

HISTORICAL NOTES  
ATTACHMENT No. 1.

CHAPTER I

With the revelations of the Royal Commission on Espionage, which was subsequent to the Igor Gouzenko spy trials in 1945, the security community in Canada became more poignantly aware of the threat to Canada's security as posed by international Communism. This increased awareness did not mean that the Canadian Government and the appropriate Security Agencies were not previously cognizant of the security threat from international Communism. On the contrary, Government Agencies, and this Force particularly, had been investigating and observing Communism from its earliest inception into Canada and were well aware of its spreading tentacles of international subversion. Nevertheless, the defection of Gouzenko opened up new vistas as to the extent of this international threat and increased the appreciation for more stringent means of security policies and practices. Therefore, in outlining a thumb-nail sketch of national security as we know it today, concentration will be based solely on the post-Gouzenko era. In doing so, however, it is hoped that members will appreciate that an intelligence community was in existence prior to and during the past World War, and that this Force had an Intelligence Section actively engaged in combatting subversion from Fascism as well as Communism. In fact, although it is generally accepted that international Communism is our greatest foe, it must be realized that subversion can take other insidious forms, and that our security responsi-

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bilities do not rest solely on combatting Communism. For example, the threat posed by the terrorist activities in the Quebec Separatist Movement certainly could be considered as a security threat. In effect, although our main resources in the field of security are directed against Communism, we must not lose sight of the fact that our security efforts should be flexible enough to be able to be directed towards any group or activity whose aims are inimical to the aims of our present structure of society as we know it, or, whose goal is the eventual overthrow of our present system of democratic government by forceful or subversive means.

Royal Commission - R.C.M.P.

The years following the Gouzenko disclosures were years of re-orientation, re-organization and expansion. The implementation of the Royal Commission's recommendations placed a tremendous burden upon the shoulders of the security community and particularly the R.C.M. Police, and we moved directly into the field of security screening. The R.C.M. Police, as a result of the Royal Commission, undertook the screening of government employees, immigrants and applicants for Canadian citizenship. At the same time, we were to effectively act as an intelligence gathering body and effectively counteract Soviet espionage activity.

Although specific terms of reference were not provided to the R.C.M. Police, it was clear from the recommendations of the Royal Commission and various discussions and directives which emanated from the Government at the time, that

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the Force was expected to carry out five different intelligence and security tasks. These were:

- 1) to make plans for the detention of known and suspected subversives in the event of an emergency;
- 2) to provide evaluated factual reports for security clearances required by the government;
- 3) to discover and, where advisable, to counter-espionage operations by hostile intelligence services;
- 4) to penetrate effectively the overt and secret apparatuses of the Communist movement in this country, other than espionage nets; and
- 5) to provide and to train others to provide for the physical security of certain properties in both peace and war (emergency planning).

As can be seen, these enumerated tasks were varied and complex, and as they have a direct bearing on the present structural set-up of our Security and Intelligence they will be examined more closely in the following chapter dealing with "I" Directorate components and responsibilities, and are mentioned here only to show the scope of our responsibilities and the direct connection to the events following the Royal Commission on Espionage.

Royal Commission - Security Community  
Generally

As a result of experiences gathered from this

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Royal Commission on Espionage, certain other recommendations were forthcoming, and although this paper will not cover all the recommendations of this Commission, the undermentioned few do have a direct bearing on the present security community, and it is felt that no paper on security would be complete without referring to them. They are:

- 1) that proper authorities in each service, department and organization take such steps as may be considered desirable and effective in the light of this report and all the evidence and exhibits, to prevent further unauthorized transmission of information and to set up further safeguards;
- 2) that all security measures should be co-ordinated and rendered as uniform as possible; and
- 3) that consideration be given to any additional security measures which would be practical to prevent infiltration into positions of trust in the government, of persons likely to commit acts such as those described in this report.

IN OTHER WORDS, TIGHTEN SECURITY TO PROTECT CANADA'S NATIONAL INTERESTS.

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ESTABLISHMENT OF THE SECURITY PANEL

To implement these broad recommendations of the Royal Commission on espionage, the Cabinet decided to establish an independent Security Panel in mid-1946. In its decision, the Cabinet specified that the Panel was to be comprised of the Secretary of the Cabinet acting as Chairman, a Vice-Chairman, the Directors of Intelligence of the three Armed Services, the Director General of Defence and the Commissioner of the R.C.M. Police. Provision was made for any government department, not permanently represented on the panel, to bring matters to the attention of the panel and to have a representative present during any panel discussions of a matter in which a department was directly concerned.

The terms of reference for the Security Panel were:

- (1) To advise the Cabinet on the co-ordination of planning, organization and execution of security measures which affect government departments; and
- (2) To advise on such other security questions as may be referred to it.<sup>1</sup>

On these terms the Panel undertook the responsibility for recommending for Cabinet approval broad terms of reference under which security policies and procedures would be carried out, and the responsibilities of acting in an advisory

<sup>1</sup>  
(I.P.10.3.7 Privy Council letter dated 18-6-46)

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capacity to the various government departments and agencies regarding physical and personnel security. The Panel was given no executive power, but exercised in direct control. As can be seen, the Security Panel's terms of reference were consistent with the recommendations of the Royal Commission on Espionage which were enumerated in part on Page 6 and 7.

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#### ESTABLISHMENT OF SECURITY SUB-PANEL

On April 9, 1953 the Cabinet approved re-constitution of the Security Panel and the establishment of a Security Sub-Panel. The Sub-Panel was given full authority to deal with all inter-departmental security problems other than those involving major policy decisions or particularly difficult security cases. The Security Panel was left free to deal only with the more serious problems of policy, and for this purpose was reconstituted at the Deputy Minister's level.

Members of the Sub-Panel consisted of a senior official from each department represented on the Security Panel. While the Sub-Panel enjoys some degree of autonomy, the Chairman of the Sub-Panel must consult with the Chairman of the Security Panel for guidance where the line of demarcation between matters to be handled between the two bodies are not clearly defined.

#### DEPARTMENTAL SECURITY OFFICERS

With the stress on inter-departmental security in Canadian Government Departments, whereby each government department is responsible for its own physical and personnel security, the necessity of having appointed officials conversant with intricate matters of security was soon realized. Therefore, competent, knowledgeable persons were appointed as Departmental Security Officers to act on behalf of the Deputy Minister in matters of security.

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SECURITY SCREENING

One of the first tasks of the Security Panel was to obtain Cabinet approval of broad policy to cover security screening generally within which the government departments and agencies might formulate their own policies and procedures to meet their particular requirements.

The principles of security screening or vetting as it was originally called, were set out in a December 12, 1946 memorandum to the Cabinet Defence Committee by the Security Panel. Vetting was described as "the processes of enquiring into the antecedents of applicants for government employment to determine their suitability from a security point of view". Consideration was given to the advisability of drawing up a list of criteria by which "suitability from a security point of view" might be determined, but the opinion was held that any decision affecting an applicant so employed must permit the exercise of judgement based on the circumstances of each individual case. The best criteria devised and generally accepted is that when "after careful examination of all the available information pertinent to both loyalty and character provided by a private investigative agency in the form of an evaluated factual report, a continuing doubt of loyalty or reliability remains in the mind of a reasonable man, and when national security is involved, that doubt must be resolved in favour of the State".<sup>1</sup>

<sup>1</sup>  
(I.P. 10.3.7 7-10-46).

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As stated in this 1946 memorandum, the vetting to be carried out at the request of government departments was of two types:

- (i) A file check - containing information readily available covering such aspects as police records.
- (ii) A special enquiry - entailing complete personal investigation through all available sources. The Panel recommended that a special enquiry <sup>be</sup> requested by departments only on applicants who are being considered for employment on work classified as "Secret" or "Top Secret".

The responsibility determining who was to be subject to vetting and what action was to be taken on the results was made exclusively that of the employing department or agency. The R.C.M. Police was not called upon to comment or make recommendations on the security risk presented by any person vetted. In conclusion, the memorandum emphasizes that the success of the security screening program depended heavily on the maintenance of good liaison between employing departments and the R.C.M. Police.

From the preceding paragraph it can be readily seen that our roll in the security community is clearly defined as a fact-finding investigative agency only, and that

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the decision as to the security of individuals employed in departments rests entirely with the respective department.

SECURITY COMMUNITY

The following concisely show the components of the security community and their respective positions within it, and will serve to relate to you the various functions and responsibilities of each.

Security Panel - Executive Arm

Security Sub-Panel - Administrative Arm

Departmental Security Officer  
(on behalf of the Head of the Department) -  
Judicial Arm

R.C.M. Police - Technical Support Service  
(fact finding investigative agency) -  
Technical Arm

CABINET DIRECTIVES

It is not the intent to deal in great length with each Cabinet Directive respecting security that has been issued by the Cabinet. However, to show continuity we will touch briefly on the highlights of these Directives, beginning with the first through to our present Cabinet Directive. Only passing mention will be made to the last Directive which will be covered more fully in subsequent chapters as, it is the basis of our present policy. To supplement this highlight, the various Cabinet Directives will be set out in Appendixes (a) to (e) at the end of this book, and it is suggested that all members

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thoroughly familiarize themselves with these directives if they wish a full appreciation of the historical development of policy.

CABINET DIRECTIVE # 4

Following Cabinet approval of the principles outlined in the December 12, 1946 memorandum to the Cabinet Defence Committee by the Security Panel, terms of reference for a security screening program were drawn up. These were issued as Cabinet Directive # 4 on the 5th of March, 1948. In recognition of the fact that the requirements of departments and agencies would vary considerably, the Directive did not attempt to lay down any hard and fast rules for security screening; rather it set forth a broad statement of the policy and procedures within which the program might function. No amendment of the existing law was contemplated as it was felt that the terms of the Civil Service Act were sufficiently broad to permit rejection of an applicant for employment on security grounds. Paragraph 4 of this Directive states:

"If the deputy head of a department (or government official in a comparable position) believes on grounds which appear reasonable to him that an applicant or employee of his department is or is likely to be unreliable in relation to security, he should be refused employment. Or, if already employed, he should either be transferred to a position in which he has no access to material of a confidential nature or dismissed".

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The procedures to be followed in putting the screening policy into effect were set out in Section 2 of the Directive. The Security Panel was made responsible for classifying certain departments and agencies as "vulnerable". For historical interests these departments were:

Office of the Prime Minister  
Privy Council Office  
Department of External Affairs  
Department of National Defence (including the  
Armed Forces and Defence Production)  
The R.C.M. Police  
Atomic Energy Control  
Canadian Arsenals Limited  
Canadian Commercial Corporation  
Eldorado Mining and Refining Limited  
National Research Council

The Directive required that complete security enquiries be made as expeditiously as possible by the R.C.M. Police concerning all persons employed in these vulnerable departments and agencies. All departments and agencies in consultation with the Security Panel were to classify sections and positions within their establishments in accordance with the nature of the duties performed. File checks were to be made upon persons employed in or having access to work of a confidential or restricted nature.

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The departments or agencies not under the Civil Service Commission and Crown Corporations were authorized to deal directly with the R.C.M. Police, with the Secretary of the Security Panel acting in a liaison capacity if necessary. The Security Panel was designated as the advisory body on all matters of procedure.

CABINET DIRECTIVE # 4 (a)

Cabinet Directive # 4 (a) was issued on April 1, 1948, and added to the general policy the following paragraph:

"Persons who are members of or associated with the Communist Party should not be employed by the government in positions of trust or upon work of a confidential character. The same rule is to apply to members of Fascist organizations".

CABINET DIRECTIVE # 24

Cabinet Directive # 24 was issued on September 19, 1952 and was the first Directive to take into account the element of character weaknesses as part of the necessary consideration to be made before a person could be employed by the Government in a position requiring access to classified information.

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CABINET DIRECTIVE # 29

Cabinet Directive # 29, dated 21 December, 1955, enlarged somewhat on Cabinet Directive # 24, by stating that:

"Persons who are unreliable from a security standpoint, not because they are disloyal but because of defects in their character which may lead to indiscretion or dishonesty, or may make them likely subjects of blackmail, must not be employed in any position where they may have access to classified information. Such defects of character may also make them unsuitable for employment on grounds other than security".

As can be seen, the basic factors involved in the various Cabinet Directives, contained the view that individual departments were responsible for the administration and execution of security screening procedures, and the R.C.M. Police was solely a fact-finding agency, whose responsibility is only to provide employing departments and agencies with an evaluated factual report of any check of records or field investigation it conducts at the request of the department or agency.

CABINET DIRECTIVE # 35

Cabinet Directive # 35 was subsequently published on December 18, 1963, and the basic principles of the preceding Directives were retained. There have been minor modifications but, as indicated previously, this last Directive will be thoroughly discussed in a later chapter.

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SECURITY SCREENING REQUIREMENTS

Cabinet Directive # 4 required complete security enquiries, i.e., a field investigation to be made concerning persons employed in or having access to work of a "Top Secret" or "Secret" nature. The persons employed in or having access to work of a confidential or restricted nature were only required to be the subject of a file check, that is a records check.

Cabinet Directive # 24, in a slightly different approach, required that before the person could be employed in a position requiring access to "Secret" and "Top Secret" information, he must be made the subject of a file check. This file check, however, was considered to be the minimum security requirement, and deputy heads of departments were authorized to request, when they felt it necessary, a complete field investigation. In the case of persons having access to restricted or confidential information, the Civil Service Commission or Crown Agency were required to be satisfied as to the good character of these persons, following which the Deputy Minister of the employing department assumed responsibility for the person's access to classified material.

Cabinet Directive # 29 required that before a person could be employed in a position requiring access to "Secret" or "Top Secret" information, his name must be checked against the subversive records of the R.C.M. Police and he must be the subject of a fingerprint check. Both procedures

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were mandatory. In addition, like Cabinet Directive # 24, Deputy Heads of departments were authorized to request full field enquiries. With persons having access to confidential information, this Directive required a subversive records and fingerprint check as a mandatory procedure.

In 1959, as a result of the recommendations of the NATO Security Power to its member nations, the Canadian Security Panel agreed that

"a mandatory background investigation for clearance to "Top Secret" be made a part of the Canadian security policy".

The adoption of this policy, while removing the discretionary power of the Deputy Heads of departments, simply formalized a procedure already in practice in Canada. This policy, which will be seen when we study Cabinet Directive # 35, was made a mandatory requirement in this Directive.

Although the Royal Commission recommendations on security screening were related only to the protection of classified government information, in reality the process has a much wider application, such as in the field of screening of immigrants to Canada and Canadian Citizenship applications, however, these areas and others will be dealt with in detail later on in this book. It is important to remember, however, at this stage that the overall government policy applies to all phases of security.

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