



B. MONEY LAUNDERING

STRATEGIC CONSIDERATIONS

- Indicators suggest that money laundering, and the movement of illicit proceeds, occurs widely in several industries using legitimate and illegitimate means and that criminals involved in money laundering and money movement are not dissuaded by the requirement to report transactions above the \$10K CAD threshold. Instead OCGs act overtly by using legitimate businesses to overshadow their illegal activity.
- As noted by FINTRAC in 2016, financial systems and individuals in Canada are used by foreign OC to legitimize proceeds of crime and support international money laundering. This is of particular interest for BC, given the known presence and activity of Transnational OC (TNOC) in international drug trafficking, precursor chemical movement and smuggling, and money laundering.
- The use, or corruption of, professional service providers (e.g. lawyers, real estate agents, professional accountants etc.) continues to be used by OC groups (some of which can be considered professional money launderers) to facilitate significant money laundering. It is assessed that this will continue to pose a significant threat to BC.
- There are indicators that trade-based money laundering is occurring in BC. These were first noted in 2015 and remain present. Trade-based money laundering poses significant challenges for intelligence and enforcement agencies within the global public safety industry; as noted by FINTRAC, inter-agency analysis is required.
- Indicators suggest that a significant volume of illicit proceeds from OC in BC and the Yukon is laundered through informal financial systems, and investment in real estate and legitimate businesses. The true extent to which informal financial systems are used, at least for the initial money movement, is believed to be high but represents an intelligence gap.

OVERVIEW

Money laundering supports, and is required by, criminality and providing the service of organized money laundering is lucrative and with a perceived lesser risk of detection, enforcement, and disruption. OCGs build capacity and contacts who engage in money laundering and can be involved in one, or all, aspects of legitimizing funds and moving money. Money laundering swiftly moves from a provincial and territorial arena to a national or transnational context given the globalization of criminality and that formal and informal financial systems are utilized.



MONEY LAUNDERING – THREAT

What are the implications for law enforcement in BC and YT?

- The proceeds of both illicit drug trafficking and financial crime undertaken by OC continue to drive money laundering activity in BC. This is consistent with trends from other countries (e.g. UK); drug trafficking is a stable criminal market in BC and the Yukon. It is assessed that money laundering activity will increase in BC and Yukon over the next 12 to 24 months due to increasing smuggling and trafficking activity by OC, and because BC has become a transshipment point for illicit drugs.
- Canada remains a 'jurisdiction of primary concern' related to money laundering, as categorized by the US Department of State since 2015. The use of professional services remains as a key money laundering threat, whether through negligence or non-compliance.
- In 2016 FINTRAC assessed that financial systems and individuals in Canada are used by foreign OC to legitimize the proceeds of crime. The nexus between transnational organized crime (TNOG) and money laundering actors in Canada was also noted as posing a significant threat. This is of particular interest for BC, given the known presence of TNOG in the province, with known involvement in international drug trafficking and money laundering.

MONEY LAUNDERING – PRECIOUS METALS AND STONES

What are the implications for law enforcement BC and YT?

- Dealers in precious metals and stones (DPMS) are a highly vulnerable sector for money laundering – this sector is highly accessible and associated to large cash transactions and has a high degree of anonymity. As noted by FINTRAC some of these dealers are also associated to, or operate, informal value transfer systems, further increasing their ability to engage in money laundering. There is limited information and intelligence regarding DPMS in BC and Yukon and there are no current assessments regarding criminal use of this sector. Given the potential for money laundering and the global reach of the sector, additional strategic analysis and assessment is required. LE should consider engaging a joint effort with FINTRAC on this issue.
- Given the significance of the natural resource industry in northern BC and the Yukon and the opportunity for OC groups and/or criminal actors to leverage legitimate businesses for large scale money laundering, additional strategic analysis and assessment is required. Indicators of suspected money laundering activity should be developed and used to report operational intelligence to support enforcement.



INHERENT RISKS OF MONEY LAUNDERING

What are the implications for law enforcement in BC and YT?

- The products and services associated to the greatest vulnerabilities of BC's economic and financial sectors will remain readily available to OC in BC and the Yukon, as first noted by Department of Finance, Government of Canada, in 2015.
- Professional services remain as a potential high risk to facilitate money laundering, whether they operate as deposit-taking legitimate financial institutions, money service businesses, related businesses and professions (e.g. legal professionals, real estate agents and developers, DPMS), and corporations and trusts.
- In 2016, FINTRAC assessed that beneficial foreign ownership rules, combined with using corporate and legal vehicles, pose an increased threat for money laundering in Canada and that these processes are currently being utilized by OC in Canada. This is assessed as occurring in BC and the Yukon, but the full extent is unknown.