



Canadian Automobile Dealers Association

Reviewing Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime

Presented to: Finance Canada
Presented by: Canadian Automobile Dealers Association
Date: May 18, 2018



Overview

The Canadian Automobile Dealers Association (CADA) is the national association for franchised automobile dealerships that sell new cars and trucks. CADA deals with national issues that affect the well-being of franchised automobile and truck dealers. The association also advocates dealer views and concerns to Parliament, federal agencies, the courts, the public and Canada's automobile manufacturers.

We represent over 3,200 active small and medium-size businesses. Our members employ over 150,000 Canadians in every province, city, town, and village in the country. In the midst of what is likely to be a fifth consecutive record year for new car sales and total dealership retail sales, automobile dealers represent one of the most valuable source of tax revenues for governments at all levels, paying tens of billions of dollars annually in taxes.

Canada's franchised new car dealers represent one of Canada's widest-ranging small and medium-sized business sectors. Dealers require significant capital investment in physical stores and in inventory, each of which are typically worth millions of dollars and require large-scale financing and risk-taking on the part of the dealer to ensure the success of the business.

Reviewing Canada's Money Laundering and Terrorist Financing Regime

Of course, dealers are always supportive of the government's efforts to combat the scourge of money laundering and terrorist financing. We have participated over the years in much progress towards these important objectives, and our members are acutely aware of their special responsibilities in this regard given the big-ticket and high-value nature of the items they sell.

Annually our member stores sell nearly \$120 billion worth of goods and services to Canadian consumers. This number is equal to nearly six per cent of GDP. It also represents more than 20 per cent of all retail sales that happen in Canada every year.

So far in 2018, growth in our industry has been consistent after five straight record years for new car sales. The investments the government made in the auto industry such as the \$13 billion credit facility backstop have worked and have made the taxpayer a profit.

Organized crime is an issue of great concern to our members. Our retail locations are too often targeted by the concerted effort of criminal organizations to steal large numbers of vehicles, often with values totaling millions of dollars. As a national association, we have a long history of cooperation with the government when it comes to cracking down on organized crime.



Our team has served as part of the federal government's Business Network on Crime Prevention and worked with Ministry of Justice on the creation of stolen vehicle legislation that also specifically targeted the trafficking of stolen vehicle parts and the export of stolen vehicles from Canada.

CADA has surveyed and consistently found that large transactions involving large sums of physical cash are very rare in our sector and are consistently tracked by current banking practices. Our research indicates that hard cash transactions in excess of \$10,000 represent less than 1 per cent of sales. Most importantly when these types of transactions do take place, they are fully documented at the dealership and at the dealer's financial institutions. For new car sales in total, 92 per cent were financed either through loan or lease last year. Of the remaining 8 per cent, only a tiny share were physical cash transactions.

Car dealers are a special breed in the retail landscape. We sell very large ticket items. We have a much smaller number of total transactions than other retail stores that sell a greater volume of smaller goods and services. Between the manufacturer and the dealer and between the dealer and the customer, there is extensive documentation of all new vehicle transactions that take place in Canada, and how these transactions are financed. Because of this extensive tracking of inventory to purchaser, any physical cash transaction over the current \$10,000 amount is already captured by the bank.

A very straightforward but rare example would be that of a customer who buys a vehicle and pays cash. That vehicle would then be tracked as leaving the inventory, and the bank or financial institution providing floor plan financing would be alerted to the fact that the car was sold. From there, the cash deposit for the car would also be reported and tracked by the bank upon deposit.

Dealerships that would avoid this reporting process, risk the cancellation of their franchise agreement, a risk far greater than a simple fine. That said, as strong corporate citizens, CADA and its members are ready to cooperate with the government with regard to the documentation of these transactions, however rare they may be.

CADA would recommend that it is worth pausing and ensuring that any new regulations will actually deliver results before targeting new sectors of the economy. CADA is ready to cooperate with the government on any initiative that makes life harder for criminal organizations. Our record on these issues is clear and will not waver.