial crime, possibly because money laundering cases are so difficult and costly, and so rarely produce convictions. A recent *Toronto Star* investigation showed that, between 2012 and 2017, 86 per cent of charges for laundering the proceeds of crime never made it to trial. Such charges are often resolved by guilty pleas to other, usually drug-related, charges. As a result, the RCMP have moved on to "easier and better things,"

When one loophole closes, criminals move to another. It's like playing a game of whack-a-mole.



says Malysh. In December, the RCMP disbanded Ontario's financial crimes unit to focus on national security, organized crime and drugs, the *Toronto Star* reported. "At the municipal level, a lot of police departments still have financial crime units," says Malysh. "But they're not doing money laundering." For one, he says, money laundering prosecutions are a federal responsibility. Plus, "They can't afford it."

Yet German remains optimistic. His reports include a series of recommendations for fighting money laundering, including implementing expanded cash reporting requirements, devoting more resources to enforcement and prosecution, improving mandates for regulators such as FINTRAC, addressing beneficial ownership of corporations and trusts, and sharing more information between law enforcement, industry and regulators. B.C. has moved quickly to adopt some of German's recommendations, such as mandatory money laundering courses for realtors. The full list of fixes may seem overwhelming, but German argues that they are not impossible. "Just look at the United States. They've already done it," he says. "It just requires political will." ♦

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Gimme Shelter

If Canada is serious about fighting financial crime, why aren't we properly protecting the whistleblowers who expose it?

BY MICAH TOUB

In September 2019, when a whistleblower accused Donald Trump of engaging in an illegal quid pro quo, the U.S. president and his allies agitated for the identity of the anonymous intelligence officer to be revealed. Thanks to the strength of U.S. whistleblower protections, the complainant's name remains unknown. Elsewhere around the world, however, those who speak up about wrongdoing are often left high and dry.

Canada is no exception. In fact, according to top experts in the field, our nation has some of the world's worst protections. "Currently, Canada's whistleblower law is the object of consistent international ridicule," says Tom Devine, the legal director of the Government Accountability Project (GAP) in Washington, D.C. "It's regularly held up as an example of free-speech rights that are false advertising in practice."

The law Devine refers to is the Public Servants Disclosure Protection Act (PSDPA), which came into effect in 2007. The first law of its kind in Canada, it established an integrity commissioner to receive complaints from federal public service whistleblowers who've suffered reprisals, as well as a tribunal to hear their cases. That may sound good on paper, but it's been a failure in practice. Just eight cases moved to the tribunal in its first 10 years. Of those, only one whistleblower had the stamina to complete the process—and she lost her case.



“I was scared to death. I was afraid to not have a job. But you can’t jeopardize your ethics for one role.”

In the private sector, the situation is even worse. Section 425.1 of the Criminal Code—established in 2004—is armed to punish employers who take revenge on whistleblowers with up to five years in prison. But David Hutton, senior fellow at the Centre for Free Expression’s Whistleblowing Initiative, says that, to his knowledge, the law has never been

Above: CPA Dave Angot helped expose a multi-million-dollar insurance fraud scheme in Saint John, N.B.

used. “The whistleblower has no way to initiate action against those taking reprisals; the police have to do it,” he says. “But whistleblowers are trying to expose something that the powers that be do not want exposed, so to think the police will support them is a stretch.”

Exacerbating the problem is the fact that each province has its own laws. As a result, it can be difficult for a would-be whistleblower to determine how to report wrongdoing and what protections they might have, depending on their jurisdiction. Hutton says these provincial laws tend to follow the same ineffective mould as federal legislation.

Amid the dearth of laws protecting whistleblowers, the Ontario Securities Commission (OSC) decided in 2016 to try the carrot approach, establishing a program to compensate whistleblowers for reporting wrongdoing. In 2018, the OSC said it had received 200 tips. A year later, it announced it had paid out \$7.5 million to three recipients. Still, it’s impossible to know how well protected any of those tipsters were. Hutton says even big money doesn’t necessarily equal adequate protection: “The reward might not be that much benefit if you’re blacklisted in your career and rendered unemployable.”

Without robust whistleblower protection, Canadian companies and the country's public service are losing out on a primary source of information. According to a 2018 report from the U.S.-based Association of Certified Fraud Examiners, 40 per cent of occupational frauds become known through tips, and about half of those come from employees.

The Canadian Standards Association, which published guidelines for companies that want to implement their own whistleblower processes, cites studies proving that "speak-up culture" promotes trust in management and has the potential to lift the company's bottom line. The benefit for senior executives, says Hutton, is that they stay out of jail and prevent "a huge scandal blowing up around something they weren't aware of."

Given the lack of protections, it's not surprising that employees who witness wrongdoing often stay mum. Dave Angot, a CPA who helped expose a multi-million-dollar insurance fraud in Saint John, N.B., took that leap despite the possibly dire consequences. In 1998, he began his first director of finance role at a local insurance-finance company and settled in by combing through recent financials. Certain transactions struck him as suspicious—a six-figure insurance policy for a small contractor, for example. When he started digging, he realized every problem account led back to one insurance agency. "We thought it was a few bad accounts," he says. "Maybe something cooked up to cover some short-term losses."

Angot eventually discovered the fake accounts were actually part of a long-running fraud perpetrated by his firm's largest customer, a well-respected local business magnate. The board of directors at Angot's company pressured him to keep quiet: They didn't want to lose their biggest source of business, which could cause the company to collapse. Despite the gag order, Angot decided to speak up. "I felt everyone deserved a right to know, here and now," he says. "If you have someone in their 70s working for your business and their life savings are tied up in it, you might want to give them the opportunity to understand what's going on."



The Ontario Securities Commission has awarded **\$7.5 million** to whistleblowers for reporting wrongdoing

Angot's gambit, and the two-year ordeal that followed, ended up leading to a conviction—but many aren't as fortunate, and many more wouldn't take the risk in the first place. "I was scared to death. I was afraid to not have a job, and I thought that growing my career was the most important thing in the world," Angot remembers. But he never seriously considered burying the impropriety he'd discovered. "You can't look at the role as the only thing you have. The foundation is your decision-making and your ethics, and you can't jeopardize that for one role."

Historically, the U.S. has done the best job of protecting whistleblowers. Although its public service protection—the world's first, instituted in 1978—now suffers from degrees of political interference, the country has about 60 laws protecting everyone else. "Nearly the entire private sector, and all government contractors, are governed by best-practice free speech rights," says Devine.

The U.K. has also earned praise for its Public Interest Disclosure Act (PIDA), a piece of legislation from 1998 that safeguards whistleblowers from "detriment"—that is, dismissal or other reprisals made in retaliation for a whistleblowing disclosure. Unlike most legislation, it applies not only to public-sector employees but those in the private and charitable sectors as well.

Devine says the European Union is set to be the new standard-bearer for whistleblower protections. Late last year, it adopted a directive to protect whistleblowers—standards that must be implemented by all member countries within two years. The directive includes many of the things that other countries have failed to achieve, including guaranteed due process, legal assistance for whistleblowers, protection against criminal or civil liability for breaking non-disclosure agreements and taking evidence, and a reverse onus of proof that requires employers to prove action taken against a whistleblower was not a reprisal. Devine says the rest of the world may eventually follow the EU's lead. "We're in the midst of a global revolution for freedom of speech, at least in terms of rights on paper," he says.

Samantha Feinstein, the deputy director of GAP's international program, studies how well the world's whistleblowing laws work in reality. She estimates that more than 100 countries have protection for at least some of their workers. "For the most part, though, whistleblowers are only prevailing at most 25 per cent of the time, even when they survive procedural challenges and receive a decision acknowledging that their rights were violated," she says. "In large countries such as the U.S., the success rate is roughly 10 per cent."

Trump's impeachment put whistleblower protections in the spotlight, and Hutton hopes that the issue keeps gaining momentum in both the public and private spheres. "We've seen supposedly reputable banks and insurance companies setting up horrible schemes to defraud their customers. We've seen corporations that pollute the environment or sell drugs that are going to kill people," he says. Whistleblowers represent a defence against such activities. Without them, he says, "There's no limit to the harm that the private sector can do to us in the pursuit of money, or to what government may do through incompetence or corruption." ♦

—With files from Matthew Halliday

The Young and the Restless

They're fresh, flush and (mostly) work-free. Meet the millennials who are reinventing retirement.

Can big, fast savings make you a millionaire? Read more about the FIRE Movement online at cpacanada.ca/firemovement.

BY ALI AMAD

For most of us, retirement is the stuff of fantasies. But for a growing contingent of largely millennial workers, the dream of doing what you want, when you want, isn't far off. Adherents of the FIRE movement—it stands for Financial Independence, Retire Early—have a unique philosophy: Aggressively invest your savings while living relatively frugally. The goal is to kiss your day job goodbye and live off investments.

"I admire people with the thoughtfulness and determination to challenge our consumer culture and take a hard look at their needs and wants," says Doretta Thompson, financial literacy leader for CPA Canada. "I'd point out, however, that maximizing savings implies that you make enough to save

substantially beyond your daily needs. This is not an option for many." Thompson also warns that anyone undertaking this lifestyle would do well to have a plan B in case of a market crash—which, as the COVID-19 crisis makes clear, is always a possibility.

The FIRE movement has gained popularity over the past several years, as aspiring early retirees have flocked to blogs like Mr. Money Mustache, written by Peter Adeney, a Canadian-born software developer who retired at age 30. His blog and many others preach the gospel of thrift. The movement is not simply about amassing a large fortune; in an age of conspicuous consumption, it's less about what you own and more about how you live.



So what does it look like to live the dream? Here, five FIRE-starters share their stories.



I don't
dread Mondays
or **crave Fridays**
like many
people do

Heroux in Vietnam with his wife, Josée, and children William, 14; Amy, 12; and Caleb, 8

Mike Heroux, 38

Occupation: Founder of Dividend Stocks Rock, an investment strategy platform

Location: Granby, Que.

* What drew you to the FIRE movement?

Since 2008, I'd been running a financial advice blog and loved the idea of turning it into a full-fledged operation. In 2016, I decided to take a year-long sabbatical. I'd read about a Quebec family who left everything behind to travel to Mexico, and that really appealed to my wife, Josée, and me. Our three kids were getting older and we knew the time we had together was running out. So we bought an RV and set off on a road trip down North America to Costa Rica. I realized I wanted the freedom to be able to go on trips like this whenever I wanted.

* How did you become financially independent?

The prevailing wisdom is that you have to save money first before doing something, but I did the opposite.

I calculated how much we needed per month and figured out how I could generate enough revenue to cover those expenses as we travelled. When we came back a year later, I decided I wasn't returning to my old job. We could have become financially independent right then and there and started travelling around the world, but we decided to stay in Quebec for our kids' education.

* What does your life look like today?

I work 365 days a year and I'm on vacation just as often. I've grown my business to a level that covers our costs and I have a flexible schedule. If I want to go to a concert with my wife on a Tuesday night and sleep in the next day, I can just do it. I don't dread Mondays or crave Fridays like many people do.

We need roughly \$6,000 a month to cover our expenses. I take what we need from my business and make sure we don't spend too much. We don't have cable or a landline, for example. I also have \$321,800 invested mainly in my pension and RRSP, and all of it is in dividend stocks. We caught the travel bug during my sabbatical, so we've started a tradition of spending at least three weeks exploring a different country each year. This past January, we spent an entire month in Vietnam.

* Would you ever return to the workforce?

I didn't hate the corporate world, but going back would be a failure. If I could travel back in time, I would have started my business as soon as I finished school. I want to retain control of my life. My business allows me to do that.



Leung and Shen on the Sari Organik trail in Bali

Kristy Shen, 37, and Bryce Leung, 37

Former occupations: Computer engineers

Location: Around the world

* What drew you to the FIRE movement?

Shen: Bryce and I were working as computer engineers in the Toronto tech sector. After we got married in 2010, we started looking for a home.

Leung: We both come from Chinese backgrounds and our culture is obsessed with owning property, much like everyone else in Toronto.

Shen: But house hunting was a nightmare. When we saw a dilapidated shack of a home sell for \$800,000 in our neighbourhood, we realized how insane the market was.

Leung: We'd been diligently saving for a down payment since we joined the workforce in 2006, and by 2012, we'd saved \$500,000. We saw two paths

before us: invest our money smartly and retire early within the next few years, or buy a house and be in debt for the next 25. It was a no-brainer.

* How did you become financially independent?

Shen: We rented an \$850-per-month apartment, used public transit or car shares and mostly cooked at home.

Leung: We spent around \$40,000 a year. Investment experts recommend attaining a portfolio that's 25 times your annual expenses, so we set a target of \$1 million. We invested mostly in exchange-traded funds (ETFs) that track different stock market indexes rather than individual companies.

Shen: That strategy really worked

for us. We initially had a financial advisor but then we got comfortable managing our own portfolio. By 2015, we hit our \$1-million target and retired. Our biggest challenge wasn't saving. It was resisting following the herd mentality to buy real estate. Our co-workers, friends and family all told us we were making a mistake.

* What does your life look like today?

Shen: Since retiring, we've travelled to more than 40 countries. We also run a blog and free investment workshop to encourage people to try out FIRE. We then wrote a book, *Quit Like a Millionaire*, to spread our message.

Leung: We strategically divide our time between more expensive regions like Europe and cheaper ones like Southeast Asia. The amazing thing is that it comes to about the same annual costs as when we lived in Toronto year-round.

Shen: We grab an Airbnb when we're in town to visit family. The first year we started travelling, I'd get emails from my parents once a month with lists of jobs and demands that I apply to them immediately. Jump to last year: I called my dad on Father's Day from Germany and he said, "I'm so proud of you."

Leung: We've also adjusted our investment strategy. We now focus on investments that pay a higher yield, whether it's interest from a bond or dividends from a stock. They provide us a steady monthly cash flow. We're travelling through Thailand and Indonesia right now and we're still making money. Our portfolio is up to \$1.4 million today.

* Would you ever go back to the workforce?

Shen: You can't go back into the Matrix once you're awake. I have zero regrets.

Leung: I regret I didn't do this sooner. In Canada, particularly Toronto, people overextend themselves when they buy into real estate and we want to save them from falling into that trap.

Bob Lai, 37

Occupation: Product manager for an engineering company

Location: Vancouver

* What drew you to the FIRE movement?

I grew up in a Taiwanese immigrant family that was never materialistic. We had one car and didn't buy a computer until I was 14. My dad, who actually retired early, taught me that saving money gives you more options in life. My wife, Ayo, grew up on a farm in Denmark and she was also accustomed to a frugal lifestyle. When we got married in 2011, we had a financial epiphany. We'd been tracking our budget for nine or 10 months and it was eye-opening to see how much money we were needlessly spending on things like eating out at restaurants. We decided to cut our expenses and use savings to target financial independence.

* How are you working to become financially independent?

We'd already been investing in mutual funds and individual stocks, so we got more sophisticated in our investment strategy. We diversified into areas like index funds, which reliably grow since they go up as different indexes rise in value. As my wife stayed at home to raise our son and daughter—she also worked part-time on her holistic healing business—I kept the same engineering job at a Vancouver company. In the beginning, I found I was arguing with my wife over small expenses like going out to cafés or bakeries. From my point of view, this was unnecessary spending of money we could be investing. Over time, I realized being extremely frugal wasn't the best approach. I didn't want our relationship to suffer over trivial things. I practise and preach finding a balance between saving for the future and spending for today.

* What does your life look like today?

In 2019, we generated over \$23,000 in dividend income. We are aiming for \$50,000 annually. We could be financially independent today if we moved somewhere cheaper than Vancouver. We also own a three-bedroom detached home, which comes with a lot of expenses. But we like where we're living and I enjoy my job, so we're not set on a firm deadline to hit financial independence. I know we'll get there eventually. For us, our big spend is travel. Last year, we travelled to Taiwan, Japan and New York. Since I'm from Taiwan and my wife is from Denmark, we've been

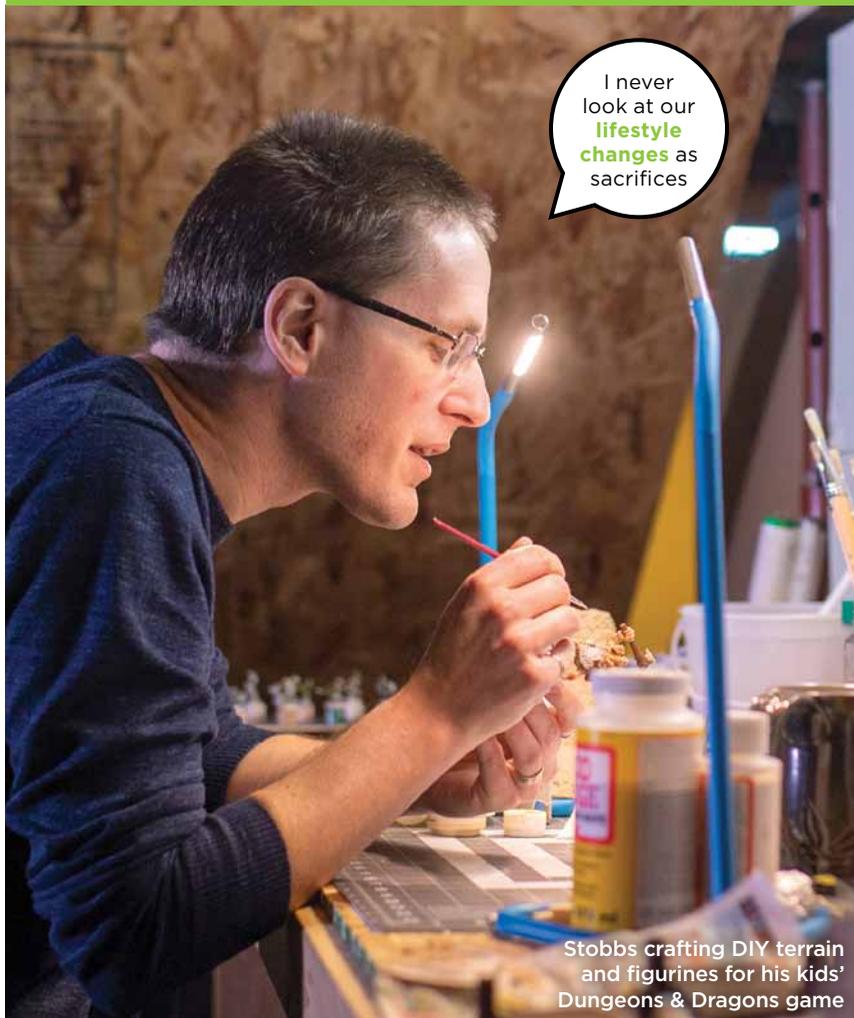
talking about moving to those countries for a couple years so our kids can learn the languages and cultures.

* What have you learned so far?

Having the right mindset about FIRE is important. There's this misconception, especially among people who hate their jobs, that all their problems will disappear after they quit and retire early. But this is unrealistic and only leads to fleeting happiness. People should focus more on the financial independence aspect of FIRE. Financial independence gives you the opportunity to figure out what you want to do with your life. It's not about reaching a finishing line. It's about the journey.

Lai and his skis at B.C.'s Mt. Seymour





Stobbs crafting DIY terrain and figurines for his kids' Dungeons & Dragons game

Tim Stobbs, 42

Former occupation: Chemical engineer

Location: Regina

* What drew you to the FIRE movement?

The idea to retire early first came to me in 2006. I was working in the oil and gas industry in Alberta and I hated my job's long hours and unreasonable client expectations. My life felt squeezed; I didn't have time to pursue passion projects, like writing fantasy novels. I was aimlessly searching the internet one day and came across the concept of early retirement. Even after I found a better job with an engineering consulting firm in Regina later that same year, early retirement still appealed to me. I just wasn't interested in working full-time for anyone anymore.

* How did you become financially independent?

To retire by 45, I wanted to hit roughly \$1 million in net worth. My family didn't have any major expenses. My wife, Rhea, was running a daycare business in our home, which meant we could save on daycare costs for our two sons. Our mortgage was nearly paid off and we didn't have car payments, so we calculated that we spend \$36,000 a year. We started by making monthly contributions to mutual funds, and once we had \$50,000 in our RSP accounts we switched to exchange-traded funds (ETFs). We also bought dividend-paying stocks in banks, utilities and insurance companies.

We rarely leaned on any external advice and learned most of it from reading various books and blogs. An important lesson was to not put all our eggs in one basket. We didn't spend money on anything other than the basics for a year while we paid off some debts, and then we loosened the belt. I love making my own wine and beer, so I splurged a bit on getting equipment to make that happen. We also took a month off work to visit the Maritimes, which my wife had never seen. Basically, we found a comfort zone where we didn't feel deprived and adjusted as we went along. I managed to retire six months before my 40th birthday—five years earlier than expected. My last day at work was surreal. I felt like I was floating when I walked out the door one final time.

* What does your life look like today?

I spend more time writing than I ever could have with my old job. I also got part-time work at a local library. I do it for fun. It's only 18 hours a week and I get to work with people who like to talk about books. Our portfolio is in maintenance mode right now, so it doesn't take up much time. This year, we're planning to take our kids to Disney World. We were supposed to make the trip last year, but after a market downturn in 2018, we postponed it to 2020. (We also wanted to wait for the new *Star Wars* attraction to open.) We live within our means, but that is guided by our desires. I never look at our lifestyle changes as sacrifices. It's about trade-offs. Do you want the bigger TV or do you want to leave the workforce early? When you understand what fulfills you, you see you don't actually need a lot of stuff.

* Would you ever return to the workforce?

This process has taught me that I don't mind working some of the time. I just enjoy the balance of being able to do all the different things I love. I don't think I'll ever go back to full-time employment.

Chrissy Kay, 41

Occupation: Stay-at-home mom and co-host of Explore FI Canada podcast

Location: Vancouver

* What drew you to the FIRE movement?

By 2014, my husband and I had saved up \$300,000. Using an advisor never sat right with me, so I looked into managing my own finances. I stumbled upon a blog called Mr. Money Mustache, created by a Canadian who's considered by many to be the father of the FIRE movement. I binge-read his entire blog and realized there was an alternative path

that could lead my family to financial freedom far earlier than I thought possible. Before then, I'd assumed the mainstream narrative of "work until you're 65 and then you can enjoy your life" was the only way.

* How are you working to become financially independent?

I'm a stay-at-home mom raising two sons and my husband's video-game development job covers all our

needs. We cook a lot at home and fix things around the house ourselves. The media sometimes portrays FIRE followers as miserly people sacrificing so many things, but all we've done is become more intentional with our spending. What has drastically changed is our investment strategy. Previously, my mother, who worked at a bank, handled our portfolio. She put our money in classic Canadian investments like mutual funds. Doing my own research, I found out about passive index investing. I saw that as long as the big indexes went up, so would our profits. I felt confident enough to invest all \$300,000 of our savings in index funds. My husband and I want to make sure we don't have to worry about returning to the workforce unless we feel like it.

* What does your life look like today?

I spend my free time blogging about my FIRE journey and co-hosting a weekly FIRE podcast I launched with friends last summer. I don't budget tightly but I instinctively know our comfort range. We should become financially independent while we're still in our 40s. To accomplish this, we keep our core spending at under \$50,000 a year, excluding travel. Travel is one area where we aren't frugal. We took two three-week trips to Asia with our kids in the last few years and we just visited Okinawa this past March.

* What have you learned so far?

I'd recommend managing your own finances as early as possible. Whether you become financially independent or simply get savvier about where your money's going, you can't lose. ♦



Kay and her dog near her home in North Vancouver

I realized there was an **alternate path** to financial freedom



THE

Tech titans are ravaging the business world by mastering data and artificial intelligence. Can Louis Têtu help the old guard fight back?

BY LUC RINALDI | PHOTOGRAPHY BY GUILLAUME SIMONEAU

EQUALIZER

When Jeff Bezos started an online bookstore in his garage 26 years ago, he was a proverbial David slinging stones at a Barnes & Noble-shaped Goliath. By last January, when Amazon briefly became the most valuable public company in the world, Bezos was no longer David. He was Goliath.

Louis Têtu sells slingshots to anyone bold enough to wage war against today's tech giants. As CEO of the Quebec City-based software firm Coveo, he offers his customers—companies that typically don't have armies of developers and data scientists—access to the technologies that fuelled Amazon's ascent: machine learning, analytics, intent detection, natural language processing and beyond. "Every company wants to be like Amazon. They want a fair chance at competing against the tech-first companies: Netflix, Uber, Wayfair," says Têtu. "This is the wave that Coveo is riding. We are trying to democratize the use of data and AI."

Coveo's success hinges on Têtu's belief that we are now living in an experience economy. Whereas Ford, Walmart and other Goliaths of the past invented and sold things, modern juggernauts specialize in experiences—or, more precisely, reducing the time and effort between the moment we want something and the moment we get it. Uber didn't invent the taxi; it made it easier to hail and pay for one. Amazon didn't invent the department store; it offered lower prices, more selection, faster deliveries and the ability to go on a shopping spree by simply yelling, "Hey Alexa!"

The more we use these services, the more streamlined they become. Machine learning algorithms analyze our past purchases and behaviours to determine what we want and need, sometimes before we figure it out ourselves. (Thirty-five per cent of Amazon purchases and 80 per cent of Netflix viewing are the result of personalized recommendations.) "Tech-first companies have

◀
Coveo CEO
Louis Têtu

trained us to get what we want when we want it,” says Têtu. “The effortless journey to fulfilling your intent is what makes businesses win or lose in this decade. It’s not the product. It’s the experience.”

To thrive—or survive—in the experience economy, every company needs to leverage data and AI to provide the level of ease, speed and personalization that customers now expect. Otherwise, they won’t be customers much longer. The moment they can’t find a product on your shelves, they’ll take out their phones and buy it online, giving their business to your competition from the aisles of your store.

Few businesses have the resources or technological know-how to outmanoeuvre the likes of Amazon. Têtu pitches Coveo as a way for those companies to fight back. He calls it an “experience intelligence platform”—which, in layperson’s terms, might translate to One Software to Rule Them All. Today’s businesses are drowning in platforms: CRMs, ECMs, CMSs, BPMs. If you don’t know what those are, that’s the point: Making sense of these tools and all the data they collect can be overwhelming. Coveo is the unifying backbone, says Têtu, “the layer of software that connects it all and delivers personalization at scale across those experiences.”

At its core, Coveo is a search tool. Type in a keyword or a question, and it will scour the digital nooks and crannies of an organization—some combination of emails, databases, product catalogues, public and private documents, web pages, all those acronymic platforms and more—to find what you’re looking for. It can point an accountant to an obscure tax law, a confused customer to the appropriate FAQ, or an online shopper to the perfect product. Like Amazon

“Louis and his team recognized where the world was going before the world knew”

or Netflix, it learns as it goes, better understanding users and becoming more predictive with every search.

Coveo remained in relative obscurity until November 2019, when OMERS Growth Equity led a head-turning \$227-million investment into the company, one of the largest rounds in Canadian tech history. The investment makes Têtu the rare CEO to have led two companies with valuations above \$1 billion. (Oracle purchased his last, Taleo, for US\$1.9 billion.) “Louis and the team recognized where the world was going before the world knew, and they started to build technology that allowed them to get far ahead of everybody,” says Mark Shulgan, the managing director of OMERS Growth Equity.

Coveo’s 1,500 customers include some of the Big Four and CPA Canada, each of which pays between five figures and multiple millions every year to use the firm’s software platform. For them, Têtu frames Coveo as a means of survival: “If you implement Coveo, you’re going to be a participant in the winner-take-all economy,” he says. “You’re not going to be Blockbuster. You’re going to be Netflix.”

In technical terms, Têtu is the CEO of a pure cloud-native, multi-tenant software-as-a-service company—and he knows exactly how unenticing that sounds. Speaking about “customer search journeys” at Coveo’s conference last year, he joked, “Not a good conversation to have at a bar.” On the tech-CEO spectrum, he is more Rolex-and-cuffs than hoodie-and-jeans. At 55, he spends his long weekends flying helicopters and small planes or skiing with his wife, Louise, with whom he has three adult children.

If you catch Têtu using the royal “we,” he’s probably speaking on behalf of his executive team. He’s worked with the same core group—COO Guy Gauvin and CFO Jean Lavigueur—for 30 years, abiding by a philosophy of “no fear, no greed, no guilt.” Despite building two billion-dollar companies, “there were times when things looked super grim for us,” says Lavigueur, a CPA who describes Têtu as a gifted strategist whose decisions are informed by data, not rank. The trio survived the dot-com crash of 2000 by wrangling an investment from Bain Capital, and then carried Coveo through the last recession despite abruptly losing their largest source of revenue, a partnership with Microsoft, in 2009. The team gives off the impression that they long ago became an inseparable hive mind. “If they go home, I go home. It’s as simple as that,” says Têtu. “I could not work without these guys.”

Coveo has offices in San Francisco, London and Montreal, and its headquarters are in Quebec City, where Têtu grew up. The youngest of five, he was a precocious child. He skipped two early grades and graduated from Laval University with a mechanical engineering degree at 20; the society called to tell him he was the youngest mechanical engineer in Canada.

Têtu spent a year in Bell’s management-training program, but it wasn’t for him. “I was looking up the ladder and realized I didn’t aspire to do my boss’s job, or the level above that.” Instead, at 23, Têtu quit and joined his older brother’s company, Berclain, which made software that automated scheduling in manufacturing plants. “We had no idea what we were doing,” he says. Yet within five

years, the brothers had hundreds of employees on four continents and counted Boeing and John Deere among their customers.

After Berclain merged with the Dutch software company Baan, the team eventually left the business they'd built and started another: Taleo, which digitized and automated hiring. By 2005, Têtu had 1,000 employees in 40 countries and hundreds of Fortune 500 customers. After the company went public, the board suggested he move to Silicon Valley. Instead, he stepped down as CEO, hired his own replacement, remained executive chairman and moved his family to Toronto; he wanted his kids to live their teen years in a cosmopolitan, multicultural city. Today, they're the global citizens he envisioned, living in London, Dublin and Montreal.

By 2012, when Oracle acquired Taleo, Têtu had his eye on another venture: Coveo. He had been an angel investor since 2008, but as the company grew, the board and founder, fellow Quebec City entrepreneur Laurent Simoneau, brought Têtu and his team aboard. "You jump on a roller coaster, and it's one heck of a ride," says Lavigueur. "At the end, it's nice to take a break. But after a little while, you say, 'I want to do it again.'"

Trying to pinpoint exactly what Coveo does is as difficult as explaining what Amazon is. Tableau, a data visualization company in Seattle, uses Coveo to help customers troubleshoot software questions online, which reduces the number of support calls it receives, cuts deflection rates and saves the business up to \$18 million a year. For Atlanta's Acuity Brands, Coveo provides a searchable central marketplace that encompasses 5,000 products from 32 brands with 14 different websites. Lavigueur says accounting firms use Coveo to connect and extract insights from disparate sources of information: spreadsheets, financial statements, letters, software, rules, case law and tax codes from any number of jurisdictions. "Tax departments deal with a lot of fresh data that is relevant to the value they need to deliver to their customers," says Lavigueur. "Every day, there's so much new content. How do you make sense of all that data?"

Coveo also uses the platform to make sense of its own data. The company collects information about the way customers use the software—visits, impressions, click-through data and so on—in an aggregated, anonymized form and feeds it to machine



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Têtu at Coveo's Quebec City office

learning algorithms that improve functionality. A chief information security officer and data protection officer ensure compliance with data and privacy regulations, such as the EU's GDPR.

According to the American research firm Gartner, Coveo's closest competitors include Lucidworks, a San Francisco-based firm that raised US\$100 million last August to develop its AI-powered "insight engine" Fusion, as well as Mindbreeze, a subsidiary of the Austrian software giant Fabasoft; its InSpire platform scored highest on customer satisfaction

“Every day, there’s so much new content. How do you make sense of all that data?”

in a 2019 Gartner report. “In such a dynamic market,” the report’s authors conclude, “there is still room for vendors to differentiate themselves.”

Têtu hopes the OMERS investment will help Coveo jump to the front of the pack. He plans to use the cash to grow aggressively across the board, including hiring 270 people in 2020, which will bring Coveo's total head count to 750. Many of

those new employees will be developers and R&D staff who can concoct new software applications. “Coveo can be used in virtually any industry,” says Shulgan, adding that, when Têtu pitched OMERS, the investors in the room started asking: If the software can do this, could it do that? “It was incredible to see the number of light bulbs going off around the table,” he says. “At this point, Coveo is only addressing a sliver of what’s out there. We think the total market size is huge.”

Têtu acknowledges that the COVID-19 pandemic may hamper Coveo's near-future growth plans. His first priority, he says, is protecting his employees' health and job security, and providing consistent service to customers. But he has long been preparing for this moment: Têtu has always intended to use the OMERS money to make acquisitions in the event of a market downturn. “Coveo can become a home for companies that might not be in a great position after this,” he says. “I’m trying to sort out what is truth versus fantasy versus drinking my own Kool-Aid, but I think Coveo is approaching the leadership position.” It may not be in Goliath territory just yet, but Têtu definitely isn't David anymore. ♦



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LAST OUT

OFFICE SPACE

FORCE OF NATURE

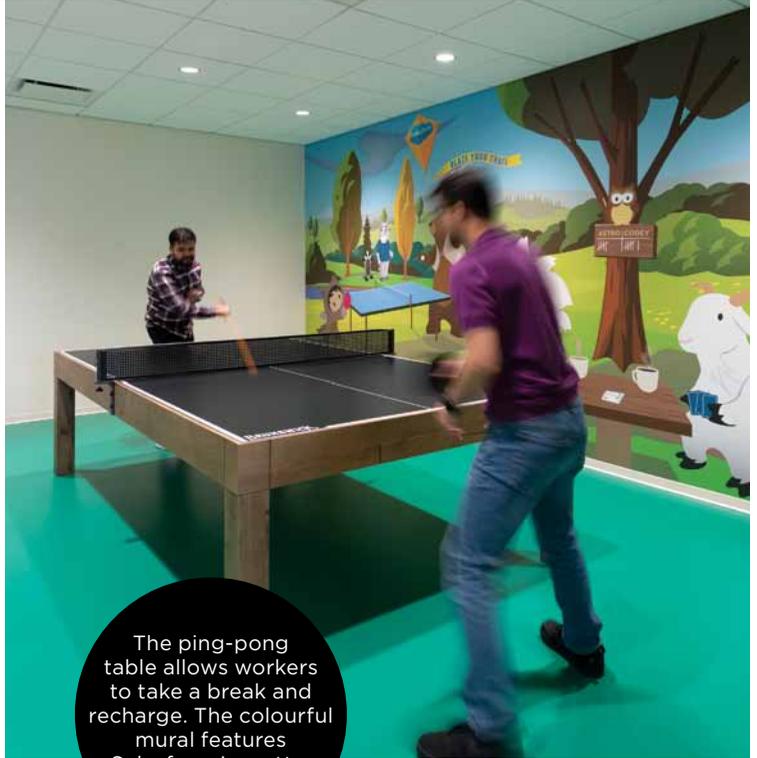
Salesforce's new Vancouver digs emphasize mountain views, natural light and plenty of greenery

BY ADRIENNE TANNER

For seven years, the Vancouver arm of Salesforce had an office with a mountain view in Gastown, a hip neighbourhood adjacent to the downtown business district that most of the company's clients call home. But Salesforce, one of the world's largest customer-relationship management firms, soon outgrew its original space. With multiple offices throughout the city, the company wanted to bring all their employees under one roof.



Salesforce workstations are universally equipped with flexible sit/stand desks and a rack of balance boards nearby. Employees can also take turns on a treadmill desk. The carpet made of recycled fishnets reflects Salesforce's commitment to sustainability.



The ping-pong table allows workers to take a break and recharge. The colourful mural features Salesforce's motto: "Blaze your trail."



The social lounges on each of the office's four floors form the heart of the workplace. They are designed like a living room, with couches that can be used for relaxing or reconfigured to accommodate larger staff meetings. Staff members add personal touches with team photos and service medal displays.

LAST OUT

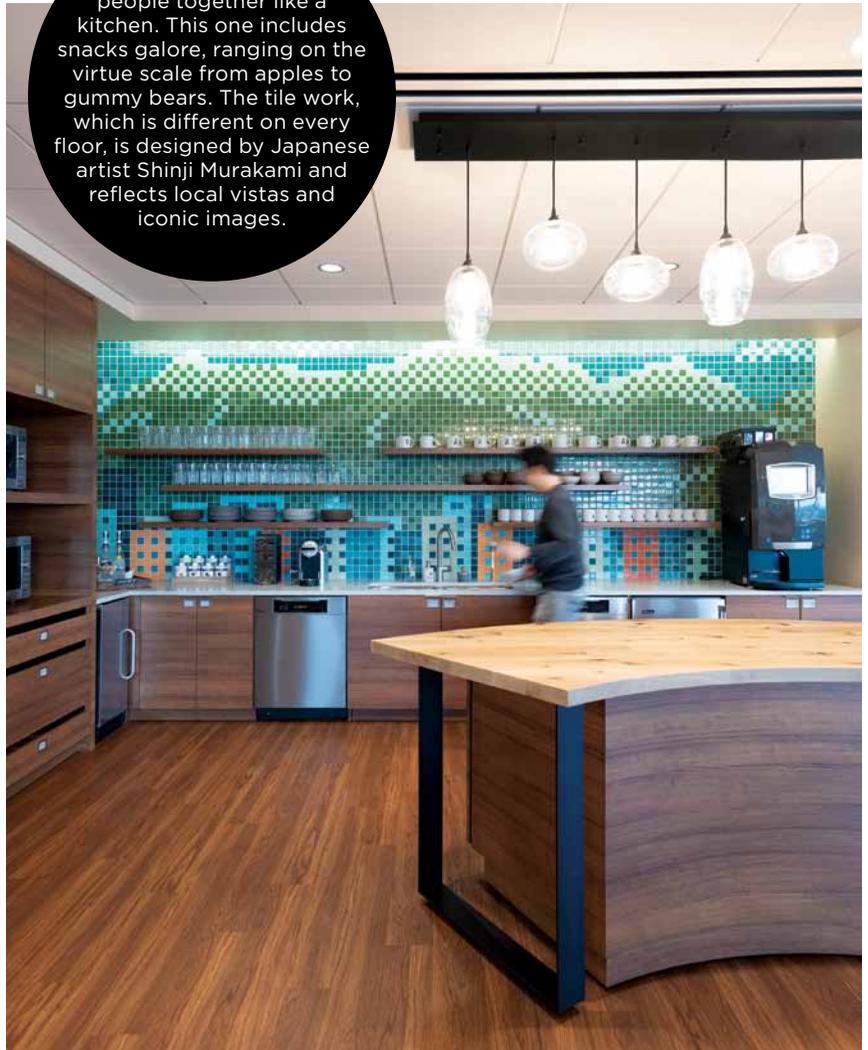
Last summer, Salesforce opened its new downtown digs in a Seymour Street tower with expansive views of the mountains and Burrard Inlet—and with four dedicated floors, it now has ample space to house its growing Vancouver team. The office is close to public transit, which helps the company recruit and retain employees. Michele Schneider, Salesforce's senior vice-president of global workplace services, says the central location also encourages staff to support local communities by venturing out to grab lunch and attend events.

Like all Salesforce's offices—it has over 130 worldwide—the new Vancouver space includes lounges furnished with comfy couches pushed right up against the windows to allow all employees to enjoy the view. Also positioned near the windows: collaboration zones, a treadmill desk and individual workstations, all of which give workers the option to stand or sit, as well as access to balance boards for those who want to strengthen their core while they work.

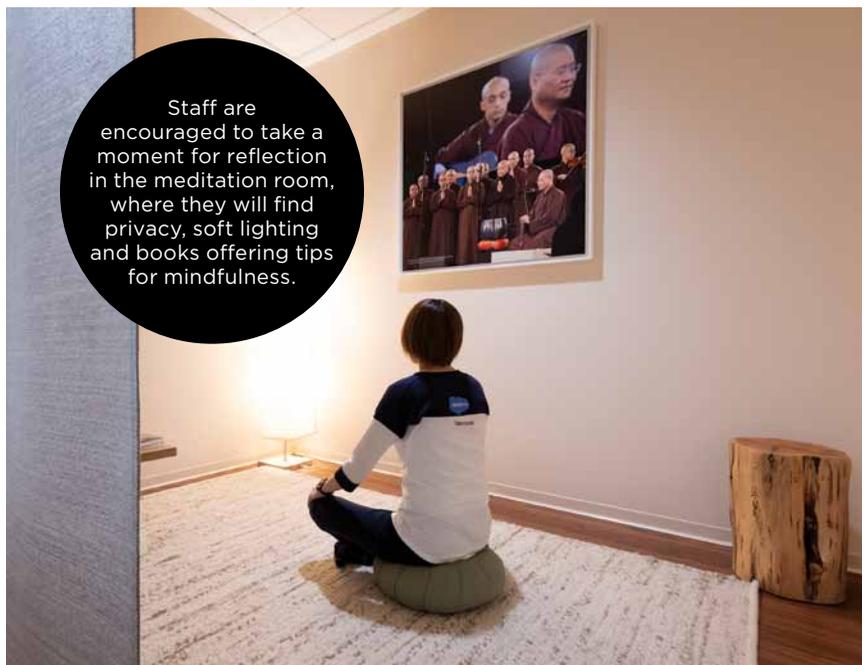
Salesforce is working to configure all its offices worldwide in much the same way as the Vancouver layout, Schneider says. Employee wellness is supported with amenities, such as a parenting room for staff stopping by with a child or nursing mothers who need a place to pump; a mindfulness room and games rooms; and a snack bar that includes a selection of fresh fruit. The company's emphasis on sustainability is reflected in the carpet made from recycled fishnets, recycling stations that include a bin for electronic waste, and many oxygen-producing plants. "Not only does the space feel comfortable and residential," Schneider says, "it also makes you feel close to nature."

Still, the Salesforce design leaves room for distinctive touches. Each office's kitchen tiles are unique and designed to reflect local touchstones. Shelves are stocked with books by local authors and employees are encouraged to submit photos of themselves working and volunteering, which are framed and hung on the walls. ♦

Nothing draws people together like a kitchen. This one includes snacks galore, ranging on the virtue scale from apples to gummy bears. The tile work, which is different on every floor, is designed by Japanese artist Shinji Murakami and reflects local vistas and iconic images.



Staff are encouraged to take a moment for reflection in the meditation room, where they will find privacy, soft lighting and books offering tips for mindfulness.



EXTRAORDINARY ITEM

CARBON HACKS

Cheaper, more ethical lab-grown diamonds are cutting into the fine jewellery game **BY WING SZE TANG**

At Couple's first pop-up shop, which ran from November to February on Toronto's swanky Mink Mile, the diamonds on offer sparkled like the ones at Tiffany's, the legacy jeweller across the street. But subtle details—like a display of flowers tucked into test tubes—hinted that something was different: Couple's gems are made by science.

Lab-produced diamonds have existed for decades, but leaps in technology are now making them contenders in the fine jewellery and engagement ring markets. "It's not a trivial exercise to grow diamonds," says Jeff Brenner, Canadian co-founder of Couple, which launched in 2018 with an engagement ring for Brenner's wife. "But now we're at a place where we can grow larger diamonds with better quality."

WHILE LAB DIAMONDS NOW ACCOUNT FOR ONLY TWO PER CENT OF THE OVERALL MARKET, THE THREAT TO MINED DIAMONDS IS REAL

Today, it's possible to "culture" a one-carat diamond for about \$300, down from \$4,000 in 2008, according to a 2018 report by the consulting firm Bain & Company. Couple's Classic solitaire engagement ring, which starts at \$6,296, is about 35 per cent bigger than a similarly priced mined diamond. Such stones are commonly created through a process called chemical vapour deposition, which places a "diamond seed"—either a tiny lab-grown gem or a small

fragment of a natural diamond—in a sealed chamber with carbon-containing gases like methane. When exposed to extreme heat, the gases turn into plasma, carbon crystallizes on the diamond seed and it grows.

As the tech has advanced, so has the marketing spin: Lab diamonds aren't positioned as cheap lookalikes but as authentic diamonds—in chemical composition, they're identical to their mined siblings—with the upside of being sustainable and conflict-free. According to Human Rights Watch, the traditional diamond trade still fuels human rights abuses such as forced labour, and unchecked mining is ruinous for ecosystems, causing soil erosion, deforestation and wildlife decimation. "For the first time, you can get a real diamond—not cubic zirconia, not moissanite—guaranteed to be ethical and better for the environment," says Brenner, whose company is currently scouting permanent store locations in Toronto and New York City.

Other front-runners in the space include San Francisco's Diamond Foundry, which has its own millennial-targeted brand, Vrai, and recently announced plans to scale production from 100,000 carats per year to one million. Ada Diamonds, which has cultured diamond showrooms in San Francisco and Manhattan, has the lofty goal of putting diamond mining out of business. These startups are challenging the industry dominance of De Beers, which launched its own synthetic diamond brand, Lightbox Jewelry, in 2018; its pastel rocks are sold as trendy fashion baubles for US\$800 a carat, ostensibly to avoid cannibalizing its core fine jewellery business.

While lab diamonds now account for about two per cent of the overall diamond jewellery market, the threat to mined diamonds is real—particularly in Canada's North, where mine remoteness and brutally cold climates make diamond extraction extremely challenging and expensive. Bain & Company predicts the synthetic diamond trend has potential to reshape the industry. Global consumer demand for diamond jewellery reached US\$82 billion, an all-time high, in 2017. If synthetic stones can take a bigger cut of that market, their makers' future will be bright. ♦





REAL ESTATE

HAPPY TOGETHER?

Co-living startups are in growth mode, buying or building properties and renting them out by the room. So far, it seems, cash-strapped millennials are totally into sharing. **BY MATTHEW HAGUE**

When Gaurav Madani graduated from the MBA program at York University's Schulich School of Business in 2019, he, like many young professionals, struggled to find an affordable place to rent in downtown Toronto. "I was paying \$800 a month to sublet a room near Schulich," he says. "Suddenly, I was facing the prospect of paying over \$2,000 for a one bedroom in the core."

Instead of packing up and moving somewhere cheaper, Madani teamed up with his classmate Arnab Dastidar to found a co-living business. Called SoulRooms, the company establishes management contracts with the landlords of large homes and condos in desirable Toronto neighbourhoods—the leafy Junction or the lively, restaurant-filled Liberty Village—and lease them by the bedroom. (He and Dastidar were among the first tenants.) Sleeping spaces are private but kitchens and living areas are shared; an algorithm helps match roommates based on compatible personality

traits to avoid conflict over things like dishes and tolerance for noise. Monthly fees start at \$1,290 and average \$1,490, which covers utilities, Wi-Fi and common cleaning supplies.

Other than the algorithm and the Wi-Fi, co-living isn't new. You can find descriptions of rooming houses in most Charles Dickens novels. Enterprises such as SoulRooms are different because they appeal to young, high-income professionals such as tech entrepreneurs and CPAs. Their apartments are fitted with sleek Scandinavian-style furnishings and include perks like group yoga classes and mixer nights. "This is co-living 2.0," says Madani.

Although the market is nascent—as of 2019, there were a scant 3,000 co-living beds in the U.S., according to property managers Cushman & Wakefield—that number is expected to triple over the next two years as millennials continue to struggle to find affordable housing. Investors are lining up to cash in, with global

funding for co-living ventures reaching US\$2.2 billion in 2018, up from just US\$200 million the previous year.

One of America's biggest co-living brands, Common, accounts for \$65 million of that venture funding. Some of it will be funnelled into a new project in Ottawa called Common Zibi, containing 252 beds spread over 60 co-living apartments in a new, 24-storey tower being developed by Toronto's Dream Ltd. SoulRooms, meanwhile, is backed by a large Canadian real estate firm called Zahra Properties, which is helping the startup jump from 85 to 2,000 beds across the Greater Toronto Area over the next year or two.

Despite current growth, big questions surround co-living's long-term viability. Is this a smart solution to a long-term housing crunch? A reflection of millennials' unique willingness to share? Or simply a temporary fix that young people will abandon as soon as they can afford to live on their own?

For tenants, the draw is clear. Sure, they have to deal with roommates, but, according to Cushman & Wakefield, they are saving 20 per cent in rental expenses on average compared to living alone. They are also forgoing the headaches of another increasingly common way to find housing: co-buying with friends.

“THERE'S A LOT OF MAINTENANCE REQUIRED WHEN A BUNCH OF STRANGERS ARE LIVING TOGETHER”

“Co-buying is an option,” says Stefanie Ricchio, a CPA and business consultant. “But I really worry that people don't think through the many possible complications, including how to structure a shared mortgage, deal with shared expenses, plan in case one person dies. What if someone has bad credit and defaults?”

On the business side, opinions about the financial incentive for startups

vary. Renting out a home or an apartment by the room can garner 30 per cent more revenue compared to renting to a single tenant, according to American real estate company JLL. That added margin helps explain how a company such as SoulRooms operates: They pay fair market value for their leases and charge no management fees to the property owners but pocket the surplus from renting room-by-room, minus expenses, of course.

But Zev Mandelbaum, president and CEO of Toronto's Atree Developments, says he is unlikely to invest in a co-living project. "They tend to be very heavy in terms of management costs," he says, all without guaranteeing customer satisfaction—one lousy roommate could ruin the experience for the whole house, leaving the company to mediate. "There's a lot of maintenance required when a bunch of strangers are living together and not necessarily taking care of the property. The costs of active management make profits difficult to achieve. Over time, if management is not kept up to par, the assets will likely rapidly deteriorate and the operations will become like college dorms."

Consider the bumps in the road faced by co-living's older, more established cousin: co-working. Until 2018, WeWork's network of communal offices were estimated to be worth more than US\$16 billion and had raised more than US\$4 billion in venture funding. But those investments dried up when the company revealed it was losing US\$2 billion a year, trapped in costly lease agreements it couldn't break.

Anil Khera is the co-founder of a co-living startup called Node, with properties in the U.K., the U.S. and one slated to open in Kitchener, Ont., in 2021. He admits that his properties are "a little bit more operationally intensive," but says, "the difference isn't huge between us and a conventional landlord." The difference might also be compensated for by the higher capitalization rates of co-living.

What makes Khera optimistic that co-living will be viable long-term is that his tenants are well-established,

and care for where they live. "The average age of someone living at Node is 28, and their average income is \$70,000," says Khera. "We have a lot of professionals, including a Deloitte partner in her 30s who lived in our Dublin location because it was close to her office. There's a misconception that co-living is like dorm living. That's not necessarily the case."

Khera doesn't see a future where co-living falls apart. "People don't want to spend upwards of 40 per cent of their money on high rent unless they are getting an all-inclusive lifestyle," he says. "Our people are smart people who expect a lot, and are getting a lot. I think that in order to be competitive, traditional landlords will have to start offering a similar level of service to us—cleaning services, Wi-Fi, nice designs—if they want to entice tenants to move away from co-living." ♦

BOOK VALUE

ZOMBIE SLAYER

In a new collection of *New York Times* columns, economist Paul Krugman takes an axe to policy ideas he believes should have died long ago **BY BRIAN BETHUNE**

There are a lot of economists who can be described as eminent, at least among their peers and national policymakers, but probably none as outright famous in the world at large as Paul Krugman. A *New York Times* columnist and distinguished professor of economics at the Graduate Center of the City University of New York, he is surely the only member of his profession to have won a Nobel Prize and to have inspired a recent tweet from Donald Trump demanding the *Times* fire him. The U.S. president's distaste, widely shared in his Republican Party, comes from the polemical sting in Krugman's

columns. A rare combination of gifted popular communicator and deep academic thinker, Krugman regularly and ferociously assaults Republican policy ideas that he believes should have died long ago, but that "keep shambling along, eating people's brains." In 21st-century America, Krugman writes in *Arguing With Zombies*, a new collection of his *Times* columns, no economic proposal is or can be judged on its merits: "Everything is political."

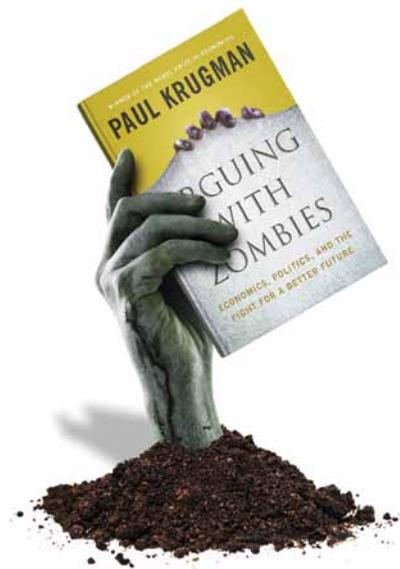
The irony of the situation is that Krugman takes considerable grief from the progressive wing of leftist political thought for his incrementalism and his belief in regulated markets, albeit not as much as he takes from the right for denouncing unregulated markets. As far as Krugman is concerned, his adherence to Keynesian moderation—government stimulus in hard times, prudent cutbacks in boom eras—84 years after British economist John Maynard Keynes first published *The General Theory of Employment, Interest and Money*, makes him the conservative in the room. Krugman's government experience, in fact, consists of a brief stint in Ronald Reagan's White House. But in 1999, nine years before he was awarded the Nobel, Krugman began his *Times* columns in full political outrage, already chasing the undead with a vengeance.

Krugman originally used the term "zombie idea" to deal with the claim, constantly disproven and constantly revived, that Canadians regularly flood across the U.S. border in pursuit of primary health care. But there are others he has found worthy of the tag, including the "death panel" horrors of Obamacare, the shrill cries of "deficit scolds" and what he now calls the "ultimate zombie": the trickle-down and economy-boosting benefits of cutting taxes for the wealthy.

Arguing With Zombies groups decades of columns into 18 categories—from "Trade Wars" to "Trump" to "Eek! Socialism!"—all headed by brief new essays. Throughout, Krugman pursues a handful of interconnected themes.

One is that Donald Trump is no outlier, but the distilled essence of his party. He may have changed the Republican Party into a cult, Krugman opines, but he hasn't worsened its policy prescriptions or corrupted its motives—those were already *faits accomplis*.

That's why there are so many columns dating from the George W. Bush presidency, hammering Republican policies that are remarkably consistent with those of today, and even a 1992 article accusing opponents of using what



inarguable. That's not the case with the final two: "be honest about dishonesty" and "don't be afraid to talk about motives." He also urges the media, as well as his fellow experts, to avoid excessive both-sides-ism. Krugman's favourite example of this scourge in contemporary mainstream media is coverage he characterizes as, "Views differ on the shape of the planet." In other words, those who declare the earth is flat, in his opinion, do not deserve any publicity at all.

The four rules reflect Krugman's belief that the opponents he calls "professional conservative economists"—as opposed to "conservative professional economists," whose arguments he takes seriously—are even worse than flat earth proponents. They are not pushing zombie ideas in the mistaken belief they are true, Krugman argues: They know they are false, as has been shown since the Reagan administration. For Krugman, trickle-down economics in particular is a concept pushed for political ends, for the benefit of the rich and to provide an excuse for reducing benefits for the rest of society.

Positing that one's opponents are not simply mistaken but ill-intentioned raises the very real chance his book

KRUGMAN'S "ULTIMATE ZOMBIE": THE TRICKLE-DOWN BENEFITS OF CUTTING TAXES FOR THE WEALTHY

would now be called "alternative facts." And there is reference after reference to the "ultimate zombie," which the economist believes is set to dominate American socio-economic policy debates before and after November's presidential election. Should Trump return to office, Krugman asserts, his administration and its congressional allies will proceed to attack the deficit-ballooning effects of their 2017 tax cuts—which were supposed to pay for themselves—by slashing expenditures on Social Security and Medicare.

Krugman goes at it all with his four rules of punditry, of which the first two ("stay with the easy stuff" and "write in [plain] English") are essentially

may alienate America's remaining neutral voters. *Zombies* is in many regards merely a return to what was called "political economy" in Adam Smith's day, long before the rise of what Krugman calls "the technocratic dream—the idea of being a politically neutral analyst helping policymakers govern more effectively." But in a hyper-partisan, media-siloed era, centrist voters are a dwindling demographic in the U.S., and Krugman argues that it is no longer possible to argue the future path of his country while putting aside that crucial "political" adjective. Krugman makes a compelling—and clarifying—case that economics cannot be separated from politics. ♦

PIVOT RECOMMENDS

Off the clock

BY LARA ZARUM

Watch

In the early 2000s, superintendent Frank Tassone turned Long Island's Roslyn High into one of New York state's top-performing schools. But it turns out Tassone had been running a multi-million-dollar embezzlement scheme, and in 2006 he pleaded guilty to grand larceny. Hugh Jackman plays Tassone in ***Bad Education***, a new film based on the con, now available on HBO.

Read

Economist and Harvard business professor Rebecca Henderson doesn't mince words with the title of her latest book, ***Reimagining Capitalism in a World on Fire***. Henderson, a fellow at the National Bureau of Economic Research, argues that the success of free market capitalism has come at a great cost to the stability of democracy and the planet. Henderson maps out an alternate path for the future of capitalism, one that prioritizes the prosperity of society at large, not just those in the C-suite.



Watch

If you'd prefer a British scandal to an American one, try ***Quiz***, based on the true story of a man who scammed his way to stardom on the U.K. version of *Who Wants to Be a Millionaire?* Matthew Macfadyen plays Charles Ingram, who won the show's top prize in 2001 before he, his wife and an accomplice were caught cheating the system. Stephen Frears directs this three-part miniseries, which airs on AMC over three consecutive nights beginning on May 25.

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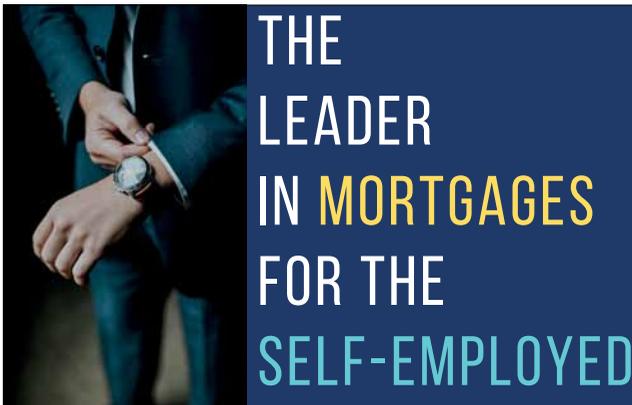
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THE CHALLENGER

Ofelia Valeanu, a 39-year-old CPA candidate, is a file manager at Massie Turcotte et Associés Inc. in Brossard, Que. This year, she'll compete in the Canadian Kickboxing Championship. **BY MEGAN JONES**

Most people consider boxing a barbaric, violent sport. But it's a game of will. There's a strategy behind it. You have to focus in order to analyze what your opponent is doing so that you can defend and respond. **There's a lot more to it than, "Let's put on gloves and hit each other."**

The first time I went in the ring was March 2019. **I felt like I was supposed to have been there all my life.**

The rush was perfect. Since then, I've competed in three officially sanctioned matches and won two.

Both boxing and accounting require strategy. When you're communicating with a client that's in a difficult situation, you need to be tactful. You've got to anticipate what they need.

When I met my husband and he told me he was an accountant, I was like, "Oh no." Some people think accountants just sit at desks, play with numbers, go home and watch TV. **But what you do at work isn't necessarily who you are off the clock.** I can be an accountant and have fun. I can do things people consider crazy.

Accounting is my second career. I immigrated to Canada from Romania in 2006 and worked in marketing for a while, but when the financial crisis hit, I lost all my clients. But my husband, a CPA, seemed to be gaining clients. **I was like, "I'm definitely in the wrong field."**

At the end of 2018, I felt stressed and needed something other than work to focus on for a couple of hours a day. **I started boxing and kickboxing regularly in January 2019, and I quickly fell in love with it.** Eventually, I was training so much that I joked, "You'd think I was prepping for competition." My trainer said, "Actually, that's not a bad idea."

I wake up at 4:30 a.m. every weekday. I have a coffee, then I do 50 minutes of weight training. After work, I go to the gym. All told, I train almost 20 hours a week.

In order to train as much as I do, I have to work with sponsors. It's super difficult in the amateur scene to find them. Especially when you're a woman—forget it. I've secured a few, but I need to find more. **I wish that people would fund more female athletes.**

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